Reference
Cadent response to Statutory Consultation on proposed modifications to GT license (NLLC Re-opener Final Determination)

Date
13th January 2025

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Catherine Warrilow
The Office of Gas and Electricity Markets
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Correspondence sent by email to catherine.warrilow@ofgem.gov.uk

Dear Catherine,

Statutory consultation on proposed modifications to the special conditions of the gas transporter licences (SpC 3.22 New Large Load Connections Re-opener ('NLLRt'))

I am writing in response to Ofgem's proposal to modify the Special Conditions of the gas transporter license for SpC 3.22 New Large Load Connections Re-opener ('NLLRt') to implement the decisions from Ofgem's Final Determination of Cadent's January 2024 New Large Load Connections Re-Opener submission.

We are supportive of the approach to set allowances based on the outcome of delivery against a Price Control Deliverable. However, when applying the overhead adjustment that has been detailed in your Final Determinations (40% reduced to 11%), we have identified a discrepancy which we believe should amount to a PCD allowance that is £1.56m more than what has been provided.

The annex to this letter provides a more detailed breakdown.

We have valued Ofgem's constructive engagement throughout the re-opener process, and hope you find our feedback helpful.

If you would like to discuss any of our comments further, please contact jahirul.kashem@cadentgas.com.

Yours sincerely,

Howard Forster

Chief Operating Officer, Cadent Gas Ltd

Annex – Cadent's response to the proposed licence modification

Cost Assessment Discrepancy

For the New Large Load Connections Re-opener, we believe there has been an error that amounts to **£1.56m** which should have been included within our allowances. We have included a tab in the excel spreadsheet titled 'Cadent NLLC FD Calculations' sent with our response with our calculations, but to summarise:

- Eastern - The Final Determinations include a decision to apply a 11% attributable overhead on our direct costs for these projects. We have calculated the total cost when this is applied as **£8.36m,** which is greater than the value stated in the FD by **£0.87m**.

- North West - The Final Determinations include a decision to apply a 11% attributable overhead on our direct costs for these projects. We have calculated the total cost when this is applied as **£6.17m**, which is greater than the value stated in the FD by **£0.69m**. *(Note, **[Redacted]** project was no longer required following our submission, so this cost has not been included, and through SQs we had updated our costs for **[Redacted]** to ensure the correct price base was used and this has also been accounted for.)*

Annex 5: Modifications to Special Condition 3.22 held by Cadent Gas Limited. (page 18)

We have identified some errors within Annex 5 of Ofgem's proposed licence modification:

- The delivery dates for each of Cadent's New Large Load Connections projects is the **31st April 2026**, but this should be **31st March 2026**.

- For the North West projects, there is some inconsistency in the references used by Ofgem (pre-fix NSR or NWGR).

- The correct references as well as the associated site names for the relevant projects are provided. All should have an NSR pre-fix as detailed in our re-opener application.

Site Name	Licence Mods Draft	Correct Project Reference
[Redacted]	NWGR225500	NSR7583
[Redacted]	NWGR235359	NSR6232
[Redacted]	NWGR235383	NSR6019
[Redacted]	NWGR235390	NSR7712
[Redacted]	NWGR235402	NSR7980
[Redacted]	NWGR235533	NSR8035

Table 1: Corrected project references (NW)

Tables 2 and 3 below, are our proposed modified tables from the statutory consultation document with updated figures reflecting the 11% overhead and correct project references. The corrections are highlighted in yellow.

GDN	Fields	Description
EoE	Projects	NSR8521 £1.72m • a non-contiguous lay of 4.34km of 315mm PE to connect two ends of the medium pressure system NSR3491 £0.38m • non-contiguous lay of 1624m of 355mm MP PE main NSR6894 £0.40m • elevate the governor from 1900 to 2 bar

