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25th August 2021

**WWU response to Ofgem consultation: Access and Forward-looking Charges Significant
Code Review: Consultation on Mindset to Positions**

Dear Patrick,

Thank you for the opportunity to respond to the consultation. Wales & West Utilities is a gas transporter serving 2.5 million supply points in Wales and south-west England. Although this consultation does not directly affect us, we wish to comment on some of the principles underlying the mindset to positions stated. Our response is not confidential.

Question 3a: Do you agree with our proposals to remove the contribution to reinforcement for demand connections and reduce it for generation? Do you think there are any arguments for going further for generation under the current DUoS arrangements? Please explain why.

We note that the consultation references achieving Net Zero targets and we agree that this should be a key consideration. If necessary primary legislation should be amended to put achieving Net Zero in the appropriate position in the hierarchy of obligations placed on distribution companies. We recognize that achieving Net Zero may require changes to the reinforcement charging policy for demand (exit) connections and for generation (entry) connections and that further these changes could conceivably mean moving the connection boundary by different amounts or indeed in different directions for exit and entry connections. These considerations apply to gas distribution as well as electricity distribution.

We note the statement on page 32 "In order to meet targets for the electrification of heat and transport, the use of heat pumps and EVs will play an important role."

The concern over possible reinforcement costs for heat pumps and transport connections seems to be one reason influencing the mindset to position on changing demand connections reinforcement charging policy. BEIS published its hydrogen strategy on 17th August and this needs to be taken into consideration when considering heat pump rollout. A policy decision in electricity that encourages heat pump installation in premises connected to the gas network (by removing customers' exposure to any of the costs of reinforcement) does not make sense from

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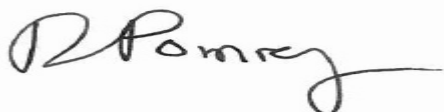
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a whole energy network perspective if BEIS decides to decarbonize the gas network by converting it to hydrogen. We think that the decision needs to be reconsidered for heat pumps and that this may result in different policies for premises connected to the gas network and those not connected to the gas network.

Question 3c: What are your views on the effectiveness of the current arrangements in facilitating the efficient development and investment in distribution networks? How might this change under our proposals where network companies are required to fund more of this work?

Changes to the policy for charging for reinforcement will have significant impacts on licensees' Business Plans and allowances in the existing price controls; therefore, any changes to policy determined by Ofgem or BEIS must be matched by a commitment to review allowances in readiness for any policy changes. It would be unreasonable to introduce such changes during a price control and then expect the licensee to rely on re-opener mechanisms to recover additional expenditure that would have been included in Totex allowances had the changed policy been in effect at the time the allowances were set.

Yours sincerely,



Richard Pomroy
Regulation Manager
Wales & West Utilities

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