

Strategic Performance Overview

2025/26



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1. Strategic summary

CEO statement

The past year has been one of significant momentum as we have closed out the RIIO-2 period. We continued to focus on strengthening operational delivery, asset investment, supporting vulnerable communities, and preparing the business for the opportunities and expectations of RIIO-3. We have also looked further ahead as we look to transform our business over the coming years by leveraging technology to lead the sector in a shift from reactive asset operations to proactive asset interventions – improving safety, reducing emissions, protecting reliability and supporting affordability for our customers. Our achievements reflect the capability and commitment of everyone across the business, our colleagues, supply chain, and our strategic partners. I wish to thank everyone for their continued hard work and customer focus, which stands us in good stead for the regulatory period to come.

Reaching the end of the period also provides the opportunity for me to look back at what we have achieved over the past five years. Our RIIO-2 plan set out clear commitments to transform the experiences of our customers, communities and colleagues; deliver on our investment plans and radically improve customer service. At the end of RIIO-2, it is clear that we have met these aims, delivering a green regulatory scorecard across all our outputs.

As the largest distributor of gas in the UK energy sector, 11 million homes, businesses and communities rely on us every day to deliver a safe, reliable and resilient service. It is, therefore, of central importance that we continue to undertake targeted investment in our networks, and a key part of this is delivering our obligations under the HSE's Iron Mains Replacement Programme. This year we have replaced 1,478km of iron pipes with plastic ones fully delivering our associated outputs for mains replacement across all our networks, whilst also replacing all associated services. Our other large-scale investments for RIIO-2 have been completed this year with full delivery of all our required major capital projects.

Our final year of RIIO-2 has once again seen our networks continuing to rank amongst the highest performers in the sector for customer satisfaction. We have continuously improved our scores across the RIIO-2 period achieving 9.4/10 this year at an aggregate level. This reflects our ongoing commitment to sustained improvement in communication, reliability and the way we manage disruption. The consistent strength of engineer interactions particularly stands out in our feedback, ensuring customers feel safe, respected, and well supported. Our reputation also continues to be underpinned by excellent operational leadership in our business focused on ensuring that we respond quickly and effectively when customers need us.

We have also finished the period by expanding our flagship Centres for Warmth programme to 424 centres across our networks. These are targeted to aid communities in areas of high deprivation to provide support, such as energy efficiency and income maximisation advice, to those who need it. They reflect our broader leadership of the sector in supporting customers in vulnerable situations, and I am pleased that we have been able to utilise the increased levels of funding in the Vulnerability and Carbon Monoxide Allowance, supported by Ofgem in RIIO-2, to ensure it has its maximum effect. This is further enhanced by the work of our Cadent Foundation, which provides complementary support using reinvested profits direct from our investors.

Our role in the British energy system means we also have a prominent role to play in the energy transition. This year, we have continued to make progress in reducing methane emissions from our networks, with a 5.2% reduction in gas losses on the previous year and an 18% reduction over the period as a whole - driving reductions greater than our targets, despite starting from a more challenging baseline than other companies. In addition, throughout the RIIO-2 period we have pioneered new technologies for use to further reduce emissions. This involves utilising advanced leakage detection and a digital platform for leakage analytics to enable the move from reactive leak identification and repair to proactive and targeted interventions. This approach is a key part of our push to transition towards 100% planned work on our assets. We are pleased that Ofgem's RIIO-3 Final Determinations have supported the roll-out of advanced leakage

detection across all gas networks and we are working closely with Ofgem and other networks to continue to develop the digital platform for roll-out across all networks later in the period.

I am also pleased with the progress we have made to decarbonise the energy we transport. Central to this has been to decarbonise the gas injected into our networks through greater use of biomethane, with our RIIO-3 business plan committing to enabling up to 15 TWh by 2032. We now have 45 sites connected to our network, producing nearly 5 TWh today and have recently introduced customer charging changes, which, combined with Ofgem's RIIO-3 Biomethane Use-it-or-lose-it allowance, will provide greater support than before to enable biomethane producers to connect to our network. Our work to develop the use of hydrogen for blending into our networks, industrial clusters and for use in hybrid heating systems has also continued at pace, recognising the potential role of these solutions in the future energy mix. Our focus remains on ensuring that any deployment of hydrogen is safe, practical and cost-effective for our customers.

The work we have delivered and the strong performance across all these key areas are a direct reflection of our people and the strong and inclusive culture we have created and continued to strengthen in the business. Our colleagues' professionalism and dedication ensure that we continue to deliver safe, reliable services every day. We have continued to invest in our people's development, wellbeing and skills, ensuring that we are well positioned to deliver in RIIO-3.

Whilst we have delivered strong operational performance and value for our customers, the final year of RIIO-2 has continued to be economically stretching with our costs continuing to outturn higher than our allowances. This has meant that our shareholders have made an operational return that is below the allowed operational rate of return and so stands in contrast with our leading performance on outputs. This challenging performance has been driven partly by a combination of insufficient allowances being provided upfront through the RIIO-2 business plan assessment process – notwithstanding our setting of the cost efficiency benchmark when the price control was set – and significant cost pressures across our operations. Further in-period adjustment mechanisms in RIIO-2 have then not

provided sufficient additional allowances to cover a number of these uncontrollable cost pressures that we have faced.

For the RIIO-3 period ahead, we will continue to focus on improving cost efficiency to support affordability for our customers in times of economic headwinds, and to perform against a very challenging price control settlement. We have taken a number of steps during this final year of RIIO-2 to ready ourselves for the efficiency challenge set and our ambition has been further underlined by Ofgem's final determinations recognising our West Midlands and Eastern networks as setting the industry frontier on costs. We are also pleased that the Final Determinations recognised important regional factors, which have been a key contributor to the overspend experienced in our London network this period. However, our RIIO-2 experience has underlined the importance of ensuring the appropriateness of upfront allowances set. In March, therefore, we sought permission to appeal Ofgem's assessment of ongoing efficiency for RIIO-3. We are now working with the Competition and Markets Authority (CMA) through this process, who will make their final determination on the issue by the end of September.



Steve Fraser
Chief Executive Officer

I am incredibly proud of the progress we have made over this year and the period, stretching sector performance further, strengthening customer service, and delivering meaningful social impact across the communities we serve. The transformation undertaken during RIIO-2 lays a solid foundation for the next five years. We will now look to drive the sector forward as the frontier performers across the industry and in championing a shift towards new approaches to asset operations across the sector.

Chair Statement

The more I have got to know Cadent, the more impressed I have been by its culture. There is a genuine commitment to safety, to customer service and to the wellbeing and development of its people.

Safety is always our first priority. Our team works hard to keep people safe by replacing gas mains and responding quickly to any reports of potential gas leaks. We have also been innovating in the way we protect our workforce and the public on site, which is reflected in our industry-leading safety performance.

Our field force is at the heart of local communities, making sure that we maintain service to customers. We have made good progress in collaborating with other utilities to minimise disruption to the public by coordinating street works, and this is something we are looking to roll out nationally. We take our responsibility to our most vulnerable customers very seriously, through our Centres for Warmth, our VCMA initiatives and through the work of the Cadent Foundation.

Cadent is a company where everyone is encouraged and supported to fulfil their potential, and there are many examples of people working their way up through the business. I have enjoyed meeting the employee-led community groups, who help to create an inclusive environment, where people can be their best selves at work.

It is this positive culture, along with operational excellence and technical capability, that has resulted in Cadent's significantly improved performance in the last few years, with two of our networks rated as the most efficient by Ofgem in its recent regulatory review for the forthcoming RIIO-3 price control. Everyone at Cadent should feel very proud of what they have achieved in the last five years.

Over the RIIO-3 period, we will maintain our focus on safety, reliability, and customer service, while continuing to strengthen operational performance across all networks. The new regulatory settlement is very challenging, especially to achieve higher levels of productivity improvement than the rest of the UK economy, needing continued efforts to improve our efficiency and drive the sector forward. The energy transition is the biggest challenge for our generation. All realistic future energy scenarios recognise that gas networks play a critical role in system resilience, especially during periods of low renewable generation. This winter reinforced that reality; our network responded to significant peaks in

demand, driven by both domestic heating needs and increased reliance on gas for electricity generation during the coldest months. The future is likely to involve repurposing the critical national asset that is the gas network to accept hydrogen and biomethane and developing hybrid heat pumps as a lower cost way to reduce carbon emissions, while keeping people warm.



This year, Sir Adrian Montague stepped down as Chair after over eight years, during which he has led the transformation of Cadent into the best performing gas distribution company in the UK. I know how much the Board has valued his wisdom, guidance and leadership, and what a great mentor he has been to the leadership team, and I would like to thank him on behalf of all of us.

John Holland-Kaye
Chair

2. Performance summary

Output performance summary 2025/26

We have met all our annual and period targets.

Outcome	Output	EN	LN	NW	WM
Delivering a resilient network to keep the energy flowing safely & reliably	Emergency call handling	●	●	●	●
	Emergency response – Uncontrolled	●	●	●	●
	Emergency response – Controlled	●	●	●	●
	Tier 1 mains	●	●	●	●
	Tier 1 services	●	●	●	●
	NARM	●	●	●	●
	London Medium Pressure	N/A	●	N/A	N/A
	Capital Projects	●	●	●	●
	High rise building plans	●	●	●	●
	GSOP 4-11	●	●	●	●
Providing a quality experience for all our customers & stakeholders	Unplanned supply interruptions CSAT	●	●	●	●
	Planned supply interruptions CSAT	●	●	●	●
	Connections CSAT	●	●	●	●
	Complaints handling	●	●	●	●
	Unplanned interruptions – MOBs	●	●	●	●
	Unplanned interruptions – non-MOBs	●	●	●	●
	Collaborative streetworks	●	●	N/A	N/A
	Consumer vulnerability minimum standards	●	●	●	●
	Consumer vulnerability reputational incentive	●	●	●	●
	Shrinkage reputational incentive	●	●	●	●
Tackling climate change & improving the environment	Shrinkage financial incentive	●	●	●	●
	Commercial EV Fleet	●	●	●	●

●	Achieved annual output or on target to meet period output
●	At risk of failing five-year period output
●	Failed to achieve annual output or will fail five-year period output

Table 2.1: Output performance summary

Financial summary

(£m, 2025/26 prices)	EN	LN	NW	WM
Regulatory Asset Value	4,561	3,322	3,195	2,394
Allowed Revenue	817	579	581	423
Return on Regulated Equity (%)	3.6	3.7	4.5	5.6

Table 2.2: 2025/26 Financial summary

Totex summary

During 2025/26, we overspent our Totex allowances by £80m as our investment programme increased further in scale, and inflationary and market pressures continued to impact on the cost base relative to allowances.

(£m, 18/19 prices)	EN	LN	NW	WM
Costs	380	284	245	172
Adjusted allowances	336	252	235	180
Variance	(44)	(33)	(10)	7
% Variance	(13)%	(13)%	(4)%	5%
Return for customers	(22)	(16)	(5)	4

Table 2.3: 2025/26 Totex summary

Output Delivery Incentives

In 2025/26, we achieved a reward for Customer Satisfaction across all our networks and in London we also achieved a reward for Collaborative Streetworks. For Shrinkage, all our networks have achieved a reward by the end of the period, although Eastern incurred a small penalty this year. We have not incurred any penalties for Complaints and Unplanned Interruptions across any network (see output performance section for further details).

(£m, 18/19 prices)	EN	LN	NW	WM
Customer Satisfaction	10.40	5.21	8.37	5.47
Complaints	0	0	0	0
Unplanned Interruptions	0	0	0	0
Shrinkage	0.13	0.02	2.38	0.75
Collaborative Streetworks	0.31	4.87	0	0

Table 2.4: Incentive performance, period to date

3. Financial summary

Over the five-year regulatory period, we have spent over £5bn in bringing gas to 11 million homes, businesses, schools, and hospitals across our regions as well as playing a key role in keeping the lights on, through our support of peaking power plants and facilitating green gas through our 45 biomethane connections. We have continued to focus on operational improvements and efficiencies to deliver on our regulatory commitments and to minimise the impact of our activities on customers' bills.

Our actual performance within RIIO-2 was delivered during a period of economic and political volatility. We continue to face many competing challenges, including operating in an environment of higher costs to attract capital, affordability constraints, challenges in attracting and retaining diverse talent in a challenging labour market, and delivering decarbonisation. Despite these challenges, our drive for efficiency has supported a reduction in customer bills over RIIO-2 compared to RIIO-1 and Ofgem has recently determined that our RIIO-3 Business Plan submission sets the forward-looking efficiency benchmark for the sector in the next regulatory period.

Return on Regulatory Equity (RoRE)

For RIIO-2, we will be publishing our Regulatory Financial Performance Reporting ("RFPR") in September. We expect operational RoRE, on average, over the five years, to be 4.2%; below the allowed return of 5.1%¹ at a Cadent level. This reflects market driven inflationary pressures, to which our actual costs are exposed, that exceeded the inflationary mechanisms contained within the regulatory contract; the increased scale of our investment programme to respond to the challenging operational backdrop that has not been compensated for through uncertainty mechanisms; and insufficient allowances, including a lack of recognition of regional factors and a challenging ongoing efficiency level. This performance is delivered with sector leading customer incentive performance and at an efficient cost, consistent with our RIIO-2 Business Plan.

When comparing our RoRE to network peers, it is important to note that a like-for-like comparison cannot be made as the impact of remedies from our successful CMA appeal were only applied to Cadent and no other networks. This means other networks received less stretching efficiency targets and higher allowances than Cadent. Our strong in-period performance against regulatory outputs also means we expect a relatively small impact of price control close-out, which may not be the case for other networks.

Cadent RoRE	21/22	22/23	23/24	24/25	25/26	Average
Allowed Return	4.5%	4.6%	5.3%	5.6%	5.4%	5.1%
Totex	0.6%	(0.9)%	(1.9)%	(1.5)%	(1.0)%	(0.9)%
BP Incentive	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial ODIs	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%
NIA Funding	(0.0)%	(0.0)%	(0.0)%	(0.0)%	(0.0)%	(0.0)%
Fines & Penalties	(0.1)%	(0.2)%	(0.1)%	(0.1)%	(0.1)%	(0.1)%
Operational RoRE	5.1%	3.7%	3.4%	4.3%	4.6%	4.2%

Table 3.1: Cadent Return on Regulated Equity (RoRE) performance by year

	EN	LN	NW	WM	Cadent
Allowed Return	5.1%	5.1%	5.1%	5.1%	5.1%
Totex	(1.5)%	(1.4)%	(0.7)%	0.5%	(0.9)%
BP Incentive	0.0%	(0.0)%	(0.0)%	(0.0)%	0.0%
Financial ODIs	0.2%	0.2%	0.2%	0.2%	0.2%
NIA Funding	(0.0)%	(0.0)%	(0.0)%	(0.0)%	(0.0)%
Fines & Penalties	(0.1)%	(0.2)%	(0.1)%	(0.1)%	(0.1)%
Operational RoRE	3.6%	3.7%	4.5%	5.6%	4.2%

Table 3.2: Five-year average RoRE performance by network

¹ Operational RoRE is calculated in line with 2024/25 RFPR reporting methodology.

After the Allowed Equity Return, the main driver of RoRE is Totex performance with an incentive mechanism linked to allowances. We note above, the key drivers that led to higher spend than allowed for. We have partially mitigated these cost pressures through our transformation programmes and rigorous control over expenditure that meant that despite these cost pressures, we still delivered in line with our submitted RIIO-2 Business Plan.

There are very few positive Financial Output Delivery Incentives within the RIIO-2 framework. Where they exist, we have earned incentive rewards that contribute a 0.2% RoRE benefit over the period on average, largely through the delivery of improved customer satisfaction discussed in section 2. Customer performance improved year-on-year throughout RIIO-2, and by the end of the price control our scores were achieving 98% of the maximum available incentive reward.

Revenue and Customer Bills

Allowed Revenue

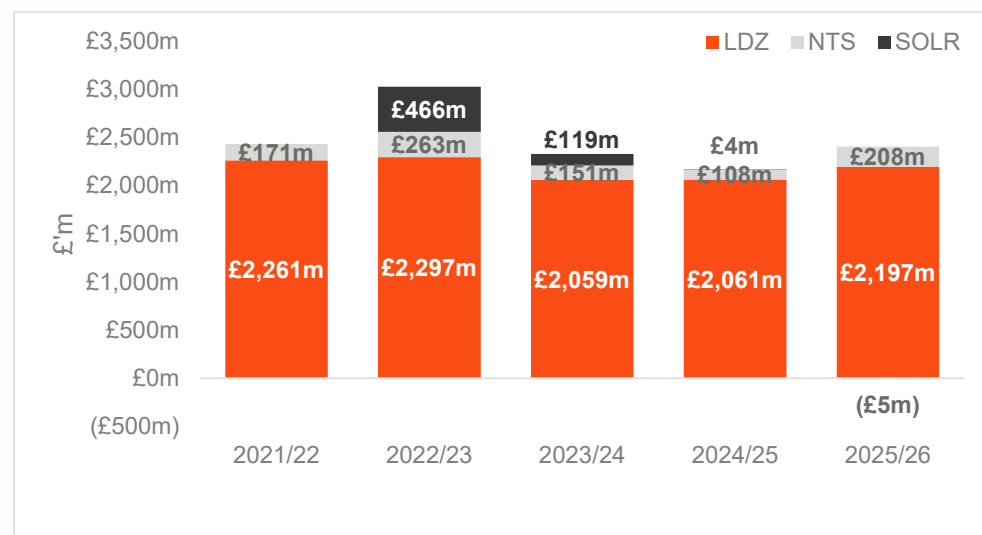


Figure 3.3: Cadent Revenues (2025/26 price base)

Our Allowed Revenue is calculated each year based on our cost and workload performance and is used to set charges to shippers and ultimately our industrial

and domestic customer bases. The amount of revenue we collect does not always match the amounts allowed due to, for example, changes in customer demand. Any under or over recovery is corrected for in future years. Our revenues are made up of three main charging building blocks. Revenues in relation to the provision of capacity to use the gas network services are known as Local Distribution Zones (LDZ). We also collect revenue to pay for the National Transmission System (NTS) for Exit Capacity charges (ECN), and in relation to Supplier of Last Resort (SOLR). The latter two are pass-through costs for the gas networks, over which we have limited control regarding the revenues collected.

Network	21/22	22/23	23/24	24/25	25/26
Eastern	832	1,039	808	743	817
London	580	713	520	536	579
North West	588	733	586	504	581
West Midlands	432	540	415	389	423
Cadent	2,432	3,025	2,329	2,173	2,400

Table 3.4: Cadent Revenues by network (2025/26 price base)

Our Allowed Revenue in the year to 31 March 2026 was £2,400m, which increased on the prior year as expected. In the year to 31 March 2025, timing differences reduced our revenues and so the year to March 2026 reflects a return to a normalised level of allowed income.

Customer Bill Impact

Our allowed income feeds into customer charges and this element of the customer bill is driven by consumption, the Allowed Revenue for the year, changes in the number of customers, the allocation of revenues between domestic versus industrial and commercial users, among other factors controlled via the shipper / supplier market. A significant part of the demand on our network comes from the c. 40,000 industrial customers, including 188 power stations. If the number of customers increases, the amount each customer pays is reduced. The next chart illustrates the cost and services delivered to a typical domestic consumer in 2025/26.

Cadent customer bill breakdown 2025/26

In 2025/26, a typical domestic customer paid £162 towards the cost of our services, down from £175 on average in RIIO-1, adjusting for the impact of inflation. Cadent does not decide amounts to charge end customers so the domestic bill impact is illustrative as our contribution to supplier costs.

Performance improvement incentives

£1

Optimising our performance and putting the customer at the heart of everything we do.

