



**SGN**  
Your gas. Our network.

# RIO-GD2

Stakeholder Report 2023/24







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# 1 Welcome summary

## 1.1 Introduction from Mark Wild OBE, CEO



This 2023/24 period has been a year of investment to support our frontline colleagues and the vital work they do keeping our **six million** households and business customers safe and warm.

We have elevated safety across SGN with the creation of a new safety programme, face-to-face briefings for all frontline colleagues and a continued commitment to making safety our number one priority. We strive for zero-harm for colleagues, contractors, and our customers. We have also further strengthened the frontline, recruiting more than **600** people and expanding our apprenticeship and trainee programmes to deliver a pipeline of talent for years to come.

We achieved Ofgem's **97%** Emergency Standard of Service in both our Scotland and southern networks. We continue to strive for **100%**. We also care deeply about the role we play in communities and the support we provide to vulnerable customers. This year we supported **232,847** vulnerable households, working with **110** charities and community organisations. Both our networks achieved customer satisfaction scores of over **9/10**.

Simon Kilonback's arrival as Chief Financial Officer is already making a difference. He brings a wealth of experience spanning the public and private sectors and is driving financial controls. With Simon's appointment I'd like to thank Mick Carmedy for his service over the past six years and wish him well for his retirement.

I am delighted that Darren Elsom also joined the senior team to lead an enhanced Chief Operating Officer function, bringing focus and consistency to our frontline operations in both Scotland and southern England. With the appointment of Tony Green from National Gas, we also have a recognised industry leader at the helm of our Future of Energy directorate.

In March, the Board approved our new strategy – our blueprint for future success – which focuses on Safety, People, Productivity, and the Future. Our immediate priority is supporting our frontline colleagues and

creating an intelligent planning-led organisation. With a refreshed Executive team and the new strategic plan, SGN is well positioned for the future.

In May it was announced that I will be joining HS2 as CEO. While I am looking forward to the challenge of leading Britain's biggest infrastructure project, for now the Executive team and I are solely focused on our mission of delivering an enduring and thriving business in service of our customers.

This includes rolling out the first stages of our transformation plan and stepping up our cyber security preparedness with a long-term and substantial investment programme.

In August we marked a year since the gas explosion at Galpins Road in south London where a young girl lost her life and several people were injured. We are co-operating fully with the ongoing police investigation to ensure everyone learns lessons from this tragic incident. Our thoughts remain with everyone affected by these events.

We know from working in our communities that the path to net zero must be affordable and offer choice to millions of households struggling with their energy bills. For many industrial and commercial businesses that choice will likely be hydrogen. That's why we are progressing our live trial to demonstrate that we can carry hydrogen in our local transmission system. We are also opening the UK's first hydrogen training facility at Fife College for Gas Safe Registered engineers. They will play a key role in our world-first H100 Fife project which will see up to **300** households heat their homes with green hydrogen in 2025. We see an increasing role for biomethane too. Last year our Evolve subsidiary undertook the first gas-to-grid biomethane injection in Northern Ireland. We also completed our second gas-to-grid project with Thames Water which will supply up to **4,000** households in south-west London with renewable biomethane.

As a regulated business, SGN is subject to five-year price controls. Our planning for the next period (RIIO-GD3) which starts in April 2026 is at an advanced stage. I'm grateful for the hard work of our RIIO-GD3 planning team and to our Independent Stakeholder Group which provides challenge and feedback on our proposals. Stakeholder and customer insight is crucial at this stage to ensure our plan meets the expectation of stakeholders across our network areas. Gas networks are the backbone of our energy system, providing flexibility and resilience. The RIIO-GD3 price control must recognise this and enable investment for the future. It's been an honour to lead SGN. I'm immensely proud of all our brilliant and passionate people and what we've accomplished together.

**Mark Wild OBE**  
Chief Executive Officer



## 1.2 Key highlights

**£491.3m**  
(nominal)



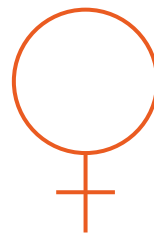
invested in  
our networks  
in 2023/24

LTS Futures  
project  
successfully  
passed  
through the  
first project  
stage gate



**19%**

of the total new  
recruits were  
identified as female



We've built a network of  
**110** Safe & warm  
community  
partners

**367**

customers signed up with  
interest to participate in our H100 Fife  
project, which has now moved from the  
development stage to construction



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

Southern increased its overall  
ranking position from 8<sup>th</sup> to  
mid-table, 5<sup>th</sup> position



**232,847**

96.1% increase on 2022/23

vulnerable customers  
offered assistance or  
advice in 2023/24

We've reduced  
our Total Carbon  
Footprint (TCF)  
during 2023/24 by

**3%**



**£1,374.8m**

(nominal)

turnover in 2023/24

**3,047**

new gas connections  
made during 2023/24



Gas Escapes Attendance  
in 2023/24

**Scotland**

**99.5%** within  
**one** hour

**99.8%** within  
**two** hours

**Southern**

**98.4%** within  
**one** hour

**98.9%** within  
**two** hours



We're delivering  
the equivalent of

**316,826**

homes with green gas



External  
Awards  
2023/24

This  
year  
we  
achieved

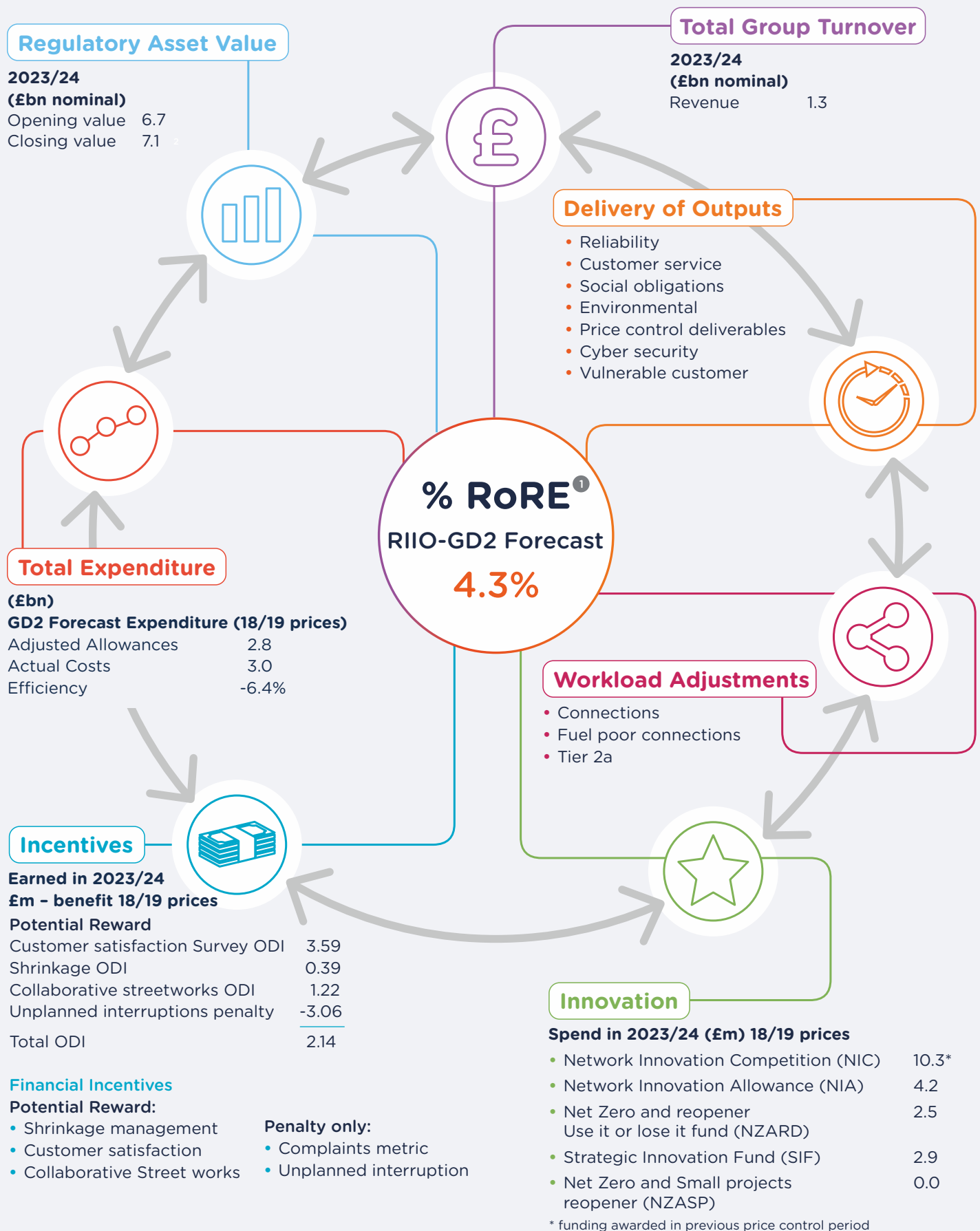


Replaced **795km** mains pipe in 2023/24





## 1.3 Our performance



<sup>1</sup> Return on Regulatory Equity - Operational Performance (Notional basis)



