

Strategic overview of our RIIO-3 Business Plan 2026-2031

Keeping people warm
while protecting the planet



Cadent

Your Gas Network

Steve Fraser shares his ambitions for the RIIO-3 plan



Steve Fraser,
CEO

Q How is this plan different to the one you produced at RIIO-2?

A Our RIIO-2 plan set out to drive down our cost base and radically improve customer service – and I am now proud to say that we have made huge strides in making this business one that truly puts customers at the heart of what we do. We have massively improved our customers' satisfaction with our services and will have delivered c.£625m of operational efficiencies by the end of the RIIO-2 period. This has established us amongst the frontier customer service performers in the sector, and our RIIO-2 plan set Ofgem's comparative efficiency benchmark for the sector.

Our RIIO-3 plan is built on these strong foundations. **We will not stand still, and continue to push the boundaries for the sector.**

This plan will take us on the next step of our journey and continues to ensure we do the very best for our customers. We need to continue to invest to maintain the truly world class assets that we have, so that the gas network can play a crucial role in delivering net zero over the decades to come.

We need to do that whilst tackling some significant cost pressures (particularly in the mandated iron mains replacement programme) and continuing to ensure our component of customers' gas bills remains affordable, whilst continuing to protect the most vulnerable in society. **This plan, I believe, is a real manifestation of our purpose which is 'keeping people warm, while protecting the planet'.**

Q What would you say makes this plan stand out?

A We have set out seven areas in the plan where we are pushing the boundaries for the sector (see page 8), but two things in particular stand out for me over and above my relentless passion for delivering leading customer service at an efficient cost:

First, we have sought out, and trialled, best practice technology from other countries and have applied this learning to set out **an ambitious programme of work to drive methane leakage down.**

Our RIIO-3 plan will deliver an industry blueprint for integrating the rollout of leakage detection technologies (such as vehicle

mounted sensors) and a digital platform for leakage analytics which we have developed in RIIO-2. From this innovation, we have created a targeted intervention programme to address our leakiest assets (see case studies on page 45 and 46 in our plan). This will deliver an incremental 10% absolute reduction in leakage in RIIO-3, with investment that pays back to customers and society within 16 years (Ofgem's guideline for gas distribution investment). Our plan is also aligned to the Health and Safety Executive's (HSE's) 'minded-to' position on the safe management of these assets.

Second, we want to **build on the pioneering work we have undertaken in RIIO-2 in protecting what we do for the most vulnerable in society.** Our RIIO-3 plan delivers more support and impact for customers and society for 10% less funding. As an example, with this funding we will save an average £2,000 for at least 250,000 customers who are in fuel poverty. We will also deliver specific initiatives to support all 37 different types of vulnerability defined under the Priority Services Register (see our case studies on Centres for Warmth and the Direct Access for Welfare Services (DAWS) project on page 60 in our plan).

We hope Ofgem will support our proposals to maintain network assets that the UK can rightly be proud of, which continue to provide people with warmth, and power industry every day, whilst playing an active role in delivering net zero.

Transporting critical energy for the UK

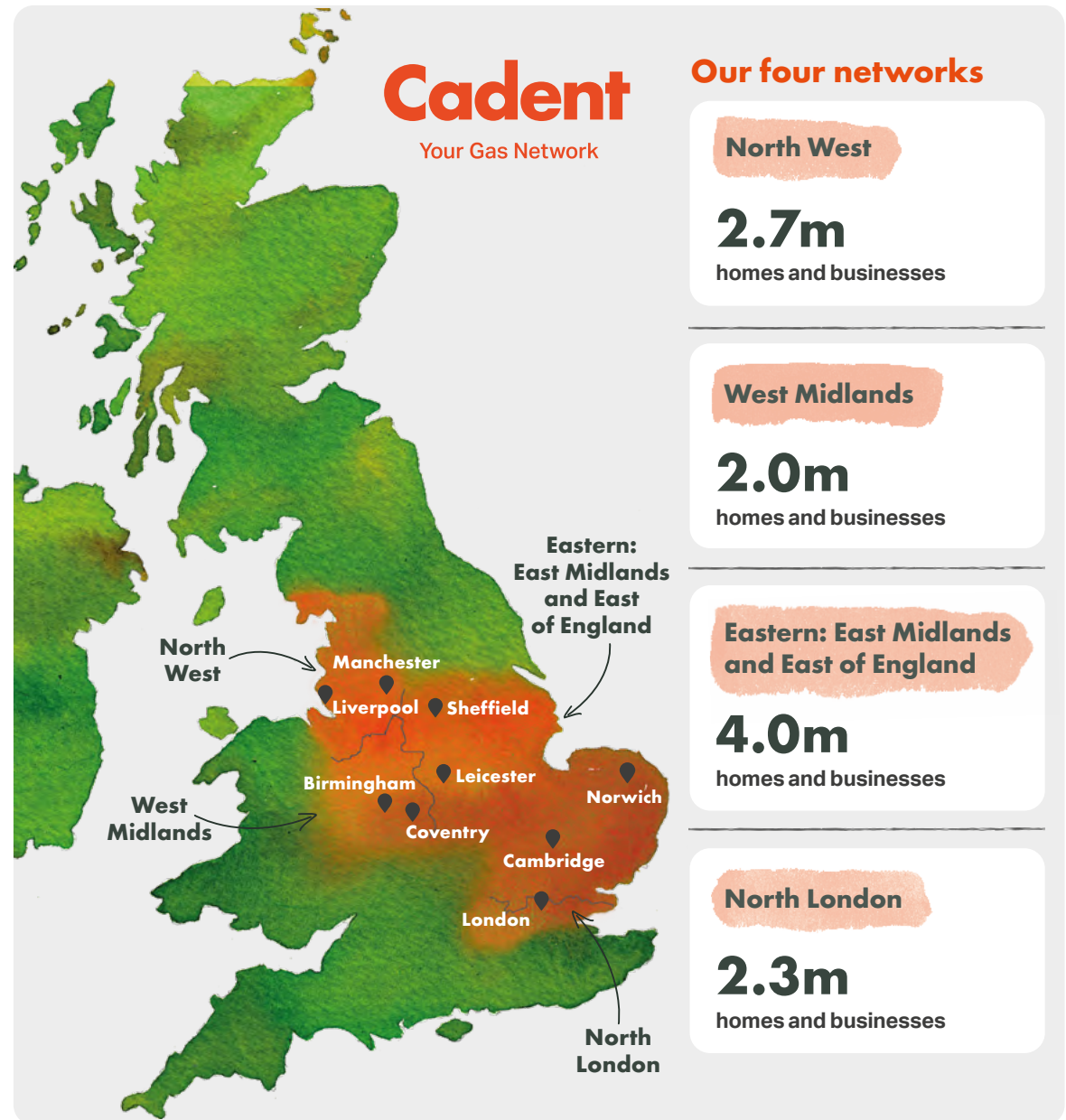
We are, by some way, the largest gas distribution company in the UK, delivering gas to c.11 million homes, businesses and 40,000 industrial customers. We feed 188 power stations and connect 45 biomethane production plants and 14 compressed natural gas offtake sites.

