SGN

RIIO-GD2

Stakeholder Report
2024/25

Contents

1. Welcome Summary - 1.1 CEO Statement

As Chief Executive, it's my privilege to continue supporting our team in delivering the strategy and plans I helped shaped as CFO. Our network is a vital part of the UK's energy transition, providing safety, warmth and resilience to millions of households. Our modern infrastructure, enhanced by continuous investment, already carries green gases, aiding decarbonisation while ensuring supply security.

This strategy is transforming our organisation for the future while we maintain our focus on customers and frontline operations to always deliver safe, secure, resilient and increasingly sustainable energy to businesses and communities.

Improving performance
Our strategy builds on our heritage as a safe and reliable engineering organisation. We keep local gas networks running reliably, ensuring gas is available 99.9% of the time, even during the coldest weather. One of our key responsibilities is responding quickly to gas emergencies. We work hard to meet safety standards and reach Ofgem's target of a 97% response rate across both networks. In 2024/25 we also successfully replaced 1,013kms of mains to modern plastic pipework.

Thanks to our colleagues we've maintained an exceptional level of customer service, topping industry league tables for the ninth year. Scotland scored 9.45 while Southern improved to 9.28. Our focus on supporting the most vulnerable households allowed us to provide dedicated, meaningful help to 363,233 customers last year.

Investing in transformation
To balance the challenge of delivering our outputs against significant financial pressures arising from a shortfall in allowances, we are transforming our operations, to ensure everything we do helps our frontline deliver for our customers. In the south we are focused on enhancing our operational resilience by retaining key staff and rebuilding our contractor base, while recognising the higher market rate needed to secure contractors.

Our Transformation programme has now moved to delivery. We have brought together our corporate support service functions in a dedicated Business Services Centre. We are also investing in our offices, depots and a new national training centre in Scotland. We are building a pipeline of talent for the future by continuing to create dozens of apprenticeship and training opportunities each year while rolling out new tools, PPE and over 296 new vehicles in year five of RIIO-GD2.

Accelerating the energy transition
We're committed to helping all our customers navigate the energy transition, enabling choice in how they decarbonise. We already provide the equivalent of 354,186 homes in our regions with biomethane – a renewable, green gas made from sewage or agricultural waste – a figure that could hit 1m by the early 2030s.

We're also looking at how to blend 20% hydrogen into our network. This will help speed up the decarbonisation of communities and industry while ensuring reliable demand for new hydrogen producers.

This year, we're putting our engineering expertise and leadership in decarbonisation into action as our pioneering H100 Fife and LTS Futures projects go live. These projects will start delivering crucial evidence on hydrogen's role in the energy transition.

An ambitious, deliverable GD3 business plan
One of my first actions as CEO was submitting our RIIO-GD3 Business Plan, committing SGN to lead in safety, customer service and value for money. It was well received by our customers, stakeholders and our Independent Stakeholder Group (ISG).

Our plan clearly sets out the investment needed to keep customers safe and ensure reliable supply for our domestic, industrial and commercial customers, while also addressing the significant challenges in our southern regions.

As the path to net zero becomes clearer and the gas network remains essential for decades, we're focused on achieving a fair outcome that provides good value for our customers and stakeholders. Our business plan outlines the key projects to achieve this, supports growth in local communities and ensures value for money.

We are now entering the final year of GD2 on an upward trajectory with momentum which we'll carry into GD3.

Thanks to our colleagues we've maintained an exceptional level of customer service, topping industry league tables for the ninth year.

Simon Kilonback Chief Executive Officer

1.2 Key highlights

£613.3m
invested in our networks in 2024/25

We've repurposed 30kms of our LTS pipeline to test compatibility with hydrogen

We've engaged over **1,000** colleagues across our six networks

We've built a network of **134** Safe & Warm Community Partners

Our H100 project is ready to deliver green hydrogen through **8.4km** of network to hundreds of households

Our Scotland network is the **number one** network for customer satisfaction for the **ninth** year running

Southern increased its overall ranking position from 8th to mid-table, 6th position

363,233 vulnerable customers offered assistance or advice in 2024/25

2 Biodiversity awards for improvements project in Oban

£1,266.4m
turnover in 2024/25

1,887
new gas connections made during 2024/25

Gas Escapes Attendance in 2024/25

Scotland
99.46% within **one** hour
99.86% within **two** hours

Southern
98.03% within **one** hour
98.55% within **two** hours

We're delivering the equivalent of **354,186** homes with green gas

9 External Awards 2024/25

This year we achieved **276** Safe Days

Replaced **1,013km** of mains pipe in 2024/25

1.3 Our performance

Regulatory Asset Value

2024/25 (£bn nominal)	
Opening Value	7.3
Closing Value	7.7

Total Group Turnover

2024/25 (£bn nominal)	
Revenue	1.3

Delivery of Outputs
- Reliability
- Customer service
- Social obligations
- Environmental
- Price control deliverables
- Cyber security
- Vulnerable customer

% RoRe[1]
RIIO-GD2 Forecast
4.2%

Total Expenditure

(£bn)
GD2 Forecast Expenditure (18/19 prices)

Adjusted Allowances	2.8
Actual Costs	3.1
Efficiency	-7.6%

Workload Adjustments
- Connections
- Fuel poor connection
- Tier 2a

Incentives

Earned in 2024/25
£m – benefit 18/19 prices

Potential Reward	
Customer satisfaction Survey ODI	3.89
Shrinkage ODI	0.36
Collaborative streetworks ODI	1.53
Unplanned interruptions penalty	(2.95)
Total ODI	2.82

Financial Incentives

Potential Reward:
- Shrinkage management
- Customer satisfaction
- Collaborative Street works

Penalty only:
- Complaints metric
- Unplanned interruption

Innovation

Spend in 2024/25 (£m) 18/19 prices

Network Innovation Competition (NIC)	0.8*
Network Innovation Allowance (NIA)	5.8
Net Zero and reopener use it or lose it fund (NZARD)	1.8
Strategic Innovation Fund (SIF)	4.6
Net Zero and Small Projects reopener (NZASP)	0.0

* funding awarded in previous price control period

[1] Return on Regulatory Equity - Operational Performance (Notional basis)

2 Customer Bill Impact

We present two graphs showing the impact on customer bills.

Figure 1 shows the underlying bill changes excluding inflation, while Figure 2 shows the average bill in nominal prices, including inflation.

The data shows that customer bills, adjusted to 18/19 prices, are expected to decrease by nearly 22% from the first year of RIIO-GD1 to the final year of RIIO-GD2. The average bill during GD1 was £147, compared to a forecasted average bill of £125 in GD2 – a drop of 15% between the two periods.

As Figure 1 shows, bills remain stable over the GD2 period, changing slightly from £125 in 2021/22 to £122 in 2025/26. The exception is 2024/25, which reflects a significant reduction due to over-recovery of revenue from 2022/23 and 2023/24, linked to lower shrinkage costs, NTS costs and adjustments from the Government's super tax deduction scheme.

Figure 2 shows how inflation heavily affects the average bill impact in nominal terms, though these increases are still smaller than the overall inflation costs faced by consumers.

