RIIO-GD2
Strategic Performance Overview

July 2026

WALES&WEST UTILITIES

Strategic performance overview

Chief Executive's update

I'm delighted to share this report which covers the fifth and final year of the RIIO-GD2 price control.

This has been another year of challenge and change, set against ongoing global conflicts. The resulting economic pressures have been felt across businesses and consumers alike. At WWU, we have responded decisively — maintaining the highest standards and continuing to deliver a safe, reliable network for our customers

In fact, since the business started in 2005, we have achieved all our regulatory standards. This includes customer safety and customer satisfaction which remain key priorities.

People are at the centre of everything we do. Our customers need the gas we transport to heat homes and businesses; to fuel important everyday tasks, and to drive industrial processes that support jobs.

Delivering for our customers and communities every day

Caring for our customers and communities will always be a core priority for us. Our satisfaction scores show this; we continue to receive average survey scores above 9 out of 10, with complaints below 1% of workload, and with over 80% of those complaints resolved within one working day.

This year we were also reaccredited by the Institute of Customer Service, recognising our strong customer focus.

Over the past five years, we invested £20m to provide targeted support for vulnerable customers across our communities. This included partnerships with more than 60 charities and initiatives, delivering meaningful impact at critical times for individuals and families. The success of these programmes has been recognised through national awards, reflecting the commitment, empathy and innovation of our partners.

Our strength lies in the skill and dedication of our people

Our skilled workforce is at the heart of delivering a safe, reliable and efficient gas network. Through our largely in-house model, including for our replacement pipeline work, we continue to invest in our people, strengthening the capability needed to manage increasingly complex work. This is reflected in our very low staff and directly employed industrial turnover levels that remain very favourable when compared to the UK average.

This year, we achieved Great Place to Work certification, with over 60% of colleagues participating in the survey. Our Trust Index score increased to 65%, up from 61% in 2024, reflecting continued progress in enhancing our workplace. While this represents encouraging momentum, we recognise there is always more to do. We will use the insights from the 2026 survey to target key areas for improvement and further strengthen the experience of our people in the years ahead.

Case study - Kingsbridge incident

On 3 January 2026 we responded to a significant operational incident involving a sudden and uncontrolled release of gas caused by third-party damage to an 8" cast iron medium-pressure main. The response was swift and effective, with the damaged asset repaired on the same day. Despite the scale of disruption, impacting over 4,600 properties, approximately 60% of supplies were restored within 48 hours, rising to 90% within 72 hours. The remaining properties, which were vacant, have since been restored on an ad hoc basis. This incident demonstrated both the resilience of our emergency response arrangements and the capability of our teams to safely manage and recover from major gas network events.

Our RIIO-GD2 priorities and performance

Our priorities align with our headline targets and continue to comprise 5 key areas, the achievements of which are shown below:

Demanding Safety Always

- In the year we maintained all performance standards set by Ofgem driven by public safety. This means we have met these standards for all 5 years of RIIO-GD2.
- In the year we responded to over 99% of gas emergencies within the 1 and 2 hour uncontrolled and controlled standards. This means we have met all required safety standards throughout RIIO-GD2.
- We replaced more than 430 kilometres of old metal gas pipes in the year, further enhancing safety. For the 5 year period we have achieved both the Tier 1 mains and Tier 1 services targets set.
- We were awarded the RoSPA Gold award for the thirteenth consecutive year, demonstrating our commitment to safety.

Driving Outstanding Service

- We maintained our Institute of Customer Service ‘Distinction’ status demonstrating our commitment to excellent customer service.
- We retained the ISO22458 Vulnerable Customer Standard and Kitemark, demonstrating our commitment to supporting Vulnerable customers.
- We continued to support Vulnerable customers through the Vulnerability & Carbon Monoxide Allowance (VCMA).

Delivering Value for Money

- We invested over £180m in network infrastructure across replacement and capital activities to maintain or improve the integrity of our network and keep our customers safe. Across the 5 years we’ve invested over £820m.
- We continued to drive and deliver cost savings initiatives resulting in improved performance against allowances. Our performance against allowances has improved by £33m since our forecast in last year’s report. Customers share in these savings through future bills.

Providing Sustainable Energy

- We ensured 100% of our company car fleet is now either ULEV or ZEV, showing our commitment to reducing emissions from transport for societies benefit.
- We reduced our shrinkage carbon emissions by 13% over RIIO-GD2, against a target of 10% to help reduce greenhouse gas emissions.
- 22 biomethane sites are connected to our network, with the capacity to decarbonise the equivalent of the annual heating demand of over 160,000 homes and offsetting the use of fossil fuels.
- We have supported development of a 'reverse compression’ unit owned by a third party to facilitate more biomethane injection, a first of a kind in the UK.
- We kicked off more than 35 Network Innovation Allowance (NIA) projects supporting the Energy System Transition or customers in vulnerable situations, bringing our total innovation investment in RIIO-GD2 to over £15m across a range of topics.

Designing our Future

- We won IGEM’s Investment in People award for our financial benefits and wellbeing strategy evidencing our commitment to staff.
- In 2026 we attained the Great Place to Work certification.
- We continually develop a psychologically safe environment for our people to thrive.
- We supported industry-wide submissions of hydrogen safety and provided significant evidence for the hydrogen safety case that the HSE has found no fundamental safety barriers in their assessment.

- We won the Anaerobic Digestion & Biogas Industry “Research and Innovation” award in 2025 for our work on Maximising Biomethane Capacity via Smart Pressure Controls.
- As found members of the Green Gas Taskforce, we are supporting industry-wide evidence development on the future role of biomethane and overcoming barriers to growth.

Looking ahead to RIIO-GD3 and beyond

We are operating in an increasingly complex environment, where net zero carbon 2050 remains high on the UK’s agenda amid cost-of-living pressures, conflicts in Europe and the middle east, and UK government uncertainty on energy policy. Customer expectations continue to rise, alongside growing vulnerability and demand for support.

In December 2025, Ofgem confirmed our required outputs for the next five-year price control period, RIIO-GD3, which commenced on 1 April 2026.

RIIO-GD3 also supports our continued commitment to vulnerable customers, emissions reduction and supporting the business in the transition to net zero. Crucially, it reinforces our focus on upholding the highest safety standards while ensuring the ongoing resilience and reliability of the gas network.

Aligned with this new price control period we refreshed our Ambition, Priorities and Values. These will guide how we deliver for customers, support communities and invest in our people. I am confident they will provide a clear focus to navigate change and continue delivering a safe, reliable and high-quality service.

Our Ambition

Trusted to deliver safe and reliable energy today, while supporting a green energy future and keeping our communities connected

Our priorities for RIIO-GD3

Caring for our customers & communities

We will continue to support vulnerable customer through partnerships with charitable organisations in our communities, in line with RIIO-GD2 levels. In RIIO-GD2 this funding reached over 800,000 people, with 224,000 customers added to the priority services register.

Championing greener solutions

Over the five years of RIIO-GD3 we are targeting a 16% reduction in methane emissions from our network. This is a continuation of our excellent performance in RIIO-GD2 where a 13% reduction was achieved (against a target of 10%.)

We will continue to facilitate the connection of biomethane sites to our network, utilising the additional funding provided by Ofgem. We've already connected 22 biomethane sites, decarbonising the annual heating demand of over 160,000 homes.

Working safely & securely

Entering this next five year control period we are well set to meet our targets set by Ofgem and maintain the high-performance standards our customers and people have come to expect. In particular, we are well positioned to continue responding to gas emergencies within the required time

Our Mains Replacement programme will continue to replace c.430 kilometres of old metal gas pipes annually, whilst also continuing the delivery of refurbishment and replacement of above ground assets, based on a least whole life cost approach to maintaining their health, further enhancing the safety and reliability of the network.

Investing in our people

We are committed to the continued development of our people. We achieved Great Place to Work certification in 2026 with a 65% trust index score in the Great Place to Work Survey – we will continue to listen to the needs of our people and adapt our People Strategy as needed.

We are well positioned to sustain our strong performance over the next five years. We also have a clear role to play in the energy transition, ensuring that gas networks continue to be an integral part of a balanced and resilient future energy mix.

Graham Edwards OBE - CEO

Board Statement

We are delighted to present our Annual Report, highlighting the final year of Ofgem's five-year RIIO-GD2 (Revenue = Incentives, Innovation and Outputs) regulatory control period. Over the past year, we continued to build upon the organisational changes introduced in previous years - changes designed to ensure we remain a sustainable, resilient, and forward-looking organisation.

WWU continues to deliver its regulatory targets, both in-year and for the 5 year period of this control. Our plan for the next five years charts a decisive course for the organisation and lays the groundwork for sustained progress.

As a Group we continue to strive towards our ambition to be ‘Trusted to deliver safe and reliable energy today, while supporting a green energy future and keeping our communities connected’.

Leadership and Governance

We recognise that effective governance is achieved through strong leadership, cohesive teamwork, and collaboration across all levels within the Board structure, fostering a culture of continuous improvement. The Risk Management and Compliance Board Committee established last year has complemented the existing principal Board Committees and continues to run effectively.

The RIIO-GD3 Board Committee was established to support the Group in defining our future plans and direction for the next five years. This informed our Business Plan submitted to Ofgem in December 2024 in support of their setting of the RIIO-GD3 control period. Whilst the Business Plan process is now complete, in March 2026 all the major UK Gas Distribution Networks challenged a specific element of Ofgem’s Final Determination for the RIIO-GD3 price control period and appealed to the Competition and Markets Authority (CMA). As such, this Board Committee will continue until the appeal process has concluded.

Under the guidance of Graham Edwards OBE, the local Executive Team maintains highly efficient daily management of our operating performance.

Resilience and Sustainability

Our continued investment in the mains replacement programme, alongside the strengthening of our network assets, remains a fundamental part of our strategy. These efforts ensure the network operates safely while preparing it to support the transition to low-carbon fuels in the years ahead. At the year end, 85% of the low-pressure network and 76% of the medium pressure network have seen old metallic pipes replaced with durable, modern polyethylene pipes. This programme significantly reduces the chances of fugitive emissions and makes the network increasingly ready for hydrogen blends. This is a key contributor in our success in reducing methane emissions.

Fuelling the Future

While the UK government has accelerated its interim decarbonisation milestones, targeting 95% clean power by 2030, the strategic outlook confirms that gas infrastructure remains a foundational pillar of the nation's long-term energy security and towards delivering the broader transition to net zero.