In doing this, we are responsible for maintaining our network, ensuring that it operates safely and reliably for those who rely on it. We also help homes, businesses and renewable gas suppliers connect to our network.

Collectively our networks carry almost as much energy as the entire UK electricity network does today and include the three largest cities of London, Birmingham and Manchester. Our networks have very different characteristics, however, given the diverse regions they cover.

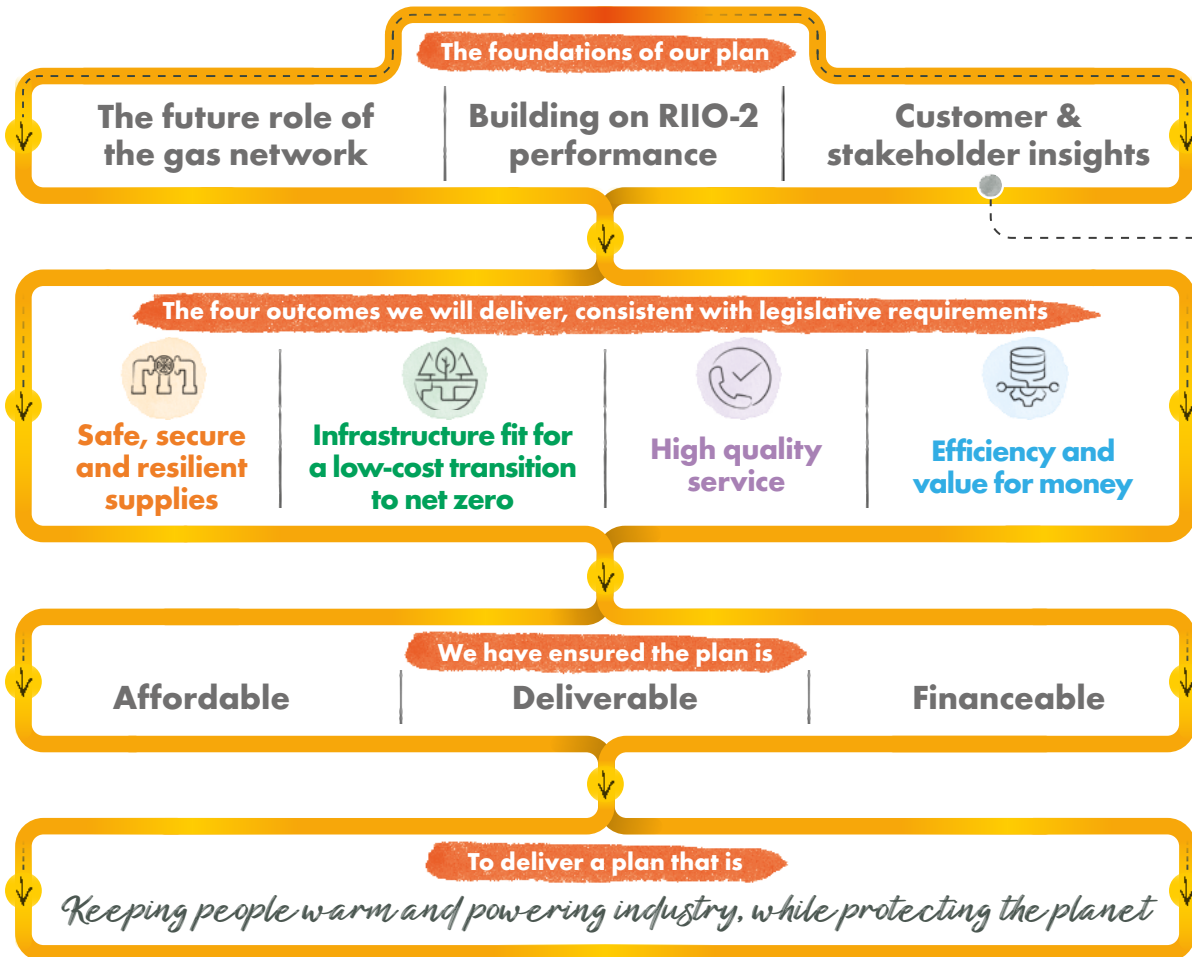
Our North West network is unique in that 40% of the gas is used for industry. In contrast, our North London network is dominated by a metropolitan landscape of high rise and multi-occupancy buildings with a more transient customer base.