		NSR7386 £0.04m • non-contiguous lay of 330m of 125mm MP PE main from existing 125mm PE main to existing 2" MP ST main NSR6840 £0.17m • non-contiguous lay approx. 475m of 250mm PE from existing 180mm PE main. NSR7300 £1.10m • Upgrade 22.7m of 180mm MP PE main to 250mm MP PE main. Rebuild district governor to generate a further 5000scm/h to meet project demand NSR7216 £1.08m • Rebuilt existing governor NSR8509 £0.76m • a contiguous lay of approx. 900 meters of 250mm MP PE main to connect 125mm with 250mm from the south NSR8413 £0.09m • a non-contiguous lay of approx. 304m of 180mm PE MP. NSR5870 £0.51m non-contiguous lay of 3.5km of 355mm PE medium pressure main starting at existing 400mm DI main to existing 355mmPE main.
NW	Projects	NSR4616 £0.19m • contiguous mains lay, combined with a minor pressure elevation to be delivered separately. The mains lay element would consist of 550m x 355mm medium pressure main, part of which is parallel with the existing 180mm PE medium pressure main NSR8271 £0.32m • lay approx. 1200m x 315mm PE MP to link this system with another MP system which has significantly more capacity to accept the load for the proposed Power Generation site. NSR7583 £0.61m • non-contiguous lay of 1,300m x 400mm medium pressure main. NSR6232 £0.2m • upsize the existing governor's regulators, components and outlet pipework. • requirement for downstream reinforcement due to standard dimension ratio issues (restricting flow) on the inlets to the LP/MP district governors. This additional work is to be delivered under a separate project, NWGR235402 NSR6019 £0.08m • non-contiguous lay of 240m x 250mm PE medium pressure main parallel to the existing main

		NSR7712 £2.39m • install a larger capacity IP-MP governor upstream with associated inlet and outlet mains of 50m of 250mm steel IP inlet main and 2km of 315mm PE MP outlet main. NSR7980 £0.34m • lay 1110m x 355mm PE MP parallel to existing mains on the downstream MP network due to flow restrictions downstream. There is also a requirement to upsize the existing governor, this additional work is to be delivered under a separate project NWGR235359 as above. NSR8035 £0.64m • lay of 1560m of non-contiguous 355mm PE main to reinforce the network.
EoE	Forecast Costs	£2.12m for projects expected to materialise in the later years of RIIO-GD2 based on historic experience. These forecast costs must be spent on projects occurring in years 4 and 5 and must demonstrate efficient costs that are in consumer's best interest.
NW	Forecast Costs	£1.39m for projects expected to materialise in the later years of RIIO-GD2 based on historic experience. These forecast costs must be spent on projects occurring in years 4 and 5 and must demonstrate efficient costs that are in consumer's best interest.

Table 2: New Large Load Connections Price Control Deliverables Projects

GDN	Output	Delivery Date	2021/22	2022/23	2023/24	2024/25	2025/26	Total
EoE	Forecast Costs	31/03/2026	0.00	0.00	0.00	1.06	1.06	2.12
EoE	NSR8521	31/03/2026	0.00	0.00	0.00	1.72	0.00	1.72
EoE	NSR3491	31/03/2026	0.35	0.03	0.00	0.00	0.00	0.38
EoE	NSR6894	31/03/2026	0.40	0.00	0.00	0.00	0.00	0.40
EoE	NSR7386	31/03/2026	0.00	0.04	0.00	0.00	0.00	0.04
EoE	NSR6840	31/03/2026	0.17	0.00	0.00	0.00	0.00	0.17
EoE	NSR7300	31/03/2026	0.00	0.00	0.00	1.10	0.00	1.10
EoE	NSR7216	31/03/2026	0.00	0.00	0.00	1.08	0.00	1.08
EoE	NSR8509	31/03/2026	0.00	0.00	0.00	0.76	0.00	0.76
EoE	NSR8413	31/03/2026	0.00	0.00	0.00	0.09	0.00	0.09
EoE	NSR5870	31/03/2026	0.51	0.00	0.00	0.00	0.00	0.51
NW	Forecast Costs	31/03/2026	0.00	0.00	0.00	0.69	0.69	1.38
NW	NSR4616	31/03/2026	0.19	0.00	0.00	0.00	0.00	0.19
NW	NSR8271	31/03/2026	0.00	0.00	0.00	0.32	0.00	0.32
NW	NSR7583	31/03/2026	0.01	0.60	0.01	0.00	0.00	0.61
NW	NSR6232	31/03/2026	0.00	0.00	0.2	0.00	0.00	0.20
NW	NSR6019	31/03/2026	0.00	0.08	0.00	0.00	0.00	0.08
NW	NSR7712	31/03/2026	0.00	0.44	1.95	0.00	0.00	2.39
NW	NSR7980	31/03/2026	0.00	0.00	0.34	0.00	0.00	0.34
NW	NSR8035	31/03/2026	0.00	0.00	0.64	0.00	0.00	0.64

Table 3: New Large Load Price Control Deliverable by Regulatory year (£m)