Figure 1

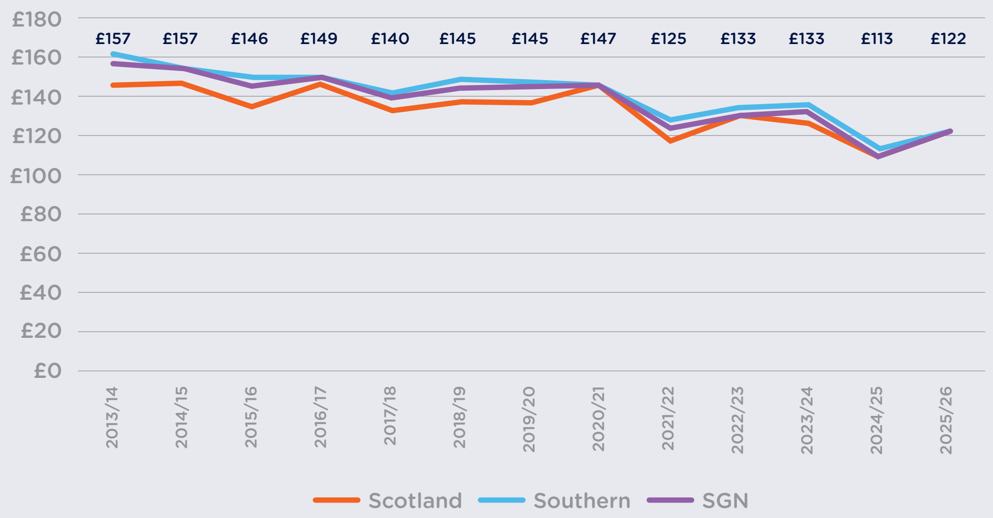


Figure 2

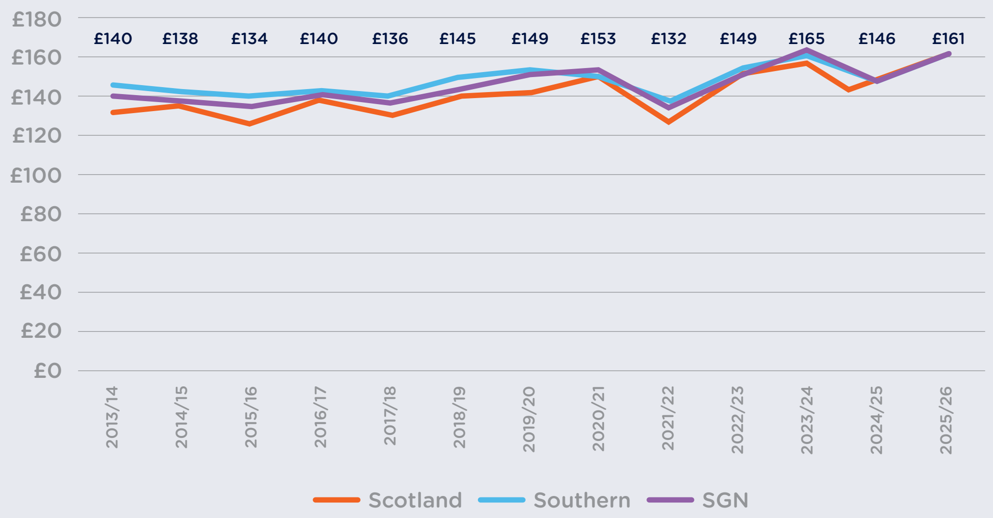
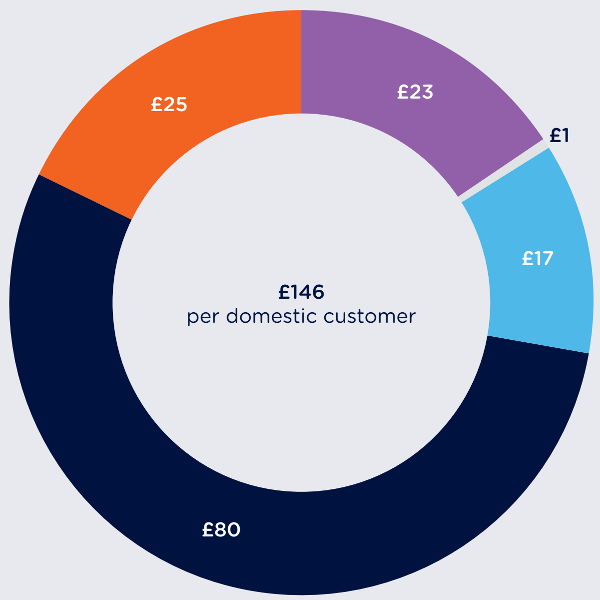


Figure 3

- Providing a 24 hour emergency and repair service
- Performance improvement incentives
- Operating and maintaining the network
- Network investment
- Taxes, licence and other fees



3 Delivering Totex – Fourth Year of RIIO-GD2

We remain fully committed to delivering our regulatory targets and meeting the expectation set for the RIIO-GD2 price control period. Over the past year, we've made clear progress in stabilising our operations and building momentum for long-term performance improvements.

As we've noted in previous years, there was a slow start to the early years of the RIIO-GD2 price control period, with lower spending due to external factors and challenges that delayed key projects. We also committed to working within the tight budget set by the RIIO-GD2 final determination.

Over the last three years, we've refocused on our contractor and skills supply chain to rebuild delivery capacity, both in operational resources and contractors needed to deliver Repex. It was recognised that this would drive significant over-expenditure, and this has come to fruition in 2024/25. This has come at a significant cost, with spending rising from £619m in 2023/24 to £721m in 2024/25. However, this increase is slightly lower than forecast in the previous year (£729m vs an outturn of £721m).

- **Delivering Tier 1 Repex**

Through the first three years of RIIO-GD2, SGN has been clear about the challenges we have faced in delivering Tier 1 repex in our Southern region. Constraints in the contractor market have limited our ability to meet our linear profile target, with the pool of contractors in the South of England particularly depleted due to factors such as Brexit, working practices post-Covid, an ageing construction workforce and high rates of competition from other utilities (telecoms, water and electricity).

Following several years of dedicated focus on rebuilding the supply chain in our Southern network, we were able to turn this around and deliver a significantly greater length of Tier 1 mains Repex. In 2023/24, we decommissioned 417km; this year, we have decommissioned 658km, exceeding our forecast of 600km. This step change in delivery has been one of the main drivers of the cost increase compared to the prior year forecast in our Southern network.

- **Increased costs**

In Year 4, we forecasted £490m in Southern network expenditure, but actual spending was £521m. This increase was mainly due to higher Repex costs, which rose from a forecast of £207m to £266m. However, this was partly offset by lower operating costs, which fell from £199m to £180m, and a £9m reduction in Capex, as some spend has been delayed to the final year.

In Scotland, 2024/25 spending fell by £38m from the previous forecast, dropping from £239m to £201m. This was due to lower-than-expected Opex and Capex. Repex costs in Scotland rose slightly, by £3m, compared to last year's forecast.

Table 1 - 2024-25 Totex performance[1]

£m 18/19 prices inc RPEs	Scotland			Southern			SGN		
	Actual	Allowance	Variance	Actual	Allowance	Variance	Actual	Allowance	Variance
Opex	80	79	-1%	180	139	-29%	259	217	-19%
Repex	65	65	0%	266	165	-62%	331	229	-44%
Capex	56	57	1%	75	76	2%	131	134	2%
Totex	201	200	0%	521	380	-37%	721	580	-24%

[1] All prices are stated as £18/19 values and should be increased by approximately 25% to bring to current day values.

4 Outlook for RIIO-GD2 period

In the final year of the RIIO-GD2 period, we remain focused on stronger day-to-day operations and laying the right foundations for a successful start to RIIO-GD3. We've worked hard to stabilise our contractor base in the Southern region to support recovery in our Tier 1 workload, and we're making sure our front-line colleagues have the support they need.

Table 4 shows the sharp contrast between performance expectations in our Southern and Scottish networks. Despite having the same management structures, processes and purchasing approaches in both regions, different cost pressures mean the outcomes look quite different. This clearly shows the unique challenges of operating in the South, where the cost allowances set in the RIIO-GD2 final determination have proven unachievable for a network in this region.