Our West Midlands network covers major urban and industrial areas including Birmingham. The Eastern network is more complex and spans the urban areas of the East Midlands, the rural and coastal areas of East Anglia and South Yorkshire, and the borders with London.



The golden thread of our plan

There is a central ‘golden thread’ running through our plan, linking the solid foundations we have established to the four key outcomes set out by Ofgem, which we have embraced in our plan, and that our customers and stakeholders expect from us. We have ensured the overall plan is affordable, deliverable and financeable, ultimately delivering a plan that is not standing still, but pushing the sector forward to support our customers.



We have engaged with a wide number of stakeholders across the outcome areas

	Safe and resilient	Net zero	High quality	Efficiency
Policy makers and influencers	12	24	3	11
Interested parties and consumer interest bodies	11	11	146	13
Wider industry and supply chain partners	35	35	22	>200
Partners and enablers	120	7	46	105
Customers	>50k	>50k	>50k	>50k

The five key customer insights

- 1 Continue to invest in the network to at least maintain safety, reliability and resilience standards
- 2 Keep services affordable
- 3 Maintain high levels of customer service, enhanced through digitalisation
- 4 Ensure that the most vulnerable are supported
- 5 Drive the delivery of net zero

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Around 35% of the nation's energy needs are transported through our networks, and hence we provide critical infrastructure to keep customers warm, and power businesses and industry across the regions we serve.

It is essential therefore that we continue to target investment in our network to deliver a safe, reliable and resilient service whilst also ensuring that customers pay no more than necessary.

We also want to play a leading role in the transition to net zero and provide resilience to the UK energy system, whatever the decarbonisation pathway we follow.

We have built this plan on three solid foundations, which we explain in more detail:

Foundation 1: A realistic view of the future role of the gas network, which is based on robust analysis of the likely pathway the country might practically follow as we seek to deliver net zero.

Foundation 2: Performance that puts us amongst the frontier companies as we exit the RIIO-2 period and which we can build on for RIIO-3.

Foundation 3: A robust understanding of what our customers and stakeholders expect now, and in the future, from the gas network.

Foundation 1 – The future role of the gas network

The gas network will play a vital role for customers now and for several decades to come.

We have very much led the way for the gas sector in seeking to understand and articulate what role the gas network is likely to play over the coming years. This was encapsulated in the report we published in May 2024 entitled **The future of the gas network – the crucial role gas networks will play in delivering net zero.**

The report considered evidence from a variety of sources including the Climate Change Committee, Energy System Operator Future Energy Scenarios, academic research and experience from other European countries. The report concluded that the gas network is going to be around for many years to come (the 2040s and beyond), and that it will play a central role in the delivery of net zero. In addition, through our customer insight work, **only 3% of the customers we surveyed** stated a firm intention to replace their gas heating appliance in the next 5-7 years.

We will need to ensure sufficient ongoing investment in the operation and maintenance of the network to ensure it is safe and reliable. We also will need to drive innovation and think differently about our role. We need to promote the use of hybrid heating technologies (that enable customers to change their heating systems more easily); reduce our methane leakage; and substitute methane for green gases like biomethane and hydrogen.

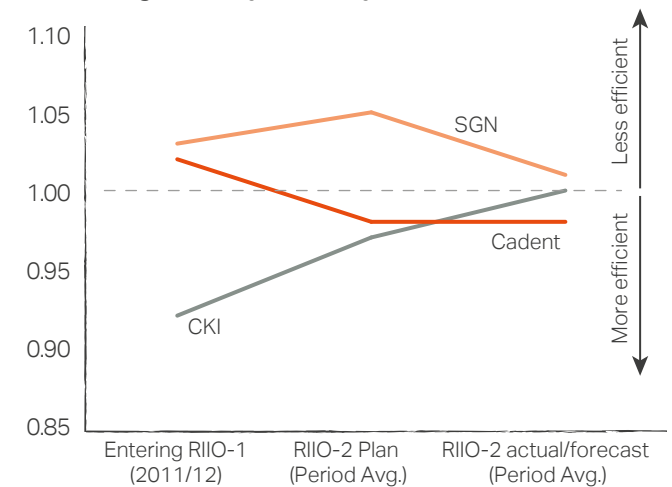
Foundation 2 – Building on strong performance in RIIO-2

We are in a great position to build on and leverage the strong performance we have delivered in RIIO-2.