Operating and maintaining the network

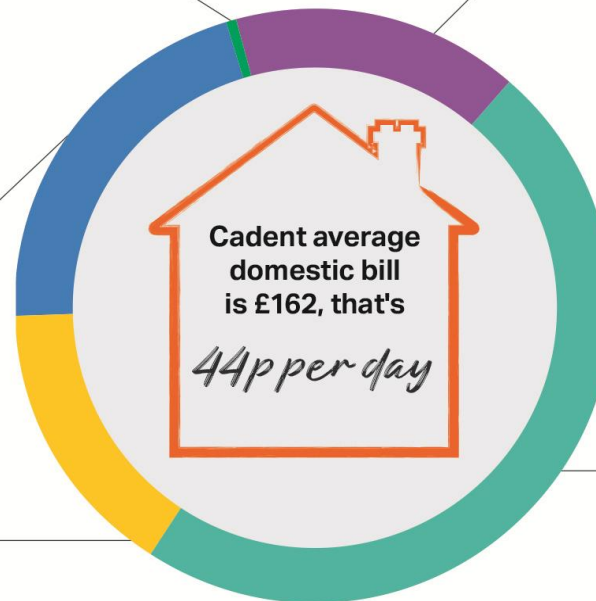
£35

Operating and maintaining the equipment and infrastructure to transport gas to you safely and reliably today.

Providing a 24-hour emergency and repair service

£21

Taking your calls, attending and repairing gas emergencies and escapes, and making it safe.



Taxes, licence and other fees

£23

Taxes, licence fees for industry regulation and business rates paid to local government.

Network investment

£82

Repaying the cost of past and present investment and replacing old assets to ensure the safe and reliable flow of gas long into the future.

Figure 3.5: Average customer bill (25/26 price base)

4. Performance against our allowances

Totex performance

£m (18/19 prices)	2022	2023	2024	2025	2026	Total	Allowance	
Opex	383	412	421	443	449	2,108	2,004	(5%)
Capex	158	190	216	174	203	941	839	(12%)
Repex	440	467	495	470	429	2,301	2,141	(7%)
Totex	981	1,069	1,132	1,087	1,081	5,350	4,984	(7%)
Allowances	1,026	1,001	981	973	1,003	4,984		
Variance	45	(68)	(151)	(114)	(78)	(366)		
Cumulative	45	(23)	(174)	(288)	(366)	(366)		
% variance	4%	(1%)	(6%)	(7%)	(7%)	(7%)		
Eastern	333	373	387	373	380	1,846	1,647	
London	254	280	306	302	284	1,426	1,292	
North West	235	245	260	235	245	1,220	1,153	
West Midlands	159	171	179	177	172	858	892	

Table 4.1 Totex performance vs. allowance

As noted in previous sections of this report, we have consistently delivered strong performance against our output commitments in RIIO-2. The cost of achieving this performance has exceeded our Totex allowances by £366m across the RIIO-2 period. This reflects market-driven inflationary pressures, to which our actual costs are exposed, exceeding the inflationary mechanisms contained within the regulatory contract; the increased scale of our investment programme to respond to the challenging backdrop, which has not been compensated for through uncertainty mechanisms; and insufficient allowances, including lack of recognition of regional factors and a challenging ongoing efficiency level. This performance is delivered with sector-leading customer incentive performance and at an efficient cost, consistent with our RIIO-2 Plan as a result of successful continued transformation.

Our focus on improving efficiency across the cost base, supported by a business-wide transformation programme leveraging technology and innovation to deliver sustainable savings, resulted in lower than predicted Totex costs of £5,350m, an improvement on previous forecasts reflecting strong financial performance in the final year of RIIO-2. This overall financial position reflects the challenging economic and regulatory environment that we have faced over the past few years, in which it has proven difficult to mitigate cost and workload pressures within challenging regulatory allowances. Cadent set the benchmark in terms of cost efficiency for RIIO-2 with an ambitious plan, and we have delivered this plan. Against this backdrop, unexpected costs have arisen which were not included in this Plan or allowed for via existing regulatory funding mechanisms. These include the costs to manage water ingress incidents, which have increased in frequency and impact, costs to manage work on Multi-Occupancy Buildings and governor improvements, and higher National Insurance charges.

A prolonged period of higher inflation alongside broadly flat workload has resulted in additional **operating cost** pressures and an overall overspend above Opex allowances of £104m (5%). We have taken difficult, but necessary, steps over the past 18 months to transform the business, including further evolving the operating model and reducing headcount within business support areas.

Capex spend was £941m for the RIIO-2 period, representing an overspend of £102m (12%) against allowances. This was primarily driven by essential investment in governor assets to meet HSE requirements, alongside continued above-inflationary pressures across vehicles, streetworks, supply chain and construction activities. Capital programme costs also remained elevated due to higher material prices, supply chain constraints and increased delivery complexity.

Within **Repex**, we have been successful in delivering our Price Control Deliverable ("PCD") commitments for Tier 1 mains decommissioning within the deadbands across each of our networks. However, despite 2025/26 costs being broadly in line with allowances, and £14m lower than the 2024/25 forecast, overall costs have exceeded allowances by 7% across RIIO-2. This reflects more complex Tier 1 mains replacement activity than assumed in the allowances, increasing the average cost of delivery. We have mitigated these pressures in part through evolving our operating model and implementing technology to reduce back-office costs. We were also set very challenging Repex allowances due to the use of an

85th percentile cost benchmark, alongside a high ongoing efficiency assumption applied to our already stretching business plan.

Controllable Opex

£m (18/19 prices)	2022	2023	2024	2025	2026	Total	Allowance	
Work Management	82	93	84	101	106	466	389	(20%)
Emergency	50	53	47	44	49	243	215	(13%)
Repairs	61	73	78	69	63	344	304	(13%)
Maintenance	58	56	63	63	68	308	477	35%
Other Direct Activities	19	22	15	21	21	98	95	(3%)
Work Execution	188	204	203	197	201	993	1,091	9%
Business Support	100	101	120	130	128	579	444	(30%)
Training & Apprentices	13	14	14	15	14	70	80	13%
Controllable Opex	383	412	421	443	449	2,108	2,004	(5%)
Allowances	416	398	391	385	414	2,004		
Variance	33	(14)	(30)	(58)	(35)	(104)		
Eastern	134	146	144	151	154	729	658	(11%)
London	97	102	110	113	117	539	527	(2%)
North West	90	98	98	105	104	495	458	(8%)
West Midlands	62	66	69	74	74	345	361	4%

Table 4.2 Controllable Opex

For the RIIO-2 period, Cadent delivered a controllable Opex outturn of £2,108m, £104m above allowances. This is £40m better than expected in our 2024/25 forecasts, driven by strong cost control and operational efficiencies, particularly within Business Support, where a significant headcount reduction contributed to lower spend. Opex allowances have also increased compared to previous forecasts following successful re-opener applications. While labour, inflation and major third-party incidents continued to drive cost pressures across several areas,

these were largely mitigated through targeted investment, workforce productivity improvements and disciplined expenditure management, resulting in a stronger financial outcome than expected.

Work Execution and Work Management

Work Management costs exceeded RIIO-2 allowances by £77m, in line with the 2024/25 RRP. The overspend was driven by sustained inflationary pressures, major operational events, including the water ingress incident in Stannington in December 2022, as well as increased employment costs from fatigue management requirements and National Insurance changes.

Spend in Year 5 was £5m higher than Year 4, driven by increased resource requirements to support the East Coast Hydrogen project and ongoing investment in advanced leakage detection activities.

Work Execution costs were £15m below the prior year forecast over RIIO-2, improving overall outperformance to £98m, predominantly due to lower Repair and Emergency costs. Overall, however, Emergency and Repair costs have exceeded allowances due to higher-than-expected workloads; costs associated with the incidents in Stannington (Eastern), Chester (North West), and Muswell Hill (Eastern); severe weather events, including the December 2022 cold spell; external factors driving up costs above the level funded, including National Insurance and third-party contractor costs; and vehicle costs, as the leasing model implemented increased Opex and reduced Capex compared to allowances. These upward pressures were offset by lower maintenance costs due to the classification of allowances in Opex and spend being incurred in Capex for non-routine maintenance activities.

Business Support costs over RIIO-2 were £135m above allowances, an improvement of £24m from the 2024/25 RRP, driven by successful delivery of our transformation programme and delivering work in relation to our Securing Operations (Cyber Security) programme at a lower cost than anticipated. The RIIO-2 total business support variance to allowances reflects above-inflationary cost pressures continuing to affect IT licence renewals, energy costs, property rents and insurance premiums, coupled with the adoption of a Software as a Service (SaaS) accounting model, which increases operating costs and reduces

capital spend – which was not factored into allowances when set ex ante for the period.

Training and apprenticeship costs have remained stable throughout the five-year period, reflecting ongoing investment in workforce development and future talent. Throughout RIIO-2, investment in training and people development has been targeted at core business needs, balancing demand across our craft apprentices, and the graduate and management trainee programmes. Overall, costs have remained below allowances, in line with the 2024/25 RRP submission.

Non-Controllable Opex

£m (18/19 prices)	2022	2023	2024	2025	2026	Total
Shrinkage	54	53	23	25	20	175
Ofgem Licensed	10	10	10	12	13	55
Business Rates	195	179	139	143	141	797
Pension Deficit	32	20	-	(9)	(9)	34
NTS Exit Costs	151	137	106	116	161	671
Xoserve	14	11	12	9	12	58
Other*	4	349	90	2	(3)	442
Total Non-Controllable Costs	460	759	380	298	335	2,232
Eastern	164	276	137	107	120	804
London	100	160	83	66	74	483
North West	110	183	92	73	82	540
West Midlands	86	140	68	52	59	405
Total Non-Controllable Costs	460	759	380	298	335	2,232

*Other = Miscellaneous pass-through inc. SOLR

Table 4.3: Non-Controllable Opex

Non-Controllable (or “pass-through”) costs are largely outside of the control of network operators. Costs are passed through to our customers directly, rather than through the Totex incentive mechanism. The main variability recently has been in relation to:

- Shrinkage costs (quantum of gas leaking from the network) which are linked to global gas prices and volumes. Costs peaked at the beginning of the price control following the geopolitical events and COVID-19 that drove up inflation;
- Business rates reduced from the highs observed in 2022/23 following a reassessment of rateable values by HMRC. The charge has remained broadly level since.
- NTS exit capacity costs have increased, reflecting the latest costs from the National Gas Transmission business; and
- Other pass-through costs relate largely to socialising Supplier of Last Resort costs which have not been significant post 2023/24 when there were significant costs in relation to supplier defaults following the spike in wholesale gas prices.

Capex Performance

£m (18/19 prices)	2022	2023	2024	2025	2026	Total	Allowance
LTS, Storage & Entry	27	31	44	57	71	230	200 (15%)
Connections	33	29	23	18	15	118	86 (37%)
Reinforcement (<7 barg)	15	12	23	20	16	86	85 (1%)
Governors	12	24	29	15	12	92	17 (445%)
Other Capex	71	94	97	64	89	415	451 8%
Total Capex costs	158	190	216	173	203	941	839 (12%)
Allowances	168	171	170	168	162	839	
Variance	10	(19)	(47)	(5)	(41)	(102)	
Eastern	70	72	86	72	85	385	330 (17%)
London	27	37	35	36	41	176	157 (12%)
North West	40	49	61	36	49	235	206 (14%)
West Midlands	21	32	34	30	28	145	147 1%

Table 4.4: Capex performance

Over the 5-year period, our total capital investment is £941m, which is £102m (12%) higher than allowances. This is largely due to the investment required in relation to governor assets to comply with HSE standards, as well as cost pressures above allowances in relation to vehicles and streetworks. Within our capital works, we are seeing cost pressures across all activities driven by the price of materials, supply chain availability and the complexity of the work. This is offset in part by the change in classification of IT spend (Software as a Service) that is now included within Controllable Opex in accordance with Accounting Standards (but with allowances remaining in Capex).

In 2025/26, our **Local Transmission Systems (LTS), Storage and Entry** costs were £14m higher than the previous year, linked to the completion of remaining PCDs within the year. The majority of the increase in costs this year is within our Eastern and North West networks, mainly on pressure reduction investment at both Offtake and Pressure Reduction sites (PRS) and fiscal metering system upgrades, including completions at Westfield and Thornton. Other significant capital work programmes have also been completed, delivering upgrades to preheat and other major components across a number of sites. The overall spend for RIIO-2 is £30m higher than allowances.



Connections expenditure (net of income) reduced by £4m across all networks, driven by falling demand, with a further reduction in overall volumes of 9% in comparison to the prior year, and a 59% reduction in workload compared to the first year of the price control in 2021/22.

Since the beginning of RIIO-2, demand for new housing connections has been impacted with a 68% fall in volumes. The changes to industry policy and reduced availability of funding for in-home first-time heating, coupled with the associated repurposing of allowances to support our continued work on Vulnerability and Carbon Monoxide Awareness, continue to impact the quantity of Fuel Poor Connections. Existing housing connections have also reduced by a further 6% this year, whilst non-domestic connections remain broadly consistent.

These reductions have posed a significant challenge to maintaining unit rates which has been appropriately managed via control of overheads and improvement in our delivery model, resulting in a reduction in the unit rate year on year whilst improving customer service scores. Despite the fall in demand for new connections, our customer base has not reduced in RIIO-2 as disconnections have not been significant in volume.

Changes in connections workload results in an adjustment to allowances and revenues via the volume driver mechanism.

Reinforcement expenditure has reduced by £4m year on year, with lower volumes of work being undertaken in each network. The need for reinforcement is assessed on case specific requirements. We prioritise reinforcement where it is economical to do so, allowing improved whole life cost of project delivery whilst maintaining resilience on the network.

In agreement with the HSE, Cadent undertook a three-year programme of improvements to our **Governor** assets, ensuring the entire population of over 9,000 sites is compliant with DSEAR legislation whilst also remediating other issues identified including corrosion, security and HASAWA (Health & Safety at Work Act) signage compliance.

This work was effectively completed in December 2023 (2023/24), so as forecast, the in-year spend is again significantly reduced from years 1-3 and the prior year, with 25 housing replacements being completed in year in comparison to 562 in

2024/25. The overall Governor spend for RIIO-2 totalled £93m, which is a £3m improvement compared to our forecast from last year.

The programme has also impacted **Other Network Capex** which included £32m of investment in electrical and instrumentation upgrades on governor installations.

Overall, for the RIIO-2 period, **Total Other Capex** spend of £414m was £37m lower compared to allowances, the result of lower than expected non-network Capex of £148m, offset by an overspend of £103m on network Capex.

The higher expenditure on other network Capex reflects increased investment on electrical and instrumentation upgrades across all pressures but noticeably governors. This was coupled with additional spend of £22m on Non-Routine Maintenance programme work ("NRMP") classified as Capex, whereas allowances were provided for within Opex.

This has been offset by other **Non-network Capex**, which includes the investment required to improve our maturity with the enhanced Cyber Assessment Framework which drives a large increase over 2025/26. It also includes £8.5m relating to the early adoption of vehicle-based Advanced Leakage Detection, funded via the NZASP re-opener. This is offset by a change in classification of IT spend (Software as a Service) that is now included within Controllable Opex in accordance with Accounting Standards (but with allowances remaining in Capex).

Capex expenditure on **Vehicles** is lower than originally forecast after a change in commercial model for procuring vehicles where we have leased vehicles rather than purchasing them outright. This means that this spend is reported as Opex rather than Capex. Our Fleet Transformation Programme has meant that almost 900 vans have been replaced, reducing the average age of the operational fleet to 3.5 years, compared to 5.5 years in 2019. In addition, 16% of our commercial vehicle fleet is now electric, contributing to our net zero commitments.

Investment in **IT and Telecoms** increased by £24m, mainly the result of progressing reopener funded cyber resilience projects.

Whilst we continue to invest in our **Property** portfolio to ensure it remains safe, compliant and fit for purpose, during 2025/26 we have seen a slight reduction in spend linked to the timing of projects completing. We continue to rationalise the Property estate as we optimise our operating model.

Repex performance

£m (18/19 prices)	2022	2023	2024	2025	2026	Total	Allowance	
Tier 1: Mains & Services	338	353	356	351	323	1,721	1,556	(11%)
Tier 2: Mains & Services	5	6	7	7	9	34	28	(21%)
Tier 3: Mains & Services	9	11	17	10	6	53	40	(33%)
Steel Mains & Services	16	16	19	18	14	83	77	(8%)
Other Mains	9	2	2	2	1	16	55	71%
Diversions	5	4	12	10	10	41	58	29%
Other Services	41	51	53	49	44	238	204	(17%)
Tier 1 Stubs	3	1	-	-	3	7	21	67%
Risers	13	19	24	22	19	97	100	3%
Robotic Intervention	1	4	5	1	-	11	2	(450%)
Total Repex costs	440	467	495	470	429	2,301	2,141	(7%)
Allowances	442	432	420	419	428	2,141		
Variance	2	(35)	(75)	(51)	(1)	(160)		
Eastern	129	154	158	149	140	730	660	(11%)
London	130	141	161	153	127	712	609	(17%)
North West	105	98	100	95	92	490	489	(0%)
West Midlands	76	74	76	73	70	369	383	4%

Table 4.5 Repex costs

Our investment in Repex totalled £429m in 2025/26, £1m higher than allowances and £41m lower than the previous year. Workload in general has outturned slightly lower than expected; however, we have successfully delivered all our HSE and PCD commitments, and driven efficiencies to reduce unit rates for all work types.

Overall, there are several factors that contribute towards our Repex spend position compared to allowances that can be summarised as follows:

- The use of the 85th percentile in cost assessment and the inclusion of a very stretching efficiency assumption applied to our already stretching Business Plan.
- Input cost pressures beyond those compensated for through allowances, including the competitive market for resources driving up labour rates, particularly impacting our London and Eastern networks which show expenditure being greater than allowances, and higher costs of raw materials and ancillary costs related to working in the road e.g. traffic management and reinstatement.

Our London network, in particular, has unique costs and challenges due to the nature of the operating environment. The dense nature of population and the resulting congested utility ecosystem limits the use of least-cost techniques (with insertions of Polyethylene pipe often not possible) and has increased delivery times as we need to navigate complex underground networks. The type of housing stock, particularly the presence of converted flats and listed and/or protected buildings, means greater levels of enabling and delivery work are needed relative to when replacing similar lengths in other regions. Alongside these factors, intensive urban road and foot traffic drive additional costs due to the need to break up harder wearing road and pathway materials and comply with streetworks restrictions. Whilst some of these factors were reflected in the allowances for our London network, further regional factors were required to reflect the full scale of factors that impact our efficiency in London that are not currently being accounted for in the RIIO-2 framework. However, we are pleased for the greater recognition of these factors by Ofgem in its cost assessment used to set allowances for the RIIO-3 price controls.

The largest spend within Repex relates to decommissioning and replacing **Tier 1 iron mains** and undertaking interventions on the associated services. This accounted for 76% of the total Repex spend in 2025/26 and 75% of our total spend over the price control period.

For the first three years of RIIO-2, we delivered a higher proportion of the smaller diameter band workload; however, in the final 2 years of the price control, through our new operating model and in compliance with the PCD, we have significantly increased our more complex 8" diameter work whilst maintaining the overall

volumes required to hit our target. This year, we have delivered savings through a change in contracting model alongside development of new systems for work management has reduced back-office cost and increased Cadent direct management of mains replacement.

At a Cadent level, we were within our deadband target for Tier 1 mains. We delivered 29% more 3", 2% more 4-5" and were on target with 6-7" but delivered slightly less 8" (-5%). All networks delivered within their cap and collar with Eastern (+0.9%), North West (+0.3%), and West Midlands and London (-1.3% respectively). We also intervened on all associated services with the mains we replaced, albeit with lower outturn volumes in all our networks than originally forecast at the start of the RIIO-2 period.



Diversions work is typically customer driven, meaning costs and workload tend to fluctuate in line with evolving demand. This year, spend was in line with 2024/25, remaining consistent with expectations overall. Our Eastern and West Midlands networks experienced the largest increase due to large schemes being completed in year.