In Scotland, we expect to meet our workload and core output targets. We now forecast a 4% outperformance against our cost allowances, equal to £42m (in 18/19 prices). In last year's 2023/24 stakeholder report, we forecasted a 2% outperformance. This change is driven by higher total forecast costs for Opex (£3m) and Repex (£9m), partly offset by a lower Capex forecast (£18m). Another factor is the expected increase in allowances from our HSE Policy re-opener, which would help cover higher network operating costs linked to updated guidance on managing workplace fatigue. Ofgem is expected to decide on this over the summer.

In the Southern region, last year's report forecasted an 11% Totex underperformance, with overspending of £195m (18/19 prices). We now expect a 14% underperformance, with overspending rising to £259m (18/19 prices). As noted above, these higher costs are mainly due to rising labour and contractor rates affecting both Opex and Repex, along with a higher workload – 58km more of Repex Tier 1 mains delivered than we forecast in the 2023/24 report.

The updated forecast shows the ongoing operational and financial challenges we are facing as we work to meet our commitments in the Southern Licence area.

5 Company Strategy

Table 2 - Totex performance by year [2]

£m 18/19 prices inc RPEs	Scotland							
	2021/22	2022/23	2023/24	2024/25	2025/26	RIIO-GD2 Total	RIIO-GD2 Allowance	Variance
Opex	61	66	78	80	91	**376**	**382**	1%
Repex	50	58	62	65	66	**301**	**322**	7%
Capex	37	42	58	56	79	**272**	**287**	5%
Totex	**148**	**166**	**197**	**201**	**237**	**949**	**991**	**4%**

£m 18/19 prices inc RPEs	Southern							
	2021/22	2022/23	2023/24	2024/25	2025/26	RIIO-GD2 Total	RIIO-GD2 Allowance	Variance
Opex	113	132	169	180	202	**796**	**658**	-21%
Repex	149	148	182	266	242	**987**	**830**	-19%
Capex	47	67	71	75	74	**334**	**370**	10%
Totex	**309**	**347**	**422**	**521**	**519**	**2,117**	**1,858**	**-14%**

£m 18/19 prices inc RPEs	SGN							
	2021/22	2022/23	2023/24	2024/25	2025/26	RIIO-GD2 Total	RIIO-GD2 Allowance	Variance
Opex	174	199	247	259	294	**1,173**	**1,040**	-13%
Repex	199	206	244	331	308	**1,288**	**1,153**	-12%
Capex	83	108	129	131	153	**605**	**656**	8%
Totex	**457**	**513**	**619**	**721**	**756**	**3,066**	**2,849**	**-8%**

NB: RIIO-GD2 Allowance includes approved reopeners, as well as those in our pipeline log that we're highly likely to submit during future reopener windows. It also reflects an updated forecast for connection volumes. RPEs are based on figures published in March 2025. All figures exclude any proceeds from asset sales..

[2] All prices are stated as £18/19 values and should be increased by approximately 25% to bring to current day values.

Safety is at the heart of all we do at SGN, and this year we've strengthened our goal of becoming a zero-harm network for both colleagues and customers. We're continuing to promote positive behaviours that build trust and respect across our business.

In the fourth year of RIIO-GD2, we've remained committed to being an innovative company that actively supports the UK's target for net zero.

At the same time, it's still our duty to provide a safe and reliable gas supply, so looking after our existing network and our customers is a priority.

Supporting our most vulnerable customers
During the fourth year of our five-year strategy, our customers have continued to face unprecedented hardship. For many, the past 12 months have been incredibly challenging. Energy costs have risen by a further 18% compared to last year, worsening the cost-of-living crisis and pushing record numbers of people into energy debt.

Throughout the RIIO-GD2 price control period, our vulnerability strategy has had to evolve in response to the shifting social and economic landscape. The fourth year has been no different.

Far from being a minority issue, millions of households are struggling to afford household essentials including energy. National Energy Action (NEA) reports that over 6 million households are now in fuel poverty, and a record 4.3 million children are living in poverty. Many families now start the month without enough income to cover basic household expenses.

Compared to previous years, we're seeing more households worn down by the constant pressure of trying to get by each month. Millions are simply not able to make ends meet, with energy debt and arrears rising by 91% in the last two years. Each winter brings more fear for vulnerable households, with no end to their hardship in sight.

With that in mind, this year, we focused our efforts on energy affordability. Our aim has been to help households not just through the immediate energy crisis, but to improve financial resilience in the longer term. We know that alongside energy efficiency and behavioural advice, financially vulnerable households simply need more money each month. That's why we've invested more in new and existing partnerships that help households with debt management, benefit checks and applying for support schemes to improve the energy efficiency of hard-to-heat homes.

Our network and our people play a key role in keeping our communities safe and warm. All day, every day, our teams are trusted to enter customers' homes to respond to gas emergencies, upgrade gas pipes and connect homes to our network. In doing so our frontline teams see first-hand the struggles many customers face in keeping safe, warm and well. We remain committed to delivering excellent service and to never walking away from a customer in need.

This year, our frontline teams identified 13,056 vulnerable households needing extra help and referred them to our dedicated Careline team. Through Careline, these customers received 20,471 tailored support services, including funded gas appliance repairs, emergency fuel vouchers and access to partner services such as independent energy debt advice and benefits checks.

Marie Curie

Why we're working together
Thousands of people living with a terminal illness rely on home medical devices, such as ventilators and dialysis machines. This equipment plays a vital role in preserving people's health, comfort and dignity towards the end of their life. With this, comes an increase in energy bills. Recent Marie Curie research shows that a terminally ill person's energy bill can increase by as much as 75% over what they were paying before they were diagnosed. As a result, people diagnosed with a terminal illness are disproportionately at risk of falling into fuel poverty.

Together, we're supporting terminally ill people and their families across Britain who are in fuel poverty with dedicated support and advice services. In 2024, Marie Curie's 'Dying in Poverty' report, based on research by Loughborough University, revealed a deeply concerning analysis of how many people are dying in fuel poverty – at least 128,000 each year. That's more than 1 in 5 of all people who die and includes 110,000 pensioners. Last winter, as many as 44,000 terminally ill pensioners across Britain lost their Winter Fuel Payment.

How we're working together
We've established an energy advice service as part of Marie Curie's Information and Support Line. Dedicated Energy Support Officers (ESOs) help terminally ill people access financial support to address the underlying causes of fuel poverty. The ESOs have also trained the wider adviser team on dealing with energy-related issues and providing benefit and income maximisation checks.

We've raised awareness of this service through targeted multi-channel marketing campaigns. Our social media activity has generated over 188,000 views and we've also issued over 30,000 leaflets through Marie Curie charity shops.

Another integral part of our partnership is our co-designed training package for Marie Curie's community nurses, healthcare helpers and volunteers. This bespoke training helps frontline teams spot signs of a household in fuel poverty and empowers them to refer patients for further support.

Partnership impact
Since December 2022, our partnership has helped 5,884 people with support and information around energy bills and maximising household incomes via our dedicated ESOs.

We've carried out benefits checks for 15,685 households, helping customers identify an average of £185 per month in unclaimed benefits. Collectively, we've identified more than £2.9 million worth of benefits for people living with a terminal illness.

Key 2024/25 achievements

Customers supported via ESOs: **5,884**

PSR conversations to date: **5,213**

Benefit checks to date: **15,685**

Financial benefit to date: **£2.9m**

Marketing reach: **15,500**

Safety - Zero Harm, Zero exceptions
Safety is one of SGN's core values, and making sure all our staff and members of the public return home safely every day is a top priority. Zero Harm, Zero Exceptions was developed as part of the Protect Brand, in line with our revised health and safety strategy.

