

## **Annex 2 WWU's views on DRS categories in Part C of SpC 9.7**

We address all the Directly Remunerated Services listed in SpC9.7 with comments below. We have taken the view that Network Charges for the purpose of this condition only means charges made or levied, or to be made or levied for the Supply of Distribution Network Services.

For most of DRS 1 to 3 the person requesting the work pays for the work and so there is no net cost borne by the Shippers (and final consumers) who pay our transportation charges. In fact, for non-domestic connections where WWU is allowed to make a profit as allowed there is a net benefit that is shared under the Totex sharing arrangements. In the cases where a net cost is partly borne by Shippers (and final consumers) under the Totex sharing arrangements, for example the Domestic Load Connection Allowance or some alterations where we are not allowed to recover all costs from the party requesting the work, there is an economic benefit to the generality of customers. In the case of the DLCA (which will end on 1<sup>st</sup> April 2026) this was seen as benefiting the generality of consumers by increasing the number of consumers served by the network and made a licence requirement (Standard Condition 4B). In the case of diversions, the benefit is that the alteration is new network replacing existing network and therefore it was reasonable that existing consumers bore some of the cost and this obligation was placed in the New Roads and Streetworks Act.

### **DRS 1 – Connections Services**

“DRS1. Connection services: This category consists of the carrying out of entry and exit connection works (including any necessary reinforcement works or diversionary works) to install, operate, repair, or maintain gas pipes, plant, meters or other equipment necessary to provide any new connection or modify any existing connection to the pipeline system to which this licence relates, (but only to the extent that the service is not already remunerated under one of the charges set out at paragraph 9.7.8)”

**WWU response:** These net costs and revenues are reported within Capex in Totex in the RRP / PCFM and net Totex costs and allowances for the activities feed into the Totex Incentive Mechanism (TIM) and are accounted for in the allowed revenue calculation as part of the PCFM. Remove because there is no double counting DRS1-3 is addressed through net costing via revenues.

### **DRS 2 – Diversionary works**

“DRS2. Diversionary works under an obligation: This category consists of the relocating of any gas pipes or plant (including the carrying out of any associated works) pursuant to any statutory obligation other than one imposed on the licensee under section 9 (Powers and duties of gas transporters) of the Act.”

**WWU response:** These net costs and revenues are reported within Capex in Totex in the RRP / PCFM and net Totex costs and allowances for the activities feed into the Totex Incentive Mechanism (TIM) and are accounted for in the allowed revenue calculation as part of the PCFM. Remove because there is no double counting DRS1-3 is addressed through net costing via revenues.

### **DRS 3 – Alteration of services**

“DRS3. Works required by any alteration of premises: This category consists of the moving of any gas pipes or plant that forms part of the pipeline system to accommodate the extension, redesign, or redevelopment of any premises on which the asset in question is located or to which it is connected.”

**WWU response:** These net costs and revenues are reported within Capex in Totex in the RRP / PCFM and net Totex costs and allowances for the activities feed into the Totex Incentive Mechanism (TIM) and are accounted for in the allowed revenue calculation as part of the PCFM. Remove because there is no double counting DRS1-3 is addressed through net costing via revenues.

### **DRS 4 – Telecommunications and information technology infrastructure services**

“DRS4. Telecommunications and information technology infrastructure services: (Not applicable)”

**WWU response:** Remove from DRS as not applicable

### **DRS 5 - Outage Charges**

“DRS5. Outage Charges: (Not applicable)”

**WWU response:** Remove from DRS as not applicable

### **DRS6 - Emergency Services**

“DRS6. Emergency Services: This category consists of the provision of emergency services under contracts entered into pursuant to the provisions of Standard Special Condition A41 (Emergency Services to or on Behalf of Another Gas Transporter).”

**WWU response:** This condition refers to a direction being issued by the Authority relating to services provided to another transporter where a major loss of supply has occurred. We have no record of such a direction being issued. We do have agreements with NGT and other DNs that would fall under this condition had such a direction been issued. We also have agreements with IGTs that relate to non-major loss of supply or damages, these would **not** fall under this definition as they are not part of our Licenced Activity.