Spend on **Other services** has reduced by £5m in comparison to 2024/25, with unit rate reductions across all our networks year on year. In the year 2025/26, we saw

higher than expected volumes of services not associated with mains replacement, London and West Midlands showed a reduction, while Eastern and North West increased. A portion of this increase was driven by higher volumes of service alterations and meter relocations.

Repex workload

Km	2022	2023	2024	2025	2026	Total
Tier 1	1,535	1,597	1,571	1,575	1,478	7,756
Tier 2a	1	2	3	2	8	16
Tier 2b	11	19	19	19	14	82
Tier 3	6	7	11	10	8	42
Iron Mains	1,553	1,625	1,604	1,508	1,508	7,896
Steel	54	62	59	69	49	293
Other	37	61	61	42	36	237
Diversions	36	38	29	37	33	173
Total	1,680	1,786	1,753	1,754	1,626	8,599
Eastern	563	637	651	621	578	3,050
London	328	354	340	391	346	1,759
North West	471	458	432	422	395	2,178
West Midlands	318	337	330	320	307	1,612

Table 4.6: Repex workload²

Repex spend is directly correlated to the amount of length we have decommissioned. In 2025/26, we have decommissioned a total of 1,626km of metallic mains across all tiers and materials. Within Tier 1 Mains, we have decommissioned 97km less this year than in the year 2024/25, maintaining a similar mix of workload.

The largest spend relates to decommissioning and replacing Tier 1 iron mains and undertaking interventions on the associated services. During RIIO-2, this work is captured within a PCD and the base workload within our **Tier 1 Mains** PCD is just

over 7,692km across RIIO-2, or 1,538km per annum. We delivered 1,478km in 2025/26, bringing our total for RIIO-2 to 7,756km which is 0.8% more length than the baseline assumes. This positive delivery against the baseline is reflective of the resilience built into our supply chain through implementing our new Repex delivery model and strong planning through the 5-year period.

Tier 2A Mains can be difficult to predict and as such are subject to a volume driver revenue adjustment mechanism. Our delivery over RIIO-2 has been lower than originally forecast.

The **London Medium Pressure** ('LMP') programme of work, which resides within the Tier 3 section of the table. Started in RIIO-1, this is part of a long-term programme to upgrade and replace strategic sections of the Central LMP network. For RIIO-2, we proposed to replace 9.9km of mains and replace four governors across the area. In 2025/26, we decommissioned a further 1.35km and commissioned 1.4km of LMP mains. Overall, we have replaced 13.8km of mains over RIIO-2. This includes supplementary replacement works that were delayed due to Covid-19 restrictions and other external factors but remained essential to deliver in the period to enable the efficient delivery of the RIIO-2 programme.

We have delivered significantly more steel mains during the RIIO-2 period than included within the Final Determination. This increase primarily relates to obligations to replace associated steel mains that are directly connected to Tier 1 iron mains replacement activity. Across the five-year period, the volume of steel mains encountered alongside the mains replacement programme has been higher than anticipated within our original baseline assumptions. Steel mains form part of the Network Asset Risk Metric (NARM) mechanism where we are funded to remove risk across a number of asset categories. As such, this additional steel mains delivery will contribute towards any reactive workload forecast within the NARM baseline that does not materialise and to over-delivering against our monetised risk targets.

² Tier 1 workload in table includes Tier 1 Mains decommissioned PCD plus Tier 1 Stubs

5. Output performance

Performance highlights

We set out in our RIIO-GD2 business plan the outcomes our customers and stakeholders want us to deliver. In the section below, we provide the key performance highlights against each of these outcomes and explain how we have performed against the relevant regulatory outputs or commitments that sit under these.

Delivering a resilient network to keep the energy flowing safely and reliably



93.0%

of your calls answered in 30 seconds

(Minimum standard: 90%)

99.7%

of gas emergencies attended within standard

(Minimum standard: 97%)

99.9%

Network reliability

(24/25: 99.9%)

Tackling climate change and improving the environment



5.2%

Reduction in Shrinkage Emissions

(24/25: 3.7%)

51%

Commercial FCO fleet are zero emission

(24/25: 51%)

13.4%

Reduction in Business Carbon Footprint *Scope 1 & 2 (exc. Shrinkage)*

(24/25: 8.6%)

Providing a quality experience to all our customers, stakeholders & communities



9.4/10

Average Customer Satisfaction score

(24/25: 9.4/10)

£29.6m

of VCMA funds invested to support vulnerability

(24/25: £31.9m)

87%

Complaints resolved within one working day

(24/25: 90%)

Trusted to act for our communities



£4.3m

Invested by shareholders in the Cadent Foundation

(24/25: £4.2m)

1,228

days in employee volunteering

(24/25: 1,276)

Delivering a resilient network to keep the energy flowing safely and reliably

Output commitments					Target/commitment			
Output name	Common/ bespoke	Output type	Annual/ Period target	Measure/unit	EN	LN	NW	WM
Emergency call handling	Common	Licence Obligation	Annual	% answered in 30 seconds	90%	90%	90%	90%
Uncontrolled escape response	Common	Licence Obligation	Annual	% attended within 1 hour	97%	97%	97%	97%
Controlled escape response	Common	Licence Obligation	Annual	% attended within 2 hours	97%	97%	97%	97%
Tier 1 mains	Common	Price Control Deliverable	Period	km	2,774	1,531	1,918	1,469
Tier 1 services	Common	Price Control Deliverable	Period	No. of services	241,930	185,295	195,011	157,646
London Medium Pressure	Bespoke	Price Control Deliverable	Period	km		9.89		
Capital Projects	Common	Price Control Deliverable	Period	No. of projects	14	2	7	7
Network Asset Risk Metric (NARM)	Common	Price Control Deliverable	Period	Monetised risk (R£m)	5.2	7.6	5.6	3.1
High Rise Building Plans	Bespoke	Reputational Output Delivery Incentive	Period	No. of plans	207	2,590	86	276
Cyber resilience	Common	Price Control Deliverable	Period	PCD delivery	✓	✓	✓	✓
Digitalisation Strategy & Action Plan	Common	Licence Obligation	Annual	Strategy implemented	✓	✓	✓	✓
Data Best Practice	Common	Licence Obligation	Annual	Compliance	✓	✓	✓	✓

Responding to gas emergencies

Answering emergency calls

Output performance summary

Output name	Target	2025/26 Performance			
		EN	LN	NW	WM
Emergency call handling	90%	93%			

We operate the National Gas Emergency Service (NGES) contact centre on behalf of all gas networks across Great Britain, providing a 24/7 emergency call handling service, taking calls and providing safety advice. As part of our licence, we have an annual standard (Licence Obligation, 'LO') which requires us to answer calls to the NGES within 30 seconds, 90% of the time. In 2025/26, we received over 1.18 million telephone calls and answered 93.03% within 30 seconds.

Across RIIO-2, we answered 7.1 million calls and answered 92% of these within 30 seconds, meeting our call handling standards year on year. RIIO-2 saw us face the challenges of large water ingress incidents, cold weather spikes and the cost-of-living crisis, all impacting the number of calls we received through the NGES. To ensure we were able to continuously provide a safe service, we ran social media campaigns to educate customers on gas emergencies, trained additional standby advisors and introduced the 'Select Step' process to triage genuine gas emergencies. We also worked with Ofgem and energy suppliers to develop an obligation for suppliers to provide better out-of-hours support for their customers to aid in the reduction of non-emergency calls on the NGES.

To ensure the resilience of the NGES in 2025/26, we have continued to provide 'Fast Track' emergency call training to over 250 additional call handlers from within the business and through a working partnership with Coventry University. This means that if we experience mass call volumes due to major incidents or winter spikes, we have available resources to provide support and keep our customers safe.

We have also successfully rolled out a major upgrade to our call handling technology designed to support teams dealing with gas emergency calls. The system upgrade, CX, replaced our previous CRM system and has simplified the way emergency jobs are created and managed by making the process clearer, more consistent and easier to use. It has also helped improve the accuracy of jobs whilst reducing the complexity for our frontline teams, enabling them to focus even further on the customer. This, alongside our video call system (mXremote), telephony upgrade and internal 'LocateMe' application built to aid advisors in locating gas emergencies not linked to a fixed address, has increased the safety and efficiency of our call handling process.

As we progress into RIIO-3, we will continue to operate the NGES at or above the annual 90% standard. Ofgem has also introduced a new requirement for the NGES to take all reasonable steps to identify consumers in vulnerable situations. We have always ensured our advisors are aware of how to notice signs of vulnerability whilst handling calls and to log these as appropriate for our attending engineers. We will embed this further into the call handling process in the forthcoming regulatory period.

Attending emergency gas escapes

Output performance summary

Output name	Target	2025/26 Performance			
		EN	LN	NW	WM
Uncontrolled escapes	97%	99.5%	99.6%	99.6%	99.7%
Controlled escapes	97%	99.8%	99.6%	99.8%	99.8%

In our network areas, we provide a gas emergency service free at the point of use, helping to keep people safe and warm in their homes and businesses. This includes responding to internal and external gas escapes at customer properties, as well as potential cases of carbon monoxide poisoning from appliances. Under our licence obligations, we are required to attend 97% of uncontrolled gas escapes within one hour and 97% of controlled gas escapes within two hours. A controlled escape is where the person reporting the incident confirms that the escape or emergency has ceased after carrying out the advised safety actions.

In 2025/26, we attended 294,875 controlled and uncontrolled gas escapes. Overall volumes decreased compared to 2024/25, with uncontrolled escapes reducing by 2.26% and controlled escapes reducing by 5.69%.

Since RIIO-1, the volume of external gas escapes has generally declined, reflecting the positive impact of our mains replacement programme in reducing leaks across the network. The main exception was during the Covid-19 pandemic, when external escape volumes fell more sharply due to changes in customer behaviour and activity patterns.

Internal escape volumes have followed a similar, albeit a flatter, long-term downward trend, supported by improvements to customer-owned installations, changes in housing stock and increased customer awareness. However, volumes increased in 2021, driven by a combination of cost-of-living pressures and colder weather conditions impacting internal gas appliance usage. Since then, volumes have gradually declined during the final years of RIIO-2.

Our performance against both the uncontrolled and controlled escape standards has continued to improve since the second year of RIIO-2, with all four networks achieving performance above 99.5% in 2025/26. Compared to 2024/25, performance across Cadent improved by 0.82 percentage points for uncontrolled escapes and 0.88 percentage points for controlled escapes.

In five months of 2025/26, there were nine instances of our networks achieving 100% against the controlled escape standard, while no network recorded performance below 98.8% against either the uncontrolled or controlled escape standards. This represents our strongest performance during the RIIO-2 period and demonstrates our continued commitment to delivering a safe, reliable and responsive emergency service for customers.

As we move into RIIO-3, Ofgem has introduced additional reporting requirements, including the publication of monthly performance data alongside annual performance outcomes and explanations for any specific failures. We have proactively prepared for these changes, providing monthly performance data through our Regulatory Reporting Pack (RRP) submissions during the latter years of RIIO-2 to support a smooth transition to the enhanced reporting framework.

Mains replacement

Tier 1 Mains & Services

Output performance summary

Output name	Period target	End of period performance			
		EN	LN	NW	WM
Tier 1 PCD programme	100%	101%	99%	100%	99%

To ensure the continued safety of our customers and the resilience of our network, we are required to, as part of the HSE's Iron Mains Risk Reduction Programme (IMRRP), replace all at risk Tier 1 Mains by 2032. For RIIO-2, a PCD was set for this workload to track delivery and ensure allowances match the workload delivered.

The Tier 1 Mains PCD includes a baseline target for us to decommission 7,692km of Tier 1 iron mains by the end of RIIO-2 across all our networks. We have replaced 7,756km against this target.

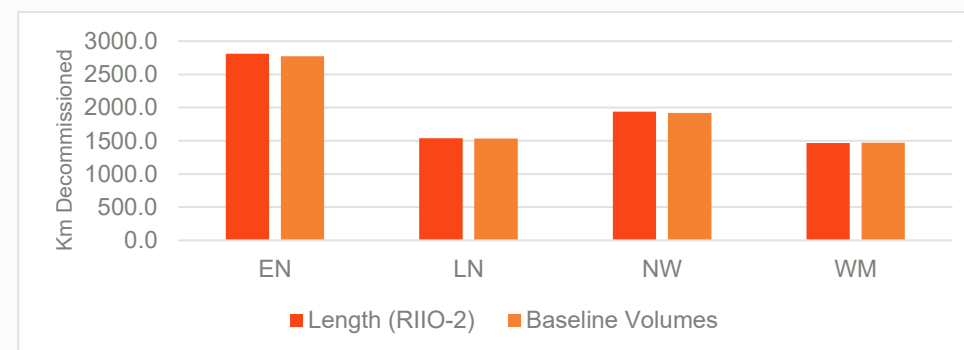


Figure 5.1: Tier 1 Mains PCD – Period length decommissioned vs. baseline volumes

The PCD sets baseline volumes across four diameter bands (for decommissioned pipes), each assigned an allowed unit cost (of replacement) which, when multiplied together, makes up our total PCD allowance per network. For the first three years

of RIIO-2, we delivered a higher proportion of the smaller diameter band workload. However, in years 4 and 5 we significantly increased our more complex 8" diameter work whilst maintaining a similar overall volume run rate compared to previous years. This followed the transition from the Contract Management Organisation (CMO) to direct Cadent management enabling us to have greater control over our workload mix and delivery strategy.

Overall, we have decommissioned 1% more Tier 1 mains than our baseline volume target. When adjusted for the diameter mix, at the overall Cadent level we have closed RIIO-2 at 100% delivery. At RIIO-2 Final Determinations, Ofgem confirmed that allowances will be adjusted based on Outturn Workload and Outturn Workload Mix up to a cap of 3%, with any additional over-delivery spend to be shared through the TIM mechanism. The 3% cap was set to allow networks to flex workload to more expensive diameter bands if efficient and to allow for in-period dynamic growth from RIIO-2 forecasts. There is no limit to the downwards adjustment mechanism, but Ofgem set a 2% collar for under delivery, where if a network delivers below this, they must submit an explanatory report. All networks are within the -2%/+3% cap and collar for the PCD. By network, EN and NW have delivered 101% and 100% respectively and LN and WM have both delivered 99%.

% vs Tier 1 mains baseline	EN	LN	NW	WM
<=3"	151%	354%	121%	117%
4"-5"	102%	105%	102%	100%
6"-7"	99%	100%	97%	104%
8"	99%	89%	100%	91%
Total	101%	99%	100%	99%
	100%			

Table 5.2: Tier 1 Mains PCD – % delivered against baseline by diameter

When delivering Tier 1 mains replacement activities, we also carry out interventions on the associated metallic services which run up to customers' properties. The next diagram shows how services relate to mains replaced.

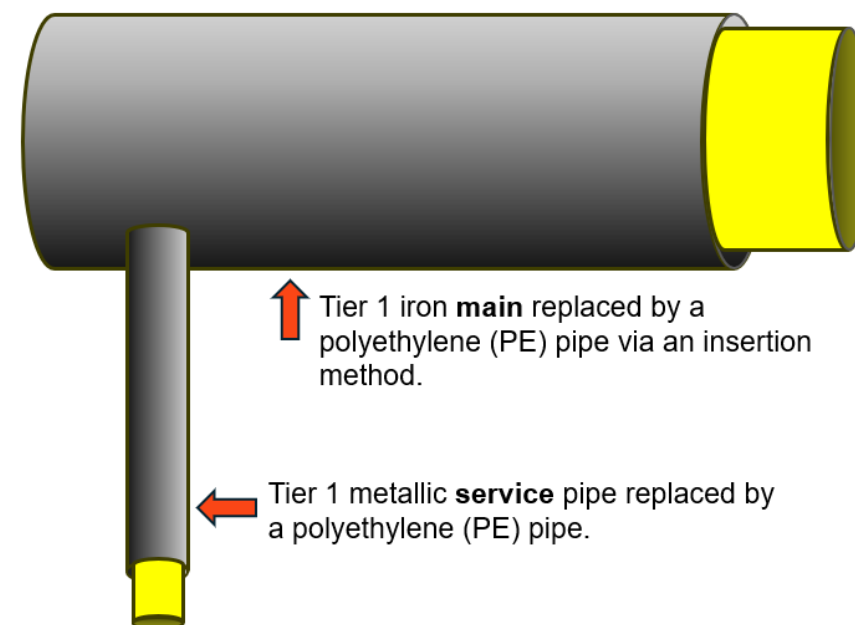


Figure 5.3: Diagram of a Tier 1 main and service

Service interventions are either relays, where we replace the service, or a test and transfer, where the existing service is tested and retained and then transferred from the old main to the new one. For RIIO-2, a PCD was also established for this consequential work to ensure that allowances align with the volume of interventions completed.

The Tier 1 Services PCD is subject to an upward revenue adjustment cap of 10%. However, there is no downward revenue collar, meaning that the allowances for any expected interventions that are not realised will be returned to customers. Whilst there is no downward revenue collar, there is a requirement that if outturn volumes are less than 90% of baseline expectations, the GDN must explain the variance.

	EN	LN	NW	WM	Cadent
Services delivered (% period)	98%	82%	89%	80%	88%
Downward adjustment	-2%	-18%	-11%	-20%	-12%

Figure 5.4: Tier 1 Services PCD Delivered

In total, we have undertaken 688,321 service interventions since the start of RIIO-2, which represents an overall Cadent delivery of 88% against our baseline expectations. As can be seen above, our Eastern network falls within this downward deadband, at 2% under the baseline. Our London, North West and West Midlands networks currently fall outside this deadband at 18%, 11% and 20% under the baseline, respectively.

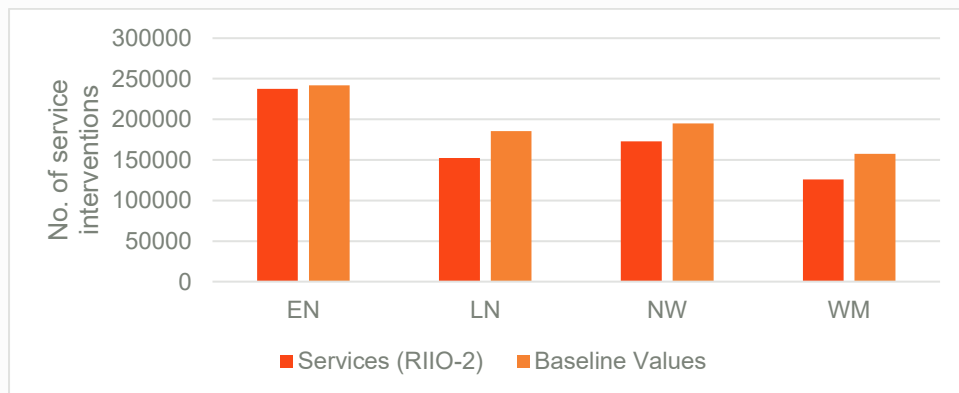


Figure 5.5: Tier 1 Services PCD – Period interventions vs. Baseline values

Delivering below baseline expectations does not indicate that we have not delivered our workload, as we can only replace the services already in situ and associated with the mains replaced (which we have delivered on target) and, in some cases, we have already replaced the services accounting for a lower service density. The downward variance in service interventions is just a consequence of the mains, and associated service density, delivered in this period compared to those delivered historically.