We have continued to follow our revised definition of a non-safe day, which includes incidents such as staff injuries, maximum operating pressure (MOPs) events, road traffic collisions (RTC 1s), cable strikes, and fatalities. Lower-level incidents are no longer included. Our target for 2024/25 was 285 safe days – the equivalent of 24 per month – measured on a cumulative basis. Against this target, we achieved 276 safe days, which is 21 more than in year three and shows clear progress.

The 2024/25 Safety Culture Improvement Plan (SCIP) focused on keeping our frontline staff engaged, listening to their views, and giving them a meaningful platform to share concerns, raise issues, and give positive feedback. Key outputs were:

- We have further embedded monthly face-to-face Protect briefings, delivering 11 sessions during 2024/25. Our target is to brief 80% of colleagues face-to-face each month, and to brief the remainder using crib sheets.
- Ninety-eight members of our leadership community conducted 461 Leadership Conversation visits , boosting visible leadership across our networks. They recorded all conversations to capture feedback and support continuous improvement.
- The Protect Champion community has grown to 90 volunteers across the business, including both operational and office-based roles. These Champions promote safety improvements and role-model the expected safety behaviours.
- We launched Protect Forums in December 2024, which run regionally to encourage frontline engagement. These forums provide a platform for frontline colleagues to raise safety concerns and receive feedback on safety initiatives. To date, we have held 18 Protect Forums.
- We have started development on in-house training for adverse event investigation.

Our target for 2024/25 was to maintain a Level 3 safety culture on the Hudson Safety Culture Maturity Scale. An independent pulse survey completed in November 2024 confirmed that we have successfully met this target.

The 2025/26 Safety Culture Improvement Plan will:

- Implement a safety learning framework, including the rollout of adverse event investigation training.
- Continue to improve and embed positive safety culture initiatives, such as monthly face-to-face Protect briefings, Leadership Conversation visits, Protect Champions, and Protect Forums.
- Refresh Protect messaging to make sure that safety messages are simple and easy to understand.

PROTECT
ZERO HARM DONE.
ZERO EXCEPTIONS.

Our innovative future

Over the past year, SGN has continued to drive innovation across our gas networks – maintaining a strong performance while preparing for a net zero future. We've focused on smarter, more efficient and sustainable systems, supported by new technologies.

Our work has followed two areas: Core Innovation, which improves safety, sustainability and operations, and Futures Innovation, which explores decarbonisation, emission reduction and customer-focused solutions.

As we approach the final year of RIIO-GD2, we're building capability, growing partnerships and developing insights to meet future demands in preparation for RIIO-GD3.

This year, we've grown our innovation network, strengthened collaboration with partners and academia and made real progress on projects that are transforming the gas network into a cleaner more efficient system.

Improving our environment

Our performance for the fourth year of RIIO-GD2 is currently behind where we would like to be, but we have continued to deliver positive outcomes throughout the year.

- We completed all habitat and biodiversity surveys. This has given us a clear understanding of the work needed to improve and enhance nature in these areas. This supports our biodiversity programme, which aims for a 10% biodiversity net gain over time.
- We carried out around 20 biodiversity improvement projects across our Scotland and Southern networks, and have more than a dozen still in progress. Each project is designed to strengthen local ecosystems and contribute to our biodiversity goals.
- In 2025/26, we plan to introduce an extra 30 small electric vans, bringing our zero-emission van fleet to 55 vehicles. A trial of a larger electric van has given us helpful insights into the practical challenges of using larger light commercial vehicles. Building on this, we plan to trial more large EVs in different areas to better understand how to change operations to support our long-term goal of a zero-emissions commercial fleet, where feasible.
- Our Business Carbon Footprint output: for the year 2024/25, we are below (i.e. we are meeting) our target for scope 1 and scope 2 excluding shrinkage emissions. However, we are currently in an amber status due to the current risk with the commercial fleet by the end of RIIO-GD2, a key element of scope 1 (see above comment).
- We updated our Sustainable Procurement Code, to make it clearer for our contractors and suppliers. This new version will first be shared with strategic and critical suppliers, and then with suppliers covering the top 80% of our annual spend.
- We scored "B" for the fifth year running for our CDP Climate Change disclosure. This puts us in the Management band – the same as the European regional average, and above the sector average of C for oil & gas storage and transportation.

Progress has been slower than planned in some areas. For example, uptake of zero emission vehicles has not kept pace with the ambitious targets we set at the start of RIIO-GD2, because of challenges in reducing emissions (which has been mentioned in the previous strategic commentary).

A review of our property portfolio and strategy has also delayed the rollout of direct-feed rooftop solar photovoltaic (PV) and LED lighting at depots and offices. To catch up in the final year of RIIO-GD2, we plan to install LED lighting at seven sites and solar panels at three locations, to reduce our location-based emissions from energy use (scope 2).

We are also increasing our engagement with the Sustainability Supply Chain School to boost collaboration with key contractors and suppliers. Through the school, they can access free resources such as learning materials, webinars and guidance on environment and sustainability.
We have also commissioned an external specialist to assess how long-term climate impacts could affect our assets across both networks. This is explained in more detail in our Climate Resilience Strategy, submitted with our RIIO-GD2 Business Plan.

Improving representation in our workforce

This year, we've continued to build on our commitment to equality, diversity, and inclusion by expanding the reach and impact of our employee networks. Over 1,000 colleagues now take part in our six networks, each providing a safe and empowering space for our increasingly diverse workforce.

In 2024, we proudly launched our newest employee network – Parents and Carers. This group was created as an inclusive space to support colleagues who are balancing work with caring responsibilities, whether as parents, guardians, or carers for loved ones.

Since its launch the network has grown to over 160 members and continues to expand. With almost one in seven people in the UK juggling work and caring responsibilities, it's vital to create a workplace where everyone feels seen, heard and supported.

The network has already played an important role in helping colleagues return to work after maternity leave. It offers guidance, peer support, and helps line managers create smooth and positive transitions back into the workplace.

We've also been working closely with the business to explore more flexible and part-time roles, and we're starting to see a real shift in attitudes and approaches to flexible working across the organisation.

Thanks to the great work of SGN's Race Equality Network, we were shortlisted for the Investment in People Award at IGEM's Gas Industry Awards. This was in partnership with the GDN's race equality networks, showing strong collaboration across the industry.

Our longest standing network, Women @ SGN, took a step forward by establishing a formal strategy that has been approved by its sponsor, our COO Darren Elsom. The strategy is built around six pillars: Menopause, Flexible Working, Fertility, Maternity, Development and Mentoring, and Women in Operations. Each pillar has clear commitments to be delivered by the end of 2025/26. To help with the empowerment of women, the board has backed a Senior Women's Event and career development conversations across the company.

In recruitment, we've now made CV-less hiring standard practice for all entry-level operational roles, and for more senior roles. We've also changed our assessment centre hiring method for some director-level roles to make sure our recruitment process is more inclusive.

Preparing for RIIO-GD3

In December 2024, SGN submitted its business plan to Ofgem, seeking funding to deliver a major programme of works over the five-year GD3 period (2026/27). The plan was shaped by our most comprehensive customer engagement to date, which was shortlisted for the prestigious Market Research Society Awards. This recognition gives us confidence that the plan reflects the outcomes our customers value most. Key areas of focus include delivery of the HSE-mandated Repex programme, continued emergency and repair services, protecting all customers during the ongoing energy crisis – especially the most vulnerable – and investing in the future of energy.

Our RIIO-GD3 business plan prioritises safety and resilience and recognises that – regardless of the path to net zero – it is essential to maintain a safe and reliable gas network for as long as gas remains in use.