We propose to leave this in place noting that there will probably be a nil return.

### **DRS7. PARCA Activities: (Not applicable)**

“PARCA Activities: (Not applicable)”

**WWU response:** Remove from DRS as not applicable as GDNs do not provide PARCAs

### **DRS8 - Independent System operation**

“DRS8. Independent System operation: This category consists of the operation of Independent Systems, as provided for by Special Condition 6.2 (Gas conveyed to Independent Systems), of the licence applicable to the NTS Operator, on behalf of the NTS Operator”

**WWU response:** These independent systems are not part of the Distribution Network (see definitions); however, they are included by the definition of transportation system and so are

included in the definition of Supply of Distribution Network Services. Hence, they are included in the definition of Licensed Activities for which we receive Network Charges. The payments from National Gas Transmission are to offset the additional costs incurred this is done as a negative adjustment to Allowed Revenue by the value set out in NTS Special Condition 6.2.

Remove from DRS as already dealt with as described via CSUBt.

#### **DRS9 - Network Innovation Funding**

“DRS9. Network Innovation Funding: Payments made by the NTS Operator to the licensee in respect of NIC Funding in accordance with Special Condition 7.7 (RIIO-GD1 network innovation competition)”

**WWU response:** We don't think that this is relevant any longer. Remove.

#### **DRS10 - Value Added Services: (Not applicable)**

“DRS10. Value Added Services: (Not applicable)”

**WWU response:** Some services under miscellaneous could be listed here but we don't see the need for both categories. It is probably easier to delete this and keep miscellaneous.

#### **DRS11 - Top-up, standby, and enhanced system security**

“DRS11. Top-up, standby, and enhanced system security: (Not applicable)”

**WWU response:** Remove.

#### **DRS12 - Revenue protection services: (Not applicable)**

“DRS12 - Revenue protection services: (Not applicable)”

**WWU response:** GDNs already have licence conditions relating to theft of gas so this is part of our core business. Remove from DRS as not applicable

#### **DRS13 - Metering Services**

“DRS13. Metering Services: (Not applicable)”

**WWU response:** Remove from DRS as metering is not DRS as it is metering business activity

#### **DRS14 - Smart Meter Roll-out rechargeable services**

“DRS14. Smart Meter Roll-out rechargeable services: (Not applicable)”

**WWU response:** Remove.

#### **DRS15 - Miscellaneous**

“DRS15. Miscellaneous: This category consists of the provision of any other service (including the provision of gas pipes or plant) that:

(a) is for the specific benefit of any third party who requests it;

(b) is not made available by the licensee as a normal part of its Licensed Activities”

**WWU response:** This will be Licensed Activity (note not activities under permitted purpose) for which we do not receive Network Charges, we could envisage there being services in this

area, for example services to Shippers that are bespoke to them (but which are also offered to other Shippers as required by the non-discrimination terms in our licence) that are not UNC obligations. Remain.

In addition, our proposal is to remove sections for De-minimus and Consented from the RRP tables as these are not part of Directly Remunerated Services.

Both DRS tables should have a consistent table purely for DRS categories only with no materiality threshold (i.e. remove the >£500k narrative) and GDNs should report all costs and revenue associated with DRS activities.

#### Other transportation business activities

As stated above, there are other transportation business activities that GDNs provide to other parties that do not fall under the definition of DRS as they are not part of our Licensed Activity these include:

- Maintenance of third party owned transportation assets
- Emergency services to IGTs (for some transportation assets)

The cost of any teams used to do this work is taken out of the costs allocated to the Licensed Activity and therefore the customers of the Licensed Activity benefit because they do not have to fund the cost of the team when it is deployed on this other activity but which is still actively available to support and achieve licence obligations to benefit customers – therefore customers benefit from the service available but not the cost on their bill. WWU receives revenue from this activity and makes a small profit as compensation for the risk it has incurred. As this market is competitive WWU's revenue is determined by the competition in the market.