RIIO-3 APPEALS 2026

Final determination Volume 4: Relief and glossary

29 October 2026



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7. Relief

Introduction

7.1 As set out in detail in our assessments above, we have found GEMA's decisions to proceed with modifications of the gas transportation licences of the Appellants by means of its Decision to be wrong in the following areas:

(a) on one aspect of the Appellants' appeals on Ground 1 (ongoing efficiency - OE) where, in respect of the Qualitative Matter, we have found that GEMA was wrong in law (under section 23D(4)(e) of the GA86) because it failed to take into account some relevant considerations and took into account an irrelevant one;[1] and

(b) on one aspect of SGN's appeal on Ground 2A (SGN's repex forecasts) where we have found that GEMA was wrong in law (under section 23D(4)(e) of the GA86) because it failed to take into account some relevant considerations and took into account an irrelevant one in identifying and using a reliable proxy as part of its decision to normalise SGN's forecasts.[2]

7.2 Where we allow an appeal to any extent in relation to a price control decision, section 23E(2) of the GA86 stipulates that we must do one or more of the following:

(a) quash the decision (to the extent that the appeal is allowed);

(b) remit the matter back to GEMA for reconsideration and determination in accordance with any directions given by the CMA; and/or

(c) substitute the CMA's decision for that of GEMA (to the extent that the appeal is allowed) and give any directions to GEMA or any other party to the appeal.

7.3 These actions, which include the design and implementation of any associated remedies to correct the identified errors, are together generally described by the parties as 'relief'. In this section we use both 'relief' and 'remedies' to describe decisions made by the CMA on the consequences of our determinations of these appeals.

7.4 In coming to our decision on relief, we need to have regard to both our overriding objective of disposing of the appeals fairly, efficiently and at proportionate cost within the time limits prescribed by the GA86[3] and also GEMA's objectives and duties as set out in the GA86. In that context, we have to consider the practical

[1] Please see paragraph 5.445 of Volume 2, OE for further details.
[2] Please see paragraph 6.183 of Volume 3, Totex Model Allowances for further details.
[3] As described in Rule 4.1 of Energy Licence Modification Appeals: Competition and Markets Authority Rules (CMA70).

aspects associated with the timetable of an appeal. Having found the errors specified above, in deciding which of the approaches outlined in paragraph 7.2 above to apply we have had regard to:

(a) the nature of the errors we have found GEMA to have made;

(b) the feasibility of identifying and implementing an effective remedy within the timetable for these appeals;

(c) the costs associated with remittal of the matter to GEMA, including any costs associated with further delay to the relevant aspects of the price control;

(d) the existence of interlinkages between any remedy and other parts of the price control framework that are not subject to these appeals, which will affect the feasibility of a remedy to effectively address the error identified without wider consequence; and

(e) the benefits of any further consultation on the issues subject to the remedy, including consultation with third parties.

7.5 We note that if we decide to remit any matters to GEMA, we can do so with directions, which can be specific to the form of the proposed remedy. Our assessment in relation to each error therefore includes two decisions:

(a) Whether the remedies process is able to identify an effective remedy that will address the errors found in these appeals.

(b) If so, whether the implementation of that remedy should be through remittal to GEMA, in order that GEMA can implement the remedy, or through substitution of our decision for that of GEMA.

Ground 1: Ongoing efficiency

7.6 We have found in these final determinations that, for the reasons stated above at paragraph 7.1(a), GEMA erred in setting the OE challenge such that its Decision was wrong in law (section 23D(4)(e) of the GA86).

7.7 When filing their appeals, the Appellants requested that the Decision be quashed and that the CMA substitute that Decision with its own decision.[4] The Appellants also requested as relief that the OE should be set at no more than 0.5%.