We're now preparing our response to Ofgem's draft determination, using further analysis to reinforce our position. However, the future remains uncertain due to possible legislative changes, government decisions and an increasingly challenging macro environment, so we need to make sure we account for these risks during GD3.

Purpose & Values

Our values have always embodied what we stand for as a company, guiding us to achieve our visions and goals. They shape our behaviour, build trust, and help us thrive, both individually and as a company. We made sure this principle was at the heart of our RIIO-GD2 plan, with a focus on staying true to our purpose.

It is important that values are more than just words; they need to be lived up to, and accountability is key. This year, we reviewed employee performance against these updated values, and we now use them to assess all new hires. Our values define how we work as a company.

Our purpose
Serving our communities by keeping everyone safe and warm.

Our values for RIIO-GD2 are detailed here: →

6 Output Summary

Delivery of our outputs in year 4 has been positive, with most of our outputs keeping their green RAG status. Despite our efforts, there are a few areas which are currently below where we would like them to be.

Unplanned interruptions: Southern's performance in 2024/25 is still being affected by long-lasting interruptions in multi-occupancy buildings. Combined with the impact of several major incidents during the year, this has resulted in our average going over the minimum performance level threshold. As a result, we've rated this output delivery as red for the year.

Repex- Tier 1 Mains and Services: Our Tier 1 mains and service Price Control Deliverable (PCD) in our Southern network remains as red status for year 4. Although we've made good progress this year – delivering 188km more than in the previous year – we still expect to fall short of our target by the end of the price control period. However, we are confident that we can deliver the remaining length alongside our new set target in the early years of RIIO-GD3.

Shrinkage and Environmental emissions: Shrinkage environmental emissions are higher than anticipated due to two significant gas escapes that occurred in our Southern network. Our overall shrinkage performance is also facing a shortfall, due to ongoing deficits in both SC and SO carried over from RIIO-GD1. These were affected by the impacts of COVID, which continue to influence our ability to deliver leakage reductions in line with forecast performance.

Commercial Fleet EV Price Control Deliverables: The commercial fleet EV PCD remains at red status. We've been unable to secure vehicles that meet the requirements of our operational duties. Currently, no available EVs offer the necessary payload capacity, on-board power, and other essential features needed to support emergency and repair work, all of which are critical to keeping our customers safe.

Business Carbon Footprint (BCF) reporting: We are currently in an amber status, due to delays in acquiring commercial fleet EVs. There is a risk that we may not meet the targeted reduction of 25% by the end of RIIO-GD2. In year 4 we have achieved 23.2% reduction.

Figure 4 - Output deliverables

Output Summary		Scotland	Southern
Meeting the needs of consumers and network users	Consumer vulnerability minimum standards	Green	Green
	Guaranteed Standards of Performance (GSOPs)	Green	Green
	Emergency response time (Uncontrolled)	Green	Green
	Emergency response time (Controlled)	Green	Green
	Digitalisation Strategy and Action Plan	Green	Green
	Annual Environment Report	Green	Green
	Holder demolition	Green	Green
	Customer satisfaction survey	Green	Green
	Complaints metric	Green	Green
	Unplanned interruptions	Green	Red
	Network Asset Risk Metric	Green	Green
	Deliver an environmentally sustainable network	Green	Green
	Shrinkage and environmental emissions	Green	Green
	Collaborative streetworks	Green	Green
	Consumer vulnerability reputational incentive	Green	Green
	Fuel Poor Network Extension Scheme	N/A	N/A
Deliver an environmentally sustainable network	Shrinkage and environmental emissions	Amber	Amber
	Business Carbon Footprint (BCF) reporting	Amber	Amber
	Commercial Fleet EV PCD	Red	Red
	Gas escape reduction	Green	Green
	Biomethane improved access rollout	Green	Green
	Intermediate pressure reconfigurations	Green	N/A
	Remote pressure management	N/A	Green
Maintain a safe and resilient network	Repex - Tier 1 mains replacement	Green	Red
	Repex - Tier 1 services	Green	Red
	Capital projects	Green	Green
	NARMs	Green	Green
	Cyber resilience Operational Technology (OT)	Green	Green
	Cyber resilience IT	Green	Green

• **Red:**
Not delivering a licence obligation, significant under-delivery on reputational commitments or significant penalty on financial incentive (amber is not applied to Licence Obligations).

• **Amber:**
Marginal under-delivery on reputational commitments or marginal penalty on financial incentive (amber is not applied to Licence Obligations).

• **Green:**
Delivered Licence Obligation, reputational commitments, or positive outcome on financial incentive

7 Financial Performance

Return on Regulatory Equity (RoRE) is calculated for each network at the end of each year and is an estimate of the average annual return that shareholders could expect over the five-year price control period.

Table 3

Network	Scotland	Southern	SGN
Additional Returns (£m 18/19 prices)	5-year average	5-year average	5-year average
Totex outperformance	9.7	(50.1)	(40.4)
Incentive Income	0.8	1.3	2.2
Other (e.g. innovation contributions)	(0.7)	(1.8)	(2.5)
Less sharing	(4.9)	25.1	20.2
Average extra income	5	(25.5)	(20.5)
Additional Return on Equity			
Average extra returns	5	(26)	(21)
Equity (based on notional gearing)	708	1,554	2,262
Additional returns	0.71%	(1.64%)	(0.91%)
Base cost of equity	5.10%	5.10%	5.10%
Total RoRE	5.8%	3.5%	4.2%

NB: RoRE is provisional prior to Regulatory Financial Performance Report sign off in Sept 2025

8 Positive Impact

SGN is proud to say that for the fourth year of RIIO-GD2 – and for nine years in a row – our Scotland network stayed at the number 1 position for customer satisfaction. Coming into the last year of this price control period, both networks are in strong positions and are maintaining healthy customer satisfaction scores. Our Southern network has ranked 6th for year 4.

Table 4 - Customer Satisfaction Score

Customer satisfaction	Scotland				Southern				Base Target (*)
Scores out of 10	2021/22	2022/23	2023/24	2024/25	2021/22	2022/23	2023/24	2024/25	
Emergency work	9.54	9.62	9.67	9.81	9.33	9.43	9.59	9.72	9.37
Planned work	9.20	9.09	9.07	9.20	9.08	8.88	8.99	8.95	8.51
Connections work	9.11	9.18	9.26	9.35	8.67	8.74	9.00	9.18	8.38
Average	9.28	9.30	9.33	9.45	9.03	9.02	9.19	9.28	8.75

(*) The base targets reflected here were updated for RIIO-GD2 where they were updated from targets from the 2020/21 values.

Customer satisfaction
For the fourth year of RIIO-GD2, and for nine years in a row, our Scotland network has been rated number one for customer satisfaction – a great achievement. As we move into the final year of this five-year plan, both our Scotland and Southern networks continue to perform well and keep strong satisfaction scores.

Our Southern network has also improved again this year. Its overall customer score has gone up from 9.19 to 9.28 out of 10. While still in the middle of the table compared to others, it's a positive step forward.

We're focusing on three key areas to keep improving:

- **People** – We listen to our customers and our colleagues to understand what we can do better. We run regular forums where employees and contractors hear first-hand from our customers and help work out better ways of working. We also celebrate great service through our "10/10 Corner" by sharing stories that show the difference our people are making.
- **Training** – To make sure everyone provides great customer service, we run regular training sessions. These cover important topics like spotting when someone might be vulnerable, how to make a positive difference, and the basics of good service. New starters get this training before they begin their role. We also give teams feedback and support on the job so they can keep improving.
- **Technology** – We're using new tools to give customers better experiences, especially those who may need extra help. One example is a new way of using video messages to show and explain how work has gone. This has worked well and is now used regularly. We've also improved how we keep people updated during emergency work, with text message alerts and other updates to help customers stay informed.