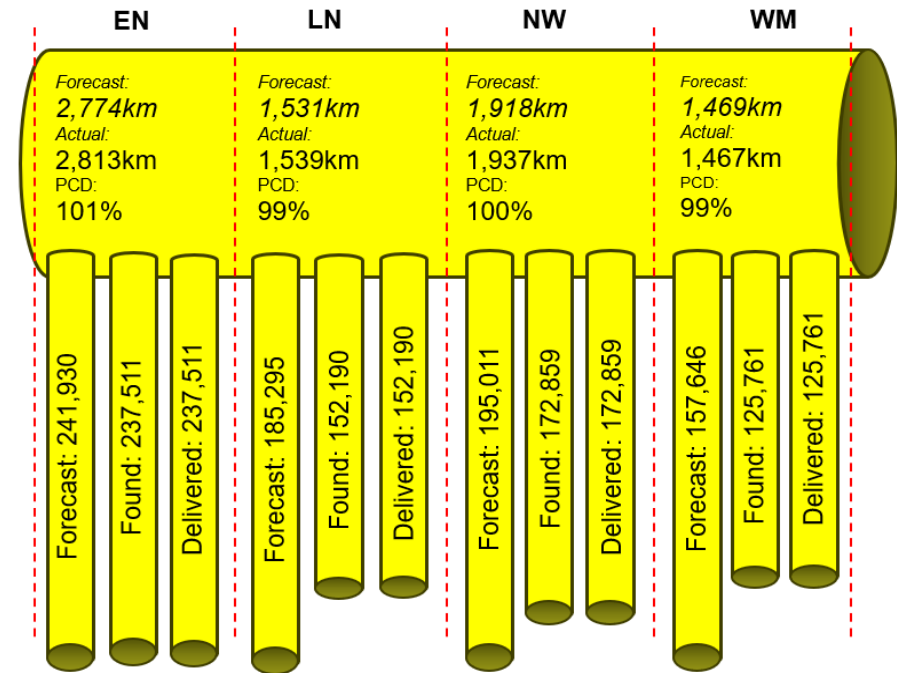


Figure 5.6: Tier 1 Mains and Services Forecast vs Found and Delivered

Our baseline workload was based on historical data and set at 779,882 interventions for the RIIO-2 services PCD, equating to an average service density of around 100 services per kilometre of Tier 1 mains replaced. However, service density can vary significantly for several reasons and across all networks we have seen a lower service density than forecast.

	EN	LN	NW	WM	Cadent
Baseline service density	87.2	121.0	101.7	107.4	101.4
Experienced service density	84.4	98.9	89.2	85.7	88.7
% density variance	-3%	-18%	-12%	-20%	-12%

Table 5.7: Tier 1 Service Density Baseline vs Experienced

Factors that can lead to lower service density, for example, include a higher percentage of suburban housing, rural network characteristics and more industrial and commercial infrastructure (characteristics of our North West & West Midlands networks). For urban areas also, lower service density can be caused by, for example, infrastructure and redevelopment as well as the high population of multi occupancy buildings, commonly only fed by one service, leading to individual risers.

Our Tier 1 Mains & Services PCDs will continue in the same form for RIIO-3 with fewer than 10 years remaining to complete the programme. Similarly to the final years of RIIO-2, our workload for RIIO-3 will include increased volumes of more complex 8" diameter work. To increase delivery flexibility, Ofgem has removed the upwards revenue adjustment cap for mains and services - meaning we could theoretically now overdeliver on our workload in RIIO-3 as we near the IMRRP 2032 deadline, with commensurate increases in funding available.

London Medium Pressure (LMP)

Output performance summary

Output name	Period target	End of period performance- LN
LMP - Mains	9.9km	13.8
LMP - Governors	4 governors	4

The London Medium Pressure programme, which began in RIIO-1, forms part of a long-term investment programme to upgrade and replace strategic sections of our Central London Medium Pressure network. This work is critical to maintaining asset health and reducing the risks associated with ageing mains to nearby buildings, businesses and their occupants.

For RIIO-2, we committed to replacing 9.9km of mains and delivering four governor interventions across the network. This was established as a bespoke Price Control Deliverable (PCD) for Cadent and will continue into RIIO-3.

In 2025/26, we decommissioned a further 1.35km of mains and commissioned 1.4km of new infrastructure. Across RIIO-2, we have replaced 13.8km of mains,

successfully delivering all mains replacement segments set out within our licence obligations.



Figure 5.8: 630mm PE insertion on Horse Guards Parade

As part of this, we completed supplementary replacement works that were delayed due to Covid-19 restrictions and other external factors but remained essential to deliver in the period to enable the efficient delivery of the RIIO-2 programme.

As part of the wider programme, we have also delivered four governor interventions. This includes three interventions at the locations specified in our licence and an alternative intervention at Goswell Road, instead of the originally proposed Central Street site. Limited space for replacement and constraints associated with future need at Central Street led us to identify Goswell Road as a more suitable solution. Given its greater influence on the surrounding network, the replacement governor at Goswell Road will help ensure a reliable and resilient gas supply for customers throughout the year, delivering at least an equivalent output to that originally proposed.

Delivering these works within some of the most sensitive and complex locations in central London has reinforced the importance of close collaboration with

stakeholders to minimise disruption to residents, businesses, workers and visitors. Our teams have worked closely with local authorities, landowners and other utilities to coordinate activities wherever possible and reduce the impact of our works. This collaborative approach has been recognised by several key stakeholders, including The Royal Parks, Westminster City Council and Buckingham Palace, who have commended our flexibility and ability to minimise customer disruption while accommodating national and ceremonial events.

The LMP programme will continue into RIIO-3, with a further 15.9km of mains replacement and five governor interventions planned across the Central London network. Ofgem has established an equivalent PCD to monitor delivery of this programme. In addition, we will deliver a separate Grays Medium Pressure programme under a dedicated PCD, demonstrating our continued commitment to maintaining a safe, resilient and reliable gas network for customers.

Asset health investment

Capital Projects

Output performance summary

Output name	Period target	End of period performance			
		EN	LN	NW	WM
Capital Projects	100%	93.3%*	100%	87.5%*	100%

**2 projects across EN and NW de-scoped during period as no longer required – Hence not able to achieve 100% of original target but rated as green as all work required has been delivered.*

Our Capital Projects are large network investments which help to ensure the safety and reliability of critical assets on our network. For RIIO-2, a number of these projects are governed by a PCD, an output which holds networks to account for the delivery of these specific projects. The PCD mechanism allows funding to be returned to customers if the output is not fully delivered.

We have three categories of work to deliver under this PCD; Capacity upgrades (>7 bar) to ensure we can meet 1-in-20 demand requirements at 13 sites, replacement of metering systems at 18 Offtake sites, and the replacement of interim PE pipes within a service tunnel at Lowestoft Harbour.

Capacity upgrades at two sites were descope from our delivery programme: Hambleton due to the customer, whose load necessitated the works, withdrawing their request, and Eye Green as it was no longer at risk of failing to meet peak capacity demands in our network. The funding for these will be returned to customers.

Following completion of the remaining capacity upgrade works and metering system replacement projects, we have successfully delivered all remaining outputs under the PCD by the end of RIIO-2.

In RIIO-3, Ofgem has set separate evaluative PCDs for the upgrades of several Flow Weighted Average Calorific Value (FWACV) meters, the diversion of two pipelines by Tinsley Viaduct and upgrades at Category 3 Security sites.

Network Asset Risk Metric (NARM)

Output performance summary

Output name		EN	LN	NW	WM
NARM	Monetised risk targets (R£m)	5.2	7.6	5.6	3.1

The Network Asset Risk Metric (NARM) is a regulatory mechanism and methodology used by Ofgem to monitor and evaluate the performance of our network. NARM is primarily a performance reporting framework. It is set out within the common Gas Distribution NARM Methodology, the cross-sector NARM Handbook and is embedded in our Gas Transporter Licence in Special Conditions 3.1 and 9.2.

Specifically, NARM translates the physical condition and likelihood of failure of network assets, such as pipes, into financial terms (Monetised Risk). This allows Ofgem to:

- **Quantify risk:** Assess the risk reduction benefits delivered by asset management interventions, enabling Ofgem to set price control targets for risk and cost.

- **Hold companies accountable:** Measure performance to track if network companies are delivering on their baseline network risk outputs and unit cost to deliver risk reduction through their investment plans.
- **Adjust funding:** Apply funding adjustments and penalties if companies underperform or overperform on their risk targets.

There is flexibility within the mechanism which allows us to risk trade workload and intervention types to account for emerging information and risks. Risk trading is not automatic and requires robust justification at price control close out.

The asset interventions and costs prescribed as NARM in the memo line (within RRP) are aligned to A1 NARM interventions categories, as per the Network Asset Risk Workbook (NARW). The Cadent regulatory networks' outturn risk and delivery cost positions will be submitted through RIIO-2 Year 5 NARM RRP, as per the most recent RIGs, on the 16th October 2026.

High Rise Building Plans

Output performance summary

Output name	Period target	End of period performance				Cadent
		EN	LN	NW	WM	
High rise building plans (HRBs)	3,107	236	2732	86	248	3,302

As part of RIIO-2, we proposed a bespoke reputational Output Delivery Incentive (ODI-R) to develop comprehensive building management plans for all HRBs within our networks. These plans are designed to support a coordinated and efficient response in the event of an incident, helping to minimise disruption and safeguard customers.

Following continued strong delivery in 2025/26, we have now completed 3,302 building management plans across our networks, exceeding our original target of 3,107 plans. Our ability to deliver a higher number of plans reflects the continued programme of survey inspections undertaken throughout RIIO-2, which has further enhanced our understanding of our Multiple Occupancy Building (MOBs) portfolio.

The survey programme has also resulted in changes to the composition of our HRB population across our networks. In our Eastern and London networks, additional inspections identified buildings that required reclassification from medium rise to high-rise, increasing the number of plans required. In contrast, the population of HRBs within our North West and West Midlands networks has reduced due to changes in scope, including buildings that no longer meet the HRB criteria, such as those identified as medium-rise properties or those with meter banks, buildings included within the Energy Exchange Programme, and properties that have since been demolished. As a result, we have successfully completed all required HRB plans for the current populations within our networks, ensuring that appropriate arrangements are in place to support the effective management of gas supply incidents in these buildings.

Cyber and IT

Cyber Resilience OT and IT

Cyber Security continues to be a priority for our business with regular engagement with all stakeholders including our Board, Ofgem and the National Cyber Security Centre (NCSC).

We've had several PCDs aimed at enhancing our overall cyber resilience strategy, and that complements our requirements under the Network and Information Systems (NIS) Regulations for both Information Technology (IT) and Operational Technology (OT) respectively, with allowances granted to us for investing throughout the RIIO-2 period.

The purpose of these deliverables is to:

- Demonstrate that the activities implemented contribute to increased cyber resilience
- Invest in technology to improve our cyber resilience (especially in relation to OT)
- Mitigate associated risks, including changes to the level of risk and the cyber threat landscape
- Improve our status with respect to Cyber Assessment Framework (CAF) outcomes on our network and information systems

As cyber threats have significantly increased on a global scale over the last few years, we continue to closely monitor threats, assess risks and adapt our resilience plans in this area to ensure customer data and our critical systems remain safe and secure.

Being part of the Critical National Infrastructure (CNI) means that technology is core to our operations, and we understand the impact system failures can have on customers and businesses. That's why we're committed to delivering a safe, secure, and reliable network for our customers and the communities we operate in, both now and for the future. This is why we utilised both the re-opener windows in January 2023 and January 2024 to apply for additional funding to help us achieve this. This enabled us to set up our Securing Operations Programme, consisting of a series of initiatives spanning RIIO-2 and RIIO-3, that will help us increase our cyber security and resilience and meet the enhanced CAF requirements by December 2027. Due to this work being sensitive in nature, we will continue to provide detailed progress reports to Ofgem in line with the reporting requirements set out in our licence.

Data and Digitalisation

Output performance summary

Output name	Target	2025/26 Performance
Data Best Practice	Comply with guidance	Compliant
Digitalisation Strategy & Action Plan	Publish in line with Licence Obligation	Delivered

Throughout RIIO-2, we progressed our digitalisation commitments while preparing for the transition into RIIO-3. A key milestone was the refresh of our Digitalisation Strategy, which builds on capabilities developed during the period and sets out our future direction for data accessibility, interoperability, analytics and stakeholder value.

Our investments in Metadata Management, Open Data and Interoperability, initially funded through the Non-Operational IT Capex Re-Opener, have improved the visibility, accessibility and usability of our data in line with Data Best Practice

Guidance. This has enabled a shift away from more manual and reactive approaches to data sharing. During RIIO-2, we delivered several key digital capabilities, including:

- A centralised Energy Data Catalogue, improving metadata governance and standardisation.
- An Open Data Portal, providing self-service access to data assets and improving discoverability.
- Reusable APIs and enhanced system connectivity, enabling more efficient data exchange across systems.
- Advanced analytics capabilities, including leakage modelling to support the proactive identification of network emissions.

We have also contributed to cross-network collaboration on data standards and interoperability, helping improve consistency of data provision across the wider energy sector.

Several initiatives have now transitioned into business-as-usual operations, while others continue to progress, including biomethane optimisation, data standardisation and climate resilience modelling. Collectively, these activities have improved data visibility, accessibility and interoperability, strengthened alignment with Data Best Practice Guidance and established scalable digital capabilities to support future stakeholder, operational and regulatory requirements. As we move into RIIO-3, we will continue to engage with stakeholders and monitor emerging developments to ensure our approach remains aligned with industry expectations and delivers ongoing value across the wider energy system.

Providing a quality experience for all our customers, stakeholders & communities

Output commitments					Target/commitment			
Output name	Common/ bespoke	Output type	Annual/Period target	Measure/unit	EN	LN	NW	WM
CSAT: Unplanned Supply Interruptions	Common	Financial Output Delivery Incentive	Annual	Score out of 10	9.37	9.37	9.37	9.37
CSAT: Connections	Common	Financial Output Delivery Incentive	Annual	Score out of 10	8.38	8.38	8.38	8.38
CSAT: Planned Supply Interruptions	Common	Financial Output Delivery Incentive	Annual	Score out of 10	8.51	8.51	8.51	8.51
Complaints Metric	Common	Financial Output Delivery Incentive	Annual	Weighted metric	5	5	5	5
Connections Guaranteed Standards of Performance ('GSOP')	Common	Licence Obligation	Annual	% in standard	90%	90%	90%	90%
Unplanned interruptions: Non MOBs	Bespoke	Financial Output Delivery Incentive	Annual	Average duration (hours)	12	14	14	13
Unplanned interruptions: MOBs	Common	Financial Output Delivery Incentive	Annual	Average duration (hours)	518	601	601	601
Collaborative streetworks	Common	Financial Output Delivery Incentive	Annual	No. of projects (max)	9	7		
Vulnerability and Carbon Monoxide Allowance (VCMA)	Bespoke	Use it or lose it allowance	Period	Allowance (£m)	31.3	17.5	20.9	15.2
Consumer vulnerability minimum standard	Common	Licence Obligation	Annual	Compliance	✓	✓	✓	✓
Consumer vulnerability reputational incentive	Common	Reputational Output Delivery Incentive	Annual	Various measures	✓	✓	✓	✓
Personalising welfare facilities	Common	Price Control Deliverable	Period	No. of customers supported			164250	

Customer service

Customer Satisfaction ('CSAT')

Output performance summary

Output name	Annual Target	2025/26 Performance			
		EN	LN	NW	WM
Planned supply interruptions	8.51	9.21	9.20	9.18	9.08
Unplanned supply interruptions	9.37	9.70	9.59	9.67	9.70
Connections	8.38	9.30	9.34	9.42	9.45

Ofgem introduced the CSAT financial Output Delivery Incentive (ODI-F) to measure and incentivise network performance based on customer satisfaction across the key services we provide. First introduced during RIIO-1, the incentive is designed to reward excellent customer service while penalising declines in customer satisfaction.

Since Cadent was established, improving the experience of our customers has been a key priority. Over time, we have successfully closed the performance gap that existed in the early years of RIIO-1 between our networks and the other Gas Distribution Networks. Today, we consistently perform among the leading networks in the customer satisfaction league tables across our core services.

Our RIIO-2 customer strategy reinforced this commitment by establishing a more customer-centric operating model, bringing decision-makers closer to the needs and experiences of our customers. Since implementing this approach, we have delivered year-on-year improvements in customer satisfaction throughout the RIIO-2 period. In Year 5, we achieved an average aggregate customer satisfaction score of 9.40 out of 10, compared with 8.81 at the end of RIIO-1.

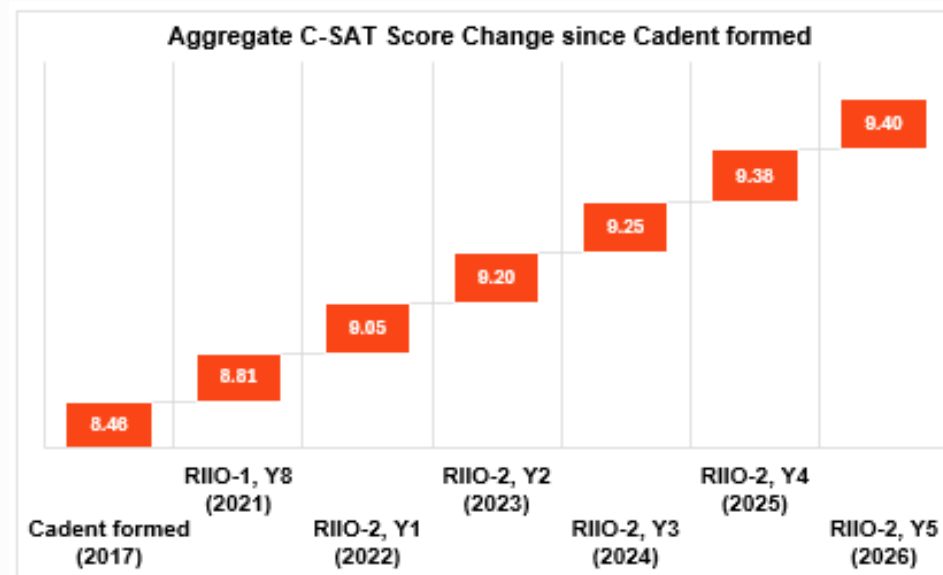


Figure 5.9: Aggregate CSAT score

The indicative GDN league table for Year 5 shows two of our networks ranked within the top four positions overall, with all Cadent networks in the top six. Three of our four networks also improved their aggregate customer satisfaction scores compared to the previous year, with the largest increase achieved in our London network.

This improvement reflects the continued focus of our teams on delivering a positive customer experience across all areas of our business. Within our Unplanned and Connections services, London has particularly excelled in providing clear, timely and compassionate communication, ensuring customers receive appropriate support before and during our visits and remain informed about progress and next steps throughout their journey.

In Planned Works, improvements have been driven through a range of targeted initiatives, including closer collaboration with Local Delivery Partners (LDPs), increased performance visibility through our Control Room, enhanced onboarding and support for Customer Liaison Officers (CLOs), and more proactive customer communications. Together, these initiatives have helped improve customer

outcomes, strengthen customer confidence and enhance the overall customer experience.

Network	24/25	25/26	Movement from last year
EN	9.41	9.40	-0.01
LN	9.26	9.38	+0.12
NW	9.41	9.42	+0.01
WM	9.33	9.41	+0.08

Table 5.10: Average CSAT scores by network across all surveys

The following sections outline our performance for each service measured by CSAT: Unplanned Supply Interruptions, Connections and Planned Work. Our overall CSAT score for each network is based on these three surveys weighted equally (33.33%).

Unplanned supply interruptions

One aspect of the Customer Satisfaction incentive measures our Emergency Response & Repair service (Unplanned service interruptions). We continue to achieve very high scores, with an average score of 9.68 out of 10 across our networks, improving on our overall score of 9.65 in 2024/25 and 9.52 at the end of RIIO-1. Our Eastern, London and West Midlands networks improved performance compared to last year, with a slight decrease in North West's performance of 0.01. The unvalidated GDN CSAT league table shows that two of our networks are in the top four positions.

Network	24/25	25/26	Movement from last year	Overall Cadent Score
EN	9.67	9.70	+0.03	9.68
LN	9.57	9.59	+0.02	
NW	9.68	9.67	-0.01	
WM	9.66	9.70	+0.04	

Table 5.11: Unplanned supply interruptions CSAT scores by network

As in previous years, customers continued to rate us highly in the areas most closely associated with the reassurance and support provided by our field teams.

