

Energy Licence Modification Appeals 2026

Summary of final determinations

29 October 2026

What is the GEMA decision under appeal to the CMA?

1. The Competition and Markets Authority (**CMA**) determines appeals about price controls in some regulated sectors, including gas distribution, when a regulated company or a company affected by a price control decides to appeal the decisions made by a regulator.
2. The price control decision appealed is that of the energy regulator, the Office of Gas and Electricity Markets (**Ofgem**) which is governed by the Gas and Electricity Markets Authority (**GEMA**), in which GEMA decided on 3 February 2026 to modify the gas transportation licences of gas distribution network companies (**GDNs**) in order to give effect to the RIIO-3¹ price control (**GEMA Decision**).² GEMA set out its decision about the scope of the RIIO-3 price control in Final Determinations dated 4 December 2025 (**FDs**).³ Under the FDs and GEMA Decision, GEMA set allowed revenues for GDNs in Great Britain for the five-year period from 1 April 2026 to 31 March 2031.
3. GEMA sets this price control every five years after considering factors such as the cost of operating the gas networks efficiently, plans for investment in infrastructure, and the appropriate return for investors in the GDNs. In doing so, GEMA must act in accordance with its statutory duties, including its principal objective to protect the interests of existing and future consumers.⁴ In this context, GEMA seeks to balance the interests of current and future consumers by ensuring that allowed revenues under the RIIO-3 price control are no higher than necessary.

¹ RIIO is an acronym for Revenue = Incentives + Innovation + Outputs and RIIO-3 refers to the third RIIO price control which GEMA has determined.

² Ofgem (2026) [Licence Modification Notice](#) of the Gas Transporter Licences held by licensees.

³ [RIIO-3 Final Determinations for the Electricity Transmission, Gas Distribution and Gas Transmission sectors | Ofgem](#)

⁴ Section 4AA(1) Gas Act 1986.

Who appealed the GEMA decision?

4. On 3 March 2026, five energy companies who operate GDNs in Great Britain⁵ (the **Appellants**) sought permission to appeal GEMA's Decision to the CMA pursuant to section 23B(3) of the Gas Act 1986 (**GA86**). They all appealed GEMA's Decision in respect of GEMA's assessment of the ongoing efficiency challenge (**OE**) that GEMA set as part of the price control. In addition, Southern Gas Networks plc and Scotland Gas Networks plc (together, **SGN**) appealed GEMA's Decision in respect of certain elements of GEMA's determination of SGN's RIIO-3 total expenditure allowances within that price control.
5. On 31 March 2026, the CMA granted permission to appeal to all Appellants on all of the grounds described above, subject to the condition that each of the Appellants' grounds of appeal relating to GEMA's assessment of OE, which each of the Appellants raised in their respective Notices of Appeal, be considered together.
6. On 23 April 2026, Citizens Advice applied for permission to intervene in the appeals. On 28 April 2026, the CMA granted Citizens Advice permission to intervene in relation to the grounds of appeal concerning GEMA's assessment of OE.⁶
7. The main submissions of the Appellants, GEMA (together the **Parties**) and Citizens Advice can be found on the CMA case page [here](#).

What has the CMA decided?

8. We have decided that the GEMA Decision was wrong on the basis of some of the grounds of appeal relating to OE and one of the SGN-specific grounds concerning the determination of its total expenditure allowances. In these matters, having carefully considered the evidence before us, we have taken different decisions from those indicated in our provisional determinations.⁷ We set out below, at a high level, the reasons why we have reached these decisions.
9. As part of our final determinations, we have issued an Order requiring GEMA to reconsider particular areas of the RIIO-3 price control in relation to which we have

⁵ Cadent Gas Limited (**Cadent**), Northern Gas Networks Limited (**NGN**), Southern Gas Networks plc and Scotland Gas Networks plc (**together, SGN**), and Wales & West Utilities Limited (**WWU**).