Gaseous materials that could be transported through our distribution network, which encompass natural gas with Carbon Capture, Utilisation, and Storage (CCUS), biomethane and low carbon hydrogen, is structurally indispensable to a resilient, affordable, and flexible energy system through 2050 and beyond. This has been acknowledged in official statements from HM Government such as the Midstream Gas System Update to Market, which stated that natural gas infrastructure will "continue to be a valuable asset in the future".

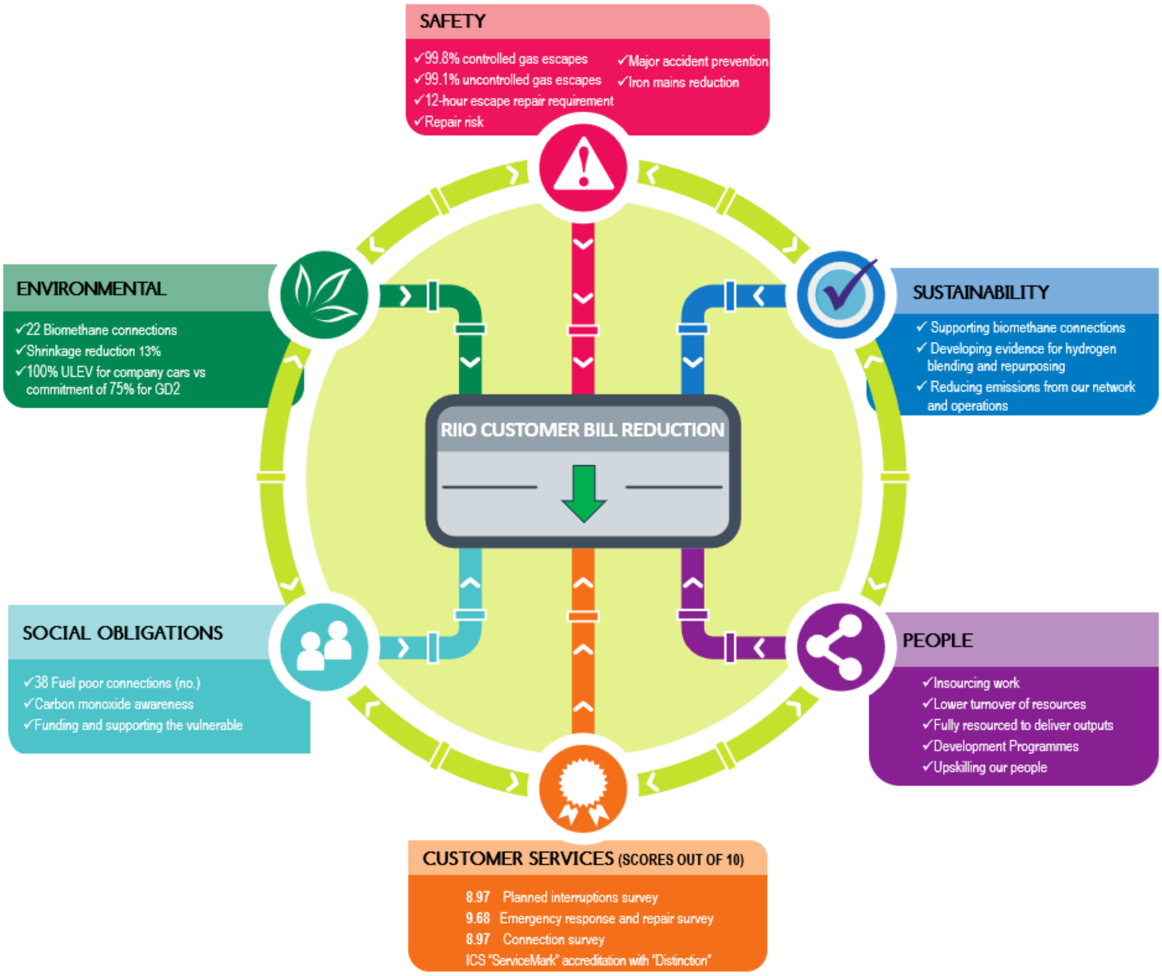
Looking Ahead

We do not envisage any significant changes in the business operations of the Group in the five-year RIIO-GD3 regulatory control period to 31 March 2031. We expect to continue to safely maintain and develop the Gas Distribution Network for the benefit of stakeholders in accordance with the Gas Transporters' Licence granted by the Regulator. With a strong track record against key performance measures, the Group aims to uphold these standards and sustain this position into the future.

Andrew Hunter – Chairman

Performance Summary

Our key deliverables for customers are set out below and discussed in further detail in the supporting sections.



Our RIIO-GD2 Totex Performance

Many of the RIIO-GD2 outputs are deliverable over the five-year period, and as such the cost and allowance forecasts for the full price control show the true underlying performance.

This section sets out our final outturn position for the 5 year control.

Our key messages for our RIIO-GD2 performance:

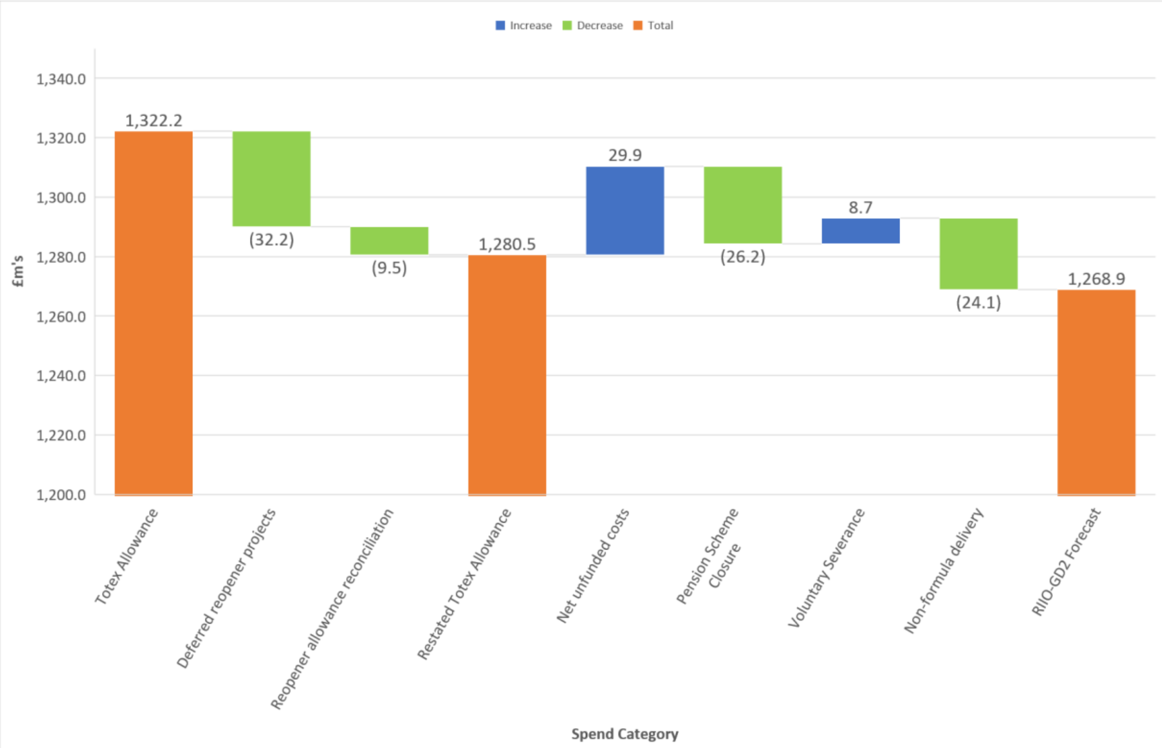
- We have achieved or exceeded our licence obligations.
- We achieved all of our Price Control Deliverables; however some reopener related project spend will now be incurred in RIIO-GD3.
- Opex out-performance illustrates the continuing focus and success of utilising the necessary down-time of our emergency workforce on non-regulated work, and the closure of the DB pension scheme at the start of the control. This has the effect of reducing Opex costs for consumer bills.
- Capex out-performance results from phasing of delivery, with projects necessarily deferred to RIIO-GD3.
- Repex under-performance of £61m reflects the insufficient allowances set, as explained above.

£m 18/19 prices		**Actual 2021/22**	**Actual 2022/23**	**Actual 2023/24**	**Actual 2024/25**	**Actual 2025/26**	**Total**
Opex	Actual	84.5	88.1	81.0	91.2	94.8	**439.5**
	Allowance	104.7	102.3	103.3	105.7	106.0	**521.9**
	Variance	**(20.2)**	**(14.2)**	**(22.3)**	**(14.5)**	**(11.2)**	**(82.4)**
Capex	Actual	56.8	51.3	82.7	59.8	61.8	**312.4**
	Allowance	62.2	60.5	76.9	68.2	76.7	**344.5**
	Variance	**(5.5)**	**(9.2)**	**5.8**	**(8.4)**	**(14.9)**	**(32.2)**
Repex	Actual	71.8	98.2	119.6	108.3	119.2	**517.1**
	Allowance	92.0	91.6	91.1	90.9	90.1	**455.8**
	Variance	**(20.3)**	**6.6**	**28.5**	**17.4**	**29.1**	**61.3**
Totex	Actual	**213.0**	**237.5**	**283.3**	**259.4**	**275.7**	**1,268.9**
	Allowance	**259.0**	**254.4**	**271.4**	**264.8**	**272.7**	**1,322.2**
(Out)/Under Perf.		**(46.0)**	**(16.9)**	**11.9**	**(5.5)**	**3.0**	**(53.3)**
% Perf.		**(17.7%)**	**(6.6%)**	**4.4%**	**(2.1%)**	**1.1%**	**(4.0%)**

Costs are reported in the tables to 1 decimal place which can result in rounding differences

Allowances are reflective of the base allowances including RPEs adjusted for forecast performance on PCDs. Totex forecast and Allowances include Net Zero “Use it or Lose it”.