## 1.4 Customer bill impact

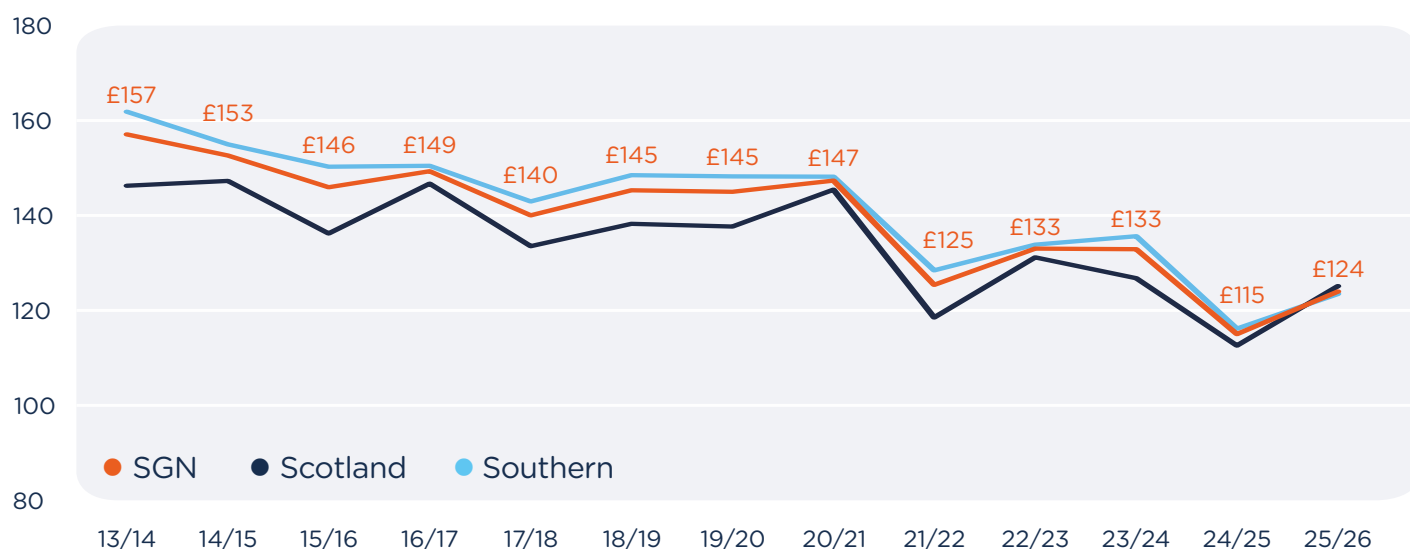
**Customer bills over the GD2 price control are stable when excluding the impact of inflation, starting at £125 in 2021/22 to £124 in 2025/26.**

We present two graphs for the impact on bills. The first, Figure 1, shows the underlying customer bill impact in real prices (i.e. excluding economy wide inflation). This shows that the customer bills in constant 18/19 prices are expected to decrease by nearly **21%** from the first year of RIIO-GD1 to the final year of RIIO-GD2. Within the last year (2023-24) and on a real basis, the customer bill remained the same as prior year. However, overall customer bills are down by **10%** compared to the final year of GD1.

The second graph, Figure 2, shows the average bill in nominal prices which includes the impact of inflation. On a nominal basis (ie including the impact of inflation) average bills have increased from **£149** in 2022/23 to **£165** in 2023/24 and are anticipated to fall again next year before returning to **£160** in 2025/26 (inflation for future years is aligned with the Ofgem inflation assumptions).

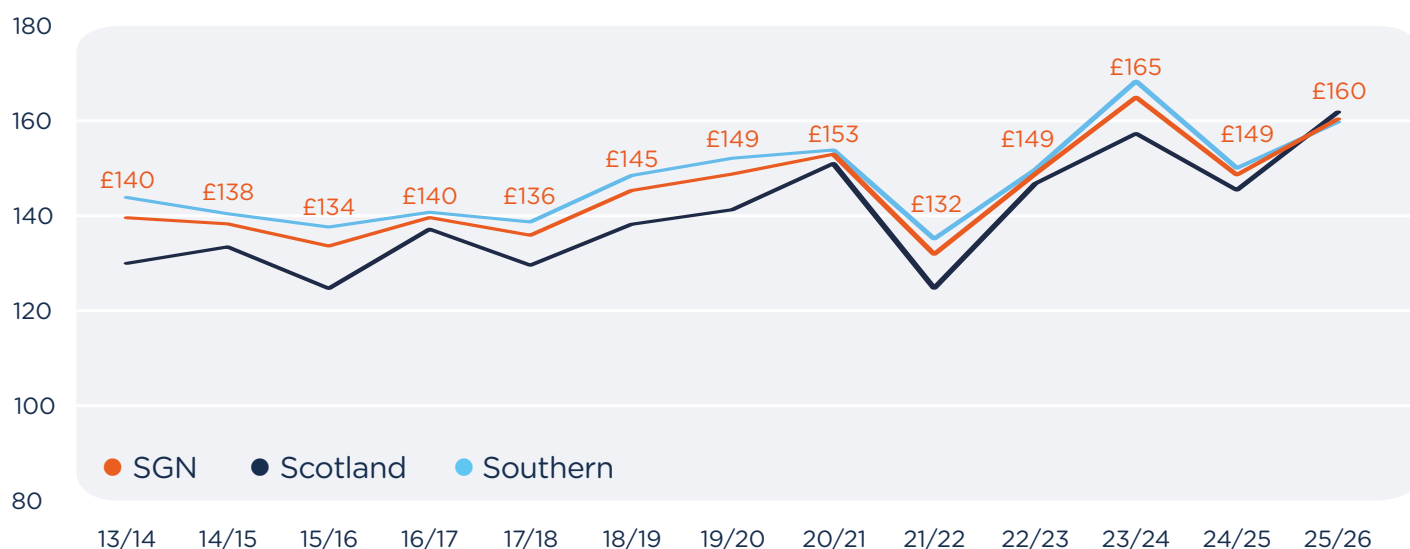
**Figure 1: Average bill (real prices £18/19)**

£/ household



**Figure 2: Average bill (Nominal prices)**

£/ household

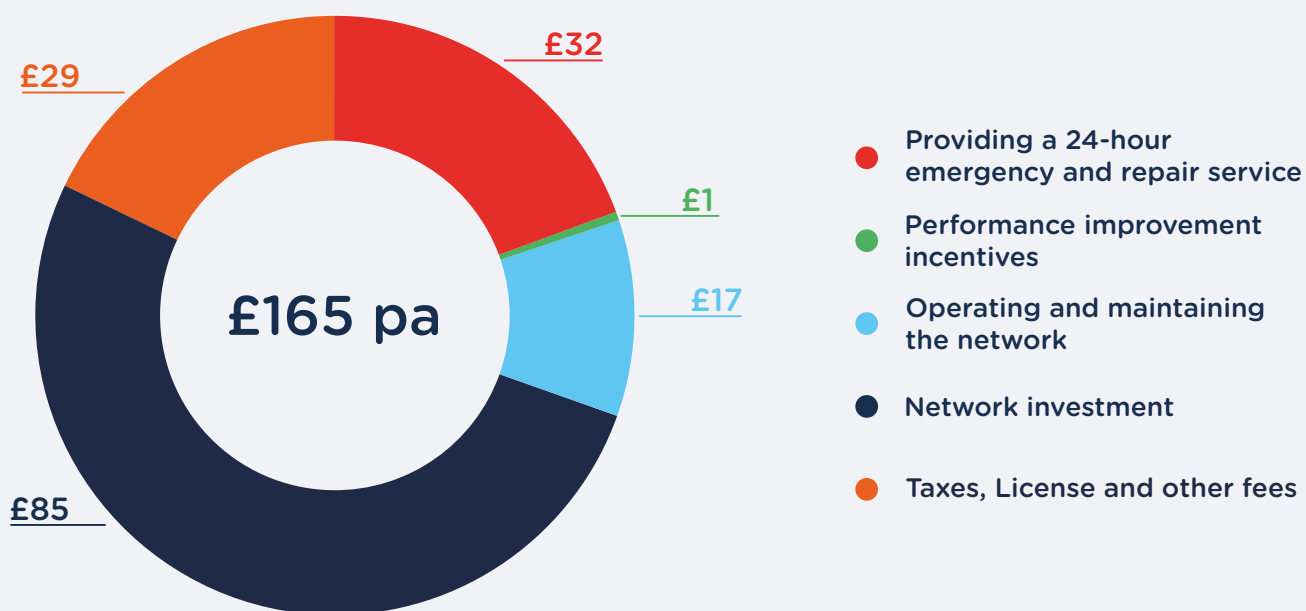


Note - Figures used for customer bill analysis represent core Network charges and therefore exclude Supplier of Last Resort (SoLR) Costs recovered on behalf of the industry and NTS Exit Charges (ECN). They reflect the forecast of revenue used when setting the tariffs and also include the impact of actual/forecast inflation.



For SGN's share of the customer bills, we have split the bill into its component parts, figure 3. This identifies that approximately **20%** of the bill impact is to provide the 24-hour emergency and repair services; **10%** of the bill impact is maintaining and operating the network; **52%** of the bill impact is supporting network investment and the remaining **18%** is other costs (tax etc).

Figure 3: Customer bill breakdown - SGN £165/yr Average bill including inflation





## 2 Delivery of Outputs – third year of RIIO-GD2

We continue to be committed to delivering our regulatory outputs and we have used the third year of RIIO-GD2 to ensure the foundations are in place for the continued transformation of SGN to deliver these outputs. We have done this through enhancing our leadership team, a strengthened frontline and ensuring a clear strategy for the future. While this has increased costs compared to earlier in the price control, this has led to improved performance and better customer outcomes.