Our highest-scoring emergency service measures in Year 5 were engineers showing respect (9.84 aggregate), professionalism of the workforce (9.78 aggregate), and customers feeling safe and reassured following our attendance (9.77 aggregate). These consistently strong results reflect the commitment of our engineers to delivering a calm, professional and respectful service during emergency situations, where building customer confidence and providing reassurance are particularly important.

Our approach has continued to be shaped by customer insight, with a strong focus on minimising disruption from our works, reducing the frequency and duration of supply interruptions where possible, and completing reinstatement activities efficiently and to a high standard. In Year 5, this was supported by real-time performance management, including daily operational reviews and live monitoring of off-gas customers and escalations, enabling rapid intervention where required. Enhanced aftercare arrangements, including follow-up text messages and post-completion calls, also helped strengthen service recovery by ensuring any issues identified after attendance could be resolved quickly and effectively.

Connections

Network	24/25	25/26	Movement from last year	Overall GDN Score
EN	9.41	9.30	-0.11	9.35
LN	9.34	9.34	0.00	
NW	9.39	9.42	+0.03	
WM	9.19	9.45	+0.26	

Table 5.12: Connections CSAT scores by network

This survey measures customer satisfaction with our Connections service. In the final year of RIIO-2, we achieved an overall score of 9.35 out of 10 across our four networks, representing an improvement of 0.89 points on the final year of RIIO-1. London, North West and West Midlands either maintained or improved their performance compared with the previous year, while Eastern experienced a small reduction in score.

As in previous years, customers rated the professionalism and conduct of our field teams highly. Engineers showing respect (9.71 aggregate) and the professionalism of the on-site team (9.60 aggregate) remained the highest-scoring aspects of the

customer journey. These results demonstrate the vital role our workforce plays in shaping the customer experience and maintaining customer trust. While performance remains strong, we have identified opportunities to further improve transactional elements of the journey, including the application process, the dates provided for completing work, and the ease of doing business with us.

Customer feedback highlighted communication as a key driver of satisfaction, with some customers identifying a need for clearer and more concise updates following their application. In response, we introduced automated text updates to provide customers with timely information throughout their journey, reducing the need for them to contact us for progress updates and improving the overall customer experience.

Throughout RIIO-2, we have developed and embedded a structured approach to reviewing customer journeys, identifying root causes and implementing targeted improvements. In Year 5, this approach continued through strong cross-functional collaboration and a 'one team' ethos across the end-to-end Connections journey. This was supported by robust performance measures, daily performance reviews, and effective aftercare arrangements that helped strengthen service recovery and build customer confidence. We have also continued to enhance accessibility and customer communications through clearer website content, instructional videos and guidance materials. Where appropriate, customers were supported through a single point of contact, helping to provide clarity and a more seamless experience.

These areas will remain a focus as we transition into RIIO-3.

Planned supply interruptions

Network	24/25	25/26	Movement from last year	Overall GDN Score
EN	9.16	9.21	+0.05	9.18
LN	8.87	9.20	+0.33	
NW	9.17	9.18	+0.01	
WM	9.14	9.08	-0.06	

Table 5.13: Planned supply interruptions CSAT scores by network

Following the implementation of several targeted improvement initiatives in the latter years of RIIO-2, we have continued to see positive improvements in our

Planned Works customer satisfaction performance. In 2025/26, our overall score across all networks increased to 9.18 out of 10, representing an improvement of 0.06 points compared to the previous year and an improvement of 0.76 points on the final year of RIIO-1. The indicative GDN customer satisfaction league table for Year 5 shows two of our networks ranked within the top four positions for Planned Works.

This improvement reflects the continued strengthening of our customer-focused approach to delivery. Throughout Year 5, we maintained a strong emphasis on placing customers at the heart of decision-making alongside our commitments to safety and operational performance. Key enablers included greater visibility of performance data, revised processes, system enhancements, consistent training programmes and stronger accountability for customer outcomes across our delivery teams. The introduction of the Cadent Planned Works Playbook has also helped establish clearer performance expectations and more consistent ways of working. This has been supported by enhanced performance management arrangements and stronger collaboration across stakeholders through a shared 'one team' approach. As a result, we have delivered improvements across several key areas of the customer journey, including the quality and reach of our communications, the speed and quality of reinstatement activities, and our ability to minimise disruption while works are taking place. Collectively, these improvements have contributed to higher levels of customer satisfaction and a stronger overall customer experience.

RIIO-3

The Customer Satisfaction ODI-F is retained for RIIO-3 with all three surveys to continue at equal weighting. Given the progress in performance seen throughout RIIO-2, Ofgem has increased the thresholds for achieving rewards across all surveys, further incentivising networks to exceed previous performance and focus on delivering the best customer service. The PSR CSAT ODI-R will continue for RIIO-3, with the same increased targets applying across all surveys.

Ofgem has also introduced a Disconnections CSAT ODI-R consisting of two surveys: one for consumer-led, paid-for disconnections and the other for safety-driven, socialised disconnections carried out by the GDNs as part of our responsibilities under HSE legislation.

Complaints handling

Output performance summary

Output name	Minimum Performance Level	2025/26 Performance			
		EN	LN	NW	WM
Complaints Metric	5	1.60	1.79	1.77	1.24

When things do go wrong, we know customers want issues to be resolved quickly and without any hassle. The RIIO-2 complaints metric is a penalty-only ODI-F designed to drive improvements in gas distribution companies' complaint handling performance. For the RIIO-2 complaints metric, a lower score is better. The score is calculated using four components, each with a different weighting: complaints unresolved after the first working day (10%), complaints unresolved after 31 working days (30%), repeat complaints (50%) and Ombudsman rulings against Cadent (10%).

Network	24/25	25/26	Movement from last year
EN	1.27	1.6	0.33
LN	1.22	1.79	0.57
NW	1.18	1.77	0.59
WM	1.1	1.24	0.14

Table 5.14: Complaints Metric scores by network

All our networks have significantly exceeded the minimum performance level of five and resolved more than 85% of complaints within the first working day. During 2025/26, we made a conscious effort to focus on reducing repeat customer contact and further enhancing the quality of our contact resolution. As a result, D+1 closure rates did decrease, but we have maintained our industry-leading levels of performance on the complaint handling metric. At a Cadent level, our average complaint score for RIIO-2 was 1.42 and we have closed 88% of complaints within the first working day.

Network	24/25	25/26	Movement from last year
EN	89.29%	87.78%	-1.51%
LN	91.51%	85.27%	-6.24%
NW	90.76%	85.57%	-5.19%
WM	90.05%	89.41%	-0.64%

Table 5.15: D+1 Resolution by network

We will continue to be incentivised in RIIO-3 against our Complaints performance by a penalty-only mechanism. Due to consistently strong performance well below the minimum performance level of 5 in RIIO-2, the target has been reduced to 3.5, which we are confident we will meet and exceed. Ofgem has also introduced an ODI-R for PSR complaints scores with the same target of 3.5. We will report against this reputational incentive throughout the RIIO-3 period.

Connections Guaranteed Standards of Performance ('GSOP')

Output performance summary

Output name	Minimum Performance Level	2024/25 Performance2025/26 Performance			
		EN	LN	NW	WM
GSOP 4-11	90%	>90%	>90%	>90%	>90%

We seek to deliver a high-quality experience for every customer we interact with, recognising that there is a standard that customers should expect, and when these standards are not met that these customers are compensated.

The minimum standards for our connections delivery service are measured via Guaranteed Standards of Performance ('GSOP'). Customers are entitled to a compensation payment if we fail to deliver against them and we are obliged to meet them at least 90% of the time (as per Standard Special Condition D10: Quality of service standards).

In 2025/26 we performed well above the 90% standard for all GSOPs across all our networks meaning we have surpassed the Connections GSOP standards for all years of RIIO-2.

GSOP	EN	LN	NW	WM
GSOP 4: Provision of standard quotation	99.15%	98.30%	98.25%	98.69%
GSOP 5: Provision of non-standard quotation (≤ 275 kWh per hour)	99.22%	97.99%	99.38%	99.66%
GSOP 6: Provision of non-standard quotation (> 275 kWh per hour)	98.78%	99.49%	96.54%	99.07%
GSOP 8: Response to land enquiries	99.20%	99.61%	96.06%	98.65%
GSOP 9/10: Provision of a date for starting and finishing work	99.37%	99.41%	99.96%	99.83%
GSOP 11: Completing work in the agreed timescales	96.73%	98.19%	98.89%	96.71%

Table 5.16: Connections GSOP performance against 90% standard by network

Keeping the energy flowing

Unplanned interruptions

Output performance summary

Output name		EN	LN	NW	WM
Non-MOBs Unplanned Interruptions	Minimum Performance Level	12	14	14	13
	2025/26 Performance	5.8	13.3	7.0	5.0
MOBs Unplanned Interruptions	Minimum Performance Level	518	601	601	601
	2025/26 Performance	99.0	304.0	106.0	115.0

While we are dedicated to operating a reliable gas network 24/7, there may be unforeseen occasions where a customer experiences an interruption to their gas supply without prior notice.

For RIIO-2, Ofgem introduced a penalty-only ODI-F to monitor the average duration of unplanned interruptions and protect customers from extended disruption.

Cadent has two Unplanned Interruption measures, one measuring the average duration of unplanned interruptions in MOBs as defined in our gas transporter licence, and another for all other buildings (i.e. non-MOBs). In comparison, the other GDNs have a combined measure for Unplanned Interruptions. For RIIO-3, all GDNs will have separate measures for non-MOBs & MOBs.

For each measure, a Minimum Performance Level (MPL) and an Excessive Deterioration Level (EDL) were set, with the financial penalty increasing between these levels. These MPLs and EDLs are network-specific, recognising the regional factors that impact unplanned interruption response.

Unplanned interruptions in non-MOBs performance

Whilst average durations fluctuate year on year, all our networks have performed better than their MPLs. In 2025/26, Eastern, North West and West Midlands finished the year significantly below their MPLs with average durations of 5.8, 7.0 and 5.0 hours respectively. Our London network came in closer to its MPL of 14 with an average duration of 13.3 hours.

London's outturn being closer to its MPL is consistent with the impact of complex non-MOB buildings (predominantly large buildings with multiple properties, however not served by a gas riser). These sites are more like MOB than other non-MOBs and, due to their complexity, require additional engineering work leading to longer restoration periods (similar to buildings classified as MOB). This year, there were 79 complex non-MOB interruptions. If these were excluded, then the average duration for LN would drop to 12.2 hours.

Despite these challenges, all our networks performed below the MPL across RIIO-2. At a Cadent level, our average duration for RIIO-2 was 8.5 hours - a 16% reduction from RIIO-1 (10.1 hours).

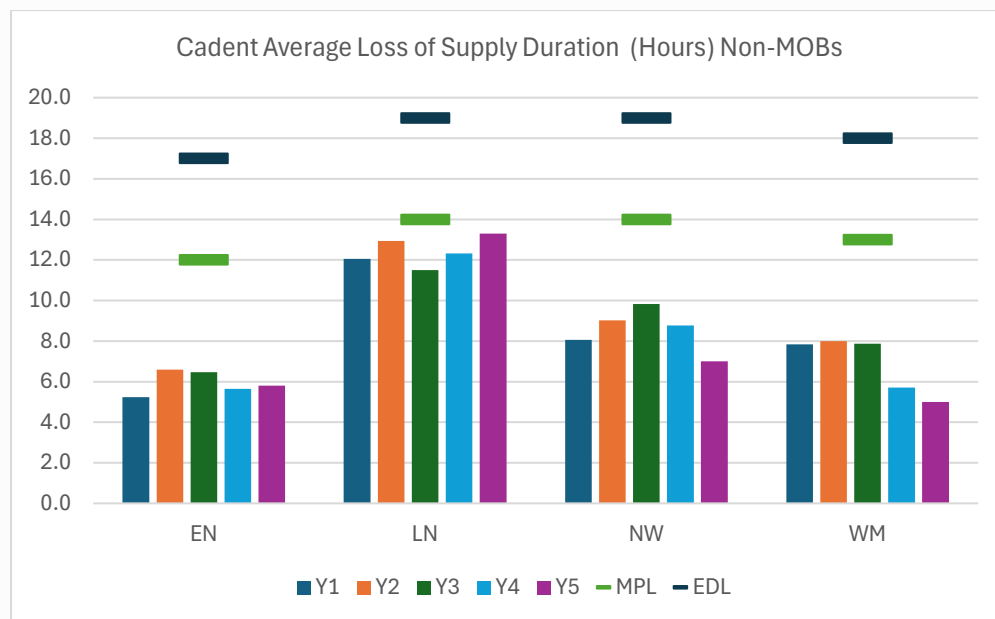


Figure 5.17: Non-MOBs Unplanned Interruptions Average Duration (Hours)

As referenced above, there is a material difference in non-MOBs average duration across our networks with a 166% increase in average duration between our West Midlands and London networks, driven by the population of complex non-MOBs in London. This regional factor has been acknowledged when setting the RIIO-3 MPLs, with London & Southern being set a higher MPL of 15 hours in comparison to the common target of 13 hours for all other networks.

Unplanned interruptions in MOBs

In 2025/26, all our networks performed better than the MPL. Due to the complexity of MOB interruptions, fluctuations in the average durations of interruptions happen year on year across all our networks. The mix of buildings and differing levels of permissions required impacts the time it takes to restore customers.

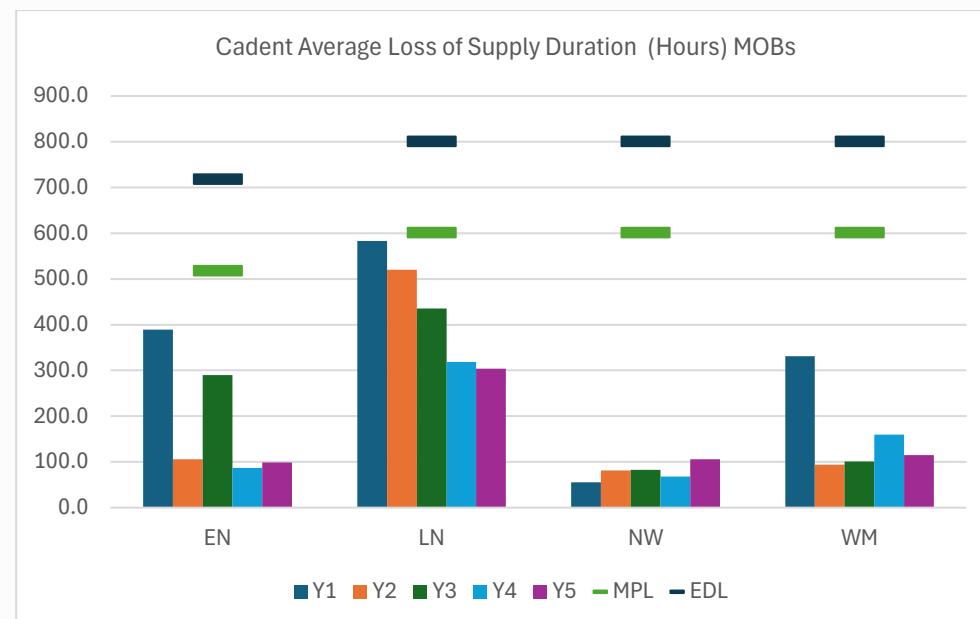


Figure 5.18: MOBs Unplanned Interruptions Average Duration (Hours)

We will always be committed to restoring customers as quickly and efficiently as possible, but there are several factors impacting MOB interruptions which are largely outside of our control. Despite this, throughout RIIO-2 we have performed below the MPL for all networks. At a Cadent level, our average duration for RIIO-2 was 217 hours which is a 42% reduction from RIIO-1 (371 hours).

For RIIO-3, Ofgem has introduced specific network targets for MOB average durations. Given our strong performance during RIIO-2, we proposed reductions in the MPLs for all our networks in our RIIO-3 Business Plan, which reflect regional differences in the populations, size and nature of MOB.

Collaborative Streetworks

Output performance summary

Output name	2025/26 Performance			
	EN	LN	NW	WM
Collaborative street works	0	7	N/A	N/A

Due to the nature of our gas network, delivering our work often requires working in roads or pedestrian pathways. This can cause disruption for customers, commuters and other road users. To minimise this impact, the Collaborative Streetworks ODI-F was introduced in RIIO-2 for networks operating in Greater London (Cadent – Eastern and London, and SGN Southern).

Project name	Collaborative partners	Est. number of days saved
Luxborough Street	City of Westminster	3
St Martin's-Le-Grand	City of London Corporation	22
Charing Cross Road	London Borough of Camden	12
Monck Street	London Borough of Westminster	58
Perth Road	UKPN	28
Scrubs Lane/Wood Lane	TfL	37
Nine Elms Road	TfL	123

Table 5.19: 2025/26 Collaborative streetworks projects delivered

In 2025/26, we collaborated with other utility providers on 54 streetworks projects, resulting in a total saving of 651 days of disruption. Of these, 7 projects met the ODI-F criteria, accounting for 283 days saved. All seven were delivered within our London network, which covers a significantly larger proportion of Greater London where the incentive applies. Opportunities within our Eastern network are more limited, as only 8.6% of the network lies within Greater London. Although some potential collaborations were identified, these projects did not progress to delivery in 2025/26.

While each completed project attracts a fixed incentive payment, the wider social value created is considerably higher, with over £2.6m of social value generated for local residents in 2025/26. This value is calculated using the Monitoring and Evaluation (M&E) tool developed by the Greater London Authority (GLA) and us, which captures benefits such as reduced journey times, business disruption losses avoided, and lower carbon emissions.

Across RIIO-2 in our London network, we have delivered 395 collaboration projects totalling 3,398 days of disruption saved. Of the 35 incentive-applicable projects, 977 days of disruption were saved. Alongside Camden Council, we have pioneered new ways of working with the Sustainable Drainage Systems project which helped us develop and share several Construction (Design & Management) processes with the GLA to enable future similar collaborations. Our collaborative work has been recognised externally with four consecutive awards won, including our most recent in 2025 for 'Best Collaborative Works' in 'Deploying the Dig Once Strategy'. We received this alongside six of our utility counterparts, the GLA, Network Rail and Transport for London, showing the extent and breadth of collaboration we undertake.

We were a driving force behind the Collaborative Streetworks Incentive being introduced in RIIO-2, recognising the impact it has on reducing disruption for our customers. When developing our RIIO-3 business plan, we saw a clear stakeholder and customer value case for expanding the incentive across all gas distribution networks. Ofgem's final determination now means we can deliver this significant value to customers across all our networks. We are engaging with local, highway and combined authorities to establish the role of Central Coordinators in the expanded regions to facilitate delivery of collaborative projects.

To support this role and improve internal identification and evaluation processes, we have also worked to develop a tool through the Strategic Innovation Fund (SIF) 'Project Collaborate' bid, which has now been approved as part of a recent 'Alpha' stage process. The tool will automate the identification and notification of overlapping works to support early, cross-sector collaboration. Alongside identification, it will generate the social value for these opportunities as well, helping to ensure they deliver the incentive's objectives. We are supporting the development of a prototype version for Autumn 2026.

Supporting customers in vulnerable situations

Vulnerability and Carbon Monoxide Allowance (VCMA)

Output performance summary

Output name	2025/26 Performance			
	EN	LN	NW	WM
VCMA (£m invested)	10.9	6.1	7.3	5.3
Fuel poor connections (period)	1,802	493	1,086	1,202
CO awareness (score out of 10)	9.15	8.94	8.85	9.12
PSR CSAT (score out of 10)	9.47	9.43	9.53	9.42

We are driven by the positive difference we can make for our customers and the communities we serve. As such, when Ofgem introduced the Vulnerability and Carbon Monoxide 'use it or lose it' (UIOLI) allowance for RIIO-2, awarding Cadent £84.98 million to support customers in vulnerable situations, we have worked diligently to make the most of this funding. This reflects our continued recognition of how societal challenges affect our customers, particularly those who are most vulnerable, and the important role Cadent, alongside other Gas Distribution Networks (GDNs), plays in addressing and supporting vulnerable customers.

