

All Interested Parties

10 February 2020

Dear Industry Participant,

**Statement of Conclusions: RIIO-2 Gas Transmission Incentive Proposal Stakeholder Consultation**

On the 19th of December we launched our stakeholder consultation on the proposed Output Delivery Incentives (ODIs) that form part of the RIIO-2 Gas Transmission Business Plan. The six-week consultation period on our RIIO-2 Incentives proposal for the Gas Transmission business, ended on the 30th January 2020. However, the document is still available on our website by clicking [here](#) and we will consider any further feedback received as the RIIO-2 process continues.

Since October 2017 we have engaged with many stakeholders to better understand their priorities as part of the wider RIIO-2 preparations. From August to November 2019 we specifically talked to stakeholders about how our thinking on incentives had evolved and our associated proposals, we answered their questions, we listened to and acted upon the feedback. Mainly, the views we heard were broadly supportive of our incentive proposals, but we also highly valued the challenges which helped us to refine our proposed incentives portfolio. It was important to us, to allow our stakeholders an opportunity to scrutinise and have their say on the details of our final set of incentives proposals which have taken shape during the last year.

We recognise that there is a huge amount of activity in the energy space and stakeholders do not always have the means to engage with a written consultation. Therefore, to be as inclusive as possible, we have used many channels to draw attention to our consultation and to encourage feedback. We are confident that our stakeholders were fully aware of our incentive proposals.

Cadent provided a written response (response available [here](#)) which was fully supportive of both the proposals for the Capacity Constraint Management Incentive and the Residual Balancing Incentive. We welcome this support. When we spoke with stakeholders in January, some voiced support for the Demand Forecast proposal and updated Maintenance proposals. No opposition was brought forward by stakeholders on any of our incentive proposals as part of the consultation period. We take as a positive the absence of feedback opposing our proposals as part of the consultation. The feedback we received throughout the consultation process is broadly consistent with that received during all of our incentive stakeholder engagement. We conclude that stakeholders remain broadly supportive of our proposals.

As such, we believe that the consultation has gathered more evidence in support of our RIIO-2 incentive proposals and no detracting views. This endorses our portfolio of incentives as submitted in the business plan and at this time we make no recommendations for change.

We remain fully supportive of incentive based regulation, noting that incentives form a central part of Ofgem's RIIO framework and that in themselves have created significant and demonstrable value for consumers throughout RIIO-1.

If you have any questions on this statement, our incentives proposals or would like to feedback any further views, please don't hesitate to contact either Mike or Carol on the details below.

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Yours sincerely,

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