In the third year of GD2, overall totex expenditure is 11% above allowances, as shown in table 1 below. The level of over expenditure is substantially higher in our southern licence area, (17%, £61m) than allowance, whilst in our Scotland licence area the over expenditure was lower (2%, £3m). For both Scotland and southern our operating costs (opex) have been substantially higher than allowances. For our southern network, we have experienced both substantially higher operating costs and higher repex delivery costs. Significant factors that have influenced these costs include;

- Strengthened frontline.** We have always focused on ensuring compliance with our core emergency standards of responding to an uncontrolled gas escape within **one** hour or a controlled gas escape within **two** hours, **97%** of the time. However, we failed to meet this standard last year. Over the past year, we have implemented additional measures to ensure this doesn't happen again. To increase recruitment rates, we trialled new approaches and experimented with different techniques to attract recruits and enhance the training and onboarding process. For the more challenging uncontrolled escapes with a one-hour response time, we have achieved **99.5%** in Scotland and **98.4%** in the southern network over the last year.
- Delivering Tier 1 repex.** The ability to deliver repex within allowances is divided across the country. In Scotland, repex delivery is strong; we have continued to over-deliver our annual repex workload and expenditure has been in line with allowances awarded. This is in stark contrast to the southern network, where challenges in the contractor market continued to constrain our ability to deliver against our linear profile target. The pool of contractors in the south of England has been particularly depleted as a result of Brexit, working practices post-Covid, an ageing construction workforce and high rates of competition from other utilities (telecoms, water and electricity). This has drawn resources away from a limited pool of highly skilled contractors resulting in higher rates and greater risk. To ensure focus on delivering repex, during the year we have invested in a new COO leadership team including a Director of Southern Repex Delivery. This is with the aim to getting back to expected performance, the benefits of which are already being seen.
- Increased repair costs.** Over the last couple of years, we have seen both an increase in the number of repairs that need to be undertaken and a change in the type of repairs. We are seeing an increase in the repairs undertaken for each reported gas escape in both southern and Scotland driving costs above allowances, in addition the repairs are increasingly having to be carried out by higher tier mains (tier 2 and tier 3) which are outside of the mandatory tier 1 mains replacement programme and where the rate of replacement has not kept up with the rate of mains deterioration. These tier 2 and tier 3 repairs are more complex and expensive to deliver than the tier 1 equivalents.

Table 1: 2023-24 totex performance<sup>1</sup>

£m 18/19 prices	SCOTLAND			SOUTHERN			SGN		
	Actual	Allowance	Variance	Actual	Allowance	Variance	Actual	Allowance	Variance
Opex	78	68	-14%	169	122	-39%	247	190	-30%
Repex	62	62	0%	182	158	-15%	244	220	-11%
Capex	58	64	10%	71	81	13%	129	146	11%
Totex	197	194	-2%	422	361	-17%	619	556	-11%

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





## 3 Outlook for RIIO-GD2 period

We anticipate that over the course of GD2, in Scotland we will recover the current year expenditure position to deliver our GD2 outputs for less than the allowances awarded at the outset of the price control period with an efficiency benefit of 2%, £23m. In southern we remain fully committed to deliver our originally agreed tier 1 repex workload and effectively manage the safety risk of our network, but in order to prevent the risk of over-recovery within customer bills we have forecast a reduction in delivery of 220km within the GD2 period. Despite the reduction in workload, we anticipate that southern expenditure will exceed allowances by £195m over the GD2 period, an 11% over-expenditure.

Table 2, on the following page, shows that we have very different outlooks in southern and Scotland.

In Scotland, our forecast is that we will deliver our workloads by spending 2% less than our allowances, this is a reduction on the 7% outperformance that we anticipated in last year's 2022/23 stakeholder report. The movements are set out below:

- **Repex:** We expect to maximise our workload delivery within the funding limits of the licence and deliver it more cost-effectively than anticipated in last year's submission, with a 10% variance to the allowances.
- **Capex:** Our forecasts have changed over the last year, due to unanticipated project level challenges that have increased the cost of delivery, efficiencies that we anticipated in last year's report have now been eroded and we expect expenditure to align with allowances.
- **Opex:** We anticipate we will spend more than the allowances determined in GD2, with the higher volume of repair workload and with a greater number of higher tier (and hence more costly) repairs anticipated to be sustained over the remaining years of GD2. Allowances for repair were set based on company submitted workloads back in 2019 which at the time had assumed a much greater improvement in repair workloads than has materialised, as a result we anticipate expenditure will be 3% higher than allowances.

In southern, the significant adverse performance to allowances has deteriorated in comparison to last year's forecasts. Last year, we forecasted an 8% underperformance in the southern region; this has now increased to an 11% underperformance and an anticipated over-expenditure of £195m, against a lower forecast workload. The movements are set out below.

- **Repex:** Following our experience in year three of GD2, we have adjusted our forecast for both workload and expenditure for the remaining years of GD2. We remain fully committed to delivering our repex output in GD2; however, we recognise the challenges in the contractor market are such that there is no easy short-term solution. As a result, we have reduced our forecast of repex tier 1 delivery from 3,001km by 220km to 2,782km to ensure we do not over-recover revenue which would adversely impact bills. Despite this reduction in workload, our anticipated cost to deliver the adjusted forecast is expected to increase. We forecast an overspend of £91m (11%) in 2023/24 compared to an £87m (10%) over-expenditure for a higher workload forecast in 2022/23.
- **Capex:** Our anticipated performance on Capex has improved compared to last years' forecast. In 2022/23 we were anticipating a 7% outperformance; this has now increased to 11% equivalent to £54m efficiency benefit compared to allowances driven by major efficiency improvements in projects and the impact associated with lower demand for connections. We fully anticipate to deliver all outputs to maintain a safe and reliable network despite a lower cost vs allowances.
- **Opex:** There has been a significant shift in our forecasted operating costs for southern, which have increased from £737m in last year's forecast to £784m. We are now forecasting a 25% overspend in opex over RIIO-GD2 for southern. As with Scotland, an important part is the increase in repair work and the higher-diameter repair work that needs to be undertaken compared to the workloads that were used by Ofgem to set original allowances. However, the majority of the step change has been the expenditure necessary to rebuild, train and equip our southern frontline workforce following intense competition for skilled resources from other sectors, higher churn rates, and changing working hour practices to manage fatigue. This expenditure is necessary to maintain our commitment to achieve Ofgem's 97% emergency standards and cover the rising cost of our direct activities.

These adjustments highlight the operational and financial challenges we are navigating to meet our commitment in our southern licence area.



Table 2: Totex performance by year<sup>2</sup>

£m 18/19 prices inc Real Price effects (RPEs)	SCOTLAND							
	21/22	22/23	23/24	24/25	25/26	RIIO-GD2 Total	RIIO-GD2 Allowance	Variance
Opex	61	66	78	91	77	373	362	-3%
Repex	50	58	62	62	60	292	326	10%
Capex	37	42	58	86	67	289	290	0%
Totex	148	166	197	239	204	954	978	2%

£m 18/19 prices inc RPEs	SOUTHERN							
	21/22	22/23	23/24	24/25	25/26	RIIO-GD2 Total	RIIO-GD2 Allowance	Variance
Opex	113	132	169	199	170	784	626	-25%
Repex	149	148	182	207	213	899	808	-11%
Capex	47	67	71	83	55	323	377	14%
Totex	309	347	422	490	438	2,006	1,811	-11%

£m 18/19 prices inc RPEs	SGN							
	21/22	22/23	23/24	24/25	25/26	RIIO-GD2 Total	RIIO-GD2 Allowance	Variance
Opex	174	199	247	291	246	1,157	988	-17%
Repex	199	206	244	269	273	1,191	1,134	-5%
Capex	83	108	129	169	122	612	667	8%
Totex	457	513	619	729	642	2,960	2,789	-6%

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



## 4 Company strategy

Our purpose is to serve our communities by keeping everyone safe and warm. It's why we exist. Our values are safety, innovation, reliability, openness and respect. We have worked hard to maintain a high level of customer service and care for our vulnerable customers. We are pleased Scotland has retained the highest performance for customer service of all gas networks for the eighth year in a row, and southern customer satisfaction score has increased.

### Supporting our most vulnerable customers

During the third year of this five-year regulatory period, our customers faced unprecedented levels of hardship. For many of our customers, the past 12 months have continued to be incredibly challenging. In the shadow of the cost-of-living crisis, thousands of households find themselves facing energy debt. Millions of households now struggle to afford household essentials including energy, with National Energy Action (NEA) reporting over **6.5<sup>3</sup> million** households in fuel poverty, paying over **10%** of their income on their energy bills and a record **4.3<sup>4</sup> million** children growing up in poverty. The stark reality for many families is starting the month with less money than they need to meet their basic household expenses.

Our vulnerability strategy spans the five years of the RII0-GD2 price control. This year, building on the strong foundations of the previous two years, we updated our vulnerability strategy to ensure that our customers benefit from the additional funding made available through the repurposed Fuel Poor Network Extension (FPNES) funding. This has allowed us to considerably expand the breadth of our support while focusing on those most in need; vulnerable households in genuine and urgent energy crisis. Beyond responding to households in immediate need, we've embedded and established interventions which extend into the longer-term to help customers maintain a safe and warm home. This year we doubled our business plan commitment to support more than **500,000** vulnerable households between 2021-2026 with support to use energy safely, efficiently, and affordably.



By working through our network of **110** Safe & Warm community partners, this year, we have helped **96%** more households than last year – **232,847** vulnerable customers this year alone. This brings our RII0-GD2 total to date of **403,717** households helped to use energy safely, efficiently, and affordably. These vulnerable households have accessed over **765,122** unique support services delivering a social value benefit of at least **£34.8m** (18/19) although, based on actual delivery, we understand the actual social return on investment to be significantly higher.

Each year our frontline teams are invited into around **300,000** homes. Our teams see first-hand the struggles our communities are facing in keeping safe, warm, and well at home. We are committed to delivering a great service to our customers and we endeavour to never walk away from a customer in need. This year our frontline teams identified **7,433** vulnerable households for onward support through our dedicated Careline team. These customers were provided with **17,757** tailored support services including access to funded gas appliance repairs, emergency fuel vouchers and access to partner services such as independent energy debt advice and benefits checks. Following a successful pilot programme last year of our Safe & Warm community team, we've increased the team's coverage bringing our Careline service out into communities as we go about our planned works.