We are proud of the progress we have made in delivering the commitments set out in our RIIO-2 business plan which has, and continues to, improve experiences for our customers (see Figure 2). We have now established ourselves amongst the frontier cost performers in the sector. Our RIIO-3 plan reflects that we are in a very different place to when we submitted our plans for RIIO-2.

Figure 1: Our analysis suggests we are now the most efficient ownership group, based on reported performance over RIIO-2.

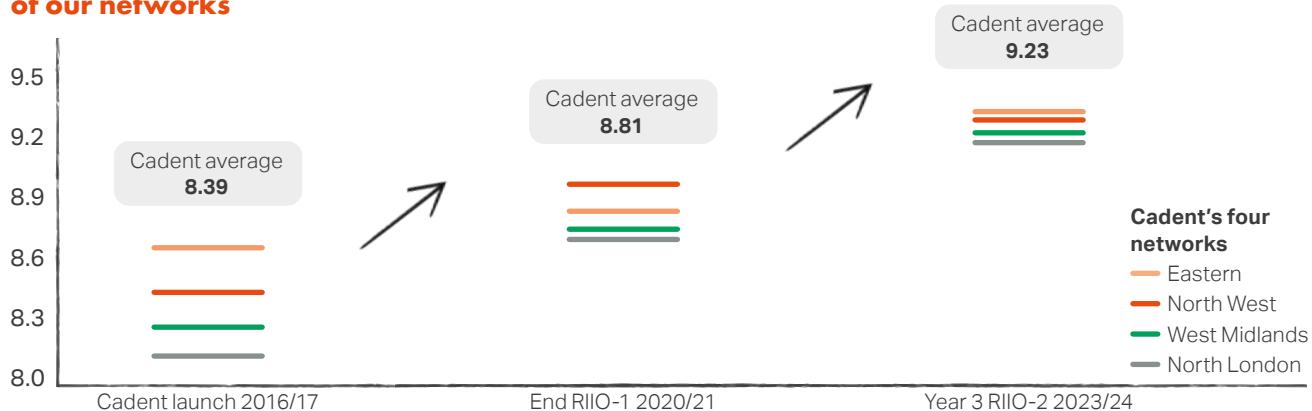
(1 is average industry efficiency and lower is better)



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Figure 2: We have continued to improve our customer satisfaction scores over RIIO-2 across all of our networks



Foundation 3 – Customer and stakeholder insight

We have continued to understand what our customers' expectations are of us so that this plan would reflect that and not just be a 'plan for the regulator'.

Through our extensive customer and stakeholder engagement, we have a rich picture of what customers (and wider stakeholders) expect from us. We have published our findings over the last three years, including through our reports 'Listening and acting for consumers 2024' and our 'Energy Diaries'. Further detail on how we have used this insight is shown in our Stakeholder engagement and decision log Appendix 11. We have been effectively challenged throughout this process by our Independent Stakeholder Group who have given constructive challenge to ensure we provide a plan to Ofgem that delivers the right things for consumers and wider society. (See Statement from ISG Chair Appendix 12).

Notwithstanding this 'rich picture' of what our consumers and stakeholders want from us, we believe this can be summarised into five key insights:

- 1 Customers expect us to continue to invest in our network to at least maintain safety, reliability and resilience standards.
- 2 They see value in the services we provide but expect us to keep these services affordable.
- 3 We must maintain high levels of customer service and seek ways for continual improvement, especially as the world becomes increasingly digital.
- 4 There is a critical role for us in supporting customers living in vulnerable situations, especially in relation to fuel poverty.
- 5 There is an onus on us to drive the delivery of net zero, making large scale interventions and reducing greenhouse gas emissions.



To find out more about our consumer insight work, visit

[Cadent RIIO-3 Summary Report](#)

The Energy Diaries



[Energy Diaries](#)

Our outcomes

This plan is based on these foundations, and sets out what we intend to deliver over the next five years, and how. While there is much supporting analysis to justify what we plan to deliver and spend, our plan is actually very straightforward. It is built around the four key outcomes set out by Ofgem, which we have embraced for our plan.



The four key outcomes

1 Safe, secure and resilient supplies

To maintain investment in the gas network to ensure it continues to deliver world class safety, reliability and resilience.

2 Infrastructure fit for a low-cost transition to net zero

To drive down methane leakage from our pipes, we will reduce emissions of harmful greenhouse gases by rolling out the state-of-the-art technology we have invested in during RIIO-2.

3 High quality service

To drive a quality experience for all customers and to support customers in vulnerable situations by implementing and expanding the sector-leading initiatives we have developed over the past five years.