7.8 Our starting point is that we consider it appropriate to quash GEMA's Decision insofar as it erred in law in setting the OE challenge at 1% on account of the Qualitative Matter. That is, because it failed to take account of some relevant

[4] NGN NoA, paragraphs 45 to 46. SGN NoA paragraphs, 474 to 476. Cadent NoA, paragraph 101 to 102. WWU NoA, paragraph 8.1.

considerations, and took into account an irrelevant consideration, when applying the qualitative factors to make a judgement about where between 0.7% and 1.3% to set that challenge. The question for us then to consider is whether substitution or remittal is the appropriate further step to ensure that the errors are corrected.

7.9 Having considered the Appellants' request regarding relief (set out at paragraph 7.7 above), we do not consider it appropriate for us to substitute GEMA's decision to set the OE challenge at 1% with our own decision. This is for a number of reasons:

(a) The errors we found comprise a failure by GEMA to take into account some relevant considerations, as well as taking into account an irrelevant one.

(b) We are mindful that, on remittal, GEMA as the industry regulator has significantly more sectoral experience and expertise than the CMA. That experience and expertise will enable GEMA to take account of the relevant considerations and to exercise the regulatory judgement that is properly a matter for it.

(c) We recognise that there may be interlinkages with other elements of the price control and GEMA is better placed to assess these.

(d) We are not in a position to implement an effective remedy within the statutory timetable for determining the appeals.

(e) GEMA will be able to turn its mind to the relevant considerations, consult with the parties to the extent it considers appropriate, and make a decision exercising its regulatory judgement, promptly and mitigating the further cost.

7.10 We have therefore decided to remit the matter back to GEMA for reconsideration and determination insofar as it concerns the application of the qualitative factors used to set the OE challenge.

7.11 In its reconsideration of the OE challenge, GEMA should have regard to the CMA's assessment in Volume 2.

7.12 We find that this approach as set out above is the most appropriate and proportionate approach for implementing relief under Ground 1.

Ground 2A: Overwriting of SGN's repex forecasts

7.13 We have found in these final determinations that, for the reasons stated above at paragraph 7.1(b), GEMA erred in normalising SGN's forecasts such that its decision was wrong in law (section 23D(4)(e) of the GA86).

7.14 SGN requested that the CMA correct this error by quashing GEMA's decision to apply an overwriting adjustment to SGN and substitute its own decision to the effect that removes GEMA's overwriting adjustment for SGN or, alternatively, replaces it with an adjustment that uses a consistent set of assumptions.[5]

7.15 Our starting point is that we consider it appropriate to quash GEMA's Decision insofar as it erred in law in identifying and using a reliable proxy as part of its decision to normalise SGN's repex forecasts (because it failed to take into account some relevant considerations and took into account an irrelevant one in identifying and using such a proxy). The question for us then to consider is whether substitution or remittal is the appropriate further step to ensure that the errors are corrected.

7.16 Having considered SGN's request regarding relief (set out at paragraph 7.14 above), we do not consider it appropriate to substitute GEMA's decision with our own. This is for the following reasons:

(a) The errors we found comprise a failure by GEMA to take into account some relevant considerations, as well as taking into account an irrelevant one.

(b) We are mindful that, on remittal, GEMA as the industry regulator has significantly more sectoral experience and expertise than the CMA. That experience and expertise will enable GEMA to take account of the relevant considerations and to exercise the regulatory judgement that is properly a matter for it.

(c) We recognise that there may be interlinkages with other elements of the price control and GEMA is better placed to assess these.

(d) We are not in a position to implement an effective remedy within the statutory timetable for determining the appeals.

(e) GEMA will be able to turn its mind to the relevant considerations, consult with SGN to the extent it considers appropriate, and make a decision exercising its regulatory judgement, promptly and mitigating the further cost.

7.17 We have therefore decided to remit the matter to GEMA for reconsideration and determination insofar as it concerns the identification and use of a reliable proxy in relation to the normalisation of SGN's repex forecasts.