<sup>3</sup> <https://www.nea.org.uk/news/fuel-poverty-england-2024/>

<sup>4</sup> <https://cpag.org.uk/child-poverty/poverty-facts-and-figures>





## Case Study

# Safe and Warm in partnership with Kidney Care UK

### Key 2023/24 achievements



Households supported:  
**605**



Energy advice sessions:  
**206**



Benefit checks:  
**132**



CO alarms provided:  
**240**



PSR registrations:  
**547**



Marketing reach:  
**15,500**

### Why we're working together

Chronic kidney disease (CKD) is a common, long term and irreversible condition affecting **180,000** people across Scotland, with almost **50%** on dialysis living in highly deprived areas. Increased energy use combined with a low income and lack of employment options means that dialysis patients are at high risk of falling further into fuel poverty. Of the **14,000** people living with kidney failure in Scotland, less than **10%** are currently on the Priority Services Register (PSR) and even fewer on the water companies' PSR, both of which are absolutely critical for people on dialysis who face a medical emergency if there is a gas emergency, power cut or disruption to their water supply. Utilities across Scotland have traditionally found it challenging to reach people with CKD who are dialysing at home and struggling to afford to keep themselves warm and well. Together with Kidney Care UK, Scottish Water, ScottishPower Energy Networks, Scottish and Southern Energy Networks, NHS Scotland, and renal units, we're proudly working to reach almost **39,000** dialysis patients with useful information about their utilities and how to access holistic energy safeguarding and advice services across Scotland.

### How we're working together

Our face-to-face support services are being delivered in partnership with the Kidney Care UK Patient Support and Advocacy Officers (PSAOs) across Aberdeen, Dundee, Glasgow, and Perth. We're targeting these areas due to financial deprivation and as representation on the Priority Services Register is low. To date, we've provided energy safeguarding training to **eight** PSAOs so that they can triage and support kidney patients with energy advisory services. Our PSAOs ensure patients and their families at risk of financial hardship will receive counselling, advocacy, dietary advice and direct financial support through Kidney Care's own financial resources as well as providing access to energy safeguarding services through our collaborative regional utility partnership.

### Partnership impact

Working closely with renal teams in Aberdeen, Dundee, Glasgow, and Perth, we're joining forces to create a best practice approach to make the PSR Scotland front and centre of initial conversations from a clinical perspective too when patients begin their dialysis treatment. The Kidney Care UK team, during their **604** one-to-one tailored energy advice sessions, have supported **547** patients to sign up to the PSR and provided **240** lifesaving carbon monoxide alarms to date. Working in genuine collaboration has also enabled the charity to grow its profile across Scotland as well as being able to connect with like-minded third sector organisations, such as local authorities, Citizens Advice Scotland, and others within our Safe & Warm partnership network.

We're delighted to share the learnings of our Scotland programme as we look forward to the coming together of the national GB-wide partnership with the other gas networks from April 2024.





## Spotlight on safety

Safety is not just a value; it is a way of life at SGN. We care about our people, our customers and our communities.

## New programme and branding to inspire zero-harm

Safety excellence is a key component of a high-performing organisation and we launched PROTECT to improve our safety culture.

We recognise that it takes a shared commitment and individual ownership to deliver safety excellence and that is why PROTECT was co-created with our colleagues by listening and understanding what is important to them.

The new programme and branding articulates SGN's commitment to zero-harm and is underpinned by the lifesaving rules and high-risk activities. PROTECT resonates through the business, is enduring and can be linked to other initiatives to help foster safe working environments for everyone.

**PROTECT**  
ZERO HARM DONE.  
ZERO EXCEPTIONS.

PROTECT is built on the foundation of three core principles:

- We work together to achieve zero-harm because we care
- Everyone has the right to go home safe and well each day
- All harm to people, property and the environment is preventable

Monthly PROTECT safety briefings were launched at the same time as the lifesaving rules and high-risk activities for all operations, maintenance and transmission frontline staff. **98.69%** of relevant staff having received face-to-face briefings or crib sheet alternatives helping us to develop a more mature, robust and lasting safety culture at SGN.

## Committed to improving colleague wellbeing

We recognise our people are our greatest asset. We're committed to their wellbeing and introduced multiple impactful initiatives this year.

A rolling programme of wellbeing health checks across all our major depots was launched. These health checks covered both operational and non-operational staff, and our dedicated teams identified several colleagues with previously undiagnosed health conditions. All identified individuals are receiving long-term support and specialised care tailored to their needs.

We introduced wellbeing apprenticeships aimed at equipping starters with the knowledge and skills needed for a successful career while emphasising their own wellbeing. By combining classroom learning with hands-on experience alongside seasoned professionals, we're nurturing the next generation of wellbeing advocates.

To foster a supportive environment, we re-energised our wellbeing champions networks across our locations. These champions play a crucial role in promoting wellbeing awareness, providing peer support and directing colleagues to appropriate resources. Their dedication ensures every member of SGN feels valued and cared for.

We've also partnered with various departments to deliver a wellbeing webinar series. Webinar topics included: educating our workforce on identifying signs of mental health challenges, raising awareness about suicide prevention and its impact on colleagues, plus equipping our teams with strategies to build resilience in the face of adversity.

We continue to encourage everyone to engage with these and more wellbeing resources and participate actively in their own self-care journey. Our colleagues' wellbeing is imperative to creating a positive impact in our local and regional communities.

To best protect each other and the public, we safely manage all

### HIGH-RISK ACTIVITIES

<b>WORKING ON THE HIGHWAY</b>		It is important to safely manage all the risks created by our work on open roads and streets.
<b>WORKING IN CONFINED SPACES</b>		It is essential that we recognise and understand all the risks associated with confined spaces.
<b>WORKING AT HEIGHT</b>		If work at height is necessary, and cannot be avoided, then we must always assess all the risks.
<b>WORKING NEAR UNDERGROUND SERVICES</b>		We must always recognise and mitigate the risks and hazards linked with any form of ground disturbance.

SGN PROTECT ZERO HARM DONE. ZERO EXCEPTIONS.

To best protect each other and the public, we always follow our

### LIFESAVING RULES.

<b>COMPETENCY</b>		We only do work when competent to do so.
<b>POLICIES &amp; PROCEDURES</b>		We always follow all policies and procedures.
<b>RISK ASSESSMENT</b>		We continually assess risks from start to finish.
<b>PLANT, TOOLS &amp; PPE</b>		We always use the right equipment for the job.
<b>SAFE DRIVING</b>		We drive safely and responsibly at all times.

SGN PROTECT ZERO HARM DONE. ZERO EXCEPTIONS.



## Our innovative future

We have had another productive year for our innovation activities at SGN, continuing to collaborate with our peers in the industry and beyond on a mixed portfolio of projects covering AI, operational efficiency, vulnerable customers and safety to name a few.

As we embed the changes to innovation in SGN, as referred in the last report, we are now looking at the rest of RIIO-GD2 as a ramp-up to GD3, ensuring we are building the insights, network, and capability to deliver more innovation to the sector for a decarbonised whole energy system.

We have unique challenges and opportunities across the mixed geographies we cover, in Scotland and the south of England, innovation will play a key part in our future delivery of net-zero in those areas; whether that is renewables in Scotland capitalising on their potential or asset management and efficiency in southern to reduce emissions there will be a broad portfolio of innovation activities.

Key for us over the coming months is strengthening our innovation network; building on academic relationships, finding new partners, and strengthening our relationships across the sector with our peers as we all face the same massive challenge of achieving a net-zero whole energy system for all customers.



## Improving our environment

We have had a positive year in terms of improving our environment; remaining on track to deliver our Business Carbon Footprint (BCF) (excluding shrinkage) target reduction of **25%** of scope 1 & 2.

Our programme of solar PV rooftop installations has also progressed with **three** installations this year and a further **12** planned across the final two years of the price control in line with our RIIO-GD2 target delivery. The solar PV installations will provide direct feed renewable electricity to our offices and have, to date, performed better than expected. In addition, we are in the process of completing the Energy Savings Opportunities Scheme (ESOS) energy audits which will help us to identify additional ways of being more energy efficient.

We have acquired **25** small EV vans as part of our commercial fleet and are currently trialling a larger electric van with an apprentice shadowing one of our First Call Operators (FCO) to evaluate how the battery range is affected by our operational model. If the trial is successful, we plan to introduce a further **100** EV's before the end of the price control period. This goes part of the way towards our target of having a **50%** zero emissions fleet where possible, but as explained in the section on Performance Summary, we are behind on delivering this ambitious target.

As part of our company car fleet, we have an increasing number of fully electric and hybrid vehicles, to date almost **84%** are electric or hybrid.

In FY 2023/24, we exceeded our target for completed biodiversity surveys. We planned to do survey in total **60** locations across our southern and Scotland networks, and successfully completed a total of **78**. This makes total number of locations surveyed for biodiversity and establishing a baseline for potential improvement works to **128**, meaning all planned biodiversity surveys for RIIO-GD2 have been completed. In the first three years of RIIO-GD2 we have also implemented **19** improvement projects (nine of these in the last year). Across these **19** projects we have:

- Planted **180** trees and **500m** of native hedges.
- Spread wildflower seeds over almost **10,000m<sup>2</sup>**.
- Installed more than **130** bird, dormouse and bat boxes, and **18** reptile shelters.

**Ninety-one per cent** of our supply chain (by value) meets our Sustainable Procurement Code. This means we have reached our target of having **80%** of our supply chain (by value) meeting the Code. **Eighty-seven per cent** of our supply chain has responded to our ESG (Environment, Social and Governance) questionnaire, enabling us to collect data of suppliers' and contractors' existing targets and data availability of key ESG metrics. **Forty-two per cent** of our supply chain has joined the Supply Chain Sustainability School where we are members. Through the school, our suppliers can access a range of materials, webinars and other learning materials relating to environment and sustainability for free.