4 System efficiency and long-term value for money

To continue to innovate to reduce our costs, striving to be efficient in order to keep our component of the customer gas bill as low as possible, but also ensuring that the plan we put forward is investable, which is driven by the rate of return Ofgem sets and the overall incentive framework.

These four outcomes will be delivered by a diverse and skilled workforce united by our company purpose and empowered by new technology through our data and digitalisation strategy and continued innovation.

Our plan sets out the key interventions and investment we need to make to deliver these four outcomes which our customers rely on. This leads to a very similar workload to previous price controls, with the largest activity continuing to be the Iron Mains Risk Reduction Programme (IMRRP) and workload to target the most critical asset health related risks from ageing networks.

We have sought to test and ensure all our investments provide value for money for current and future customers, recognising the role that gas networks will play in any net zero pathway. We have also robustly tested the deliverability of our plans to ensure they are realistic. This has led to a reduction in the level of investment we are proposing in comparison to the draft submission made to Ofgem earlier in the year.

At the heart of the RIIO-3 plan is largely a continuance of delivering the core customer outcomes from RIIO-2 that our stakeholders and customers are satisfied with. We have highlighted 12 of these on page 7. There are also seven new commitments on page 8 which go above and beyond business as usual and, we believe, will set new industry standards.

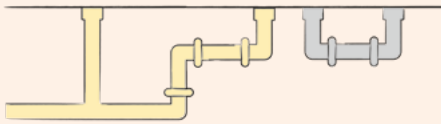
We then 'deep dive' into two of these commitments on page 9.



Maintaining a safe network

Replacing over **7,700km** of iron pipes with plastic ones to keep customers safe.

83% of the remaining mains replacement programme.



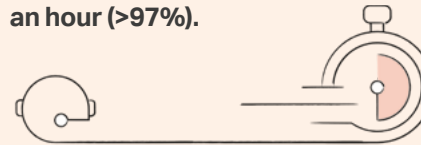
Maintaining excellent reliability

99.9% network reliability through smart asset management and seven targeted major programmes.

Only **1 in 3** customers will experience an unplanned gas interruption in their lifetime.

Delivering a rapid emergency response

Network emergency calls answered within **30** seconds (>90%) and the highest priority emergencies attended within an hour (>97%).



Keeping the network secure

Targeted operational resilience plans to manage evolving cyber, physical and climate change threats.



Reducing our business carbon footprint

Using science-based targets to deliver a **13%+** reduction from further decarbonising our vehicle fleet, property and energy usage.

Improving waste management

Reducing our environmental impact with a **2%** year-on-year reduction in waste to landfill and a range of other commitments.



12 commitments
from RIIO-2 we will continue to deliver to meet customers' ongoing needs in RIIO-3.

Making a positive impact

Offering every single household which is vulnerable as a result of a temporary gas supply outage a tailored package of personalised welfare (estimated **165,000**).

Providing excellent customer service

Maintaining upper-quartile customer satisfaction levels on emergency and repair, planned and connection services and complaint handling.



Continuing to drive efficiency

Building on £625m of efficiency gains over RIIO-2. Continuing to set Ofgem's efficiency benchmark for the sector with c.**£200m** of further ongoing efficiency savings.



Driving innovation

Strategy aligned to the four key customer outcomes and a deployment framework focusing on green operations, a smart network and a connected workplace.



Leveraging digital and data best practice

Creating a Data Sharing Infrastructure (DSI) and open data portal as well as making performance reporting more efficient.



Building workforce and supply chain resilience

Building capability, tackling skills gaps, driving efficiency through competition, collaboration and innovation, and driving workforce equity, diversity and inclusion.



In addition, our plan features

seven new standout commitments

which go above and beyond business as usual and we believe are industry firsts.

2

Pioneering an advanced leakage management approach deploying globally sourced advanced leakage detection technology across our networks, establishing a digital platform for analytics, which drives a targeted intervention programme delivering an additional **10%** leakage reduction and 104 ktCO₂ equivalent at a competitive abatement value and payback within 16 years. Generating a net societal benefit of >£420m by 2050.

5

Building on our sector-leading vulnerability strategy and initiatives to deliver more support to those in fuel poverty for less funding.

Delivering **50** more Centres for Warmth and expanding partnerships with National Health Services Charity Trusts via the Direct Access to Well-being Services project (DAWS).



3

Delivering insightful and open data from our 'Future Energy Explorer' with dedicated expert analysts to support regional and national whole system planning. Feeding insightful data into the National Energy System Operator (NESO) and Regional Strategic Energy Planners and working with local authorities and electricity distribution companies to determine practicable and efficient heat decarbonisation plans.

6

Keeping our major cities moving by reducing roadworks and congestion through collaborative streetworks schemes with other utilities and local authorities across our regions. Building on the success of the schemes in London in RIIO-2 we propose to expand this to other major cities in the areas we serve.

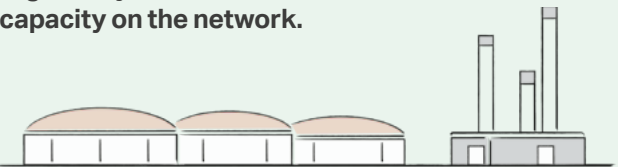
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Leveraging our Cadent Foundation funding and successful Services Beyond the Meter programme to **trial and create a blueprint for how gas distribution networks can help customers to stay safe in their homes** with the aim of reducing emergency callouts and vulnerability.