Below is an explanation of the main variances included in our RIIO-GD2 performance:



The following two areas will be the subject of discussion with Ofgem during the RIIO-GD2 close out process:

Reopener projects deferred to RIIO-GD3 (£32.2m) – in RIIO-GD2 Ofgem approved additional funding through the reopener mechanisms for uncertain costs that have now been realised. A number of these deliverables are reliant on customers, suppliers or technically experienced third parties resulting some delays to the deliverables. These projects are in flight and plan to be delivered in RIIO-GD3, we are foresting to carry over £32.2m.
(Ofgem category: External factors 100%)

Reopener allowance reconciliation (£9.5m) – there are some reopener allowances received which require consideration in the close-out process – for instance projects which were subsequently cancelled by the 3rd party customers or delivered more efficiently or innovatively.
(Ofgem category: External factors 100%)

Other variances can be summarised as:

Net unfunded costs (£29.9m) represents specific areas of Totex spend that are outside of our Totex allowances. This includes:

- A significant adverse price variance on mains replacement as allowances set in this price control are insufficient for the efficient costs we are incurring. This has been exacerbated by the cost driver changes and cost pressures we have experienced since GD2 Final Determinations. We have referenced these cost pressures in the section above.

- The cost of new property developments replacing aged existing sites
- Offset by cost reductions across Totex where we continue to utilise our workforce across all activities to reduce the expenditure and reliance on external contractors while ensuring we maintain an efficient and skilled workforce. It also nets the additional underlying cost we are experiencing from a reduction of connections work, which is leading to stranding of back-office resources.

(Ofgem category: Provision in the price control settlement 60%, Efficiency 40%)

Pension Scheme Closure (£26.2m) - the estimated savings of closing the Defined Benefit section of the pension scheme to future accrual in July 2021 with the existing 'Defined Contribution' section of the scheme now in place across the organisation. (however, we incurred costs in the first year of the price control to achieve this).
(Ofgem category: Efficiency 100%)

Voluntary Severance (£8.7m) - the cost incurred in 2021/22 of carrying out a voluntary severance exercise, resulting in 126 employees leaving the business.
(Ofgem category: Efficiency 100%)

Non-formula delivery (£24.1m) - represents non-formula work (Metering and third party work) where we have targeted the productivity of our workforce, especially our Emergency First Call Operatives (FCOs) who are required to maintain a headcount sufficient to manage the demand of a 24-hour emergency service, requiring FCOs to be on call 24/7/365 in case they are required to respond to an emergency at any point and at any time across our network. FCOs are delivering Metering work, Mains Replacement purge and relights and surveys to ensure the necessary, but unproductive element of their role is utilised on value adding activities where possible. Third party contracts are short term and not guaranteed contracts.
(Ofgem category: Efficiency 100%)

Our Year Five Totex Performance

In year five we have over spent allowances by £3.0m (1.1%) in 2018/19 prices; the price base in which allowances were set for the five year RIIO-GD2 price control period.

Our key messages for our year 5 performance are:

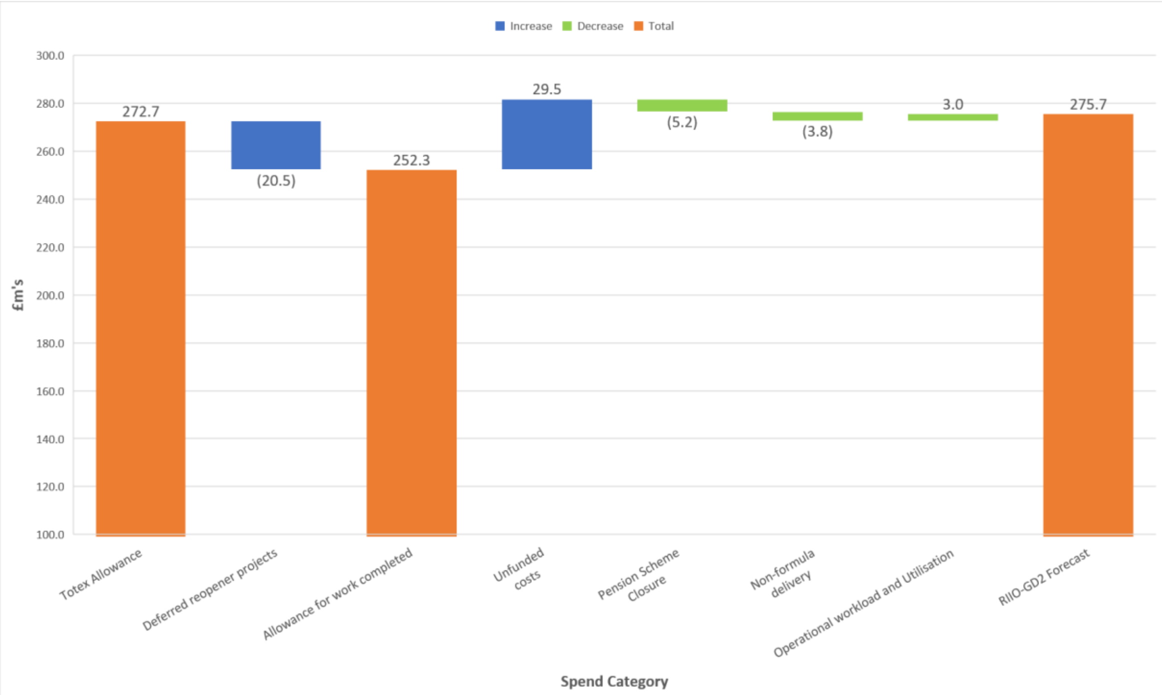
- We achieved our standards of performance and delivered all our regulatory outputs.
- Our Opex outperformance is supported by the utilisation of our workforce on non-formula work, benefitting customer bills by lowering our regulatory Totex spend.
- Our Capex outperformance is largely driven by efficient delivery, and an underspend of reopener related projects which will continue to be delivered but slightly later, into GD3.
- Underlying Repex costs continue to underperform against allowances as forecast.
- Despite this, we've over-delivered on both our tier 1 mains and tier 1 services targets thus outperforming our 5 year targets for both outputs.

£m 2018/19 prices	Actual	Allowance	(Out)/Under	%
Opex	94.7	105.9	**(11.2)**	**(10.6%)**
Capex	61.8	76.7	**(14.9)**	**(19.4%)**
Repex	119.2	90.1	**29.1**	**32.3%**
Totex	**275.7**	**272.7**	**3.0**	**1.1%**

Note: The allocation of allowances across Opex, Repex and Capex activities included in this document are as per the licence but adjusted for regulatory movements such as Price Control Deliverables (PCDs) and volume drivers.

In this commentary we have aligned the categorisation of reopener application allowances to where the costs are actually incurred and reported to provide a clearer view of performance. *(This will differ to the Price Control Financial Model where allowances are split across Totex on a pre-determined basis, which is different to where the actual/forecast cost is incurred and reported; an example of this is the pipeline diversions and development claims reopener.)*

The waterfall below shows our Totex position for year five; a £3.0m overspend.



Reopener projects deferred to RIIO-GD3 (£20.5m) – as noted in the explanation above, some costs funded through reopener allowances have been necessarily deferred into RIIO-GD3.
(Ofgem category: External factors 100%)

Unfunded costs (£29.5m) represent specific areas of Totex spend that are outside of our Totex allowance. These include:

- A significant adverse price variance on mains replacement given the price increases and cost pressures we have experienced. These are in excess of the allowances awarded (including reopener allowances), which were already insufficient. We reference these cost pressures in the next section and note this was the position we expected to be in throughout the control following our RIIO-GD2 appeal to the CMA concerning this subject.
- Whilst we received funding under the Physical security reopener for protecting specified infrastructure this did not cover our deports or office sites for general purpose i.e. fencing or property upgrades. We are now incurring costs for our revised property build strategy. This ensures we have suitable, fit for purpose operational depots as workload continues to move around the network and into our extremity, more sparsely populated and weakly infrastructure served, regions.

(Ofgem category: Provision in the price control settlement 100%)

Pension Scheme closure (£5.2m) - the estimated savings of closing the Defined Benefit section of the pension scheme to future accrual in July 2021, with the existing Defined Contribution section of the scheme now operational across the organisation. This is an annual saving achieved for all 5 years of this price control (however we incurred significant one-off closure costs in the first year of the price control to achieve this).

(Ofgem category: Efficiency 100%)

Non-formula delivery (£3.8m) - represents non-formula work (metering and third party work) where we target to improve the productivity of our workforce. This is especially the case for our Emergency First Call Operatives (FCOs) who are required to maintain a headcount sufficient to manage the demand of a 24/7/365 emergency service at any point and time across our network, within our emergency standard response time obligations. In their necessary, but unproductive "waiting time" when there is no emergency to respond to, FCOs are delivering metering work, Mains Replacement purge and relights and surveys on value adding activities. Third party contracts are short term and do not extend beyond the RIIO-GD2 period.
(Ofgem category: Efficiency 100%)

Operational workload and utilisation (£3.0m) - includes savings achieved due to the milder winter experienced along with a continuation in utilising our workforce. This is across all our activities to reduce the expenditure and reliance on external contractors while ensuring we maintain an efficient and skilled workforce.
(Ofgem category: Efficiency 100%)

Repex - cost drivers, cost pressures and mitigation

As seen in our Totex performance in the section above, Repex is the area of our business that continues to significantly underperform against allowances. This is due to the insufficient allowances being awarded to compensate our efficient costs when the RIIO-GD2 price control was set.

In 2021 we appealed to the Competition and Markets Authority (CMA) inter alia over the insufficient Repex allowances set by Ofgem in the RIIO-GD2 Final Determinations. This followed recognition of escalating costs highlighted by the prices submitted by suppliers in our extensive external tender event, clearly demonstrating that our Repex allowances were set too low. As we close out this control period our position remains unchanged; we continue to feel the impact of the price rises we set out in our CMA appeal.

The following explains the areas that are causing our Repex cost base to increase year on year, separated into: (i) cost drivers, where the number and type of activities we need to undertake to complete the Repex work is changing, (ii) cost pressures, where the underlying cost of those individual activities within Repex is increasing; together with (iii) the available mitigating measures we've undertaken to minimise these increases.

It is noted that the Iron Mains Risk Reduction Programme (IMRRP), also known as the 30/30 programme, which drives the vast majority of the Repex work we undertake, is a mandatory programme directed by the HSE. Since the inception of the IMRRP in 2002, the HSE has changed the focus and prioritisation of that programme at successive controls, rightly re-focusing each control on the riskiest pipes. Many pipes in our network did not meet the required replacement criteria in place for those prior controls. They are therefore the residual lower risk pipes that are spread across our network that now need replacing by 2032. Therefore, the pipes left to replace in the remaining programme are the result of those previous policy decisions and direction from the HSE and must be completed by 31 December 2032.