In the last 12 months, we have continued to lead the sector and have invested £29.6m of the VCMA into supporting our customers. We initially committed to an expenditure of £29.9 million for the final year of RIIO-2 with our actual spend in year 5 within 1% of our forecast, leaving only 0.4% of the total £84.98m full five-year allowance unspent. This has created a social return on investment of £22 per £1 committed over the RIIO-2 period.

We are proud to be pushing the sector in driving initiatives that support vulnerability and deliver social impact. In the 5th and final year of this price control period, we have seen our Centres for Warmth grow to 424 centres. We have also seen several of our projects extended and become collaborative projects working with the other GDNs, allowing us to share best practice with each other and reach

more customers. Our mobile advice centres continue to grow and will continue into RIIO-3, ensuring that we are able to reach as many customers as possible.

£m (18/19 prices)	21/22	22/23	23/24	24/25	25/26	Total
Cadent specific fund	2.1	4.1	9.0	19.0	20.9	55.0
Collaborative fund	0.8	2.3	4.8	13.0	8.8	29.7
Total VCMA	2.9	6.4	13.9	31.9	29.6	84.7

Table 5.20: VCMA Actual and Forecast spend over RIIO-2

Our vulnerability strategy is built around four key priority areas: tackling fuel poverty, carbon monoxide awareness, identifying individual needs and joining up services, and going beyond the meter to never leave a customer in a vulnerable situation without gas. Our 2025/26 VCMA Annual Report provides detail on how we have performed against these priority areas, and in the next sections we provide some insight, including performance against the consumer vulnerability reputational incentive measures.

Tackling fuel poverty

We continue to deliver initiatives focused on the provision of tailored, professional, face-to-face energy and income maximisation advice to families most in need. We offer these services in people's homes, but we reach more households through our expanding network of Centres for Warmth and Mobile Advice Centres (MACs).

We introduced Centres for Warmth in RIIO-2 as a bespoke Cadent initiative and this year we have opened our 424th centre. Through these community hubs, we fund professional resources to provide a range of financial and safeguarding support in areas of high deprivation and fuel poverty. Five of our centres have now introduced 'Warm Wash Centres' as a practical solution to the challenges faced by our customers living in cold, damp conditions and the financial strain of heating homes or undertaking basic routines such as laundry. These centres provide free access to washing and drying facilities, reduce damp at home and ease some everyday pressures for vulnerable households. We are set to open a further five Warm Wash Centres in 2026.

Introduced in 2023 to remove barriers some of our customers face, such as rural isolation, limited transport and digital exclusion, our MACs travel to targeted

locations to support customers in reducing energy costs, improving home safety and accessing wider services. As of April 2026, we have 5 MACs running across the North West & Manchester, West Midlands, North London and Leicestershire and Rutland, with MACs 6 & 7 due to go live in East Anglia and East Midlands soon. We are aiming for 12 MACs by the end of 2026, targeting areas such as Liverpool and Herefordshire.

Carbon Monoxide (CO) Awareness

During RIIO-2, we developed a varied and impactful portfolio of projects designed to raise awareness of carbon monoxide (CO), the signs and symptoms of CO poisoning, and the importance of installing a CO alarm. Following a peak in performance for customers reached in Year 4, we achieved our second strongest year in Year 5, successfully reaching over 9.6 million customers across our networks with these vital safety messages.



Direct customer engagement continued in Year 5 with a deliberate focus on flagship projects and face-to-face education. We shifted to more targeted campaigns, such as collaborating with Fire and Rescue Services during CO Awareness Week to address high-risk cooking practices, supported by materials in five key languages.

We have seen an overall reduction in NGES reports of CO incidents, aligning with increased in-home engagement by our workforce, who have reached over 332,000 customers across five years. Our Mobile Advice Centres (MACs) have expanded with four new vehicles increasing the number of customers reached and educated on CO by around 259,000 since Year 4, while Centres for Warmth grew to include ten new sites, reaching 260,000 more people.

Our children's CO education programmes such as 'Safety Seymour' & 'The CO Crew' continued to perform strongly, with 100% of attended schools likely or very likely to rebook for other year groups. Our Scouts programme has reached 42,000 children bringing the total programme reach to over 635,000 children educated across RIIO-2.

We strengthened our positive partnerships with emergency services and healthcare providers, including new Fire and Rescue collaborations and ongoing work with St John Ambulance. Our partnership with iPiP also delivered new NHS e-learning modules, improving recognition and response to CO exposure across multiple clinical areas.

	EN	LN	NW	WM	Cadent
Average score before	6.8	6.7	6.0	6.4	6.4
Average score after	9.2	8.9	8.9	9.1	9.0
Average score difference	+2.4	+2.3	+2.9	+2.8	+2.6
No. of customers reached (million)	3.64	1.82	2.46	1.69	9.62

Table 5.21: 2025/26 CO awareness survey scores and reach

Identifying individual needs and joining up services

To ensure as many of our customers who should be registered on the Priority Services Register (PSR) are registered, we continue to engage with hundreds of thousands of customers each year, promoting the PSR and collaborating with trusted partners to share information within the communities they serve. We are also exploring new and innovative ways to communicate this message, carefully considering both the language and channels we use, including how we reach and support non-native English speakers.

Over the course of RIIO-2, we have had 4.7 million direct PSR conversations, exceeding our commitment to have over 4 million conversations by the end of the period. We have formed 192 strategic partnerships with charities and organisations to help extend our reach and positive social impact - over double our RIIO-2 commitment of 80.

We have retained our BS ISO22458 standard accreditation for the fourth consecutive year reinforcing our commitment to delivering an inclusive service for customers living in vulnerable situations.

Our ongoing commitment to support customers in vulnerable situations is reflected in the scores provided by Priority Services Registered customers, who gave us an average of 9.47 out of 10. Our PSR customers scored us higher on average in all four of our networks compared to CSAT for all customers.

Network	PSR CSAT score	Difference vs. all customer CSAT
EN	9.47	+0.07
LN	9.43	+0.05
NW	9.53	+0.11
WM	9.42	+0.01
Cadent	9.47	+0.07

Table 5.22: Average PSR CSAT by network across all surveys

Going beyond the meter to never leave a customer vulnerable without gas

Launched in 2021, our award-winning Services Beyond the Meter (SBtM) programme helps keep more customers safely connected to gas. In situations where we may previously have had to disconnect a customer's supply at the meter to ensure safety, SBtM enables us to resolve issues while maintaining access to essential heating and cooking facilities wherever possible.

When our engineers identify a vulnerable customer, they make an immediate referral to our in-house eligibility team. Following a full assessment, tailored support is often delivered within 24 hours, including free appliance repairs or replacements, CO investigations, servicing, and gas safety advice.

This year, we have expanded our team of trained in-home pipework and appliance engineers to 6,168 and introduced the programme to many charity partners who can now refer customers into the Services Beyond the Meter scheme. As a result, we have supported over 47,000 households in Year 5, bringing our RIIO-2 total to 150,477.

To achieve this, we have expanded our in-house capabilities, strengthened the referral pathways and introduced dedicated SBtM engineers to reduce lead and response times and enable faster supply restoration. We provide preventative services, such as free gas appliance servicing, alongside emergency support. This has meant we can support more customers at the same level of funding.

Fuel Poor Network Extension Scheme (FPNES)

To help tackle fuel poverty and provide access to affordable heating, the Fuel Poor Network Extension Scheme (FPNES) mechanism was introduced for RIIO-2 to support off-grid, fuel poor households to connect to the gas network. During RIIO-2, Ofgem repurposed the FPNES fund into the wider VCMA fund, which led to a significant change of approach in how we support customers experiencing fuel poverty. Despite the reduction of dedicated funding, we have delivered 62 Fuel Poor Connections this year and 4,583 across the RIIO-2 period, which equates to just over 73% of the five-year period target of 6,250.

Network	FPNES connections delivered over RIIO-2	Period target	% Delivered vs. target	Cap	% Delivered vs. cap
EN	1,802	2,050	88%	2,446	74%
LN	493	500	99%	639	77%
NW	1,086	2,250	48%	1,909	57%
WM	1,202	1,450	83%	2,003	60%
Cadent	4,583	6,250	73%	6,997	65%

Table 5.23: RIIO-2 FPNES connections delivered vs. annual targets and cap

We remained committed to supporting off-grid fuel poor households through the FPNES as well as driving increased social value through the increased VCMA and

the Cadent Foundation, our shareholder-funded charity which supports vulnerable customers.

Personalising Welfare Facilities

Output performance summary

Output name	Period target	End of period performance			
		EN	LN	NW	WM
Personalised Welfare	164,250	195,525			

During supply interruptions, we want to ensure our customers in vulnerable situations are supported with alternative provisions to keep them warm, safe and comfortable in their homes. To address this, as part of our RIIO-2 Business Plan, we proposed a Personalising Welfare Facilities Bespoke PCD which centres around offering additional personalised welfare provisions to these consumers. In the RIIO-2 Final Determinations, Ofgem recognised the significant additional value this would deliver to customers above our minimum standards (GSOPs) and this was the only bespoke proposal made by any of the GDNs that received an Ofgem Consumer Value Proposition ('CVP') reward under the Business Plan Incentive ('BPI').

Our welfare items have been carefully selected, tested by both customers and employees, and procured based on the specific needs of those affected by off-gas situations, with consideration given to the most impacted appliances. In Year 5, we supported 44,026 customers, equating to a RIIO-2 total of 195,525 customers supported through the PCD. At the start of the period, we set a target to support 164,250 customers, and we have outperformed our target by 19%.

	EN	LN	NW	WM	Cadent
Provisions to PSR customers	5,477	3,346	4,402	3,139	16,364
Provisions to non-PSR customers	6,981	6,091	8,050	6,540	27,662
Total	12,458	9,437	12,452	9,679	44,026

Table 5.24: Number of personalised welfare facilities provided in 2025/26

Despite the over-delivery in terms of customers supported, we reported costs of £5.7m (18/19 prices) against the £12.45m PCD allowance. This saving chiefly derives from a change in the expected high uptake in more expensive products/services, such as alternative heating and temporary accommodation. In the period, customers have preferred less expensive alternatives such as food vouchers and products such as blankets, reducing the cost of providing the service. In addition, our ability to commit to set quantities and leverage our existing supplier relationships has also enabled us to secure high-quality products at competitive rates, delivering value whilst maintaining the standards expected for customer welfare.

In respect of uptake, food vouchers have consistently been the most in-demand welfare item throughout the year, reflecting their use across all seasons. In contrast, products such as heated blankets and oil radiators see a marked increase in demand during colder months, as expected.

As part of our commitment to continuous improvement, several other welfare products have also been evaluated but not ultimately rolled out based on feedback. For example, a limited number of 4-litre single-compartment air fryers were issued. While customers appreciated the concept, the size and design were not conducive to preparing meals for families. Given the existing provision of slow cookers, table-top ovens, and food vouchers, it was determined that an additional cooking appliance was not necessary.

Identifying suitable alternative water provisions for customers has been challenging in RIIO-2. Through ongoing innovation, new low-power hot water solutions have been developed to improve safety and ease of use, and we will be testing these within our networks for suitability.

The focus in the final year of RIIO-2 has been to review and adjust our offerings against the associated criteria to ensure a smooth transition to a business-as-usual provision for RIIO-3. Our processes have been successfully embedded within the organisation, and going forward, we will continue to support customers in vulnerable situations during a gas supply interruption.

Tackling climate change and improving the environment

Output commitments					Target/commitment			
Output name	Common/ bespoke	Output type	Annual/Period target	Measure/unit	EN	LN	NW	WM
Shrinkage reputational incentive	Common	Reputational Output Delivery Incentive	Annual	GWh (baseline)	350.5	179.6	248.9	229.6
Shrinkage financial incentive: Average system pressure	Common	Financial Output Delivery Incentive	Period	mbar	28.2	26	27.3	26.6
Shrinkage financial incentive: MEG saturation	Common	Financial Output Delivery Incentive	Period	% saturation	34%	36%	30%	41%
Commercial EV fleet: Vehicles	Common	Price Control Deliverable	Period	No. of vehicles (max)	351	235	243	170
Commercial EV fleet: Electric charging points	Common	Price Control Deliverable	Period	No. of charging points (max)	141	95	98	68
Environmental Action Plan (EAP)	Common	Reputational Output Delivery Incentive	Annual	No. of EAP commitments			30	
Annual Environmental Report (AER)	Common	Licence Obligation	Annual	Publish annually			✓	
Business Carbon Footprint	Common	Reputational Output Delivery Incentive	Annual	BCF exc. Shrinkage (tCO2e)			38,837	
Hynet Front End Engineering Design	Bespoke	Price Control Deliverable	Period	Deliver PCD outputs			✓	

Environmental emissions and shrinkage

Output performance summary

Output name		EN	LN	NW	WM
Shrinkage ODI-R	Annual target (GWh)	350.5	179.6	248.9	229.6
	25/26 Performance	322.8	161.3	226.0	212.3
Shrinkage ODI-F	RIIO-2 Performance (£m, 18/19 prices)	0.13	0.02	2.38	0.74

We are responsible for operating a safe, resilient, and sustainable network, while protecting the environment and taking proactive steps to decarbonise our operations wherever possible. **Shrinkage** represents the volume of gas that enters the Cadent network but is not consumed through a registered meter and comprises of leakage, operational usage (Own Use Gas), and Theft of Gas.

As the largest source of greenhouse gas emissions from the gas network, leakage contributes to global warming while also impacting customer safety and costs. Therefore, reducing shrinkage not only supports environmental objectives but also delivers tangible benefits for consumers through enhanced safety and lower energy bills.

Leakage is estimated using an Ofgem-approved model, which is regularly reviewed to improve accuracy. The model accounts for emissions from mains, services, above-ground assets, and 3rd party damage incidents. It uses predefined leakage rates and is updated annually to reflect key factors such as changes in asset lengths from mains replacement and system pressure management.

Ofgem recognises the importance of monitoring shrinkage reduction and introduced two output measures for RIIO-2 to support this:

- A Shrinkage reputational output delivery incentive ('ODI-R'), providing a holistic view of overall Shrinkage Reduction; and
- A Shrinkage financial output delivery incentive ('ODI-F'), which isolates two value levers that contribute towards overall Shrinkage reduction:

Average System Pressure ('ASP') and gas conditioning through mono-ethylene glycol ('MEG') saturation levels.

Shrinkage Reputational Output – ODI-R

There are several ways GDNs can reduce Shrinkage, including replacing ageing metallic mains with plastic pipes, optimising network pressure, and addressing gas theft. The Shrinkage reputational incentive encourages a holistic approach, pushing networks to outperform baseline emission reduction targets set for the RIIO-2 period. This requires balancing actions across all Shrinkage drivers.

The RIIO-2 Final Determinations considered historic performance and planned investments to establish baseline targets for each GDN. For Cadent, Ofgem has set a target to achieve a 16% reduction in Shrinkage by the end of RIIO-2.

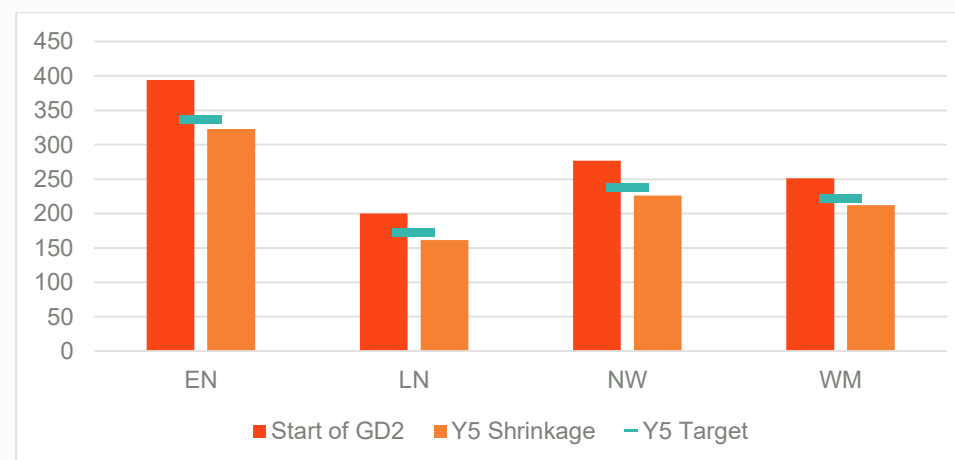


Figure 5.25: Shrinkage Performance vs. Baselines (GWh) 25/26

We continue to perform well against this reputational measure, delivering Shrinkage reductions greater than baseline targets across all four networks. Shrinkage gas losses were reduced by 50.6 GWh (5.2%) in 2025/26 when compared to the previous year (2024/25). Based on an assumed typical annual consumption of 12,500 kWh, this reduction is equivalent to the gas usage of approximately 4,050 domestic properties. In comparison to our position at the start of RIIO-2, we have reduced Shrinkage by 200 GWh, exceeding our 16% target with an overall 18% reduction. This has led to us consistently delivering the lowest

emissions per customer out of all GDN companies from RIIO-1 through RIIO-2 (based on the latest available data).

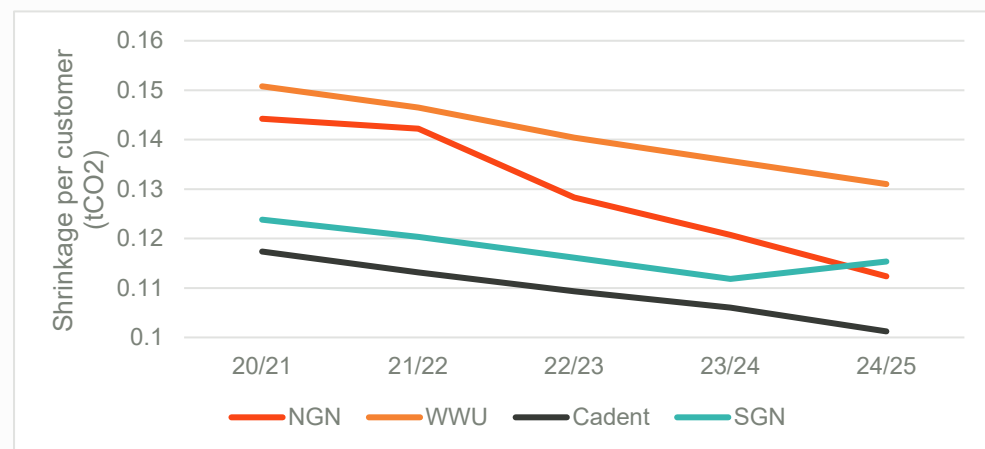


Figure 5.26: Shrinkage emissions per customer (tCO2e)³

We continue to see the biggest reduction in emissions across RIIO-2 coming from delivering our mains replacement programme. Moving into RIIO-3, we are pleased that Ofgem has supported the start of our move from a reactive approach to managing leakage through mains replacement, to a proactive one. Our Advanced Leakage Management Approach utilises observed data and analytics to underpin proactive cost-benefit-driven mains replacement of our leakiest assets to deliver the greatest emissions reduction and safety benefit to consumers as we move forward.

Shrinkage Financial Output – ODI-F

The Shrinkage Financial Incentive comprises of two of the value levers which contribute towards overall Shrinkage reductions. These two levers are:

- Average System Pressure ('ASP'): We need to optimise the ASP of the network to balance the ability to reduce leaks, through pressure reduction,

against ensuring that there is sufficient gas pressure at consumer premises and to meet demand; and

- Gas Conditioning: By increasing the saturation levels of mono-ethylene glycol ('MEG'), a wetting agent, in relevant mains, it reduces leakage from lead yarn joints. However, this must be balanced against the cost of buying, maintaining and operating this equipment (needed to condition the gas), as this will become a redundant technology as metallic mains are replaced by plastic ones.

Ofgem set RIIO-2 incentive baselines using a three-year average (2017/18 to 2019/20) to reflect fluctuations in ASP and MEG. As a result, GDNs that had already optimised performance during RIIO-1 were given more challenging targets, while those that had not adopted these approaches faced less stringent baselines and greater opportunity to outperform. Consequently, financial performance against the incentive is not directly comparable across networks.