4

Unlocking biomethane potential by facilitating up to **15TWh** potential biomethane production to connect to our network by 2032 through a transformed commercial, operational and regulatory framework that creates capacity on the network.



7

Preparing for transition by establishing a new customer satisfaction survey for our disconnections process and working with the HSE and Ofgem to determine the policy framework and a low cost, safe and effective means to disconnect services.



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A deep dive into two of our standout commitments

Continuing to support the most vulnerable



Our approach to supporting people in vulnerable situations has set the standard for the industry in terms of the real and tangible difference we have made to many people's lives in our networks. This is set out in our Vulnerability strategy (Appendix 16).

Our RIIO-3 plan looks to embed well established services (e.g. carbon monoxide education initiatives) into our baseline activities and enhance activities such as our Centres for Warmth and Services Beyond the Meter through the Vulnerability and Carbon Monoxide Allowance (VCMA) (See case studies on page 60 in our plan).

Over the period, we will deliver even greater reach and impact than we have in RIIO-2, and yet are seeking a reduced financial allowance to achieve this (we are asking for c.£108m for RIIO-3, compared to £120m we received in RIIO-2, in 2023/24 prices). We are able to deliver more for less due to the high levels of investment during the current period, lessons we have learnt and through the establishment of an in-house expert team with over 200 years of collective experience operating in this space.

With this funding, we will deliver an average saving of £2,000 for 250,000 customers in fuel poverty through our actions (a total of £500m). We plan to deliver at least four specific initiatives to support

all 37 Priority Services Register (PSR) 'needs codes', and will offer every single household that is vulnerable as a result of a temporary gas supply outage (estimated to be 165,000 over the period) a tailored package of personalised welfare. We will also deliver Services Beyond the Meter to over 200,000 customers (e.g. in house safety checks) (See case study on page 37 in our plan), directly educate more than one million of our customers about the dangers of carbon monoxide and maintain and enhance legacy projects established in RIIO-2.

Driving a reduction in methane leakage



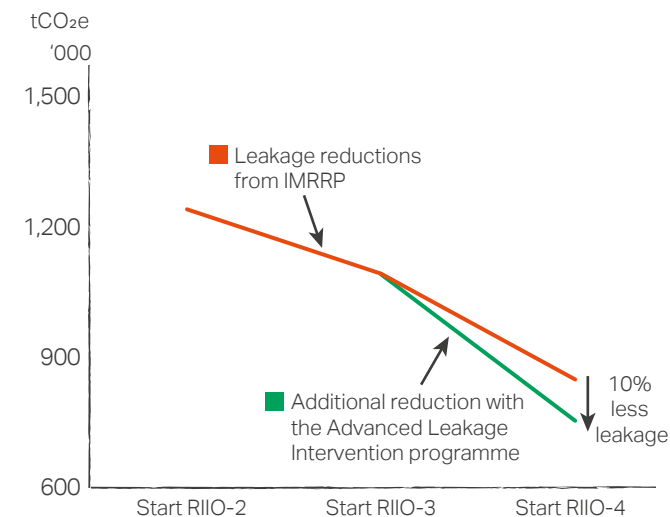
We are pushing the boundaries on driving down leakage from our network (our biggest greenhouse gas emission) through our **Advanced Leakage Management Approach (ALMA)**.

There are three components of our ALMA: Detect, Analyse, Intervene.

- 1 Deploying Advanced Leakage Detection (ALD) technology to capture real time, accurate leakage data.
- 2 Embedding a sophisticated Digital Platform for Leakage Analytics (DPLA) model to plan for the targeted repair and replacement of pipes with the highest leakage levels.
- 3 Delivering an Advanced Leakage Intervention Programme (ALIP). We will increasingly use the output from the ALD and DPLA to deliver a 750km proactive programme of asset remediation targeting our leakiest assets.

We estimate that we will achieve **a further 10% leakage reduction** during the period, generating a net societal benefit of more than £420m by 2050. This estimate is using data from our existing Shrinkage and Leakage Model and overlaying the results of our ALD trials to date. The ALIP initiative will add to the leakage reduction benefits that will be delivered through the HSE mandated Iron Mains Risk Reduction Programme (IMRRP).

Figure 3: We will deliver a step change in leakage reduction through advanced leakage management