Cost drivers are the attributes of the work that lead to more or less time spent to complete an activity and factors that can change the variable costs of an activity. Using Mains Replacement as an example, the number of excavations on a 100m length of main will determine time taken, materials required and associated New Roads and Street Works Act (NRSWA) costs such as duration of traffic management requirements, road closures and permit fee costs, and therefore drive the cost to complete the works; 10 excavations will be more material intensive, time consuming and therefore more costly than 1 excavation on a 100m main.

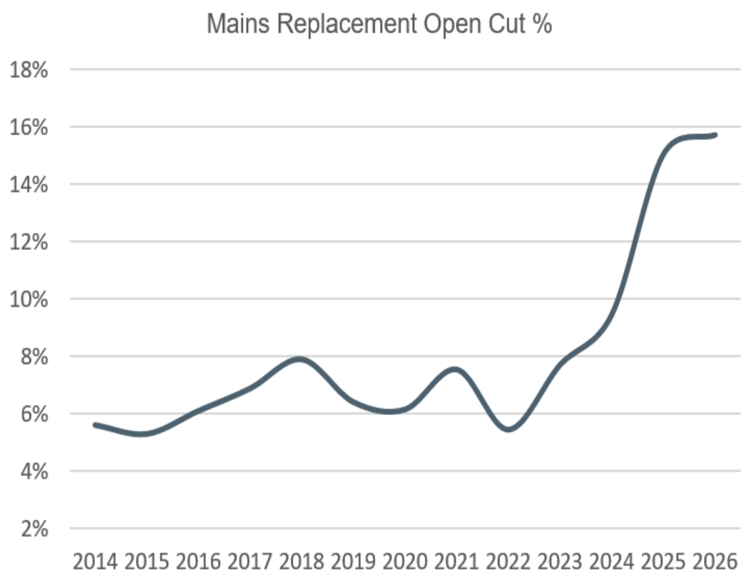
Throughout GD2 we have seen underlying cost drivers impact our underlying cost base. These cost drivers include:

Technique:

'Insertion'; where a new pipe is inserted into the existing pipe. This requires an excavation at either end of the existing pipe length. The new pipe is then pushed through the old pipe from one excavation to the other.

'Open cut' is where a trench is required for the full-length of the replacement as the existing pipe is unable to be used for insertion. The open cut technique is far more expensive because it requires more time to dig, more materials to backfill holes, and a greater surface to reinstate to original condition.

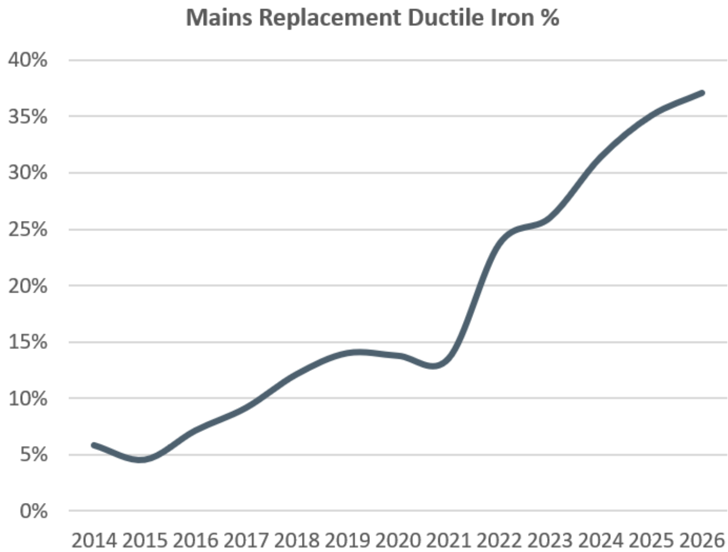
We continued to experience a greater proportion of open cut works throughout RIIO-GD2 and as we head into RIIO-GD3. This is in part due to the size and throughput of the residual pipes remaining, and as a result of the capacity constraints on the network from progressively replacing existing mains, which now limits the ability to insert into existing pipes.



Material:

Whether the main is ductile iron as opposed to cast/spun iron. Ductile iron mains take longer to break open the existing main, requires specialist tools and larger excavations to work on the main.

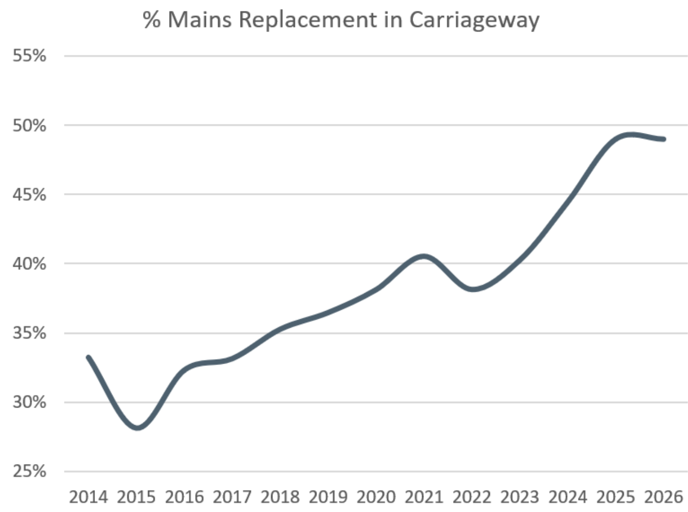
As reported previously, we experienced a greater proportion of Ductile Iron throughout RIIO-GD2 and expect this to continue into RIIO-GD3. Ductile Iron pipes are not as prone to fracture in the same way as Cast and Spun Iron, so historically other mains scored more highly in all risk prioritisation regimes. These mains now form a greater proportion of the programme that remains to be completed than it did in the past.



Location:

Whether a main is in the carriageway, footpath or verge impacts the activity required to replace that main (such as traffic management, reinstatement type, backfill and spoil requirements, site setup and ease of working environment) and the associated cost can differ drastically.

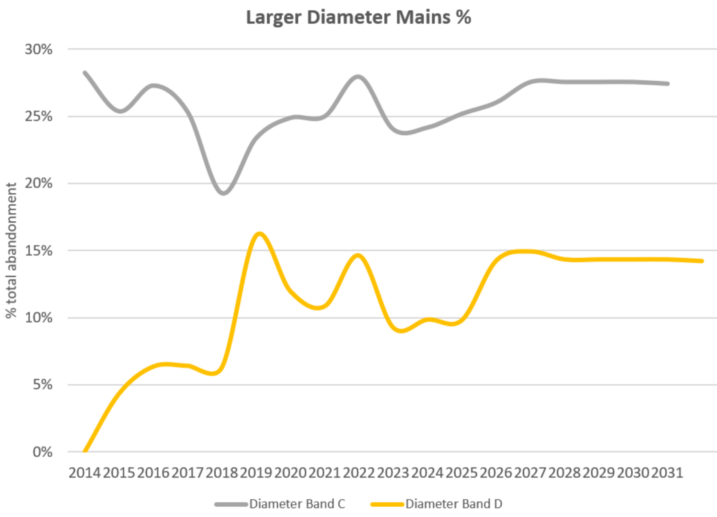
We continued to experience a shift to carriageway working which adds complexity; traffic management, road closures/noticing etc. These mains are further away from properties, so historically, other mains scored more highly in all risk prioritisation regimes, but these mains now form a greater proportion of the programme than in the past.



Diameter:

The diameter of the pipe being replaced affects costs. For instance, an 8" diameter main requires larger excavations, more expensive pipe on a linear metre basis and more specialist plant and equipment than a 4" diameter mains, although both are still within the Tier 1 category.

We continue to experience an increase in delivery of larger diameter mains as we progress through RIIO-GD2, particularly 8" Tier 1. This reflects the phasing across the control period, as we forecast the delivery of the total 8" Tier 1 length set out in our Business Plan.



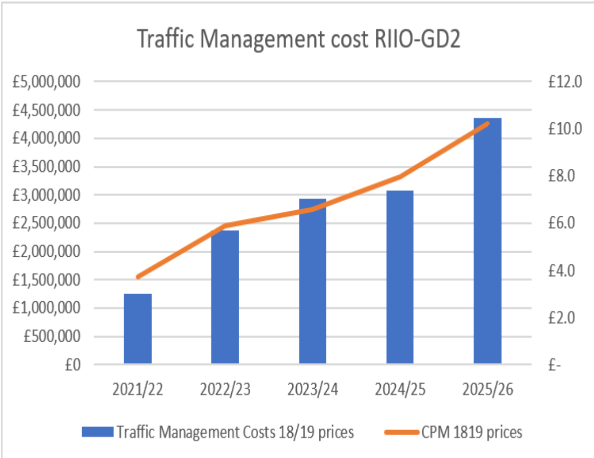
The key cost drivers identified above all have a significant impact on the material cost per metre.

Cost pressures are the price increases experienced on the individual activities we undertake to complete the Repex work. Using the same example as above, if the cost of materials required to backfill 2 or 10 excavations doubles, then the overall cost of that work doubles.

We continue to experience cost pressures across many of our key cost categories, with a particular impact on our Mains Replacement activities. These include:

- **Traffic Management and Streetworks (TM) –** Our traffic management costs have continued to increase throughout the price control, with the last year of RIIO-GD2 exhibiting the highest ever cost per metre of lay. These are uncontrollable costs with little to no efficiency opportunities due to the costs being driven by the location of the work, the demands from the highway authorities and permit conditions in place throughout our Network.

  We have experienced a 177% increase in TM costs per metre since 2021/22 (c.£3.1m increase in mains replacement). This includes price increases, but also an increasingly onerous stance being taken by Highway Authorities on the requirement for manned traffic management lights, and having manually operated lights between 7am and 7pm, including weekends. This is across our network with a focus on areas with a permit regime in place. Two thirds of our Network operate under permit schemes, with the costs for these schemes continuing to increase substantially year on year.

  We are seeing more and more local authorities enforcing permit conditions which dictate the type of traffic management statutory undertakers must use to complete their work. Compliance with these permit conditions is mandatory and unavoidable. This impacts the direct cost of the traffic management that is required and restricts the way in which teams delivering works can efficiently operate.

