



Independent Networks
Association

Access and Connections Team
Gas Systems and Operations Unit

Sent via email to: gas.systems@ofgem.gov.uk

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Call for Input - Exercising Consumer Choice: A review of the gas disconnections framework

I am writing on behalf of the Independent Networks Association (INA) who represent the Independent Gas Transporter (IGT) companies. Thank you for the opportunity to respond to the call for input. This is an issue that has been a growing concern for the IGT community, and we welcome the review of the framework.

Q1. How effective is the current gas disconnections framework in protecting the consumer interest, assisting net zero goals and promoting economic growth?

The current framework is not effective in the protection consumer interests or promoting economic growth as the two-tiered approach undermines the economic stability of investment in UK utilities, whilst leaving consumers who remain connected to the networks exposed to costs which are incurred by those who disconnect.

This disjointed framework incentivises consumers who wish to transition to an alternative heating source to go through the 'health and safety disconnection' route and to avoid the costs of disconnection. It is probable that those customers who remain connected will be those who are least able, financially, to make the transition and it is these customers who will be left with higher transportation charges in future, funding customers who have disconnected.

Q2/3/4. What factors impact the effectiveness / efficiency of the framework in achieving its objectives? What other factors beyond those impacting the effectiveness and efficiency of the framework (dealt with in questions 2 and 3), for example, safety, financial, commercial factors, ought Ofgem consider as part of its review?

The current regime is ineffective and inefficient from a perspective of protecting consumers. Gas transporters can charge consumers that request a voluntary gas disconnection a reasonable and cost reflective charge. This ensures the supply can be disconnected safely.

It is important that in undertaking this review, Ofgem highlight the cost and inefficiency of the existing requirements which is to isolate at a service isolation valve or physically disconnect the service close to the mains. This requirement imposes significant cost on networks and customers which, especially where the gas pipes are made from polyethylene, may be unnecessary. Most domestic properties do not have a service isolation valve and therefore require additional excavation inside and outside the property boundaries and across roads. Excavations introduce both an inherent safety risk versus other options and will affect the price of disconnection costs for the customer. There could also be a situation where a new customer wants reconnection to the gas network or where alternative green gases become available in a local area. We would urge Ofgem and the HSE to consider moving to a risk-based approach on disconnections which would allow gas transporters to assess each disconnection and make an efficient, economic and safe decision on the best way to carry out the disconnection.

Q5. What factors do you believe will impact demand for gas disconnections?

Government policy will be one of the driving factors impacting demand for disconnections. For example, the Boiler Upgrade Scheme currently has a positive impact on the demand for disconnections by financially incentivising the switch to heat pumps. This review is also likely to have an impact itself on the demand for disconnections as the outcomes will set a framework and approach for customers which may inhibit or promote disconnections. Take up of other options for heating and cooking will be impacted by the cost of gas, regulation around the ability to replace gas appliances and personal consumer action of early adopters to support the achievement of net zero.

Q6/7. What are the potential future regulatory frameworks, regimes or mechanisms that should be considered for gas disconnections that would operate effectively, assist in achieving net zero and protect consumers? We are open to hearing any potential options you have identified for regulatory reform whether they be commercial, technological, regulatory, policy-based or legislative in nature. While Ofgem is not responsible for changing legislation, we can make recommendations to government. