

10 February 2025

Re: Consultation on Ofgem's proposed Forward Work Programme for 2025 and 2026

Thank you for the opportunity to respond to the consultation on Ofgem's proposed forward work programme for the coming year.

About Northern Gas Networks

Northern Gas Networks (NGN) is the gas distributor for the north of England, northern Cumbria and most of Yorkshire. It transports gas to 2.7 million homes and businesses through a modern, reliable network of underground pipes covering more than 37,000 kilometres. It is also the region's rapid response team when a smell of gas is reported.

General comments on the Forward Work Programme for 2025 and 2026

We are broadly supportive of Ofgem's multiyear strategy and the five strategic priorities that underpin it. We also note the additional focus that will be given to the goal of moving to a clean power system by 2030.

This change in focus represents a significant challenge for Ofgem and the wider energy sector in general. In our view the only way in which this challenging target can be reached is by putting whole systems thinking at the heart of the decision-making process.

Both Clean Power 2030 and Ofgem's statutory duty to oversee a secure, affordable and fair energy transition for customers will require an innovative, multi-vector approach capable of identifying and harnessing the opportunities that emerging technologies and new ways of working throw up.

Ofgem needs to oversee a transformative shift in how energy networks operate. Innovation will be key, both in deploying proven solutions and developing new ideas to tackle emerging challenges such as:

- Strategic alignment - reaching consensus on mission-critical priorities and ensuring industry-wide deployment of proven innovations.



- Regulatory gaps - strengthening incentives for individual networks to adopt innovations that align with net-zero goals, even when direct financial benefits are limited.
- Disruptive innovation - maintaining a pipeline of groundbreaking ideas across distinct innovation types (network-driven, collectively agreed, and policy dependent) while ensuring effective deployment.

In response to these challenges, we believe Ofgem should leverage its leadership and soft powers with CEOs to drive collaboration among networks and ensure a coordinated approach to strategic innovation.

By driving collaboration, refining the regulatory framework, and establishing clear accountability, Ofgem can help accelerate the necessary sector transformation. This will require a new approach between Ofgem, networks, and key stakeholders to ensure shared responsibility and deliver sustained progress.

The importance of investability for the gas distribution sector

The gas distribution network will remain critical to our UK energy system needs over the coming decades and the UK Government has acknowledged that: 'the continued resilience of necessary infrastructure remains a key priority to maintain our safe, efficient and reliable gas networks'. This resilience imperative underlines a clear need for continued and significant investment in gas distribution in the decades to come.

We are encouraged that Ofgem has decided to introduce the notion of 'investability' into its future thinking, alongside its existing financeability assessment, to understand if the allowed return on equity is sufficient to retain and attract necessary equity investment. We welcome this as an important addition for the gas distribution sector.

Ensuring investability is critical for NGN to be able to deliver this investment and meet the needs of our customers. Specifically, investability means meeting the reasonable requirements of our equity and debt providers. Our planned investment implies a substantial amount of debt and under certain scenarios equity financing within the RII-GD3 period. It is also vitally important that the sector is able to retain existing investment in the face of increasingly competitive capital markets in the UK and worldwide.

I hope the above feedback is useful. If you require any further information please do not hesitate to contact me at gmoulds@northerngas.co.uk

Yours sincerely,

Greg Moulds
Head of Policy and Engagement