Over the last year, we have completed climate adaptation surveys of **26** of our key office and depot locations. This will help us to develop a climate adaptation plan to manage the short, medium, and long-term climate-related risks to our buildings.

On our general commitment to improving on environment, climate, and sustainability, we have achieved the following benchmarks:

- Our CDP (Carbon Disclosure Project) score on Supplier Engagement has fallen from 'A' (leadership band) to 'B-' (management band) as CDP continue to push corporate ambition year on year. This score matches Europe's regional average score and exceeds the Sector average score of C.
- For our CDP Climate Change disclosure, we score a 'B' for the fourth year running. This is in the Management band and the same as the Europe regional average, and higher than the Oil & gas storage & transportation sector average of C. We are conducting a gap analysis to highlight areas of improvement to strengthen our 2024 disclosures.
- We received an ESG Score of **41/100** following submission to S&P Global Corporate Sustainability Assessment (previous score was **39/100**). We are above the industry average for Environment and slightly below the industry average for Social and Governance





## Improving representation in our workforce

This year, we have increased our focus on improving equality, diversity, and inclusion by expanding our staff networks to reach almost **1,000** staff members and have provided a safe space for many of our increasingly diverse workforce.

- **Women's Network:** Formed to provide a safe space and empower female colleagues and allies, the Women in SGN network is a place to share ideas and support one another. We have **280** members of both male and female colleagues, successfully holding numerous networking lunches to enable people to share experiences and network with colleagues from different parts of the business. We sponsored the IGEM Women in Gas event this year with a presentation on the successful implementation of Women's maternity PPE.
- **Ability Network:** Established for those colleagues living with health conditions and disabilities and those with family members with disabilities. We have **92** members and meet monthly. This is a safe space for members to share life (and work) challenges they face. We have now joined the 'Business Disability Forum' and undertook a structured assessment of how well the organisation accounts for the needs of disabled staff and customers in all of our activities. We have established a cross-company working group to act on its recommendations.
- **Military Network:** Represents the interests of our military community including veterans, reservists, cadet forces and forces families. There are currently around **40** members with a steering committee being established shortly. The objective of the network is to support the transition of force leavers into roles within SGN. We've supported several 'Armed Forces Career Transition Partnership' recruitment fairs engaged with 'Armed Forces Covenant Employer Recognition Scheme Gold Employers Association' and 'South East Reserve Forces and Cadets Association Employer Forum'.
- **Race and Equality Network:** To represent the underrepresented and ensuring all our network members have visibility and a voice. The objectives of the network include Employee Support, Holding SGN to account, Raising Awareness and Learning. We have formed small working groups within the committee to represent and published a company survey to establish current employee status regarding the subject of racism.
- **Pride Network:** Provides peer to peer support in providing a space for LGBTQ+ colleagues to express concerns, share experiences and help those who may not be ready to disclose their sexuality or gender to feel supported at work. The group raises awareness of issues facing the LGBTQ+ community, making suggestions for improvements in policies and procedures to be supportive of LGBTQ+ colleagues and shared advice on important topics like pronouns and microaggressions specifically supportive as well as empowering colleagues and parents of LGBTQ+ to step up as allies.

Along with the above, we have made improvements to our hiring process, trialling a CV-less platform as well as mandating a diverse interview panel for key roles. As a result of this, we have achieved significant improvements to our workforce gender composition, with female representation increasing from **14.2%** in 2016 to **19.1%** in 2023, and our workforce ethnicity composition increased from **3.59%** in 2019 to **5.59%** in 2023. We recognise that there is still a long way to fully representing the communities we serve, however, we are confident we are heading in the right direction. We are proud to be breaking barriers and continuing to strive towards being an inclusive company and a safe space to work.



## Rebuilding our southern workforce

To address the critical requirements for frontline staff across southern operations, we implemented a robust recruitment strategy to combat the competitive job market. High employment rates, demand for skilled labour, and higher than average salaries in the south of England presented us with challenging conditions for meeting significant recruitment targets.

This required a significant step change in the approach to ensure an even and regular intake for all parts of our southern network throughout the year, taking into consideration training dates and capacity. This was supported by extensive recruitment campaigns that took place over four weeks to encourage applicants and streamline the process through dedicated recruitment days. The recruitment day consisted of **three to four** assessments, as well as a chance for candidates to meet managers from the region, meet our engineers, and find out more about SGN and the role they have applied for. Assessments were reviewed and job offers were sent out the same day as the assessment.

Overall, we ran over **65** assessment centres interviewing over **1,300** candidates to fill **589** frontline roles. Each of these individuals then had to be fully trained and gain the necessary experience to be considered fully competent.



## Case Study

# Removing CV Bias

**Bias – conscious or not – can derail passionate and promising applicants before their careers have even begun. Not understanding or acknowledging bias can also prevent employers from benefitting from the innovation a truly diverse workforce brings.**

Partnering with behavioural experts at Arctic Shores, we made the bold move to completely remove the need for a CV for all our entry-level roles. When we found we weren't getting the diverse array of candidates we wanted (just **c.4%** female and **c.12%** non-white entry-level hires), with unseen barriers seemingly preventing diverse candidates from getting past the application stage, it needed to make a radical change.

Thus, we launched an initial pilot to fill **20** entry-level engineering roles without a CV. We put out targeted advertising across four key regions, simply asking applicants if they thought they had the skills and potential for one of these roles. Successful applicants were then invited to in-person assessment centres, which had also been redesigned to focus on potential behaviours.

“ All parts of the assessment were well planned, out and engaged the applicant right through the whole process. ”

“ I thoroughly enjoyed each assessment task as each one was different and tested you in a variety of ways, which is something I'm not used to. ”

### The impressive results speak for themselves:

- All **20** roles were filled immediately, within a relatively tight timespan.
- **20%** of hires were female (vs. just **4%** previously).
- **35%** of hires were non-white (vs. just **12%** previously).
- Over **50%** of applicants who passed the online assessment were identified as coming from a disadvantaged background.
- Applicant feedback on the recruitment experience was overwhelmingly positive.
- Anecdotal feedback from hiring managers indicating this cohort was the strongest pool of candidates seen to date.

We hope we can role-model this innovative approach, setting a more inclusive and bias-free blueprint for the industry.







## Purpose, Vision & Values

Our purpose is to serve our communities by keeping everyone safe and warm. It's why we exist. Our vision is to give our customers the best clean energy experience. Together our purpose and vision enable us to play a critical role in the transition to net zero while creating a positive impact on our people and local communities.

Our values were created by consulting with colleagues across the business and provide a framework for the positive behaviours and practices we expect from our people. They embody what we stand for as a company, guiding us to achieve our visions and goals.

They dictate our behaviour and help us build trust, allowing us to thrive both as individuals and as a company. This principle is of great importance to us, and we aimed to reflect it in our RIIO-GD2 plan whilst ensuring authenticity.

It is important values are not mere words; they need to be lived up to. We review the performance of our employees against these values, and every potential new hire is assessed based on them. In essence, our values define how we operate as a company.

### Our purpose

Serving our communities by keeping everyone safe and warm

### Our vision

To play our part in a fair and affordable energy transition

Our Values for RIIO-GD2 are detailed here:







## 5 Output summary

Through the third year of RIIO-GD2, we have continued to deliver the majority of our outputs and have regained compliance with outputs which were missed in year 2. It remains crucial we continue to focus on those outputs to ensure and maintain the focus on safety whilst, at the same time, doing all that we can to recover outputs that continue to be challenging.

- **Unplanned interruptions:** Our 2023/24 delivery of unplanned interruptions has moved to maximum penalty for our southern network as we have exceeded the maximum penalty threshold. This will incur a penalty of **£3m**. This is a reversal of the position in the 2022/23 where a single multi-occupancy buildings incident was sufficient to take Scotland above the maximum penalty threshold.
- **Repex: Tier 1 Mains and Services:** Our Tier 1 mains and service price control deliverable (PCD) in our southern network remain on a red status for year three as we have continued to face challenges in regaining the Tier 1 mains length delivery. Since there is a direct link between mains delivery and service delivery, Tier 1 services also remain in red status.
- **Shrinkage and Environmental Emissions:** There are several elements to annual shrinkage reduction through the Shrinkage and Leakage Model (SLM), which can both positively and negatively impact depending on our performance in any given year. We slightly underperformed in comparison to the previous year, raising the formula year leakage volumes and putting these to amber.
- **Commercial Fleet EV PCD:** Our commercial fleet EV PCD continues to be on a red status due to the slow progress on transitioning our commercial fleet to electric vehicles. At the start of RIIO-GD2, we set out an ambitious target to achieve **50%** transition to electric vehicles. However, the pace of technical advancements in the commercial EV market has been substantially slower than anticipated, particularly a lack of suitable vehicles for heavy payloads. As a result, we do not expect to be able to deliver our original ambition.
- **Business Carbon Footprint (BCF) reporting:** Our BCF outputs, although for the year 2023/24, we are on target for our scope 1 and scope 2 excluding shrinkage emissions. We are currently in an amber status due to the current risk with the commercial fleet, a key element of scope 1 (see above comment). We are currently tracking above our emissions target on the commercial fleet and will monitor this closely through the remaining years.





Figure 5: Output deliverables

- **Red:** Not delivering a licence obligation, significant under-delivery on reputational commitments or significant penalty on financial incentive (amber is not applied to Licence Obligations).
- **Amber:** Marginal under-delivery on reputational commitments or marginal penalty on financial incentive (amber is not applied to Licence Obligations).
- **Green:** Delivered Licence Obligation, reputational commitments or positive outcome on financial incentive.