  We also continue to see streetworks costs significantly increasing in the tourist hotspots in our network, especially in Devon, Cornwall and North Wales. The restrictions imposed on us in these areas are magnitudes higher than ever experienced or forecast, and they show no sign of abating.

- **Contract Labour** – contract labour constitutes around a third of our Build and Repair workforce following the insourcing of our primary Mains Replacement contractor workforce in 2021. Our contract partners are not only being approached by other GDNs who have significant recruitment drives underway to recover backlogs in their work, but also by other industries (including nuclear, electric, water and telecoms). We also have an aging population of contractors, who are skilled and experienced but beginning to reach retirement. Their financial demands continue to increase particularly those that work along the M4 and M5 corridors or within commuting distance of the Hinkley Point C nuclear power station construction site. We closely manage the risk of losing contractors, focusing on maintaining strong relationships with locally based contractors. As planned, the delivery from these teams put us ahead of the average workload delivery in year 4 and continued into year 5, particularly in Mains Replacement, putting us in a positive cumulative position at the end the final year of the price control.

- **WWU industrial staff** – we experienced a 5.9% churn of industrial staff, down from 6.1% last year and a peak of 13% in previous years. This shows that our people strategy and workforce resilience work is helping with workforce retention especially when compared to 27%[1].

- **Vehicles** – The global backlog of new vehicle availability as a result of the global pandemic and the Russian invasion of Ukraine has eased somewhat and we have seen vehicles on order being delivered throughout year three and four. However, these are at a higher unit cost due to market prices increasing. Only towards the end of year four and into year five have we been able to start off-hiring the expensive vehicles that we have required in the prior years to cover for these delays.

- **Pipe and fittings** – We continue to contract on a 12-month basis given the price fluctuations over the last few years. Following record increases in prices in 2021/22 and 2022/23, in 2023/24 there was a c.6% reduction in our contracted prices compared to the prior year with 2024/25 and 2025/26 prices remaining relatively flat. Our contracts in this area are linked to the price of the raw materials. There are very few pipe and fittings producers/suppliers, limiting our competitive opportunity to keep costs down.

- **Materials** – Since the beginning of RIIO-GD2, raw/building material costs have seen unprecedented increases, these above inflation increases have continued through to year four. In year 2 we experienced a year-on-year increase of c.16% cost per metre laid (inclusive of services) - well in excess of inflation. The following year we saw a 21% year-on-year increase, followed by another 21% year-on-year cost per metre increase (inclusive of services) in year 4. For the RIIO-GD2 five-year period, the unit cost has increased by 46% in year 5 from year 1 (2018/19 prices).

These underlying cost impacts provide upwards pressure on our cost base.

Cost mitigation

These cost pressures continue to increase despite the significant steps we've taken over the price control period to mitigate them, including:

- A full review and rationalisation of the organisational structure across all areas: the back office, operational support and front-line management structures. For instance, a one-off voluntary redundancy scheme was carried out in readiness for this tough RIIO-GD2 price control.
- The inclusion of best practice and compliance First Line Managers in the new operational organisational structure is providing benefits such as allowing Operational managers to drive productivity and ensure consistent working practices that drives safety.
- Transitioning to an in-house managed Mains Replacement programme. With a larger directly employed workforce and increased control of all spend categories, we now have greater visibility and flexibility to tackle issues as they arise. This also reduced the cost of contractor fees and associated costs by c.£4m per annum.
- The introduction of a financial incentive scheme across operations, focused on driving and rewarding our staff for incremental operational productivity and efficiencies.
- Agreeing a CPI-H linked five-year pay deal with the unions, covering the full RIIO-GD2 period.

[1] CIPD UK economy wide measure from most recent 2026 report. Employee turnover and retention | Factsheets | CIPD

- The continuation of commercial retendering and negotiation of key contracts that drive our cost base including reinstatement, pipe and fittings, traffic management and plant hire. In the current adverse economic climate, we are only contracting for a maximum of 12 months at a time.

The net impact of the cost pressures, despite our mitigation of them where possible, is an increasing prime delivery cost base above inflation consistently throughout years 1 to 5, and we anticipate this to continue into RIIO-GD3.

Variant Allowances

The level of variant allowances in this price control is significantly higher than previous price controls. This section explains the variability under each regulatory mechanism; Reopeners and the associated PCDs, Volume Drivers & Base allowance PCDs.

Reopeners with associated PCDs - approved

Reopener	Licence Term	£m's	PCD type	PCD status
Cyber Resilience OT Re-opener	CROTt	23.1	Evaluative	Partially delivered
Cyber Resilience IT Re-opener	CRITt	9.8	Evaluative	Partially delivered
Non-Operational IT Capex	NOITREt	20.0	Evaluative	Partially delivered
Physical Security	PSUPt	9.6	Evaluative	Delayed
New Large Load Connections	NLLRt	8.2	Evaluative	Partially delivered
Diversions and Loss of Development Claims	DIVt	42.2	Evaluative	Partially delivered

Cyber Resilience OT Re-opener – the status of the PCDs included in the reopener is partially delivered with further details contained within our PCD report submitted to Ofgem.

Cyber Resilience IT Re-opener – the status of the PCDs included in the reopener is partially delivered with further details contained within our PCD report submitted to Ofgem.

Non-Operational IT Capex – we received an allowance of £20.0m to support our increasing maturity against Data Best Practice (DBP) guidance in line with license obligations, works for ensuring services within the enhanced Network & Information Systems (NIS) scope are maintained and supported, and works that enabled us to respond to mandatory changes driven by the Telecom industry.

Physical Security – the status of the PCDs included in the reopener is delayed with further details contained within our PCD report submitted to Ofgem.

New Large Load Connections – we received an allowance of £8.2m following Final Determinations related to 10 projects. Of these, 4 have been delivered, 2 are partially delivered but necessarily span into RIIO-GD3, 3 are delayed due to 3rd party timelines and 1 project was cancelled following a customer request.

Diversions and Loss of Development Claims – we received an allowance of £42.2m following final determination related to 13 projects. Of these, 7 have been delivered within RIIO-GD2, with the remaining 6 still ongoing.

Other Reopeners

Reopener	Licence Term	£m's	Submitted
Specified street works	STWt	24.2	Final Determination
HSE policy changes (including fatigue)	REPt	24.7	Final Determination

Specified street works – as explained in the cost pressures section above, we continue to experience significant year on year increases in the costs of working on the roads within our network. These are driven by the enhanced requirements imposed upon us by Highways Authorities – in particular manned lights and weekend working. Since our submission, costs have continued to increase above that included in our reopener claim – we expect this cost pressure to continue to be a significant variance as we enter RIIO-GD3.

HSE policy changes (including fatigue) – HSE continues to closely monitor the working practices of the industrial workforce, specifically in relation to fatigue management. We confirmed through our reopener submission that we were compliant with HSE guidance early in RIIO-GD2 and that is embedded in our current working practice. This led to significant additional costs above that allowed in our RIIO-GD2 business plan, and this reopener allowance adequately funds the difference.

Volume Drivers

These are mechanistic price control deliverables which adjust allowances based on actual volumes delivered. These are:

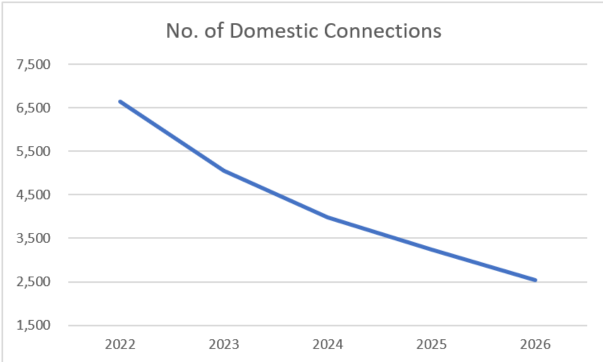
Volume Driver PCD	PCD Status
Fuel Poor Network Extension Scheme	Partially delivered
Domestic Connections	Partially delivered
Tier 2A Mains Replacement	Fully delivered
Tier 1 Mains Decommissioned	Fully delivered
Tier 1 Services Repex	Fully delivered

Fuel Poor Network Extension Scheme (FPNES) - with ECO4 not supporting new gas heating systems, and the end of the National Grid Warm Homes Fund, earlier in the price control, GDNs worked with Ofgem and agreed a reduction to targets, settling on 2,181 connections. Unspent allowances were transferred to the Vulnerability and Carbon Monoxide Allowance (VCMA) to further tackle fuel poverty and support our most vulnerable customers.

In 2025/26 we delivered 38 connections; in total we have delivered 1,572 connections, 609 below the revised target of 2,181. This results in an additional downward adjustment of allowances of £2.0m.

Domestic connections – the volumes of domestic connections continue to reduce year on year; requests for new connections to domestic properties fell by 22% in 2025/26 compared to 2024/25. This has continued to be impacted by the current incentives for alternative low carbon heating and government policy restricting gas connections to new build homes.

The allowances included within this commentary account for the allowance reduction resulting from this decline in volumes; a £23.7m allowance reduction compared with those set at Final Determinations.



Tier 1 – we achieved our RIIO-GD2 targets

We are pleased to confirm we have delivered above the targets for both the HSE mandated tier 1 mains and tier 1 services PCDs for the 5 year control.

In year three of RIIO-GD2 we focused on embedding resources to deliver well in excess of the average. Our strategy was to de-risk programme delivery by getting cumulatively ahead by the end of year 4 and mitigate the ‘rush for resource’ that typically comes as the control end nears.

The fourth and fifth year focused on maintaining our workforce. Cost pressures have continued to impact us, but we are pleased that our forward-looking workforce resilience and delivery plan strategy mitigated these risks.

Details are included in the Repex expenditure section of this document.

Tier 2A – this PCD focuses on the replacement of specific larger diameter iron pipes, required to be delivered due to their risk score. We have delivered all the pipes required in RIIO-GD2.

PCD deliverables in base allowances

PCD in Base totex	£m's	PCD type	PCD status*
Capital Projects Price Control Deliverable	13.0	Evaluative	Delivered with alternative specification
Commercial Fleet PCD	2.6	Mechanistic	Partially delivered
Cyber resilience OT Baseline	0.4	Baseline/UIOLI	Delivered
Cyber resilience IT Baseline	5.0	Baseline/UIOLI	Delivered

Capital Projects Price Control Deliverable

Please see the Capital expenditure section and the standalone PCD report for further information on this deliverable.