⁶ [CMA Decision on Permission to Intervene by Citizens Advice](#).

⁷ On 6 August 2026, we issued our provisional determinations in relation to OE to the Parties and Citizens Advice. On 14 August 2026, we issued our provisional determinations in relation to the SGN-specific grounds to SGN and GEMA and published a [Summary of provisional determinations](#) on our webpage.

decided it made errors. We have also published this high-level summary, which is not part of the final determinations but provides an overview for a wider audience.⁸

10. The CMA's role in energy appeals is not to revisit GEMA's entire decision and decide the whole matter afresh ourselves. The law requires us instead to decide whether the decision is wrong on the basis of one of five statutory grounds.⁹ We carry out our assessment in the context of the specific arguments put forward to us by appellants. In this case, we assessed a wide range of evidence provided to us by the Parties in their written submissions, responses to requests for information and in the teach-in and hearings and considered whether GEMA was wrong in reaching its decision on the specific issues appealed.

Ongoing efficiency (OE) grounds of appeal

11. The OE challenge reflects GEMA's assessment of the scope for productivity improvements that even the most efficient company in the sector should be able to achieve, for example, by adopting new technologies. In practice, it is applied as a reduction to the modelled cost allowances in the price control. The GDNs appealed GEMA's decision to set the OE challenge at 1% per year.
12. The GDNs argued that GEMA setting the OE challenge at 1% per year was too high and that GEMA was wrong in its:
 - (a) assumption that GDNs are insulated from the wider productivity slowdown in the UK economy;
 - (b) analysis of quantitative evidence (including historical data and forward-looking independent forecasts); and
 - (c) analysis of qualitative evidence.
13. We consider that GEMA was wrong in its analysis of qualitative evidence ((c) above). We found that GEMA, having determined a plausible range for OE of 0.7% to 1.3% based on quantitative evidence, needed to consider carefully whether the qualitative evidence (including its assumption that GDNs are insulated from wider productivity slowdowns) could support an OE challenge of 1% within its range. In this regard, we found that GEMA failed to consider all the positive and negative aspects of the qualitative factors and whether the net impact of the factors was likely to be minor or more substantial. It also used incorrect forecast data. We have therefore found that GEMA erred in setting the OE challenge.

⁸ The determinations themselves contain our decisions and the reasons. Any inconsistency in this summary is inadvertent and the determinations take precedence.

⁹ The statutory grounds are set out in section 23D(4)(a) to (e) GA86: GEMA, in taking its Decision, failed properly to have regard to (or to give appropriate weight to) its statutory duties; the GEMA Decision was based on errors of fact; GEMA's licence modifications failed to achieve their stated effect; and the GEMA Decision was wrong in law.

SGN total expenditure (totex) allowances grounds of appeal

14. SGN argued that GEMA was wrong in its determination of SGN's RIIO-3 totex allowances through:
 - (a) GEMA's decision to overwrite SGN's Tier 1 mains replacement expenditure (repex) forecasts by applying an industry-wide normalisation of forecast workload; and
 - (b) GEMA's use of a single totex regression model that combines multiple cost drivers into a single 'composite scale variable' (CSV) with uniform weights based on average industry costs in determining those allowances.
15. We agree with SGN that GEMA made errors in its decision to overwrite SGN's repex forecasts. With Tier 1 repex being a significant component of overall totex, GEMA was not wrong to have concerns about the quality of GDNs' forecasts, including SGN's, and to decide that it was necessary to normalise those forecasts. However, among other things, we found that GEMA did not properly consider all the relevant information available to it and whether its chosen normalisation option produced reasonable outcomes in respect of SGN's repex programme.
16. We found that GEMA was not wrong in its approach to the CSV.

What happens next?

17. We have ordered GEMA to look again at the issues where we have found in favour of the Appellants. We expect GEMA to complete this work in a timely manner to provide clarity for the remainder of the price control period.
18. A redacted version of the final determinations report will be published on our case page in due course.