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



## 6 Financial performance

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

NETWORK	SCOTLAND	SOUTHERN	SGN
Additional Returns (£m 18/19 prices)	Five-year average	Five-year average	Five-year average
Totex outperformance	5.1	(38.9)	(33.8)
Incentive income	0.6	1.0	1.6
Other (eg innovation contributions)	(0.5)	(1.2)	(1.7)
Less sharing/tax	(2.6)	19.4	16.9
Average additional income	2.5	(19.6)	(17.1)
<b>Additional return on equity</b>			
Average additional returns	2.5	(19.6)	(17.1)
Equity (based on notional gearing)	707	1,546	2,253
Additional returns	0.4%	(1.3%)	(0.8%)
Base cost of equity	5.10%	5.10%	5.10%
<b>Total RoRE - Operational Performance (Notional Basis)</b>	<b>5.5%</b>	<b>3.8%</b>	<b>4.3%</b>

NB: RoRE is provisional prior to Regulatory Financial Performance Report sign off in Sept 2024





## 7 Positive impact

For the third year of RIIO-GD2 our Scotland network retained the number 1 position for customer satisfaction, this is a great achievement as we have held this for eight years in a row. Progressing into the fourth year of this price control period both networks are in strong positions and are maintaining healthy customer satisfaction scores. Our southern network has increased its overall ranking position from eighth to mid table, fifth position.

CUSTOMER SATISFACTION	SCOTLAND			SOUTHERN			BASE TARGET (*)
Scores out of 10	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24	
Emergency work	9.54	9.62	9.67	9.33	9.43	9.59	9.37
Planned work	9.20	9.09	9.07	9.08	8.88	8.99	8.51
Connections work	9.11	9.18	9.26	8.67	8.74	9.00	8.38
Average	9.28	9.30	9.33	9.03	9.02	9.19	8.75

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

### Vulnerability and Carbon monoxide allowance (VCMA)

We recognise the critical role that the gas networks can play in supporting our customers above and beyond our licence obligations. Within our business plan for the 2021 to 2026 price control period, we committed to making a positive impact on society by supporting vulnerable communities and delivering excellent service. To deliver on this commitment, we developed our five-year vulnerability and carbon monoxide strategy.

For RIIO-GD2, Ofgem introduced the Vulnerability and Carbon Monoxide Allowance, a Use It or Lose It (UIOLI) allowance, which allocates funding to spend projects which can support vulnerable customers or raise awareness of carbon monoxide (CO) between 2021 and 2026. This funding was extended in 2023, with 70% of the FPNES allowance repurposed into the VCMA to provide targeted support for households struggling to maintain a safe and warm home. Our original £16.3m allowance was increased to £46.45m (18/19 prices) which equates to an additional £9.3m for our Scotland network and £20.9m for our southern network.

So far, we've incurred a total cost of £11.2m, which is £4.6m in Scotland and £6.6m in southern. Additionally, we are committed to spending a further £35.2m in approved project activities and funding for programmes over the two years of the price control period. Most of this future expenditure is allocated to projects that are currently in the final stages of approval and are expected to move into the execution phase shortly.

Further information on collaborative VCMA projects can be found [here](#), and the SGN VCMA Annual report is available [here](#).

Overleaf we have set out a few case studies of the many VCMA projects presented.





## Case Study

# CO community safety projects

### Key 2023/24 achievements



Households supported:  
**21,524**



Frontline workers trained:  
**49**



CO alarms provided:  
**20,110**



CO safety conversations:  
**21,240**



### Why we're working together

While different fire and rescue services operate in different regions across Britain, they all have established home safety programmes that see them deliver at-home support for some of the most vulnerable households in our communities. The home safety programmes, sometimes known as Safe and Well visits, are extremely effective at engaging hard-to-reach and high-risk households, such as older people, people with disabilities and people with chronic health conditions. Within this programme, we also engage with other regional community partners to raise awareness of carbon monoxide. We've joined with home improvement agencies and local charities to educate vulnerable households on the dangers of carbon monoxide and how to stay gas safe at home, as well as providing both standard and accessible CO alarms.

### How we're working together

We've established two-way relationships with our community partners to safeguard the most vulnerable households in our communities, and these partnerships are truly reciprocal. For example, our fire and rescue service partners provide us with safeguarding support through home visits to customers we encounter in homes that are unsafe due to hoarding or self-neglect. In addition, we have **15** unique partnerships with fire and rescue services across our Scotland and southern networks funding CO safety initiatives that provide access to CO alarms for trusted fire service home safety prevention teams and community partners to install.

### Partnership impact

Installing potentially life-saving CO alarms is one of the most powerful impacts of this programme. To date, we've provided **46,495** CO alarms to fire and rescue services and community services with **20,110** of these alarms provided this year alone. Crucially, we're also providing accessible CO alarms for people with sight or hearing impairments. These organisations often have little or no provision for accessible alarms, so by providing **540** hearing-impaired alarms and **470** verbal alarms this year alone, we're making sure these households have access to safety devices that meet their needs.

With carbon monoxide awareness so well-embedded within the home safety programmes across many of our fire and rescue service partners, we're extending our support to particularly vulnerable groups within our communities outside of the home setting. The Dorset and Wiltshire Fire and Rescue Service's Prevention team is delivering fire and CO safety sessions to Afghan families who are being resettled in the UK. Each family is given a resource pack to take away with key fire and CO safety information for adults and an activity book for the children, translated into both Pashto and Dari.

This year, we've made notable progress in establishing reciprocal safeguarding partnerships with fire and rescue services across Scotland. The Scottish Fire and Rescue Service is split into different regions, each with different ways of working, and previously, we have experienced some challenges in setting up partnerships across Scotland. We started this year with one regional partnership, but thanks to its success, we've ended the year with **five** regional partnerships and **six** more in the pipeline. Following open and honest feedback from our fire and rescue service partners, we established that, for some, adding an additional reporting requirement with our online CO awareness survey was creating some issues. To overcome this, we've now embedded our CO survey questions into existing FRS reporting frameworks and data capture within some partnerships.



## Case Study

# Better Housing Better Health

### Key 2023/24 achievements



Households supported:  
**1,836**



Emergency fuel and food vouchers:  
**190**



Energy advice sessions:  
**1,836**



Benefit checks:  
**1,836**



CO safety conversations:  
**1,836**



PRS registrations:  
**303**

### Why we're working together

For many households most in need, navigating and accessing available support services can be too much to manage independently. Many vulnerable households remain excluded from vital assistance, trapped in the cycle of poverty and living in a cold and unhealthy home as a result. We joined forces with the National Energy Foundation (NEF) to introduce an integrated and comprehensive warmth and wellbeing support service in areas of high deprivation across the south of England. Extending beyond energy-related support alone, our holistic Better Housing Better Health service aims to facilitate access to health, income, and housing support services for **10,000** households with the resources to provide in home energy assessments and caseworker support for **2,500** households that addresses the underlying causes of fuel poverty.

### How we're working together

We've provided information on safe ways to save energy and money to **10,592** households in areas of high deprivation to date, through direct marketing and outreach activity. This has led to us providing **1,836** personalised energy sessions for fuel poor households that address the unique challenges they face in achieving warmth and wellbeing. The sessions cover energy efficiency advice, thorough assessments of eligibility for energy efficiency grant-funded schemes, assistance with energy bill advocacy, CO safety conversations and PSR registration for all customers. In addition, we've developed and begun to implement training programmes for frontline workers, equipping them with the knowledge and tools needed to effectively address fuel poverty. We're doing this through workshops, educational materials and awareness campaigns that promote understanding of fuel poverty, energy efficiency and sustainable energy practices.

### Partnership impact

Through our one-on-one energy advice sessions, we've been able to connect **483** households to vital debt relief programmes and provide support to **104** customers who were in energy debt with manageable repayment plans. The team has also completed income and benefits checks, and referred those in need to local authority services, fire and rescue teams and support from charitable organisations. The team has provided **53** households with lifesaving CO alarms. Launched in September 2023, the team was slower to mobilise than expected and faced some initial challenges getting into local authorities and other community groups to provide the frontline training that enables impactful referrals into the caseworker service. Working together, we've increased our local promotion of the support that's available. To help the team in delivering our target number of households receiving caseworker support, we've extended the partnership timeline by three months to enable the delivery of the outcomes against our commitment.







## Customer complaints

Our Scotland network continues a strong performance for complaint handling, with a 2023/24 complaint handling metric performance score of **1.62**, improving upon the previous year. Our southern network also improved performance on the previous year with a complaint metric score of **3.61** for 2023/24.

Across RIIO-GD2 we aim to maintain the leading position for Scotland's complaint handling performance as well as increase southern's position by reducing the metric performance score; this is being achieved.

In terms of the performance under the complaints handling metric, in 2023/24 both our networks have continued to perform well with complaints handling, achieving lower than the penalty threshold of **5.00** (Scotland **1.62** and southern **3.61**). Both networks have improved their complaints handling metric score from the previous year, with Scotland improving from **1.71** in RIIO-GD2 year 2 to **1.62** in RIIO-GD2 year 3, and southern improving from **4.74** in RIIO-GD2 year 2 to **3.61** in RIIO-GD2 year 3.

In October 2022, we wrote to Ofgem to express our concerns regarding the calculation of the complaints metric and how the results are represented. We remain concerned that a network with a high volume of complaints that are easily resolved will appear to perform better than a network that focuses on getting it right the first time. For the right-first-time network, this will risk a low volume of complaints that are more challenging to resolve.