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[5] SGN NoA paragraphs 160 and 254. SGN submitted that its preferred remedy was for the CMA to correct this error by removing the overwriting adjustment for SGN as it would reinstate SGN's submitted repex workload mix (but retain the adjustment for the other GDNs). SGN also submitted that alternatively, to the extent that it is considered necessary for all GDNs' repex forecasts to be adjusted, the CMA should apply WWU's decommission-to-lay assumption and technique assumption, as this would ensure that the assumptions are internally consistent and provide SGN with sufficient funding to continue to operate its network safely, SGN NoA, paragraphs 251 to 254.

7.18 In its reconsideration of SGN's repex forecasts, GEMA should have regard to the CMA's assessment in Volume 3, including the relevant considerations identified therein.

7.19 We find that this approach as set out above is the most appropriate and proportionate approach for implementing relief under Ground 2A.

Conduct of the remittals

7.20 We consider that the remittals need to be completed in a timely manner to provide clarity for all stakeholders for the remainder of the price control period.

7.21 We do not consider it appropriate to set down further directions. These are decisions that require an exercise of regulatory judgement and GEMA is better placed than us to decide how best to conduct the remittal process given its industry expertise and its deeper understanding of all the interlinkages across the price control.

Glossary

Term	Definition
AI	Artificial intelligence
Appellants	Collectively Cadent, NGN, SGN and WWU
BoE	Bank of England
BPDTs	Business Plan Data Templates
Cadent	Cadent Gas Limited
CA Intervention	On 23 April 2026, Citizens Advice applied for permission to intervene in the appeals
Capex	Capital expenditure
CAT	Competition Appeal Tribunal
CAWG	Cost Assessment Working Group
CMA	The Competition and Markets Authority
CMA70	Energy Licence Modification Appeals: Competition and Markets Authority Rules
CMA71	Energy Licence Modification Appeals: Competition and Markets Authority Guide
Comparator Sectors	Grant Thornton's choice of comparator sectors
Consultation Matter	Sub-error to SGN's alleged Ground 2A, namely that GEMA erred in failing to consult adequately on its approach to normalising GDNs' forecasts using the WWU proxy

Term	Definition
Cost Structure Matter	Sub-error to SGN's alleged Ground 2B, namely that GEMA's approach fails to reflect genuine differences between GDNs' cost structures and, by applying average weights to cost drivers, its approach is logically inconsistent with the GDN workloads it has approved
CSV	Composite Scale Variable
Data Matter	Sub-error to SGN's alleged Ground 2B, namely that GEMA has placed undue weight on historical data and has failed to account for exogenous structural changes to costs
D&D	Data and digitalisation
Decision	GEMA's decision dated 3 February 2026, modifying licence conditions to give effect to the RIIO-3 price control
DD(s)	GEMA's Draft Determinations published in July 2025
EA89	Electricity Act 1989
EU KLEMS	EU level analysis of capital (K), labour (L), energy (E), materials (M) and service (S) inputs
FD(s)	GEMA's Final Determinations for the gas distribution, gas transmission and electricity transmission sectors under the third RIIO price control framework, published on 4 December 2025
Frontier	Frontier Economics, adviser to NGN, SGN and WWU
Frontier Report	Assessment of GEMA's Approach to Setting Ongoing Efficiency at RIIO-3 dated 2 March 2026
GA86	Gas Act 1986
GD1 (or RIIO-GD1)	The RIIO-1 decision as applied to GDNs (also used to refer to the RIIO-1 price control period)
GD2 (or RIIO-GD2)	The RIIO-2 decision as applied to GDNs (also used to refer to the RIIO-2 price control period)