As detailed in the table below, for RIIO-2 we have achieved a reward of £3.27m at a Cadent level. All our networks are in reward but our North West network, which had more of an opportunity for optimisation on ASP and MEG coming into RIIO-2, has achieved the maximum reward available (£2.38m).

(£m, 18/19 prices)	EN	LN	NW	WM	Cadent
RIIO-2 Performance	0.13	0.02	2.38	0.74	3.27

Table 5.27: Shrinkage ODI-F incentive position

Whilst this incentive position is positive and demonstrates our effective management of the two shrinkage value levers, the incentive position is not truly indicative of the strength of our underlying performance in this area. As mentioned above, we achieved greater optimisation of these levers during RIIO-1, and this resulted in Cadent having more stretching incentive targets for RIIO-2.

³ Calculated using the Shrinkage and Customer number data submitted through RRP in previous years, up to and including 2024/25.

To better understand the context of this performance and enable meaningful comparison across the sector, we have assessed our results against these two key value drivers, rather than relying solely on the headline incentive figures.

Average System Pressure (ASP)

System pressure directly affects shrinkage, with higher pressures leading to increased losses. While we aim to keep pressures as low as possible, increases may be needed to support network reinforcement or mains replacement activities.

Maintaining security of supply requires a balance of reducing average system pressure (ASP) to limit shrinkage, while ensuring sufficient pressure to deliver safe and reliable gas supplies.

The RIIO-2 ASP incentive is based on an average over the full period rather than annual performance, with a deadband around the target. This reflects that ASP can vary due to factors both within and beyond a GDN's control, including short-term influences such as weather that may distort annual results. Using a period-wide average helps smooth these fluctuations, while the deadband reduces the risk of rewards or penalties arising from minor variations outside the GDN's control.

The table below shows the GDN RIIO-2 baseline targets for ASP, and these are subject to an asymmetric deadband of +0.6mbar/-0.3mbar around the target.

	EN	LN	NW	WM	NGN	Sco	Sou	WWU
ASP Baseline	28.2	26.0	27.3	26.6	31.6	26.4	26.6	30.0

Table 5.28: ASP Baseline Target (2017-2020 average)

This year, changes in ASP contributed a 14.1 GWh reduction to annual shrinkage performance. All our networks saw reductions in pressure with an overall reduction in pressures of 0.8 mbar from last year. Despite this, ASP levels for our EN and LN fell within the deadband for RIIO-2, leaving them in a neutral position (no reward or penalty). Our NW and WM networks achieved average pressures below the lower deadband in each year of RIIO-2, resulting in an incentive reward for their ASP performance.

mbar	EN	LN	NW	WM
2025/26 ASP Outturn (period)	28.0	25.4	26.8	26.1
Upper Deadband	28.7	26.5	27.9	27.2
Lower Deadband	27.8	25.6	27.0	26.3

Table 5.29: ASP Outturn (2025/26)

Mono-ethylene Glycol (MEG) Saturation

Within our networks, we still have lengths of low-pressure iron mains that have lead yarn joints. These joints can be treated using MEG, a wetting agent, which reduces the rate at which gas leaks from them.

As part of our mains replacement programme, a proportion of these pipes are replaced each year with plastic alternatives. As the length of lead yarn jointed mains decreases, the need for MEG treatment and the overall benefits of the gas conditioning programme also reduce.

The table below shows the GDN RIIO-2 baseline targets for MEG Saturation, which were based on GDN-specific averages of 2017/18 to 2019/20 performance.

Our performance is measured by comparing Actual Leakage Volume (GWh) against the Gas Conditioning Baseline (GWh). If actual leakage is below the Gas Conditioning baseline, the outcome is a reward; if it exceeds the baseline, a penalty applies. This feeds into how the incentive is derived.

The incentive is based on both MEG Saturation (%) and the proportion of eligible pipe length treated, covering all mains suitable for MEG each year.

%	EN	LN	NW	WM	Cadent
MEG Saturation	34%	36%	30%	41%	35%

Table 5.30: MEG Saturation Baseline Target (2017-2020 average)

In 2025/26, our overall MEG Saturation increased from 31.8% to 36.9%, compared to 2024/25, and because of this our emissions reduced by 0.8 GWh. In the context of the MEG Saturation baseline, a score that is numerically above the baseline translates into performance that is below the baseline level of impact, of which the

outcome is a reward. Following this principle, performance numerically below the baseline would therefore incur a penalty.

	EN	LN	NW	WM	Cadent
MEG Saturation (%)	18.5	38.8	36.1	42.8	36.9
GWh Baseline Difference	15.5	-2.8	-6.1	-1.8	-1.7

Table 5.31: MEG Saturation Performance 2025/26

Whilst for specific years we have performed below the baseline in some networks, we are in reward for all networks and at a Cadent level across the RIIO-2 period, which the incentive is measured over. We are also seeking continuous improvement and are putting in place measures to further our performance in RIIO-3.

Moving to proactive and data-driven shrinkage reduction in RIIO-3

Throughout RIIO-2, we pioneered innovative technologies to further reduce emissions. By deploying Advanced Leakage Detection (ALD) and the Digital Platform for Leakage Analytics (DPLA), we have shifted from a reactive approach to leak identification and repair towards proactive, targeted interventions. This forms a key part of our strategy to move towards 100% planned asset work. We welcome Ofgem's RIIO-3 Final Determinations, which support the wider adoption of advanced leakage detection across all gas networks. We are also working closely with Ofgem and industry partners to further develop the digital platform ahead of its planned rollout across the sector later in the period.

Although Ofgem has not continued the Shrinkage ODI-R & ODI-F for RIIO-3, GDNs will still be required to maintain the Shrinkage and Leakage Model (SLM) during the transition to the DPLA and report both modelled and observed shrinkage and their DPLA and ALD rollouts through their Annual Environmental Reports (AERs).



Zero emissions commercial fleet

Output performance summary

Output name		EN	LN	NW	WM
Zero emission commercial vehicles	PCD max	351	235	243	170
	Period delivery	201	115	94	99
EV charging points	PCD max	141	95	98	68
	Period delivery	163	75	85	91

To support our decarbonisation ambitions and carbon neutrality targets, we committed to transitioning our first responder fleet to electric and other zero-emission vehicles, such as hydrogen-powered alternatives. Before RIIO-2, our commercial fleet predominantly consisted of petrol and diesel vehicles, which contribute to greenhouse gas emissions and environmental pollution.

The Commercial Fleet Price Control Deliverable (PCD) provides funding for the procurement of zero-emission commercial vehicles. We adopted a leasing strategy for our zero-emission commercial van fleet as it offers the greatest value for Cadent and our customers while enabling us to keep pace with rapidly evolving vehicle technologies.

Whilst based on the latest available data we have delivered significant progress against decarbonising our fleet, by far to the greatest extent across the sector, limited charging infrastructure in rural areas, combined with lower-than-anticipated vehicle ranges in different operational conditions, means that we have not been able to fully utilise funding in the PCD as the volumes supported were not operationally feasible to deploy. This is particularly important given the critical responsibilities of our First Call Operatives (FCOs) and the requirement to respond to emergency gas escapes within one hour, regardless of location.

As a result of this, we have not procured any additional EVs this year, so our Cadent total for EVs procured in RIIO-2 is 509, representing 51% of the PCD maximum.

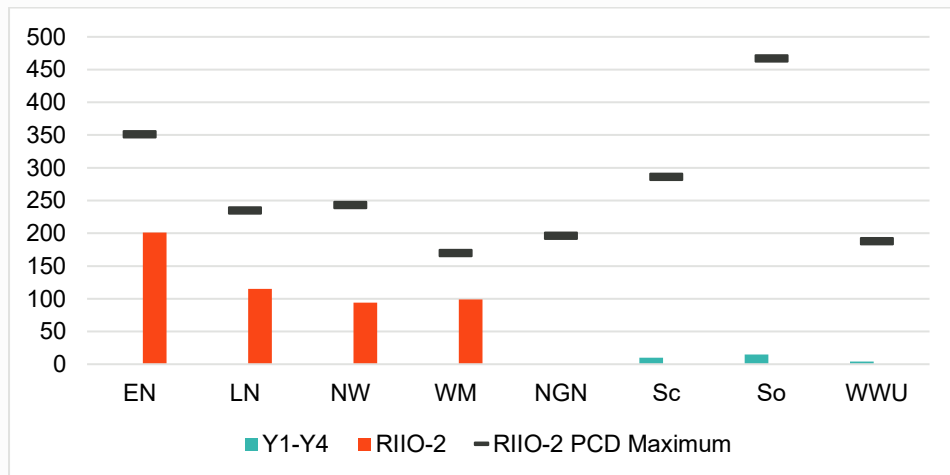


Figure 5.32: RIIO-2 Commercial EV Fleet purchased

We have delivered more Commercial EV Fleet than any other GDN in year 1-4 of RIIO-2. To support this, we have ensured that these vehicles have the infrastructure to keep them running, including overdelivering on charging points in

the North West and West Midlands. We installed 25 EV home charging points in 2025/26, meaning with the 54 EV depot and office charging points installed across RIIO-2, our period total is 414, which represents 103% of the PCD maximum.

	EV Charging Points installed in RIIO-2	RIIO-2 PCD maximum	% installed vs. PCD maximum
EN	163	141	116%
LN	75	95	79%
NW	85	98	87%
WM	91	68	134%
Cadent	414	402	103%

Table 5.33: RIIO-2 EV Charging Points installed

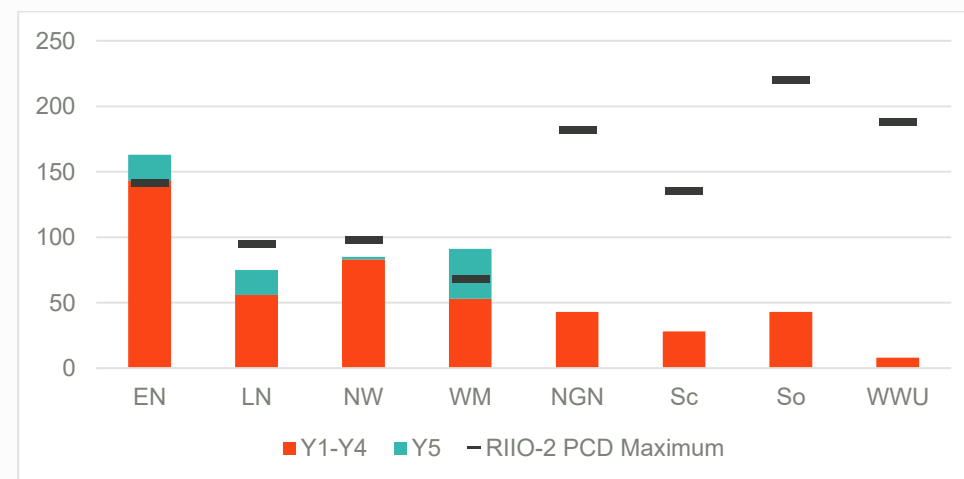


Figure 5.34: RIIO-2 EV Charging Points installed

We are proud to be leading the sector in the decarbonisation of our commercial fleet, delivering on the commitments set out in our RIIO-2 Environmental Action Plan and making significant progress in our efforts to tackle climate change.

This progress will continue in RIIO-3 where we have a similar allowance under Ofgem's cross-sector 'Operational Transport Emissions Reduction' PCD

introduced to support facilitation of the roll-out of zero emission vehicles (ZEV) during the new price control.

Environmental Action Plan (EAP)

Output performance summary

Output name	Target	2025/26 Performance
Environmental Action Plan (EAP)	Deliver commitments in the EAP	Delivered*
Annual Environmental Report	Publish in line with Licence Obligation	Delivered

*Four actions not progressed at the start of RIIO-2.

As we continue to maintain and upgrade our gas network in support of the UK's Net Zero targets, we remain focused on managing associated environmental impacts and identifying opportunities to deliver environmental improvements.

It is essential that we provide customers and stakeholders with clear visibility of our commitments and progress. As part of the RIIO-2 business plan, all GDNs developed Environmental Action Plans (EAPs).

We established 30 EAP commitments, setting out our ambitions to decarbonise the business, reduce operational environmental impacts, and support the transition to a low-carbon future. Progress is reported annually through the Annual Environmental Report (AER), in line with our Licence Obligation (LO).

For the RIIO-2 EAP commitments, we have closed the majority of actions based on year-end data. There are 24 which will be reported as complete and two as green (the actions have been delivered for RIIO-2 but not fully resolved). Both actions reported as green are due to external factors. For Action 7, which relates to our EV fleet, we have encountered mileage range and other challenges, as discussed in the previous EV fleet section. Action 23, which relates to developing a HyNet system operator and hydrogen transportation, has been impacted by delays with the Government's hydrogen transportation business model. There are four actions that were not progressed at the start of RIIO-2 following a cost and prioritisation review:

- Action 11: Carbon Offsetting – the action was not funded in RIIO-2.
- Action 15: Reducing our employees' carbon footprints – although not funded within RIIO-2, we encourage employees to use a volunteering day to support the local environment and have introduced a car share scheme.
- Action 21 – Off gas grid communities – the action was not funded in RIIO-2 so we submitted a SIF bid in partnership with various stakeholders, but this was not successful. We were unable to progress but continue to consider opportunities.
- Action 22 – Off grid gas communities – the action was not funded in RIIO-2.

Further information will be available in our 'Annual Environment Report' to be published in the autumn.

Business Carbon Footprint

Output performance summary

Output name	Target	2025/26 Performance
Business Carbon Footprint	Scope 1 + 2 emissions (excluding shrinkage)	Delivered

As part of our decarbonisation strategy, we aim to achieve Net Zero greenhouse gas emissions by 2050, in line with UK Government targets. We track our Business Carbon Footprint (BCF) using the Greenhouse Gas Protocol to monitor, review and reduce emissions.

As part of our EAP, we set a commitment to reduce our BCF. The commitment measures our direct and indirect emissions sources (in tonnes of CO₂ equivalent) which are then categorised into Scope 1, 2 and 3 emissions. Additionally, GDNs are subject to an ODI-R which covers Scope 1 and 2 emissions only, excluding gas shrinkage.

Scope 1 emissions are direct greenhouse gas emissions from sources that are owned or controlled by the organisation and Scope 2 emissions are indirect

greenhouse gas emissions from the generation of purchased electricity, heating, cooling, or steam consumed by the organisation. Each GDN is working towards its own baseline targets agreed during the RIIO-2 business planning process, with these targets and supporting environmental commitments set out in our EAP.

In 2025/26, we reduced our Scope 1 and 2 emissions (excluding Shrinkage) by 13.4% compared to the previous year, which includes a 12.2% reduction in Scope 1 emissions and a 19.9% reduction in total Scope 2 emissions. All Scope 1 emissions categories have seen a reduction, apart from Non-Operational Gas consumption, which saw an increase of 12.6%.

We have had another positive year against the ODI-R ending RIIO-2 with a 23.7% reduction from the baseline level set in 2019/20 and all networks seeing a year-on-year reduction. This ensures good progression towards our long-term goal of 43% BCF reduction by 2036.

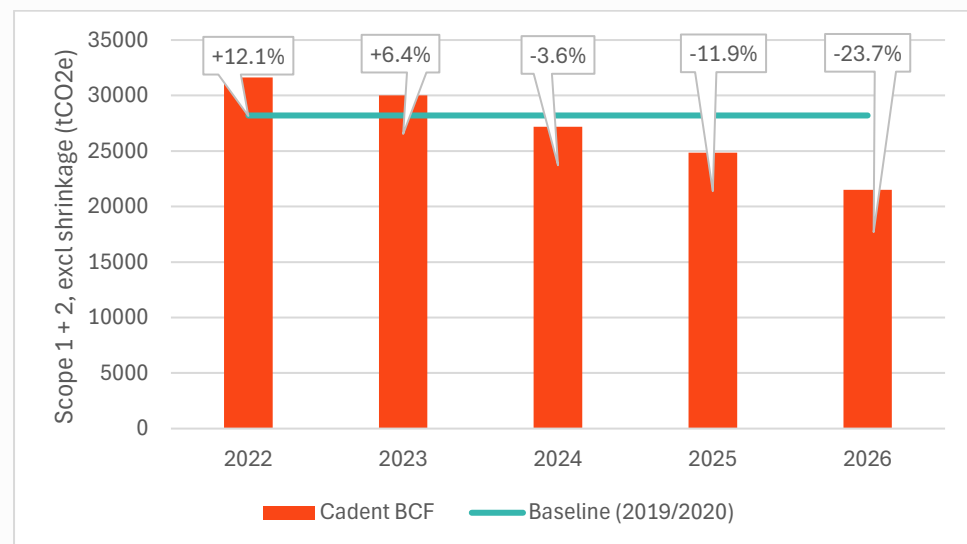


Figure 5.35: BCF and Baseline Year Comparison (tCO₂e)

Our Scope 1 and 2 performance has also supported our continued positive progress against our Science Based Targets initiative (SBTi) targets, which include shrinkage. This is documented in our 2025/26 Annual Report and Accounts publication and repeated in the chart below.

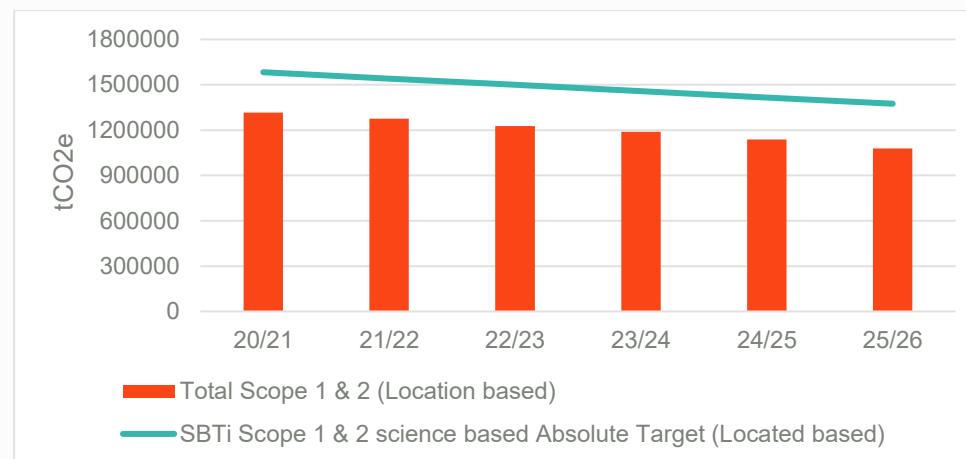


Figure 5.36: Scope 1 & 2 (Location based) tCO₂e against SBTi Emission Target

As part of our RIIO-2 Business Plan and EAP, we also set out a stretching ambition to reduce scope 1, 2 and 3 emissions to 35,000 tCO₂e, which included the reduction of Scope 3 emissions. Our emissions performance for 2025/26 totalled 58,651 tCO₂e, which was above this target. However, it is important to note that actual performance is not directly comparable to this target for several reasons: (i) the performance is measured through location-based reporting, but the commitment was derived from market-based calculations, (ii) it relied on full realisation of the following assumptions- our LDP commercial vehicles and commercial fleet being fully run by EVs, which has not been practically possible, and the procurement of renewable gas which was not achieved due to market availability.

We will continue to report on emissions in RIIO-3 through the AER and RRP. We aim to drive down emissions from the operating and maintenance of the gas network.

Serving industry, power and transport through Biomethane Connections

Methane transported through our network is a potent greenhouse gas, with a global warming potential approximately 56 times greater than carbon dioxide over a 20-year period. As an operator of critical UK energy infrastructure, we recognise

our responsibility to support the transition to lower-carbon energy sources, including hydrogen and biomethane.

Biomethane is produced through the anaerobic digestion of organic materials such as agricultural waste, food waste, sewage sludge, energy crops and silage. Injecting biomethane into the gas network provides a sustainable solution for waste management while creating a renewable source of energy and an additional revenue stream for producers. Expanding biomethane connections across our networks will support decarbonisation and contribute to reducing methane emissions beyond the UK's 30% reduction target.