Commercial Fleet PCD

We forecast a reduction to the Commercial Fleet variant allowance throughout this price control as there are currently no suitable electric alternatives to the majority of our diesel commercial fleet vehicles. This is largely because the current electric only vans available in the market have insufficient payload and/or range capabilities for our operational requirements, including emergency response activities, and geographically sparse network.

We continue to proactively review and test new vehicles as they become available and look for alternative solutions that would meet the operational demands we require of these vehicles (e.g. hydrogen fuelled vehicles), which we are trialling currently. For RIIO-GD2, we expect to hand-back some £2.5m of allowances as a result. Further information on this included later in the document.

Cyber Resilience OT & IT Baseline

The details of the PCDs included for the Cyber Resilience baseline are contained within our separate PCD report[2] submitted to Ofgem.

[2] This report is submitted confidentially to Ofgem due to the sensitivity of the work completed.

RIIO-GD2 Workload delivered

As mentioned in the Totex annual performance section, all workload needs to be looked at in conjunction with the 5 year workloads and deliverables - this section explains our delivery for the 5 year RIIO-GD2 period:

Our key messages with our RIIO-GD2 workload are;-

- We delivered all our licence obligations in RIIO-GD2 and expect to have the capacity to continue to deliver into RIIO-GD3.
- Our workload was broadly in line with our linked allowances.
- We over-delivered against the Mains Replacement Tier 1 mains length and services. This is a great achievement and testament to our workforce resilience and planning.
- We continued to see a reduction in service connections to new and existing housing, and the reduction in Fuel poor connections.

	Unit	Actual 2021/22	Actual 2022/23	Actual 2023/24	Actual 2024/25	Actuals 2025/26	Total	Average
Mains condition reports	No.	4,105	4,541	4,482	4,640	3,507	**21,275**	**4,255**
Service condition reports	No.	5,779	5,803	6,397	6,797	6,351	**31,127**	**6,225**
No. of holders removed	No.	0.00	2.00	1.00	0.00	0.00	**3**	**1**
Mains reinforcement	Km	15.4	14.9	10.0	11.1	7.7	**59.1**	**11.8**
New housing services	No.	3,008	2,466	1,608	1,152	736	**8,970**	**1,794**
Existing housing services	No.	3,628	2,579	2,376	2,087	1,792	**12,462**	**2,492**
Fuel poor services	No.	1,177	245	63	49	38	**1,572**	**314**
Governor intervention	No.	5	3	4	2	0	**14**	**3**
T1 length decommissioned	Km	282.1	312.5	337.1	314.8	349.1	**1,595.6**	**319.1**
T2a length decommissioned	Km	2.5	0.0	0.3	0.3	0.0	**3.1**	**0.6**
T2b length decommissioned	Km	10.9	27.1	28.8	6.3	5.3	**78.4**	**15.7**
T3 length decommissioned	Km	0.1	1.8	0.1	2.8	0.0	**4.7**	**0.9**
Diversions decommissioned	Km	24.5	7.0	11.6	5.6	4.5	**53.2**	**10.6**
Steel length decommissioned	Km	58.6	72.9	73.2	62.6	68.5	**335.7**	**67.1**
Other length decommissioned	Km	33.8	23.8	41.7	19.4	11.2	**129.9**	**26.0**
No. of services transferred	No.	12,195	14,523	17,794	15,780	16,082	**76,374**	**15,275**
No. of services re-laid	No.	18,070	17,693	20,169	21,035	22,001	**98,968**	**19,794**

Outputs Summary

The following table sets out our output delivery across the RIIO-GD2 price control.

Our key messages for the 5 year outputs are:

- We met all outputs with the exception of Fuel Poor Connections (as agreed with Ofgem).
- Our resourcing strategy, to largely run with an insourced model, employed since the start of RIIO-GD2 has ensured we met our outputs and are well set as we enter RIIO-GD3.

Output	Output	RIIO-GD2 view
Meeting the needs of consumers and network users	Consumer vulnerability minimum standards	Achieved
	Fuel poor connections (no.)	Achieved with changes to output
	Complaints metric	Achieved
	Guaranteed standards of performance	Achieved
	Emergency response - 97% controlled gas escapes	Achieved
	Emergency response - 97% uncontrolled gas escapes	Achieved
	Loss of supply – number of unplanned interruptions	Achieved
	Loss of supply – duration of unplanned interruptions	Achieved
	Loss of supply – number of planned interruptions	Achieved
	Loss of supply – duration of planned interruptions	Achieved
	Planned interruptions survey (score out of 10)	Achieved
	Emergency response and repair survey (score out of 10)	Achieved
	Connections survey (score out of 10)	Achieved
Maintaining a safe and resilient network	Repex – tier 1 mains replacement	Achieved
	Repex – tier 1 services	Achieved
	Capital projects	Achieved
	NARMs	Achieved
Delivering an environmentally sustainable network	Shrinkage and environmental emissions	Achieved
	Biomethane connections information	Achieved
	Environmental action plan and annual environmental report	Achieved
	Business Carbon Footprint (BCF) reporting	Achieved
	Carbon monoxide awareness	Achieved
	Introduce distributed gas entry standards (scmh connections)	Achieved

Achieved   Achieved with changes to output   Did not achieve

Fuel Poor Network Extension Scheme (FPNES) – as noted previously, through working with Ofgem, volumes have been revised downwards and allowances transferred to VCMA. We have seen lower services than the revised agreed volumes and delivery of fewer services results in allowances being reduced through the Volume Driver mechanism.

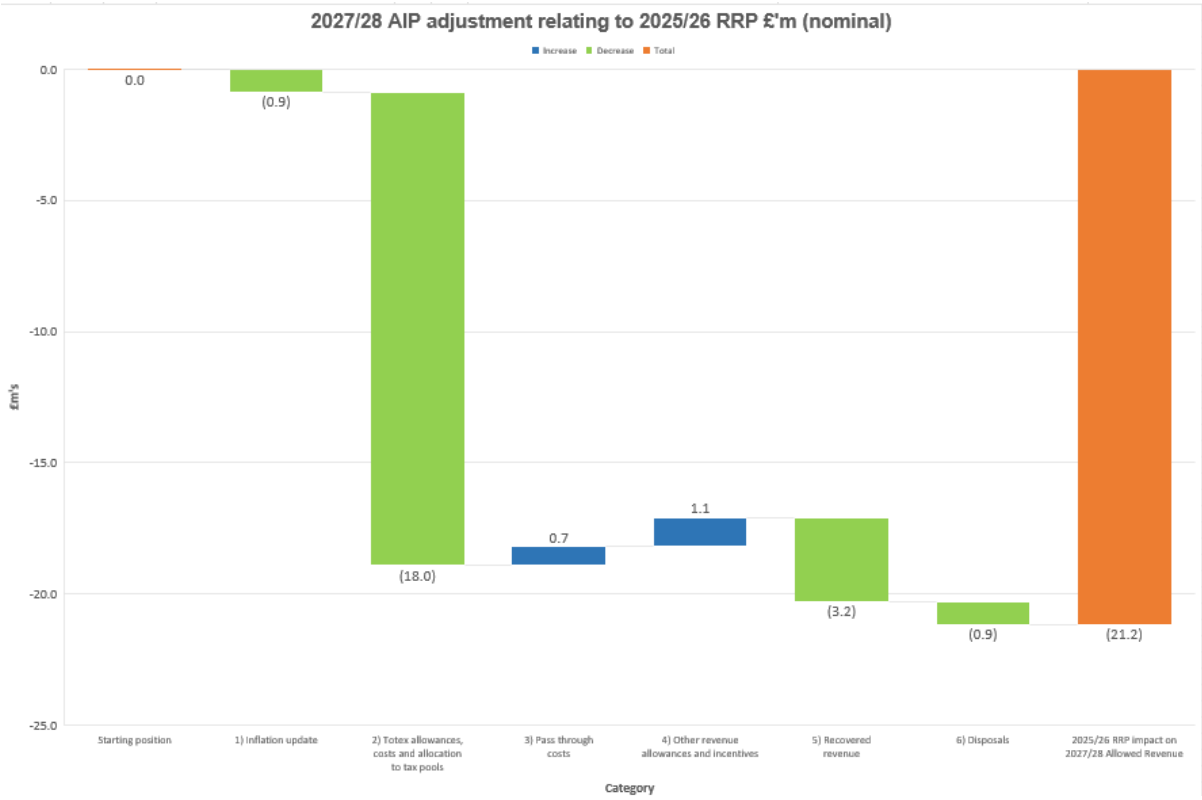
Business Carbon Footprint (BCF) reporting

We continue to meet our RIIO-GD2 commitments on Business Carbon Footprint reporting and have developed and improved our Annual Environmental Reports over the course of the price control. Our new insourced model for mains replacement work and the end of COVID-19 lockdown restrictions, led to an increase in Scope 1&2 Business Carbon Footprint in the early years of the price control, but overall net emissions have reduced across RIIO-GD2 by in excess of our obligation.

Financial Performance

Allowed revenue movements

The true-up to Allowed Revenue in 2027/28 as a result of the 2025/26 RRP submission is set out below. This shows the difference in the AIP true-up relating to 2025/26 between the PCFM that was prepared to calculate 2026/27 Allowed Revenue and the PCFM incorporating the 2025/26 RRP inputs. This shows a nominal decrease to Allowed Revenue of £21.2m which will be included in 2027/28 Allowed Revenue. All movements to 2027/28 Allowed Revenue (ARt) described below are via a T+2 adjustment and include inflation and Time Value of Money uplifts.



1. **Inflation -** £0.9m decrease to Allowed Revenues arising following updates to the inflation assumptions; including actuals to March 2026 and revised Office for Budget Responsibility (OBR) forecasts.

2. **Totex –** Updates to Variant Totex Allowances, in respect of PCDs and Uncertainty Mechanisms (UMs), have decreased 2027/28 ARt by £0.2m and updates to Actual Totex has decreased ARt by £18.4m. This primarily consists of a reduction in Cap Rate 1 Actual Totex, resulting in a decrease in ARt of £18.3m reflecting Actual Totex outturn since the 2024/25 RRP submitted in July 2025. Updates to allocation to tax pools have increased 2027/28 ARt by £0.6m.