	GD1 - Y7	GD1 - Y8	GD2 - Y1	GD2 - Y2	GD2 - Y3
Volume of complaints	2019/20	2020/21*	2021/22	2022/23	2023/24
Scotland	340	214	246	369	315
Southern	1,299	793	1,052	1,556	1,565
SGN	1,693	1,007	1,298	1,925	1,880

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

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

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



## Customer satisfaction

For the third year of RIIO-GD2 our Scotland network retained the **number 1** position for customer satisfaction, this is a great achievement as we have held this for **eight** years in a row. Progressing into the fourth year of this price control period both networks are in strong positions and are maintaining healthy customer satisfaction scores. Our southern network has increased its overall ranking position from **eighth** to mid table, **fifth** position. Specific areas we continue to prioritise to improve our service and customer satisfaction scores are:

- **Technology** - We continue to work with agility to understand the best solutions to deliver on our Customer Experience and Vulnerable customer plans. Our trials with Vyntelligence last year have now become embedded processes as we expand our capabilities in this area. All are designed to deliver efficiencies and reduce effort for our customers. We are also able to keep more customers regularly informed throughout our unplanned emergency work by utilising SMS updates.
- **People** - We continue to hold customer forums and focus sessions to understand where changes are needed across our customer journeys. We recognise our people who continue to make a difference through our **10/10** corner, give monthly awards and highlight individual stories across the business to celebrate successes and drive focus and engagement.
- **Training** - To maintain a high standard of customer service, we have ongoing refresher training courses which cover a wide range of topics such as 'Identifying vulnerability', 'How you make the difference' and 'Brilliant Basics' which is at the forefront of our induction programme for new recruits. This package ensures clear expectations are set from the beginning and that they have received adequate customer training before starting their new operational role.

Our frontline teams support us by knowing our customers' needs and offering a helping hand when required. They continue to uphold their commitment to never walk away from a customer in need whilst striving for **10/10** every time.

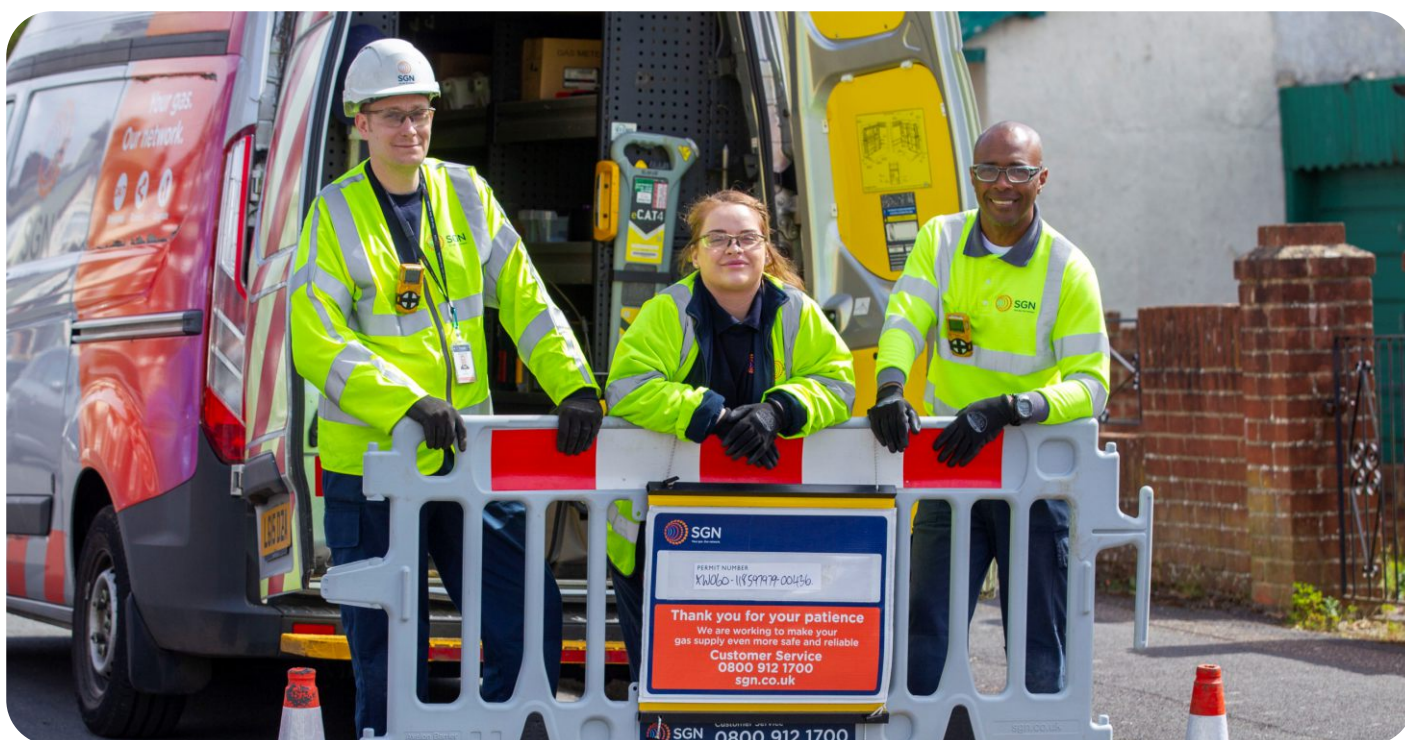
## Guaranteed Standards of Performance (GSOP)

All our GSOP standards were achieved for the third year of RIIO-GD2. We accomplished **97%** or higher on **14** out of **20** of our standards with the remaining **six** standards achieving between **91% and 95%**. All **20** standards exceeded our baseline target of **90%**.

## Customers and interruptions

Interruptions, planned or unplanned, are never ideal for our customers, which is why we make a dedicated effort to keep interruption time as low as possible to reduce any inconvenience, especially to those who are vulnerable. Our customer satisfaction score for unplanned interruptions in 2024, which arise through leakage or other emergencies, is **9.6** which demonstrates our dedication to care for customers and ensure they feel minimal effects of our works.

For planned interruptions through our replacement, capital projects or routine maintenance works, our customer satisfaction score continues to be above **9** across both southern and Scotland networks.





## 8 Shared future

### Strategic Innovation Fund (SIF)

The Strategic Innovation Fund (SIF) serves as a funding mechanism under the RIIO-GD2 network price control, targeting the Electricity System Operator, Electricity Transmission, Gas Transmission, and Gas Distribution sectors. Its primary goal is to decarbonise the gas and electric energy distribution and transmission networks, delivering benefits to consumers. SIF operates as a competitive funding framework, structured in three phases.

2023/24 saw the advancement of several of our SIF projects through the different phases of development, with **three** projects within Round 1 progressing from Alpha into Beta, and a newly awarded project within Round 2 progressing through both Discovery and Alpha.

We were also awarded a new project under Round 3 Discovery which is well underway and looking to progress to Alpha in the coming months. These projects continued to address the SIF challenge themes **four** challenge areas which primarily focus on Whole System Integration, Data & Digitalisation, Zero Emission Transport, and Heat. These projects also align to the 'Energy Innovation Strategy' theme highlighted earlier. Our successful portfolio of live projects in 2023/24 totals over **£13.6m**.

### Network Innovation Allowance (NIA)

NIA projects play a key role in identifying potential knowledge gaps that need to be filled in order to provide strong evidence in supporting network conversion for the UK's energy future. In alignment with the previously mentioned 'Energy Innovation Strategy' we have progressed several projects that address these knowledge gaps. These projects provide vital evidence supporting a transition to a net zero future and assist vulnerable customers.

Over the past year, We have worked closely with industry peers and partners, focusing on innovative developments that enhance safety, support decarbonisation, and increase efficiency. For the remaining part of the RIIO-GD2 period, we plan to transform our approach to innovation. As part of this new strategy, we will streamline our innovation portfolio by reducing the number of active projects and concentrating our resources on those initiatives that significantly impact safety, decarbonisation, or customer needs.

### Decarbonisation of Heat in the energy system transition

The UK Government has articulated a definitive strategic plan for achieving net zero by 2050, with the devolved administrations setting their own ambitious goals. Additionally, various local and regional governments are advancing towards even faster net zero timelines. These goals are paralleled by initiatives such as the Hydrogen Heating programme, which explores the decarbonisation of gas networks through hydrogen conversion.

Over the past year, we have worked closely with industry peers and partners, focusing on innovative developments that demonstrate future safety mitigations that support decarbonisation of gas distribution networks to hydrogen. Our team has successfully advanced projects assessing necessary interventions for hydrogen by asset category, assessing the feasibility of hydrogen in multi-occupancy buildings, further assessments of hydrogen ignition risk. Overall, our evidence delivery team has taken a leading role in delivering approximately **80%** of the hydrogen heating evidence from industry to the HSE and the Department of Energy Security and Net Zero (DESNZ) to inform the 2026 heat policy decision.

As we progress our hydrogen evidence base, we are also actively engaged in understanding the future role of gas networks in a net zero world. This effort involves ongoing projects that research, test, and implement safe, low-carbon alternatives to natural gas, demonstrating the technical expertise required to facilitate a flexible transition to cleaner gas. It is essential to integrate and optimise them in a manner that prioritises consumer needs. Our whole-systems projects aim to drive value for consumers by collaborating across sectors to explore new opportunities in how we plan, forecast, design, construct, operate, and maintain our networks. Initiatives like our Hydrogen Entry Units and real time settlement methodology (RTSM) are pivotal for integrating low carbon gases into the existing network. This is in addition to the delivery of key demonstrator projects such as LTS futures and H100 Fife - Hydrogen Neighbourhood trial.







## Case Study

# LTS Futures

**The Local Transmission System (LTS) Futures Project forms part of the UK's National Hydrogen Research Programme to deliver a net zero decarbonisation solution for customers. The project seeks to research, develop, test, and evidence the compatibility of the LTS assets, pipelines, associated plant, and ancillary fittings, culminating in a 'first of a kind' repurposing trial and demonstration.**

The project therefore aims to demonstrate that the LTS can be repurposed and potentially uprated to convey hydrogen, providing options for the decarbonisation of power, industry, heat, and transport by delivering a safe supply of energy to all customers both during, and after the energy transition.