Everything we do is about making things easier for our customers and our people, improving our service, and giving extra care where it's needed most.

Case Study 1

Vulnerability and Carbon Monoxide Allowance (VCMA)

In developing our five-year business plan for the Ofgem price control period RIIO-GD2, we, and Britain's three other gas networks, carried out extensive stakeholder and customer engagement. This helped us understand the vital role gas networks can play in supporting customers beyond our core licence obligations.

In response, our 2021-2026 business plan included our commitment to making a positive impact on society by supporting vulnerable communities and providing excellent service. To achieve this, we developed our five-year Vulnerability and Carbon Monoxide Strategy.

To help fund this work, Ofgem introduced the Vulnerability and Carbon Monoxide Allowance (VCMA) for RIIO-GD2 – a "Use It or Lose It" allowance that supports projects aimed at helping vulnerable customers or raising awareness of CO. At least 25% of the funding must be used for collaborative projects involving multiple gas networks.

In 2023, after more consultation, Ofgem repurposed 70% of the Fuel Poor Network Extension Scheme (FPNES) into the VCMA to better target support for households struggling to stay safe and warm. SGN's original £16.3 million VCMA allocation was increased to £46.45 million, adding £9.3 million for our Scotland network and £20.9 million for our Southern network. Adjusted for inflation (CPIH), this is approximately £59.5 million in today's prices.

So far, we've used £27.1 million of our VCMA allowance and have set aside another £20 million for approved projects planned for the final year of this price control period.

In our fourth year of RIIO-GD2, we've seen maturity in the delivery of our vulnerability strategy. This has increased the benefits for our customers. Together with our extensive network of Safe & Warm community partners, over the past year we've helped 363,233 vulnerable households keep a safe and warm home, bringing the total number of households helped through our VCMA programme to 766,950.

By the end of March 2025, we had 132 approved energy safeguarding and carbon monoxide awareness initiatives in place in partnership with national, regional and grassroots community organisations across Scotland and southern England. Of the 43 collaborative Gas Distribution Network (GDN) projects, SGN is involved in 38 and leads 18, including major partnerships with Marie Curie, Scope, Fuel Bank Foundation and Citizens Advice.

As we close year 4 of RIIO-GD2, the VCMA has enabled us to provide vital support during a period of energy crisis, helping thousands of customers maintain safe and warm homes when they've needed it most.

Further information on collaborative VCMA projects can be found here

The SGN VCMA Annual Report is available to download here

The following pages set out a few case studies of the many VCMA Projects presented.

Disability Energy Support (DES) with water advice

Why we're working together

For the one in four people in the UK who are disabled, life costs more. According to updated research from Scope in 2024, disabled households need an extra £1,010 a month to have the same standard of living as non-disabled households.

With the extra costs of heating, equipment and therapies, disabled people are more likely to face financial vulnerability and increased energy costs. As a result, 38% of disabled families are living in fuel poverty. Disabled people also often find it more challenging to access information and support to manage these issues.

Building on SGN's successful regional pilot, in April 2022 we launched a national partnership to deliver tailored and targeted support almost 22,000 households via the Disability Energy Support (DES) with water advice service. In February 2024, we worked with Scope to build on the insights gained from previous research and regional pilot projects, using the additional VCMA funding to strengthen and expand our partnership.

How we're working together

When a disabled person contacts the DES helpline, an experienced utility adviser will assess their individual household needs during a one-on-one telephone appointment. Trained advisers provide support with understanding energy and water bills, managing energy and water debt, and accessing benefits and grants. These appointments are also an opportunity for advisers to raise awareness of carbon monoxide (CO).

Demand for the DES service has increased dramatically as a result of the cost-of-living crisis and we're seeing more households contact the helpline. We're addressing this urgent demand with emergency resources, such as crisis funding for households on credit meters and heated blankets for those at greater risk of living in cold conditions.

Partnership impact

We increased the scale of our support for the DES service considerably this year, investing an extra £3,275,000 in the much-needed service. With this extra investment, we're able to include emergency resources such as fuel credit, heated blankets and CO alarms.

This was a significant shift change in our programme and required significant preparation before the winter months, including training 17 Scope advisers on energy safeguarding services.

On average, disabled people have three one-on-one appointments to work through their energy and water needs, helping them to confidently address often complex challenges with energy debt and health concerns impacted by energy rationing.

We also carried out 133% more benefits checks than last year, helping 1,555 households identify unclaimed benefits to maximise their income.

As well as one-on-one appointments, we're helping thousands more people stay safe and warm at home through trusted information on the Scope website. Since working with Scope to redevelop its online resources, the energy and CO advice pages have been viewed 150,354 times.

Key 2024/25 achievements

Households supported:	7,971
CO alarms provided:	1,309
Benefit checks provided:	1,555
CO awareness sessions:	3,151
Fuel vouchers provided:	1,750
Heated throws given to customers:	3,504
Customers supported through DES this year:	6,852

Case Study 2

Energy Safeguarding

Why we're working together
Older people are particularly vulnerable to the effects of living in a cold and damp home. Typically, they spend more time at home and often need to use more energy to keep warm. Older people are also less likely to live in an energy-efficient home, have their gas appliances routinely serviced or be aware of energy support schemes.

Even before the cost-of-living crisis, around 1 million older people were living in fuel poverty. As energy bills and food costs continue to rise, more older people are struggling to make ends meet. This was worse last winter, as millions of older people lost the help provided by the Winter Fuel Payment.

Recent Age UK research identified that older people would have to limit using their heating, choose between heating and eating, or risk getting into debt simply to afford to pay their energy bills. UK wide research revealed that three in four (equivalent to 9.1 million) people aged 66 and over said that their homes were colder than they would like them to be some, most of or all of the time.

Age Cymru, Age Scotland and Age UK are the country's leading charities for older people. Through our national partnership, we're providing energy safeguarding services tailored to meet the needs of older people who are in or at risk of fuel poverty.

How we're working together
We've set up dedicated teams at all three organisations to help older people address the underlying causes of fuel poverty and make sure that older people are aware of the help that's designed to help to keep them safe and warm.

Trained advisers are on hand to help older people sign up for the Priority Services Register (PSR), increase their household income through benefit checks, improve their home energy efficiency and raise awareness of carbon monoxide safety.

Together with Age Cymru, Age Scotland and Age UK, we've developed bespoke training for frontline engineers and customer service team advisers across all four networks on how to identify and engage vulnerable older people in need of support.

Partnership impact
To date, our programme has reached more than 64,449 older people nationwide.

Together with Age Scotland, we've helped 14,047 older people in the past 12 months through our dedicated energy advice line team. In addition, this year alone, we've hosted 83 community energy workshops, bringing together 954 older people to address their energy concerns. Through our By Your Side service, we've supported 135 older people to access unclaimed benefits that have increased their household income. To support older people in energy crisis we have issued warm packs, heated blankets and 532 crisis vouchers.

Recognising the high prevalence of digital exclusion among older people, we've introduced digital skills coaching to increase confidence in accessing support online using energy bills and registering onto PSR Scotland as new digital skills.

In England, Age UK has supported 46,530 older people with personalised conversations designed to assess financial vulnerability. It's not just through one-to-one conversations that older people are benefitting from our support. We've seen demand for trusted energy information increase this year with Age UK providing 133,727 printed energy and benefits guides through local community hubs.

Key 2024/25 achievements

Older people reached: **64,449**

Benefit calculations completed: **384,194**

PRS conversations: **5,798**

Customer Complaints
Our Scotland network has consistently performed well in complaint handling, achieving a score of 0.51 on the 2024/25 complaint handling matrix, an improvement on the previous year. Similarly, our Southern network also showed progress, scoring 1.82 for 2024/25, also reflecting an improvement.