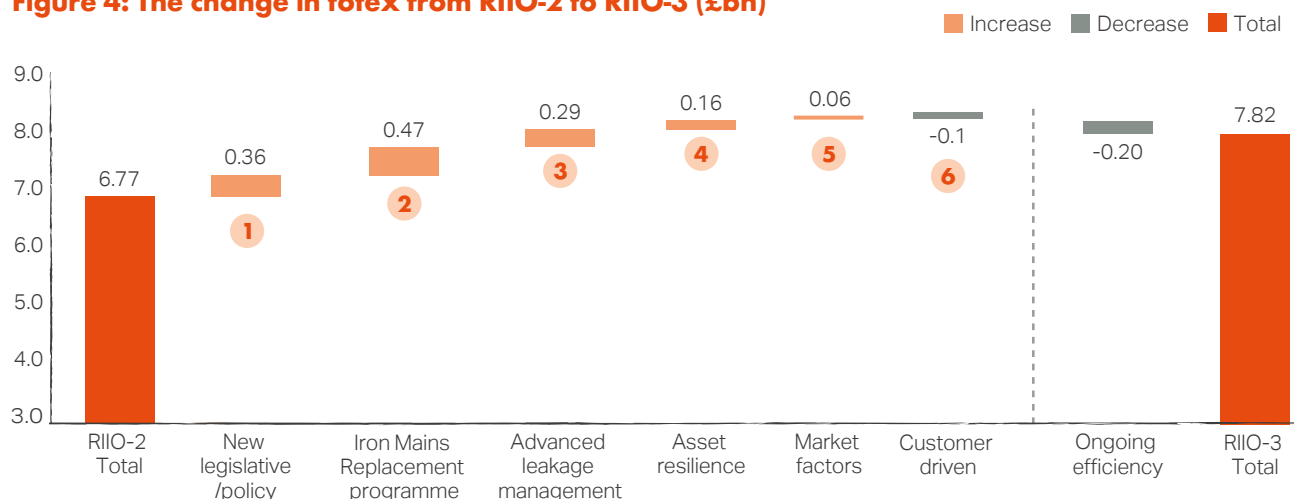


What we need to spend to deliver the outcomes our customers and stakeholders expect

We plan to spend **£7.82bn** (net of ongoing efficiency) over RIIO-3 across our four gas distribution networks which is an increase of **£1.05bn** for our four networks in real terms from our spend in RIIO-2. The increased spend is underpinned by six drivers:

- 1 The need to comply with evolving legislative, policy and licence obligations such as the cyber security assessment framework, workforce fatigue management requirements and streetworks regulations. ↑
- 2 A change in work mix to larger diameter pipes in more complex environments in the next phase of the iron mains replacement programme against supply chain competition within the sector and from other sectors. ↑
- 3 A cost beneficial advanced leakage management approach which will deliver a step change in leakage reduction. ↑
- 4 Asset health interventions to maintain a resilient network. ↑
- 5 Market factors such as insurance and rent increases. ↑
- 6 Customer/stakeholder driven requirements such as national and regional strategic planning and local capacity upgrades offset by reductions in new connections and reinforcements. ↓

Figure 4: The change in totex from RIIO-2 to RIIO-3 (£bn)



We continue to drive efficiency

Our plan aims to maintain our position as setting Ofgem’s industry efficiency benchmark (as we did for RIIO-2) and we are again setting stretching efficiency targets including an assumption of c.£200m of ongoing efficiency over RIIO-3 (0.5% p.a.). This is on top of the £625m of efficiencies we will have delivered by the end of RIIO-2.

We have developed our workforce and supply chain, innovation, and data and digitalisation strategies to continue the drive for efficiency through continuous improvement, and to mitigate the complexity and cost pressures that we face.

A financing framework that makes us investable at an efficient rate

We have set out evidence of what our debt and equity investors require to fund the outputs we are committing to.

We acknowledge Ofgem’s desire to balance the potential bill impacts on current and future generations of customers. However, given the uncertainty over the speed at which gas usage may change and the essential role that the gas networks will play for decades to come in any net zero pathway, we do not believe any further acceleration of depreciation is required for RIIO-3.

As requested by Ofgem, we have assessed our financeability on Ofgem’s designated depreciation baseline ‘Option 2’ which seeks to deliver a zero Regulatory Asset Value by 2050. We believe, however, that should Ofgem want to pursue accelerated depreciation, then it should apply its ‘Option 4’. This accelerates depreciation on new assets only, for a period commensurate with delivering net zero in 2050.

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What this means for customer bills and affordability

Gas distribution charges make up around 19% of an average domestic customer's annual gas bill (£157 out of an average annual bill of c.£845¹).

In this plan, we are very conscious of the need to keep our proportion of customers' gas bills as low as possible. We have therefore constrained our plan to only invest in the essential services we believe are required to meet our legislative requirements, and ones that provide value to current and future customers and wider society.

Figure 5 shows how our proposals would increase bills by £15 per annum (9%) from £157 at the end of RIIO-2 to £172 on average in RIIO-3, driven by increases in:

- anticipated expenditure (the c.£1bn totex increase shown in Figure 4 and associated costs such as tax.
- investor returns to debt and equity to ensure our plan is financeable, reflecting macroeconomic changes.

We also show how Ofgem's proposals relating to changes in its assumptions on how debt financing is dealt with, and different options for accelerating depreciation affect charges to customers. These changes could increase bills significantly beyond £172 up to £214 (a 36% increase vs RIIO-2).