This project intends to repurpose the Grangemouth to Granton pipeline for a live demonstration in the summer of 2024. This pipeline runs from the

Grangemouth refinery and associated INEOS hydrogen production facility to Granton, on the outskirts of Edinburgh. This pipeline offers an ideal opportunity for the live trial due to its inherent characteristics and is an excellent proxy for the GB LTS. The trial aims to validate research and provide a blueprint (methodology) for repurposing and uprating the 11,000km of pipelines in the GB LTS network.

In April 2023 the project successfully passed through the first project Stage Gate, submitting evidence to Ofgem illustrating the suitability of the Grangemouth to Granton pipeline to be repurposed for the live trial. As a result of approval from Ofgem to pass through Stage Gate One, works on Stage Gate Two have progressed on all fronts within Element 1-Live Trial Design and Construction. Detailed design of our hydrogen supply pipeline that will provide a source of hydrogen for the live trial is now complete. This design interfaces with new hydrogen pipework that our key project partner INEOS is constructing within its site. INEOS is providing the hydrogen for the live trial and is an essential partner in the project.





## Case Study

# H100 Fife – Hydrogen Neighbourhood

In a move to decarbonise the gas networks, in line with government net zero targets, hydrogen could offer a credible alternative to natural gas without any environmental impact.

The H100 Fife project aims to pioneer a 'first of its kind' demonstration of a 100% hydrogen network, intending to serve 300 customers in Fife. The project is designed to provide critical evidence supporting the future role of the gas distribution network in achieving net zero, aligning with the UK Government's 10-point plan and the Scottish Government's Hydrogen Policy.

The project will comprise of an end-to-end system, including power generation, hydrogen production, storage, pressure reduction, odorisation, distribution and customer connections to serve domestic hydrogen meters and appliances.

The H100 Fife site is situated at Fife Energy Park and the primary power input for the system will be supplied by an existing **7MW** offshore wind turbine located on the coast in Levenmouth adjacent to the site. H100 Fife will construct a new PE hydrogen network to run in parallel to the existing natural gas network which will serve the adjacent residential area. This parallel network enables us to promote and maintain customer choice, to gain critical information on customer attitudes and interest towards hydrogen, providing evidence of public acceptance of hydrogen for domestic heat.

**We have achieved great successes which have allowed the project to progress across the various workstreams:**

- **Upstream hydrogen production:** The project has transitioned from the development stage to the construction phase as works commenced on site in relation to the hydrogen demonstration facility and have appointed our main works contractor and the hydrogen demonstration facility contractor. The H100 Fife site is planned for completion in September 2024. We have also appointed contractors to deliver **six** hydrogen storage tanks and the electrolyser.
- **Midstream:** Hydrogen Distribution Network: We have appointed the contractor to build and commission the distribution network. Construction commenced in May 2023 and is due for completion in June 2024.
- **Downstream:** Customer Marketing & In-home works: We currently have **367** (as of June 23) project registrations (exceeding the Ofgem target of **270**). This was achieved by successfully planning and hosting strategic activities and events including recruitment events in October 2022, which allowed the local community to engage with members of the H100 Fife team. We received overwhelmingly positive support at the event. The consumer engagement has been considerable and has resulted in a close relationship with the local community which continues to grow via activities such as sponsoring local events and engaging with key local stakeholders.







## Network Innovation Allowance (NIA) - Vulnerable Customers

We have used NIA funding to support vulnerable customers on a diverse set of projects, including device innovation around audible CO2 alarms that don't simply make a noise but describe the alarm situation for visually impaired customers; phase 1 was completed in GD2, with phase 2 planned to start soon at the time of writing. We have also invested in customer facing apps through the TAPSOS project aimed at providing access to emergency services through an app for non-verbal customers, or those that find it difficult to talk to people they don't know so that they can contact us in emergencies through a channel they are comfortable with. We will continue to support those customers who need a little extra help through our innovation programme ensuring the energy transition is fair and that no one is left behind.



## Biomethane

During the regulatory year 2023/24, we progressed **five** biomethane connections onto the network. We are continuing to progress **11** biomethane connection projects across the year to ensure efficient and timely connections in years 4 and 5 of RIIO-GD2. The ambition to increase the connected gas entry capacity to provide sufficient capacity to supply **450,000** domestic customers by the end of RIIO-GD2 is on target, however, this is dependent upon a few large biomethane connections progressing in line with third-party timelines.

Several of the large and complex biomethane connections progressing with several high-pressure transmission connections have accompanying biomethane blending opportunities to reduce the volume of propane required to be commingled with the gas.

We have taken forward a Uniform Network Code Modification (UNC) to lay the regulatory foundations for Independent Gas Transporter (IGT) biomethane connections. We are also progressing RIIO-GD2 Price Control Deliverable (PCD) projects to reduce the volume of propane in the network and focusing on a further project to manage network pressures to increase the prevailing level of capacity to stimulate overall biomethane injection rates.

## Biomethane case study

### Grissan

We have worked in conjunction with Grissan to develop a biomethane green gas hub near the town of Portgordon in Moray, Scotland.

Following the completion of the high-pressure pipeline which connects the facility to the wider SGN high pressure network in August 2023, we worked with Grissan to complete the gas to grid operations for **two** separate biomethane injection facilities at Tyneside and Coreside, both injecting a combined flow rate of **2,000 Scm/h**.

We are also working with Grissan towards a further **three** new biomethane plants connecting to our high pressure network and a further **two** existing biomethane sites transferring over to the high-pressure network to provide a total injection rate of **6,300Scm/h**.

The injection rate into the SGN high pressure network is unimpeded by any capacity constraints previously experienced on the local intermediate pressure network.

We have also worked with the HSE to implement a Gas Safety (Management) Regulations oxygen exemption to permit the injection of biomethane gas with an oxygen content up to **1%** in the **>38barg** SGN high pressure network.





## Data and digitalisation

In March this year, we published our updated Digitalisation Strategy for 2024<sup>5</sup> which outlines our continuing commitment to our digital journey. Since the publication of our last digitalisation strategy in 2022 we have made impressive steps towards digitalisation and data capability development. Our focus in the last two years has been on delivering our RIIO-GD2 business plan and our digital transformation framework.

The goals of our RIIO-GD2 business plan are to ensure that the services we deliver to our customers and our network are safer and have a positive impact on the communities we serve. We achieved some key milestones, particularly in the arena of data best practice and the publication of open data sets.

We have invested in our people, processes, and technology to establish the foundations for governing our critical data assets. Through this investment, our Enterprise Data Management team are developing their expertise, embedding our governance framework and cataloguing our critical data sets.

We have also implemented our Open Data Portal and published **four** open data sets with more in the pipeline, thus providing the mechanism to share those data assets required by our data consumers and the journey towards net zero solutions.

However, in line with the feedback our stakeholders and data consumers have provided along with our desire to be able to engage with a more interconnected whole-energy system, we are further developing our data sharing capabilities by establishing Data Operations (DataOps) which will bring about a 'single-stop-shop' experience via a single Data Sharing Platform. This will provide our data consumers with access to curated, trusted and secure data pipelines at scale, in the formats needed in an efficient and effective way.

As we begin to look forward to RIIO- GD3, we have refocused our digitalisation strategy to ensure that we are set up to meet the challenges of the next few years, including:

- Further focus on data best practices and data sharing.
- The need to fundamentally transform our business processes and rebuild them as modern digitalised ones.
- A greater focus on metrics to drive business performance.
- Our continuing need to explore innovative new approaches and business models to decarbonise the energy system and influence the Future of Energy debate.

This approach aligns with both our commitments to achieve a decarbonised energy system and to be at the forefront of the fast-changing digital world. We're committed to using innovative solutions, along with our foundational digital and data capabilities, to shape a future where we stand out for what we provide to our customers and stakeholders.

### Our digital and data ambition

To make a positive impact on society, the communities we serve and our vulnerable customers by delivering excellence in the provision of safe and efficient services. We will accelerate decarbonised energy solutions to create a shared net zero future by modernising our business to become data-driven and digital at our heart.

3. Our business outcomes	<b>Stakeholder and societal value</b> Our digital and data products and services are inclusive, secure, sustainable and reliable. They deliver recognisable value to our customers and stakeholders.	<b>Regulatory obligations</b> SGN sustainably meets Ofgem’s expectations on Data Best Practice, Interoperability, AI and Digital Twin solutions, and aligns to legal mandates.	<b>Business transformation</b> Modernisation programme achieves performance gains by rebuilding legacy business processes as modern digital and data enabled processes.	<b>Business excellence</b> Data, analytics and AI allows us to drive performance gains in a broad range of business activity and address our most difficult problems.	<b>Future of Energy and innovation</b> We pilot and implement new technologies to bring about future performance gains and influence regulators and legislators.
2. Our platforms and capabilities	<b>Data sharing platform</b> Allows automated access to our data sets, internally and externally, under open data or published under licence.		<b>Analytics and reporting platform</b> Allows people at SGN to analyse our data sets to derive insight and used to produce business performance reports.		<b>Innovation platforms</b> Platforms to support AI, Digital Twin and IoT which enable testing and adoption of these technologies.
	<b>Data lake and integration layer</b> Data storage and plumbing that allows data sets to be accessed by other platforms.				
1. Getting the basics right	<b>High-quality data</b> Data owners take accountability for the quality and completeness of data. We apply Q-FAIR principles (Quality, Findability, Accessibility, Interoperability and Reusability) to our data.		<b>Digital and data governance</b> We govern our digital solutions and strategic data assets to ensure they are fit for purpose and deliver value. We develop and embed comprehensive digital and data governance framework.		<b>People with digital and data skills</b> Our people understand the value of data and how to utilise digital solutions. They have the requisite technical and data skills to deliver the outcomes for our stakeholders and organisation.
	<b>Secure by design</b> Our digital solutions and platforms are designed with cybersecurity built in.				

5 [SGN Digitalisation Strategy 2024](#)







## Contact us

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



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