Under RIIO-GD2, we aim to maintain Scotland's leading position while improving Southern's position by reducing the complaint score. Efforts will focus on decreasing the number of complaints received and increasing the resolution rate within the first day. Complaint performance in RIIO-GD2 is incentivised through penalties for poor performance, similar to RIIO-GD1. The penalty threshold in RIIO-GD2 has been lowered from 11.57 to 5.00. If a network's weighted complaint score is above 5.00, a penalty will apply.

Since the introduction of RIIO-GD1 and now RIIO-GD2, neither network has breached this threshold. The increase in complaints received in year 4 compared to Y3 is mainly due to the rise in mains replacement work delivered in our Southern network.

We still have concerns about how the complaints metric is calculated and represented. A network that resolves a high volume of complaints will appear to perform better than a network that focuses on getting it right the first time. We hope that RIIO-GD3 will address this issue and adopt a metric that reflects overall performance more accurately.

Table 17: Customer Complaints Metric

	GD1-Y7	GD1 -Y8	GD2-Y1	GD2-Y2	GD2-Y3	GD2-Y4
Volume of complaints	2019/20	2020/21*	2021/22	2022/23	2023/24	2024/25
Scotland	340	214	246	369	315	273
Southern	1,299	793	1,052	1,556	1,565	1,711
SGN	1,639	1,007	1,298	1,925	1,880	1,984

	GD1-Y7	GD1 -Y8	GD2-Y1	GD2-Y2	GD2-Y3	GD2-Y4
Complaints metric	2019/20	2020/21*	2021/22	2022/23	2023/24	2024/25
Scotland	1.71	1.50	1.50	1.71	1.62	0.51
Southern	2.83	3.06	3.06	4.74	3.61	1.86

Complaints per 10,000 Customer	2019/20	2020/21*	2021/22	2022/23	2023/24	2024/25
Scotland	1.85	1.16	1.33	2.00	1.70	1.47
Southern	3.15	1.92	2.54	3.75	3.77	4.12

*Due to the impact of Covid-19 we do not consider 2020/21 to be an accurate representation of a normal working year and so it is not a relevant point of reference.

Guaranteed Standards of Performance (GSOP)

Connections

Our target for Guaranteed Standards of Performance (GSOPs) is 90%. In the fourth year of RIIO-GD2, we have exceeded this target across all 20 standards. SGN remains committed to delivering the highest level of service for our customers, and this year we achieved the following results:

- **14 standards achieved performance levels of 97% or higher**
- **2 standards achieved performance levels between 95%-97%**
- **4 standards achieved performance level between 93% - 95%.**

Customers and interruptions

Interruptions to gas supply – whether planned or unplanned – are never ideal for our customers. That's why our engineers work hard to keep any disruption as short as possible and to minimise inconvenience, especially for vulnerable customers.

In 2024/25, our customer satisfaction score for unplanned interruptions, which arise through leakage or other emergencies, was 9.8 in Scotland and 9.7 in Southern. This shows how committed our operational teams are to looking after customers and keeping any disruption from our work to a minimum. Both our networks finished the year in 1st and 2nd position across all GDNs.

For planned interruptions – where customers are notified in advance as part of mains replacement, capital projects or routine maintenance – our customer satisfaction scores remain above 9 in both the Southern and Scotland networks.

We have raised concerns about the removal of the of £1,000 cap on certain customer payments, which was lifted at the start of RIIO-GD2. Unfortunately, SGN has seen cases where not having a cap has affected how customers behave. As a result, we've asked that this be reviewed as part of the RIIO-GD3 determination.

Strategic Innovation Fund (SIF)

The Strategic Innovation Fund (SIF) is a competitive fund under the RIIO-GD2 price control for the Electricity System Operator, Electricity Transmission, Gas Transmission and Gas Distribution sectors, to support projects that help decarbonise the UK's gas and electric networks, benefiting consumers. It has three phases:

- **Phase 1** – Discovery: Feasibility studies
- **Phase 2** – Alpha: Experimental development
- **Phase 3** – Beta: Build, operation, or demonstration

We continued our flagship Round 1 Beta projects in 2024/25, with one project due to be completed in early 2025/26. Our Round 2 Hy-Fair was unsuccessful in the Beta application, but we have since reworked its scope and we are exploring other funding options to help us complete it in GD2. We also launched a new project, HyScale, which completed its early TRL stages through NIA, directly into Round 3 Alpha.

The Round 4 challenge themes didn't align with the gas industry, so we didn't submit any new projects in this round. Round 5 challenge themes were announced at the end of the financial year, and we're now exploring new project ideas with both current and potential new partners to address the themes while delivering value to SGN and our customers.

Round 1

- **Predictive Safety Interventions** – Beta: Currently, the process for reducing lost-time injuries involves manually collecting data on a large scale and changing the experimental process. A worksite is already unsafe before anything is done for prevention, so instead of waiting for a site to become unsafe, FYLD and SGN want to analyse which conditions contribute the most to worksite safety, then multiply them throughout the network.
- **Intelligent Gas Grid** – Beta: Using Utonomy's remote control pressure system, the project will collect and use network data and external data such as weather to develop machine learning and AI applications that lessen pressures on the network and give information on network performance.
- Gas network designers will need to find safe and cost-effective ways to change existing networks to carry low-carbon heating gases. Because hydrogen delivers only one-third of the energy compared to natural gas for the same amount, the amount of gas flowing through the pipes will often need to be higher in a zero-carbon future. Designers need to understand the safe speed limits for gas flow so they can avoid making pipes bigger than necessary while still delivering low-carbon heating.

Round 3

- **HyScale** – This project will continue from its earlier stages and work towards successfully showing how an LOHC (Liquid Organic Hydrogen Carrier) storage system can work together with hydrogen production and a suitable way to use the hydrogen. We will review potential sites for this demonstration and decide on the necessary connections and support systems needed for full operation. We will also check the planning and approval rules to make sure that everything can fit within the schedule for the next phase of SIF timeline.

Network Innovation Allowance (NIA)

By the end of the fourth year of RIIO-GD2, we had 66 live projects, some led by SGN and some in partnership with different networks. Over 30 of these projects were completed within the year. Of the 66 projects, 43 were led by SGN and 23 by other networks. This shows our ongoing commitment to working collaboratively across the industry to innovate and share best practice. The projects that we worked on covered several key themes, including:

- **Supporting consumers in vulnerable situations**
- **Flexibility and commercial evolution**
- **Net zero and the energy transition**
- **Whole energy system**
- **Optimised assets and practices**

These NIA projects are important for helping us identify gaps in our knowledge to provide strong evidence that converting the network as a good energy option for the UK's future. One example is the H100 Fife project, which is the first demonstration of a network running entirely on hydrogen. This project has received significant funding from the Government and Ofgem, and it began as part of an earlier NIA project.

Flexibility and market evolution

Our gas networks are managing a more complicated system, with more variation in how gas is generated and uses. New commercial arrangements are helping more green gas projects connect to the networks. For example, SGN's Hydrogen entry units are looking at what is needed to add blended hydrogen into the network. This work is important for helping us create better models for the future, so we can improve how we predict and manage gas supply. Our networks will also need to keep changing to be able to supply gas that is 100% hydrogen.

Net zero and the energy system transition

The UK government has published a clear plan for our transition to net zero by 2050. The devolved governments, like Scotland have also set ambitious targets, with Scotland aiming for net zero by 2045. Some local and regional governments want to reach net zero even sooner. This is shown in the UK's Gas Goes Green programme, which looks at decarbonisation of the gas networks.