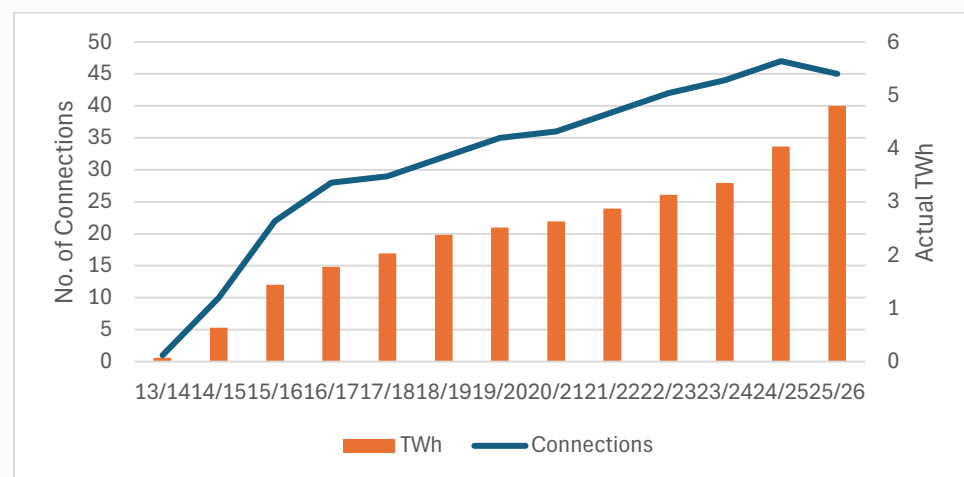


Figure 5.37: Growth of Biomethane Connections

In 2025/26, we expanded two of our connected biomethane plants in our EN network to increase their installed capacity and the green gas injected onto the distribution network. While we have not connected any additional sites this year, the size of the expansions increases the gas injection capacity equivalent to 7 new connections at an installed capacity of 1000scm/h, which is typical of the enquiries we have seen over the last 24 months. The connected sites can now deliver 4.8TWh of energy per annum at maximum installed capacity. We have disconnected 2 of our 47 connected sites, leaving a total of 45 biomethane entry connections across the Cadent networks.

We received 122 biomethane connection enquiries during 2025/26, demonstrating the continued market growth potential for biomethane production in the UK. This is further demonstrated by the 37 applications we received through the Entry Reinforcement Assessment Window launched this year. To support this, we are using data to understand the hourly flow of large industrial customers which has enabled the progression of 9 of the applications to connection at their required flow without the need for reinforcement. For the remaining 28, we have designed reinforcement solutions at the least cost and clustered where possible so one reinforcement can serve multiple customers.

We have 4 projects in build for 2026/27, and 2 currently for 2027/28, along with a further 11 accepted connection offers awaiting customer commencement.

Alongside this, we have also been working with Ofgem to seek to ensure its new Biomethane use-it-or-lose-it mechanism is able to be utilised to support connections where demand is greatest across networks. We are pleased to support Ofgem's consultation on changes to this mechanism to support this principle of this.

We also continue to work with the anaerobic digestion industry, UK GDNs and European networks to support the growth of biomethane and its role in delivering Net Zero. This year, collaboration has focused on demonstrating biomethane's value to government, improving consistency in connection standards, and sharing blending strategies that can reduce propane use, lower costs and increase green gas injection. Alongside learning from European best practice, Cadent is progressing a portfolio of innovative projects to address the technical, commercial and regulatory barriers to scaling biomethane as a cost-effective part of the UK's energy transition.

Hynet Front-End Engineering Design (FEED)

Output performance summary

Output name	Target	2025/26 Performance
Hynet FEED	Deliver PCD outputs	Fully delivered

The RIIO-2 Final Determinations allowed £12.15m of funding for us to produce a Front-End Engineering Design (FEED) study for our HyNet 85km hydrogen pipe in the North West, under an evaluative PCD. This was intended to support the development of GB's first Hydrogen Industrial Cluster, and we successfully completed this in December 2024. We facilitated a first-of-a-kind hydrogen related FEED study aimed to generate useful knowledge around the use of hydrogen and the decarbonisation of industry. We also intended to provide detailed planning information to inform any future decision on whether to go forward with the building of the HyNet project. In December 2024, we completed the final stage of the HyNet FEED PCD as outlined in our Gas Transporter Licence and submitted a final close-out report to Ofgem. This included an independent audit, knowledge-sharing evidence, and detailed supporting information. We have taken key learnings from the delivery of this project which will be fundamental in the development of future Hydrogen development and large-scale industry decarbonisation projects, while also supporting the overall case for HyNet as it continues to evolve. There has been no change to this for Year 5 and the PCD is categorised as fully delivered for RIIO-2.

Trusted to act for our communities

Cadent Foundation

The Cadent Foundation has been working with charities and partners since 2019 with the aim of helping households find sustainable solutions to fuel poverty and ensure people are safe and warm in their homes. By working with charitable organisations, we strive to help households improve their financial wellbeing and become more energy efficient through advice, support and practical measures.

In 2025, we awarded over £4.3m in charitable grants supporting over 70,000 customers and securing cost savings of over £2.3m through energy efficiency measures and advice. We helped over 12,000 homes become more energy efficient by carrying out over 21,000 energy efficiency measures. Through our support and projects, over £345,000 of energy debt has been managed or written off, and we have helped achieve over £13.4m financial gains from income maximisation support for people- a 74% increase from 2024.

Following the success of our 'Winter Support Fund', we have developed the 'Warm Fund' in response to growing evidence that although the effects of fuel poverty are

felt most acutely in the colder months, vulnerable households continue to struggle long after winter ends. The £1m fund is distributed through charity partners to enable the provision of additional help for those in need. These discretionary measures include over £51,000 in food and energy vouchers and 799 heating and cooking appliances distributed. Through this fund, we have supported 2,980 adults and 1,522 children so far. We continue to work with and strengthen our charity partnerships through the Cadent Foundation. These include the introduction of energy advice to people living with sight loss through the RNIB, one-to-one energy advice through Groundwork's Green Doctors service and caseworker-led fuel poverty advice via Citizens Advice to 17 locations with the highest levels of need.

The achievements of 2025 have impacted a large portion of our community and have made vital progress in helping people stay warm and well. Since its conception in 2019, the foundation has awarded over £28m to projects that address household income, fuel costs and energy use. We will continue to support our customers through the Cadent Foundation as we progress with RIIO-3.

Employee volunteering

We have continued our charity partnership with the Cadent Foundation for 2025/26. Through the Cadent Foundation Community Fund, charities are nominated and voted for by Cadent colleagues, and the £120,000 is split between our 6 central and network functions. Our employees have also shown continued commitment to volunteering efforts, demonstrating true care and dedication to their chosen projects over the last twelve months. Through a range of employee engagement activities, our employees understand the contribution they can make and are actively encouraged to fully participate where they can.

Alongside fundraising and volunteering for their chosen charities, Cadent continues its partnership with Neighbourly and employees are encouraged to use their two paid days of volunteering each year. This year, 1,179 employees totalled over 1,228 days of activity giving back to our communities through volunteering, with teams across the business coming together to work to support their local communities. Since the start of RIIO-2, our employees have completed over 4,500 volunteering days, reinforcing our commitment to supporting local communities.

A diverse and inclusive workplace

We recognise that creating a fair and inclusive place to work where all our people feel they belong will ensure that we provide great outcomes for our customers, stakeholders and the communities we served through RIIO-2 and will continue to serve in RIIO-3.

Our Equity, Diversity & Inclusion (ED&I) Steering Group sets our strategic direction, and the senior leaders who sit on the Steering Group sponsor and support our employee communities.

We have several well-established employee communities focused on gender, ethnicity and religion, disability, LGBTQ+, military and grief:

- Women in Cadent (Women's Health, Fertility Matters at Cadent, Women in Operations, Women in STEM, Menopause Support, The Parent Patch, Adoption)
- Pride at Work
- Embrace
- Thrive
- Men's Engagement Network
- Cadent Military Community
- Grief Awareness

Our communities drive real change within the business by pioneering sector-leading initiatives, working with external organisations to ensure our employees receive the correct support through internal policies and guidance and introducing employee benefit schemes focused on the wellbeing of colleagues and their families.

A culture of continuous improvement regarding inclusion has seen our new-starter onboarding updated to ensure new colleagues are aware of our employee communities and has encouraged our current employees to discuss ED&I within their teams.

Cadent's key achievements in ED&I in 2025/26

Shortlisted at IGEM Awards:

Our health and wellbeing team were shortlisted by IGEM for their 'Investment in People Award' for transforming health and wellbeing through positive engagement.

Fertility Friendly Awards:

As part of National Fertility Awareness Week 2025, we were honoured to attend and win at the Fertility Friendly Employer Awards for Fertility Ally/Champion & Employee Resource Group of the Year. We also received highly commended for Fertility Friendly Employer of the Year.

Celebrating ED&I in Utilities:

Cadent attended the Energy Networks Association Leadership Summit bringing together energy sector leaders to shape the future of leadership, inclusion and resilience. Our Grief Awareness community shared personal experiences and reflections on what inclusion feels like at Cadent as part of the Employee Voice Panel.

We are proud to be:

- Armed Forces Covenant Employers Recognition Scheme Gold Award
- Disability Confident Leader and Visibility Better Employer
- Lexxic Neurodiversity Smart Certified
- Menopause Friendly and Fertility Friendly Employer
- Bronze Race Equality Trailblazer



6. Innovation

We are committed to deploying and supporting innovation across our footprint in a way that provides the greatest outcomes for all gas consumers.

Our innovation projects support the UK's energy transition to net zero and support our customers in vulnerable situations. We currently have three allowances to be drawn upon from an innovation perspective including:

- The Strategic Innovation Fund (SIF)
- The Network Innovation Allowance (NIA)
- The Net Zero Development funds (as explored below).

We have outlined below the key areas and projects which have utilised these funding mechanisms to drive innovation across our networks.

The Strategic Innovation Fund (SIF)

The Strategic Innovation Fund (SIF) is designed to drive the innovation required to equip the gas network for a low-carbon future. 2025/26 was the final year of SIF under RIIO-2 and we have spent just over £3m across six projects this year: Digital Platform for Leakage Analytics (DPLA) £2.6m, Project Collaborate £0.09m, Project Clean Green £0.05m, BioCap Map £0.02m, EMStor- East Midlands Hydrogen Storage £0.25m and Digital Inspector, which we have progressed despite accruing no costs against SIF for this project in Year 5.

Digital Platform for Leakage Analytics (DPLA)

Reducing methane leakage from gas networks is a critical global challenge in meeting both the Global Methane Pledge and Net Zero ambitions by 2030 and 2050 respectively. Current GDN reporting relies on modelled estimates of total emissions and does not identify the location or volume of individual leaks. The DPLA uses innovative digital technology and biomethane data to provide a more accurate view of network leakage, enabling better-targeted operational and investment decisions



that can reduce emissions, improve network safety and deliver benefits for customers.

Years 2 and 3 of the DPLA Beta phase have represented the successful transition from innovation to implementation. The programme overcame significant technical and organisational challenges, adapted its approach where necessary, and delivered a practical, operational capability. The result is a scalable platform that enables a fundamental shift in how gas networks can detect, understand, and manage leakage. The funding invested has been translated into a working system, embedded within the organisation and ready for expansion.

As confirmed in the RIIO-3 Final Determinations, the DPLA is to be rolled out (fully or partially dependent on our analysis) across all networks, with it being the first SIF Beta project to be integrated into business-as-usual operations. We have also established and are maintaining a DPLA working group with recommendations to allow for a smooth DPLA transition by the end of RIIO-3, so all networks can realise the notable benefits to Shrinkage and Leakage reduction.

Project Collaborate

Project Collaborate was launched to enable a consistent national approach to coordinating streetworks to avoid repeated excavations, higher costs, greater carbon emissions, and disruption for customers. During the Discovery Phase, the project worked with utilities, highway authorities and industry organisations to understand current challenges, identify opportunities for collaboration, and develop requirements for a future shared planning tool. It also analysed streetworks data to quantify the scale of collaborative opportunities and reviewed existing coordination model approaches to ensure it met operational requirements.

The project has demonstrated strong potential benefits across financial, environmental, and customer outcomes. By enabling earlier identification of joint working opportunities, the proposed approach supports a “dig once” methodology, reducing repeated excavations and associated costs. The Discovery Phase validated the need for a new collaborative streetworks model and provided the evidence base for the ongoing Alpha Phase, which is developing a minimum viable digital tool to support cross-sector coordination.

RIIO-3

The SIF will continue in RIIO-3, building on the successful parts of the RIIO-2 framework while providing clearer strategic direction, a better distinction between SIF and NIA funding, and a £50 million fund to help rapidly deploy proven innovations.

Network Innovation Allowance (NIA)

The Network Innovation Allowance (NIA) is intended to fund projects that support both customers in vulnerable situations and the Whole Energy System Transition. 2025/26 is the final year of RIIO-2 NIA funding. Over the last 12 months, we have invested £5.28m across 65 projects, equating to a RIIO-2 total investment of £17.55m across 113 projects.

Of the 65 projects, 53 supported the Whole Energy System Transition and 12 supported customers in vulnerable situations. Whilst a number of these projects were completed within the RIIO-2 period, others will continue into RIIO-3 through the carry-over process.

Below are some examples of the work we have delivered:

Customer Safeguarding Virtual Training Platform – NIA_CAD0092

The Customer Safeguarding Virtual Training Platform project aims to deliver a suite of immersive training scenarios centred on supporting customers in vulnerable situations. The highly engaging, simulation-based training will offer improvements over conventional training for field force and office staff to better manage situations they may encounter whilst interacting with customers who have additional safeguarding needs. The solution uses virtual environments and scenarios that take place in various customer properties that trainees can ‘play’ through, receiving personalised feedback on their actions.

The project began in June 2023 with the development of two virtual customer environments covering safeguarding scenarios in domestic and multi-occupancy settings. Additional scenarios were later created focusing on emergency call handling and managing large on-site incidents, all involving vulnerable customers and safeguarding themes. User testing with our Safeguard Champion Network helped identify areas for improvement before launch. Following final updates this

year, the training package is now complete and ready for deployment as part of our mandatory annual safeguarding training.

Non-Electric Boiler (SHINE) – NIA_CAD0110

Power outages are common in Great Britain, with customers losing between 31 and 51 minutes of electricity annually depending on the Distribution Network Operator area (Statista, 2021). Outages can last from a few minutes to over a week and may affect anything from a single property to thousands of homes.

This project aims to develop a low-cost, user-friendly solution that enables vulnerable households to continue using gas, LPG, and oil boilers during a power outage. Boilers rely on electricity for ignition, meaning heating systems stop working during power cuts.

In collaboration with SSEN and project partner CEE, the project will develop a standardised Boiler Change-Over Switch Kit. This system will automatically switch the boiler's power supply to a plug connection linked to a renewable energy source, such as a battery. The solution removes the need for extensive rewiring, provides greater flexibility for homeowners, and offers a safer, more sustainable alternative to temporary heating solutions currently used during outages.

The project successfully achieved its original aims, progressing the SHINE concept from an idea to a proven, safe, and value-positive solution. A compliant prototype was developed, passing laboratory and in-situ testing, and demonstrating viability through a positive Cost-Benefit Analysis.

In RIIO-3, we will look to secure further innovation funding focused on cost-down engineering and conducting larger real-world trials, followed by an initial rollout to around 20,000 high-priority households.

Network Blending Blueprint – NIA_CAD0152

This project is a key phase of Cadent's Hydrogen Blending Implementation Programme, focused on developing a detailed, operational blueprint for safely introducing up to 20% hydrogen into the gas distribution network, subject to regulatory approval.

While earlier projects confirmed hydrogen blending is feasible, gaps remain around asset requirements, operational changes, safety controls, and costs. This project

addresses those gaps by validating existing evidence and defining the actions needed to achieve “blend readiness.” The work is being delivered in two phases:

- A Discovery Phase to validate assumptions, review previous studies, confirm network boundaries, and identify evidence gaps.
- An Enduring Phase to complete detailed assessments for 5% and 20% hydrogen blends across assets, systems, safety, and operations.

The project will produce a Hydrogen Blending Integration Blueprint identifying where assets are suitable, where mitigation or replacement is needed, and where no changes are required.

The North West and East Midlands networks are being used as pilot regions, with outputs designed for wider rollout across Great Britain’s gas distribution networks.

Further details of NIA projects can be found in our RIIO-2 Year 5 Innovation Report.

RIIO-3

The NIA will continue for RIIO-3, largely retaining the RIIO-2 scope with the removal of the future of gas (in defined areas) funding. There will be increased oversight of the NIA through a requirement for more transparent reporting from the networks.

Net Zero Development Allowances

In RIIO-2, Ofgem included three funding provisions to support net zero activities: the net zero pre-construction works and small net zero projects (NZASP) re-opener, the net zero and re-opener development fund use-it-or-lose-it allowance (UIOLI) and the net zero re-opener. The allowances provide funding to deliver projects which sit outside of NIA funding yet work towards providing low-carbon and environmental benefits to customers.

Net Zero and re-opener development (UIOLI)

In 2025/26, we have invested £4.16m through the UIOLI fund, equating to a total RIIO-2 spend of £17.3m against our £19m allowance. We have used the UIOLI as intended by focusing on early-stage project development, technical and strategic assessments, regulatory and commercial analysis, and stakeholder engagement.

This has helped ensure projects are well planned, properly governed, and ready to support efficient, value-for-money investment proposals through future Net Zero re-openers.

In the past year, we have utilised the UIOLI allowance for 26 projects, which include projects focused on East Coast Hydrogen, Future Energy Scenario Modelling, Biomethane enablement and HyNet Development.

Biomethane enabling by using improved gas demand data (NZCF0026)

This UIOLI project enhanced our ability to support biomethane injection by improving the accuracy of demand data used in network planning and operational decisions. Previously, uncertainty during low demand periods often resulted in conservative “zero commitment” responses to biomethane connection enquiries.

The project successfully delivered two key workstreams:

- Integration of high-resolution Class 1 industrial and commercial smart meter data across 229 data points, improving visibility of off-peak gas demand.
- Deployment of DNV’s Real Time Networks modelling techniques in Cambridge and Peterborough, demonstrating the value of high-resolution demand modelling in assessing biomethane network capacity.

Together, these improvements have reduced uncertainty, strengthened decision-making, and supported increased biomethane injection opportunities. Following the success of the pilot, we plan to expand the approach across its wider network to support future green gas and Net Zero objectives.

Market & Regional Framework for Hydrogen (NZCF0016)

This UIOLI project has continued to focus on developing 100% hydrogen networks for large industrial and commercial customers with hard to electrify processes. Cadent reconvened the DESNZ working group to help shape simple and effective arrangements for early hydrogen network operation.

The group recommended that hydrogen producers should hold Shipper licences to manage transportation arrangements with the Hydrogen Transporter. At the same time, users could also hold licences where needed, particularly for power

generators managing storage. The Hydrogen Transporter would retain a limited system operation role, including balancing responsibilities to support safe and efficient network operation. These recommendations informed a later DESNZ Market Framework consultation and were supported through internal Net Zero governance groups. Ongoing engagement also continued with DESNZ and Ofgem on the HyNet and East Coast Hydrogen projects, competitive processes, and FEED study development.

Net Zero Pre-Construction Works and Small Net Zero Projects (NZASP)

In June 2025, the East Coast Hydrogen (ECH) project was awarded £25.92m (18/19 prices) through the NZASP re-opener for a FEED study. The project is now well underway, and several project deliverables have been successfully completed, including the Technical Delivery Plan, Consultation Plan, Route Corridor Studies and Reports, and an investigation into supply and demand in the region. We have applied the learning and expertise gleaned from our first of a kind study on the HyNet project to further the development of hydrogen and its vital role in the decarbonisation of industry.