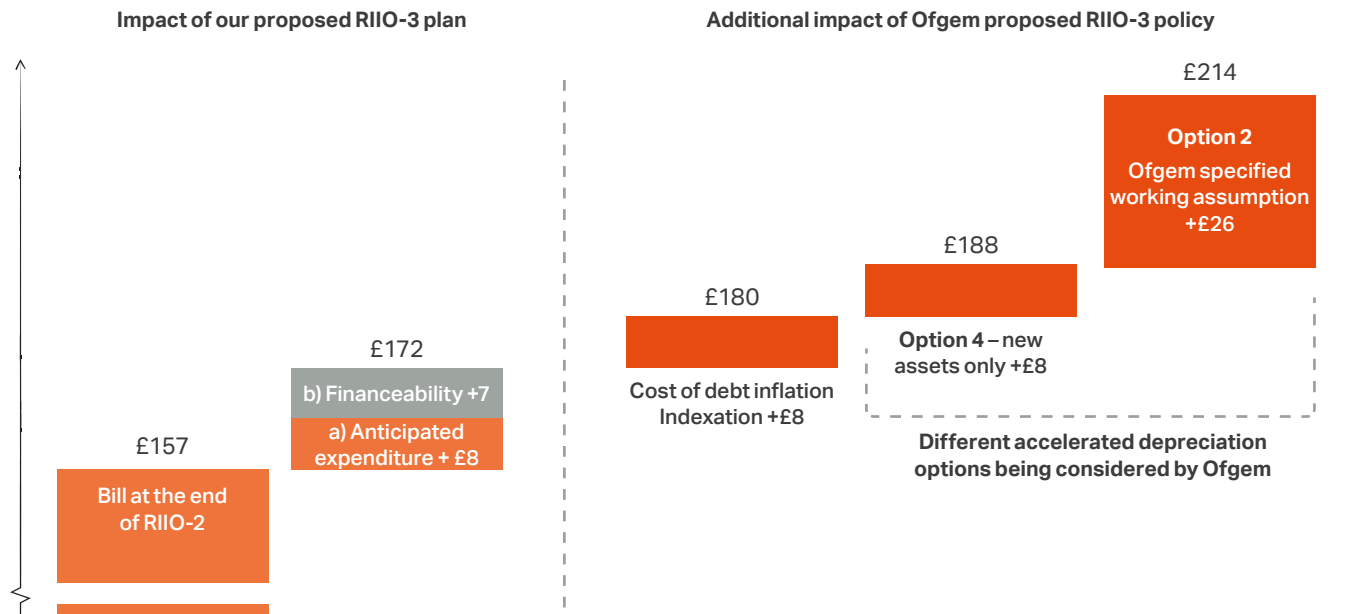
Our proposals would increase charges to customers to £172 in RIIO-3. These increases would also impact bills for industrial and commercial customers.

The figures all assume a constant number of customers at the current c.11 million customer supply points. The increases in charges would be larger if these customer numbers were to fall. For example, a 10% reduction in customer numbers would see an increase in charges of a further £26 per typical domestic customer.

Most customers see our plan as representing value for money

71% of customers we surveyed confirmed support for the proposals made in our plan as providing value for money through acceptability testing, despite rising bills and ongoing cost of living challenges faced by many. This compares with 82% support for our RIIO-2 plan, in a period when bills were falling significantly and the economy was far more buoyant.

Figure 5: The changes in contribution to the average domestic customer bill in RIIO-3



1. As per Jan 2025 energy price cap.



Infrastructure, investment and competition **2 3**

Providing essential heat to key UK industries – heavy plant, steel, glass, ceramic production – supporting UK supply chains and jobs.

Facilitating and stimulating a **rapid expansion** of home grown biomethane and hydrogen blending production markets.

Supporting the electricity market through supplying over **188** power stations (2.3GW).

Stimulating the UK hydrogen economy by developing industrial clusters to decarbonise industry.



Skills **4**

Directly employing over **7,000** people and a supply chain with over **5,300** jobs.

Stimulating new supply chains on larger diameter mains.

Award-winning engineering and graduate apprenticeship schemes and school outreach programmes.

Employee communities driving our Equity, Diversity & Inclusion strategy.

Sector leading support for female employees with greater female representation at senior levels.

An anti-racism focus, breaking down industry barriers.

We will deliver UK growth through a plan that is
keeping people warm, powering industry, while protecting the planet



Efficiency and productivity **5**

Ongoing efficiency of c.**£200m** over RIIO-3.

Digital innovations to drive more efficient and productive asset interventions.

Streetworks collaboration driving cross sector efficiency and productivity to reduce disruption, traffic congestion and pollution.

More social return for **10%** less consumer funding to support customers in vulnerable situations.

Saving an average **>£2,000** for **250,000** customers in fuel poverty.

Partnerships with the UK charity sector to amplify their reach and impact.



Environmental sustainability and innovation **7 1**

Bringing innovations from across the world to deploy and stimulate the UK market through our technology-led advanced leakage management approach.

Creating a blueprint for rolling out and integrating **advanced leakage detection**, a digital platform for analytics and a targeted leakage intervention programme to be replicated across the industry over RIIO-3 and beyond.

Facilitating the use of biomethane resources to **lower the UK carbon footprint**.

Seeking to repurpose and drive value from the investments made in our network to support the transition to net zero.

Reducing harm to the environment by **reducing our business carbon footprint by 13%** and continuing our strong progress on decarbonising our vehicle fleet.