Term	Definition
GD3 (or RIIO-GD3)	The Decision as applied to GDNs (also used to refer to the RIIO-3 price control period)
GDNs	Gas Distribution Networks
GEMA	The Gas and Electricity Markets Authority
GEMA's Response	GEMA's response to the Appellants' NoAs and supporting documents dated 23 April 2026
GFC	Global Financial Crisis
GO	Gross Output
Ground 1	The Appellants' grounds of appeal relating to GEMA's decision to set the OE challenge at 1%
Ground 2	SGN's grounds of appeal relating to totex model allowances
Ground 2A	SGN's ground of appeal relating to GEMA's decision to overwrite its Tier 1 mains repex forecasts by applying an industry-wide normalisation
Ground 2B	SGN's ground of appeal relating to GEMA's use of a single totex regression model that combines multiple cost drivers into a single CSV with uniform weights in determining those allowances
HSE	The Health and Safety Executive
Identified Issues Matter	Sub-error to SGN's alleged Ground 2A, namely that GEMA applied the normalisation in circumstances where it only had concerns about two GDNs' forecasts (Cadent's and NGN's)
IMRRP	Iron Mains Risk Reduction Programme
Insulation Matter	One of three matters considered under Ground 1, namely was GEMA's decision wrong because GEMA erred in treating regulated network companies as insulated from wider productivity slowdowns in the UK economy
Intervener	Citizens Advice, intervener to Ground 1
IT&T	Information technology and telecoms

Term	Definition
NARMs	Network asset risk metrics
Necessity Matter	Sub-error to SGN's alleged Ground 2A, namely that the adjustments GEMA made were not necessary for effective benchmarking
NERA	NERA UK Limited, adviser to Cadent
NERA Report	Expert Report on GEMA's Approach to Ongoing Efficiency at RIIO-GD3 dated 27 February 2026
NGET	National Grid Electricity Transmission
NGN	Northern Gas Networks Limited
NoA	The Appellants' Notices of Appeal and supporting documents
OBR	Office of Budget Responsibility
OE	Ongoing Efficiency
Ofgem	The Office of Gas and Electricity Markets
Opex	Operating expenditure
PCD	Price control deliverable

Term	Definition
PD(s)	The CMA's provisional determinations issued on 6 August 2026 in relation to OE and 14 August 2026 in relation to the SGN-specific grounds
PE	Polyethylene
PR24	The price control in place for the water sector between 2025 and 2030
Qualitative Matter	One of three matters considered under Ground 1, namely was GEMA's decision wrong because GEMA erred in its use of qualitative factors in setting the OE challenge
Quantitative Matter	One of three matters considered under Ground 1, namely was GEMA's decision wrong because GEMA erred in its use of quantitative data in setting the OE challenge
RAV	Regulatory asset value
RCAV	Ratio of commissioned to abandoned volumes
Regulated Network Companies	Regulated network companies, namely the GDNs and the gas and electricity transmission companies
Reliable Proxy Matter	Sub-error to SGN's alleged Ground 2A, namely that GEMA relied on an inappropriate proxy as the basis for applying the normalisation
Repex	Replacement expenditure
Reply/ies	The Appellants' replies to GEMA's Response

Term	Definition
RFI/RFIs	Request(s) for Information
RIIO-1	GEMA's first RIIO price control, covering the period 1 April 2013 to 31 March 2021
RIIO-2	GEMA's second RIIO price control, covering the period 1 April 2021 to 31 March 2026
RIIO-3	GEMA's third RIIO price control, which set the revenues and outputs for relevant network companies for the five-year period from 1 April 2026 to 31 March 2031
RPEs	Real price effects
SGN	Southern Gas Networks plc and Scotland Gas Networks plc
SQ	Supplementary Questions
Teach-in	Factual teach-in delivered by the Appellants and GEMA on 29 April 2026
Technique Matter	Sub-error to SGN's alleged Ground 2A, namely that GEMA misapplied the normalisation adjustment by combining WWU's decommission-to-lay assumption with SGN's technique assumption
TFP	Total Factor Productivity
Top-down Matter	Sub-error to SGN's alleged Ground 2B, namely that GEMA's justification for adopting its top-down approach to CSV weights, and its reasons for rejecting SGN's proposed bottom-up approach, are flawed

Term	Definition
Totex	Total expenditure
Totex Report	Frontier Economics, Assessment of Two Aspects of GEMA's RIIO-GD3 cost assessment methodology dated 3 March 2026
TOs	Transmission Owners
VA	Value Added
WWU	Wales & West Utilities Limited