

Extract from
RIIO-2 Sector Specific Methodology
p16

<https://www.ofgem.gov.uk/publications-and-updates/riio-2-sector-specific-methodology-consultation>

- 2.22 One of the key areas where there are strong ties to the RIIO-2 Framework are our changes to how users are charged for access to and use of the network. Network charges serve two purposes:
- They can provide signals about how users can confer costs and benefits on the network in future, to encourage them to use existing network capacity as efficiently as possible and reduce the need for new network investment (we call these 'forward looking charges')
 - They are necessary to ensure that network companies' allowed revenues are recovered in a fair way and in a way that minimises distortions (we call the part of network charges that ensures this 'residual charges')
- 2.23 In electricity, we have also published a decision to launch a Significant Code Review of network access and forward-looking charging arrangements. We are also consulting on proposals for how residual charges need to change through our Targeted Charging Review.
- 2.24 In gas, Ofgem is supporting industry in taking forward the conclusions of the Gas Charging Review to ensure the Transmission Operator charges for access to, and use of, the gas network are compliant with EU law.