3. **Pass through costs -** £0.7m Allowed Revenue increase in relation to pass through costs. This is largely due to increased final shrinkage and licenced activity costs for 2025/26 increasing 2027/28 ARt by £0.3m and £0.4m respectively.

4. **Other Revenue Allowances (ORA) and Incentives** – Updates to ORAs have resulted in an increase of £1.1m to 2027/28 ARt. This predominantly relates to Network Innovation Allowance (NIA) outturn in 2025/26 which has increased 2027/28 ARt by £0.9m combined with smaller movements in Incentive revenue.

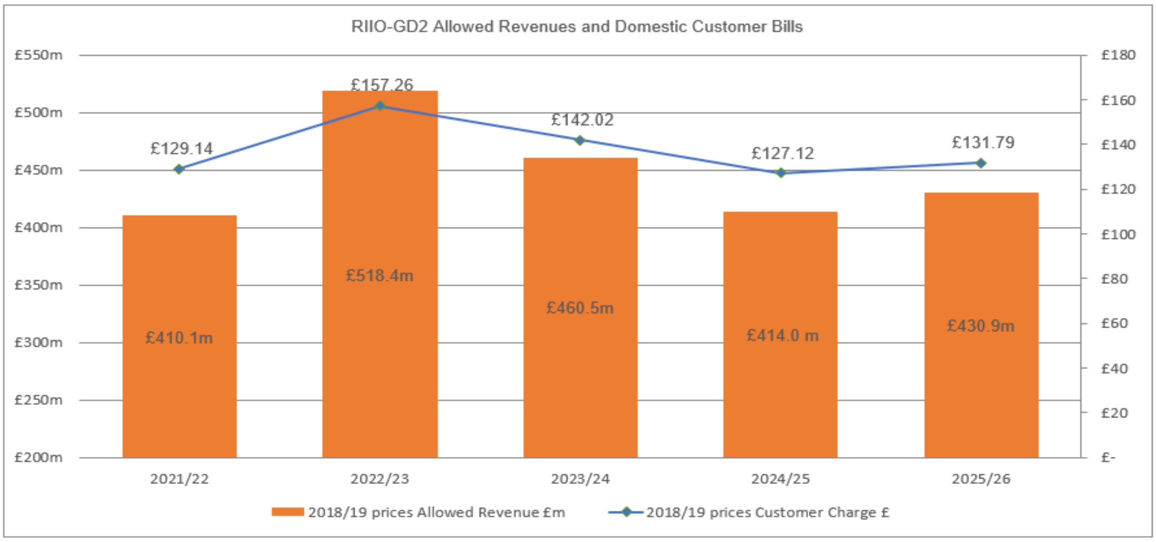
5. **Recovered Revenue –** Updates to Recovered Revenue have resulted in a decrease of £3.2m in relation to 2025/26. This has arisen due to an overcollection of revenue for 2025/26 compared with what was previously forecast in the 2024/25 RRP.

6. **Disposals –** Disposals for 2024/25 and 2025/26 have been updated based on actual outturn and result in a decrease to 2027/28 ARt of £0.9m.

Company view of customer bills

Customer bill movements fall into two elements; (i) changes in “Allowed Revenue” and (ii) changes in customer numbers and the aggregate capacity booked by Shippers. i.e., if there is an increase in the number of customers, then the revenue to be collected from each customer will decrease, all else being equal.

As customer numbers and consumption remained broadly consistent across RIIO-GD2, the change in actual customer bills is mainly due to changes in Allowed Revenue. This is largely from pass through, non-controllable items, such as exit capacity costs (£33.3m average cost per annum in RIIO-GD2 18/19 prices), Ofgem licence fees (£2.6m), and wholesale gas prices (£10.3m).



All values shown are in 18/19 prices

Customer bills increased by £4.67 from £127.12 to £131.79 between 2024/25 and 2025/26, before the effects of inflation. This represents an increase of £2.09 in respect of Supplier of Last Resort (SoLR) and Exit Capacity costs which are non-controllable. The balance, an increase of £2.58, is primarily driven by an increase in other non-controllable costs combined with an increase in fast money and Regulatory Asset Value (RAV) deprecation relating to Totex.

Below is a breakdown of customer bills over the period excluding SoLR costs, Exit Capacity costs and before the impact of inflation.

Breakdown of domestic customer bills excluding SoLR and Exit Capacity (18/19 prices)	2021/22	2022/23	2023/24	2024/25	2025/26		RIIO-GD2 Average
Total domestic customer bills	£129.14	£157.26	£142.02	£127.12	£131.79		**£137.47**
Exclude SoLR element	£0.00	-£24.78	-£7.29	-£0.23	£0.25		**-£6.41**
Exclude Exit Capacity costs	-£6.22	-£11.04	-£5.91	-£5.64	-£8.21		**-£7.40**
Customer bills excluding SoLR & Exit Capacity	£122.92	£121.45	£128.81	£121.26	£123.83		**£123.65**

Customers

This section covers our commitments to customers including our customer satisfaction scores, guaranteed standards of performance and progress under the Vulnerability and Carbon Monoxide Allowance.

Our key messages within this section are:

- Our overall customer satisfaction score continues to exceed 9 out of 10 based on feedback from more than 9,500 customers.
- We have once again achieved reaccreditation for the Institute of Customer Service (ICS) ServiceMark and successfully retained our ISO 22458 Inclusive Service standard and BSI Kitemark.
- While complaints increased compared to 2024/25, overall volumes remain approximately 4% below the five year average of 1,344, indicating that service performance continues to be strong.

Our 25/26 performance scores

	Scored out of 10	Reward Threshold/Target
Connections	**8.97**	**8.65**
Planned	**8.97**	**8.69**
Emergency	**9.68**	**9.43**
Overall Score	**9.21**	**N/A**

Recognition for our Customer work

We are proud to have been reaccredited for a further three years following the independent ICS assessment. The assessor recognised our strong customer focused culture, particularly in relation to support for vulnerable customers, and noted the robust frameworks in place to ensure customer needs are considered across the business. The assessment also highlighted effective governance and learning, with customer feedback from surveys actively reviewed and acted upon at all levels.

Training and Innovation

We continue to invest in customer training for our customer facing staff, operational teams, and managers through a combination of e-learning and face to face modules. Customer training is embedded within our induction and onboarding processes and is reinforced through mandatory five year refresher training for operational staff. We have also strengthened our customer communications for replacement works by introducing clearer step by step guidance on what customers can expect, alongside new explanatory videos published on our website to provide additional detail and reassurance.

Complaints Metric

We received 1,294 complaints in 2025/26, which accounted for less than 1% of total workload and volumes remain around 4% below the five year average of 1,344, reflecting sustained strong service performance. Over 80% of complaints were resolved within one working day of receipt. Our overall complaints metric score was 2.96.

To ensure continued compliance with the Consumer Complaint Handling Standards Regulations 2008, staff briefings, training sessions and telephone audits are undertaken. In addition, the complaints process was subject to a successful internal audit this year, providing further assurance of its effectiveness and compliance.

Our performance for responding to complaints is 99% as defined by the GSoP 14 Regulations.

Guaranteed Standards of Performance (GSoP)

We fully complied with Guaranteed Standards of Performance Regulations, with all payments made automatically to customers.

Finally, as per our Licence requirements, we implemented the new annual CPI-h increase to the GSoP payments in April 2025.

Major incident in the year – Kingsbridge

We experienced a major incident on Saturday 3 January 2026, where a third-party excavation damaged a gas main supplying Kingsbridge and surrounding areas, including Marlborough and Salcombe in south Devon. This resulted in a loss of gas supply to over 4,600 properties. The incident occurred during an amber cold weather warning, increasing potential risks, particularly for vulnerable customers.

The incident response was mobilised rapidly, with over 100 engineers deployed to the affected area, where they repaired the damaged pipe that same evening. However, due to the scale of the outage, two visits to each affected property were required to safely isolate and subsequently restore gas supplies.

Dedicated customer support teams were mobilised to assist vulnerable customers and those requiring alternative heating and cooking facilities. Restoration efforts were complicated by a high proportion of holiday homes in the area, which created access challenges and extended the overall restoration period.

The incident led to significant Guaranteed Standards of Performance payments under GS1 and GS3 totalling £785k, reflecting both the scale of impact and the duration of interruption.

Despite these challenges, feedback received from customers and partner agencies was overwhelmingly positive, recognising the effectiveness of communication, support arrangements and the professionalism of the response throughout the incident. This has also been recognised through our shortlisting for the IGEM Customer Service Award.

Throughout the incident the community came together with local organisations, volunteers and partners all playing their part to support residents and look after those most vulnerable. As a thanks to the local community and to express our gratitude for their patience and assistance during the crisis, we made the following donations:

- Kingsbridge Area Foodbank: Received a donation for their crucial help facilitating hot food deliveries to vulnerable customers on the Priority Services Register;
- Young Salcombe Centre: Received a donation to support youth activities in the area; and
- Malborough Amateur Dramatics (MAD) Group: Supported after WWU set up its main incident base in their village.

Vulnerability and Carbon Monoxide Allowance (VCMA)

At WWU, we are committed to operating as a socially responsible business, placing community wellbeing at the heart of our work. Through the RIIO-GD2 period, we have invested £20.3m via our Vulnerability & Carbon Monoxide Allowance (VCMA), delivering targeted support to those most in need, particularly in addressing fuel poverty and improving carbon monoxide safety.

We have exceeded the 25% minimum investment threshold by directing 32% of our VCMA funding into joint projects with one or more of the other Gas Distribution Networks (GDNs). This reflects our strong belief that partnership working can amplify impact, increase reach, and deliver more effective outcomes for vulnerable customers. Collaboration will continue to be a key priority as we move into RIIO-GD3, aligning closely with Ofgem's expectations and strategic direction.

In accordance with governance requirements, our annual VCMA reports, covering both company-specific and collaborative initiatives, was submitted to Ofgem and published on our website by 1 July 2026. These reports highlight the valuable contributions of our delivery partners over the past year and demonstrate the measurable impact achieved since the VCMA was introduced in April 2021, with a continued focus on delivering meaningful support at both local and national levels.

To further bring this work to life, WWU led a virtual showcase event on 7 July 2026. This event provided an opportunity to celebrate partner achievements, share best practice, and highlight the collective impact of VCMA-funded initiatives across the sector as well as reflecting on learnings and a future looking ahead session. Given this was the final showcase event of RIIO-GD2 we used the session to engage our stakeholders on our consumer vulnerability strategy ahead of the refresh planned in July 2027. The feedback to date has been extremely positive on the level of engagement and the addressing of feedback over the last 5 years.