The future role of gas networks in a net zero world is a major area of focus for SGN. We're continuing to explore and understand this through the projects we're involved in. A big part of what happens next depends on the UK government's heat policy decision, expected in 2026. In the meantime, we're committed to testing and introducing safe, low-carbon alternatives to natural gas. We want to show that there are practical ways to move to cleaner gases. In a net zero future, gas networks will need to handle more low or zero carbon energy sources, and continue to be reliable and efficient even as energy generation becomes more local and varied.

Whole energy systems

We take a whole energy system approach by looking at how different parts of the energy network – electricity, gas, transport, and heating – interact with one another. By understanding the links, risks and opportunities across the full system, we can make better decisions that benefit consumers. Our whole systems projects focus on working with partners from other sectors to improve the way we plan, forecast, design, build, run and maintain our networks. As we deepen our understanding of how these systems connect, this joined-up way of working becomes even more important to help us reach our decarbonisation goals. We're also strengthening relationships with cities and regional bodies so we can support their ambitions to achieve net zero.

Optimised assets and practices

With the future changes to our gas networks, we need to look at our assets and working practices to make sure our network is ready for a green future. We are now exploring industry-leading techniques to make the gas network stronger, reduce unplanned outages and leaks, and lower our environmental impact. Although we don't have any active projects in this area yet, it remains an important focus as we prepare for net zero.

LTS Futures

The Local Transmission System, or LTS, is an 11,600km network of high-pressure gas pipelines which connects towns, cities and businesses to the National Transmission System, or NTS. You can think about the NTS as the motorway and the LTS as the A roads.

In addition to transporting natural gas to towns and cities, the LTS also supplies industries and businesses such as chemical manufacturing, building supplies and glassmaking directly from the Local Transmission System.

The LTS Futures Project will repurpose a 30km pipeline which runs from Grangemouth to Granton, in Edinburgh, to carry hydrogen instead of natural gas. We chose this pipeline as it is a good example of others in the local transmission system in terms of age and grade of steel. It also includes several features along the pipeline route such as road, rail and river crossings. The results of this project will provide a clear plan for decarbonising the Local Transmission System across Great Britain and will help inform the UK Government's energy policy decisions.

After extensive research and testing of existing LTS assets and equipment at DNV Spadeadam and TWI Cambridge, LTS Futures will complete a live trial in summer 2025 to show that we can operate a hydrogen pipeline in the same way as we do today with natural gas.

During the trial, we'll carry out several tasks that we usually do on natural gas pipelines, such as adding new connections, completing flow stopping and managing the pressure inside the pipeline (linepacking).

H100 Fife

H100 Fife is a pioneering end-to-end green hydrogen demonstration project, showcasing the production, storage and distribution of 100% hydrogen directly to customers' homes. The project has progressed significantly over the past year and is now moving into its operational phase where it will supply green hydrogen through a dedicated network.

Significant progress has been made in Energy Park Fife in Levenmouth, home to our hydrogen production and storage (P&S) site. Our teams and contractors have reached some key milestones including the completion of the electrolyser building and the exterior of the management building from which the entire site will be controlled. Work is also well underway on the internal electrolyser systems, keeping the project on track for delivery.

The construction of the hydrogen distribution network marked another major success. The 8.4km polyethylene (PE) network was completed in August 2024 and is now commissioned with natural gas.

Construction of our Hydrogen Demonstration Homes finished in January 2025. The interior design and furniture fit-out was also completed including the installation of new hydrogen boilers from leading manufacturers Bosch and Baxi and hydrogen hobs from Bosch Home Appliances.

Scotland's First Minister John Swinney joined us to officially launch the homes in February 2025. He said:

"Scotland's net zero future depends on our ability to create innovative solutions to tackle climate change; and the H100 Fife project is a shining example of this ambition.

"These demonstration homes offer residents a glimpse of the role that hydrogen can play in delivering warm and comfortable homes with zero carbon emissions.

"I welcome this significant milestone in the project's journey and look forward to its completion."

Customers are now visiting the homes to experience hydrogen appliances themselves and find out more about the changes that will be made to their homes when the project goes live.

We're currently focused on the next phase of our customer journey, making sure all our customers get all information they need to know about their own home installation planned for later this year.

In May, we celebrated the opening of the UK's first hydrogen training centre for gas engineers alongside our partners, Fife College.

The facility, located at Fife College's Levenmouth Campus, will train over 100 Gas Safe registered engineers this year, giving them the skills needed to safely convert homes from natural gas to hydrogen and to provide servicing and maintenance. This training is essential for the engineers who will be involved in H100 Fife.

Gary Smith, General Secretary of GMB, the UK's largest energy union, who visited the college during a trip to H100 Fife in May, welcomed the launch. He said: "The opening of this hydrogen training centre is a milestone for the gas industry and its workforce. As we transition to a net zero economy, it's vital that we not only protect jobs but also ensure that workers are upskilled for the future.

"This centre will empower today's engineers to safely work with hydrogen while preparing them for roles that will shape the transition to green energy. It's a testament to the resilience of the workforce and their ability to adapt to the changing energy landscape."

Training for the SGN engineers providing the emergency response for the dedicated hydrogen network is also almost complete, with around 150 SGN colleagues being upskilled.

Network Innovation Allowance (NIA) - Vulnerable Customers

Equality and fairness are the basis of a just transition to net zero. As we move to a cleaner energy system, we need to better understand the changing nature of all types of vulnerability, to make sure no one is left behind. Energy customers can find themselves in vulnerable situations at different times and for varied reasons. We need to make sure customers have options when choosing alternative clean heating solutions that are suitable, available and affordable. Vulnerable customers are much more likely to be disadvantaged as the energy system changes and may need more support during the energy transition.

Biomethane

In 2024/25, SGN made progress on three new biomethane connections to the network. We also continued work on ten more connection projects, which we expect to carry over into years 1 and 2 of GD3.

At the moment, the amount of biomethane entering our network is enough to supply 354,186 homes. We're aiming to reach 432,000 homes by the end of RIIO-GD2. While this is slightly below our target of supplying the equivalent of 450,000 homes, the shortfall is due to delays in project timelines from biomethane developers.

We've also successfully developed and had Ofgem approve a change to the GB gas code (UNC Modification) which now allows gas to be connected to the network via Independent Gas Transporter networks. As part of our RIIO-GD2 commitments, we're delivering projects to reduce the use of propane in the network at eight locations, and these are all on track to be completed by March 2026. We're also progressing two smart pressure control projects in our Southern network to help reduce constraints on biomethane injection during the summer.

Data and Digitalisation

This year, we've continued to invest in our data capabilities and getting the basics right so we're ready to meet the aims of our GD3 business plan. Our Data Operations programme has introduced a new structure and way of working, designed to support a more consistent and efficient approach to delivering data tools and better services for those who use our data.

We've also launched a new data sharing portal This is not only improving the experience for our stakeholders, but also preparing us to align with the National Energy System Operator (NESO) and the Data Sharing Infrastructure (DSI) programme and future data requirements under RESP for GD3. The new portal allows us to increase the number of open data assets we can make available.

We continue to work closely with other gas networks and have developed a new Data Interoperability standard. This forms part of the Data Best Practice Guidelines (DBPG) and helps make it easier for users to access and work with common energy data from across the sector.

As artificial intelligence (AI) continues to evolve and influence the energy industry and wider society, we are developing our AI strategy to guide how we adopt these technologies in a responsible and sustainable way. Over the next few years, AI offers the opportunity to improve how we work, and our strategy will make sure we make the most of these opportunities, while staying in line with UK government and regulatory frameworks.

Contact us

If you'd like to be part of the conversation to ensure your views count or if you have any questions on our stakeholder engagement activities please get in touch.

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