Under our Licence Obligations, we are required to identify and support customers in vulnerable situations during gas supply interruptions. This includes providing accessible communication options and ensuring access to alternative heating, cooking, and hot water solutions where needed.

Each year, we independently assess and test these services through the British Standards Institution (BSI). We are proud to have achieved the ISO 22458 Inclusive Service Provision standard and accompanying Kitemark for the third consecutive year. This recognition provides independent assurance of our commitment to identifying and supporting all customers effectively, particularly those with additional needs.

The below table represents our investment across the 5 years through the VCMA:

2018/19 Prices £m's	21/22	22/23	23/24	24/25	25/26	Total
Company Specific Project costs	0.8	1.3	2.1	5.0	4.8	**13.9**
Collaborative Project costs	0.2	0.4	0.5	2.5	2.8	**6.4**
VCMA Project costs	**1.0**	**1.7**	**2.6**	**7.5**	**7.6**	**20.3**

A summary of VCMA Outcomes is shown below

Reporting Metric(s)	2025/26	RIIO GD2
Number of people reached directly	486,955	921,069
Number of people reached through campaigns	3,943,123	19,477,654
Priority Service Register (PSR) referrals	24,045	78,590
Financial outcomes (customer savings £'m)	23,118,344	55,937,326

VCMA will continue into RIIO-GD3 under a new Vulnerability and Carbon Monoxide Initiatives (VCMI) governance framework, which broadens the scope to include wider vulnerability support and business-as-usual activities. The document has been renamed to reflect this expanded remit, including activity now funded through baseline BAU budgets. The updated governance framework also introduces additional levels of assurance, providing greater oversight and challenge of vulnerability activity and investment through a newly established national steering panel.

Collectively as a group of GDN's, we've also committed to publishing our updated Consumer Vulnerability Strategies by July 2027, with refreshes in 2029 and 2031 respectively. This will be aligned to wider national vulnerability priorities which will be developed through the National Steering Panel.

Future of Energy, Innovation and Environmental Responsibility

Our ambition is to be trusted to expertly serve customers and communities with safe, reliable and affordable energy services today, whilst investing wisely to create a sustainable, greener future.

Our innovation and delivery work on the energy system transition is focussed on achieving this ambition, by supporting progress against the targets we set in our Sustainability Strategy (sustainability-strategy-2023.pdf).

Our key messages within this section are:

- We have contributed to the creation of the Green Gas taskforce and remain a key stakeholder and member, driving forward initiatives and influencing policy to encourage more green gas to enter the gas networks – contributing the 2050 Net zero targets
- We have undertaken a range of activities and projects to reduce environmental impacts, help deliver energy system decarbonisation and support customers through the transition, like the studies on Hydrogen vehicles and the NexGen electrolysis SIF project.
- We have made a significant contribution in national programmes to support key activities such as innovation challenge development; supporting the development and use of low carbon gasses like biomethane and hydrogen; and deliver work focussed on low carbon options for the communities we serve.
- We have and continue to work collaboratively as networks with partners across the industry to ensure we deliver value for money for consumers.
- We invested £15m through RIIO-GD2 to support the energy transition and vulnerable customers enabling us to share learning and build on experience to realise value to consumers and stakeholders alike.
- We continue to implement learnings on new technologies and approaches where we can and are acting today to connect green gas production, reduce greenhouse gas emissions and deliver more positive environmental outcomes.

Strategic Priorities

Delivering a safe, secure, decarbonised energy system requires a range of technologies deployed at scale. Our extensive gas network infrastructure will need to play a major role to deliver a net zero system in time to meet the Government's goals. We are currently reducing emissions from the network and will continue to do so through continuation of the Iron Mains Risk Reduction Programme and by using new technologies such as Advanced Leakage Detection.

As there is uncertainty on the mix of technologies that will be used in the long term, our innovation and net zero teams aim to help understand how our gas distribution network will change in the coming decades, and what this will mean for our customers. Our priorities for our energy system transition means we need to understand:

- How technology for producing green gasses is evolving, and how it can best connect to our network and displace fossil fuels throughout the year;
- The technical feasibility and economic and environmental impacts of changes to our network and operations; and
- How customer preferences and technological developments will change demands from our network.

Reducing emissions and improving environmental outcomes

We set long-term greenhouse gas reduction ambitions which are aligned with a science-based methodology.

GHG emissions for the period 1 April 2025 to 31 March 2026

Total Scope 1 greenhouse gas emissions (tCO2e) excluding shrinkage	12,385
Shrinkage (tCO2e)	337,155
Total scope 1 Including shrinkage (tCO2e)	349,540
Total Scope 2 greenhouse gas emissions - Location Based (tCO2e)	746
Total Scope 2 greenhouse gas emissions - Market Based (tCO2e)	36
Total Scope 3 greenhouse gas emissions (tCO2e)	12,997
Total Gross Emissions (Scope 1, 2 and 3) – Market Based	**362,573**
Total Gross Emissions (Scope 1, 2 and 3) – Location Based	**363,283**

Our scope 1 and 2 emissions have increased slightly between the year ending 31 March 2026 and the previous year of 2024-25. While our emissions from own use of gas and electricity have decreased, emissions from mobile combustion have increased.

In previous years we have been able to report a reduction in gas leakage from the mains replacement programme and investment in upgrading gas pressure control systems. We have achieved our leakage target for the price control, but while we continued to reduce leakage through our mains replacement programme, we have experienced several incidents in the year where activity by third parties resulted in damage to mains which released gas to atmosphere. These incidents are reportable as they exceeded 500kg of escaped gas.

The net result is that overall scope 1 and 2 emissions, including shrinkage, have broadly remained constant between 2024/25 and 2025/26 at 24tCO2e (market based) and 343tCO2e (location based). Despite this, we still outperformed our RIIO-GD2 shrinkage target through targeted mains and service replacement and a focus on pressure management.

Scope 3 emissions have decreased from the previous year, driven by decreases in the volume of capital goods purchased, driven by work programmes changing year to year. A decline in emissions from employee commuting has also contributed, improved reporting and data capture has resulted in a number of employees being exempt, i.e not driving for work purposes or using public transport. .

The following carbon and energy efficiency actions that have directly impacted our carbon emissions have been undertaken:

- Our company car fleet is now 100% ultra-low emissions vehicles (ULEV) with 17.5% of those being zero emissions vehicles increasing from 97% in 2024/25.

- Our renewable electricity generation has created 119,666 kWh of green energy which is a 17% increase from the previous year.

- Our mains replacement programme has continued. By March 2026, the success of the programme delivered an 85% PE low-pressure network and a 76% PE medium pressure network. This action significantly reduces the chances of fugitive emissions and makes the network ready for hydrogen and hydrogen blends.

- We have 85 electrical charging points across our network increasing from 69 in the prior year. We have also continued to encourage the uptake of ultra-low emission vehicles (ULEVs) by existing and new employees within the company car scheme.

Building on progress in the last five years, we are targeting a 16% reduction in methane emissions from our network across RIIO-GD3. We also forecast that our operational Business Carbon Footprint will reduce in future.

In addition to action on reducing emissions, throughout RIIO-GD2 we successfully delivered our Land Management programme, including remediation of contaminated land and biodiversity improvements,

Further information and data on carbon emissions, land management and environmental initiatives will be provided in our 2025/26 Annual Environmental Report which will be published in October 2026 and included in our publications on our website.

Connecting and managing green gas on our network

We are continuing to work with biomethane producers to manage green gas on our network and connect new sites. We currently have 22 biomethane plants connected to our network, with enough capacity to meet the annual demand of over 160,000 homes.

We are working with green gas producers in our network to explore and deliver options for expanding capacity to meet future demands. This includes facilitating using technologies such as reverse compression and smart pressure control which have been developed through our innovation activity, in collaboration with industry partners and other networks. We are currently deploying the smart pressure control technology across our medium pressure network from Swindon to Honiton and once fully commissioned, we anticipate this could support gas injection to meet demand equivalent to up to 56,000 homes each year with an equivalent annual carbon displacement of 123,000 Tonnes CO_2e pa.

We also work with partners to support the development of green gasses more widely. Our innovation projects have built our understanding of the potential implications of a range of technologies, and we have participated in the industry-wide Green Gas Taskforce to collaborate with developers, producers and users of green gas. In addition to biomethane from anaerobic digestion, in 2025/26 we started work on a new connection for a synthetic methane plant on our network in Wiltshire.

We are the first Network in the UK to successfully install a compressor to maximise biomethane injection into our network. Whilst this wasn't commissioned until the first few months of RIIO-GD3, most of the work was completed in RIIO-GD2. The learning from this successful project will help with rollout of compression across the UK in future.

Innovating and delivering for the energy system transition

In 2025/26, we:

- Invested £6.0m across our innovation project portfolio, including £4.7m on NIA funded projects and £1.3m via the Strategic Innovation Fund (SIF).
- Kicked off 38 new Network Innovation Allowance (NIA) projects, with 30 unique partners.
- Worked collaboratively with other networks on 42% of our new projects.
- Used Net Zero and Re-opener Development Fund use-it-or-lose-it allowance (NZARD UIOLI) of £1.7m to support the development of industrial clusters and demonstration projects, including roll out of biomethane based smart pressure control technology.
- Disseminated learning and sought new ideas through Innovation Zero, Utility Week Live and the Energy Innovation Summit, alongside other industry events both locally and nationally.
- Supported the development of a new Gas Networks Innovation Strategy.

We carried over ongoing RIIO-2 NIA activity into RIIO-GD3, under NIA rules which support ongoing innovation delivery across price controls. We currently forecast this activity will have a value of around £2.7m, in addition to new NIA projects which we are developing in RIIO-GD3.

Further information and case studies are provided in the Detailed Information section below, and a summary of our innovation activity for 2025/26 will be published in our annual innovation report, available on our website https://www.wwutilities.co.uk/about-us/innovating-for-our-customers/.

Our innovation governance approach, including collaboration with other network licensees and processes for avoiding duplication and sharing learning, is set out in the Future Energy Networks Innovation Process document on the Future Energy Network website: https://www.igem.org.uk/resource/fenip-overview-and-governance-document.html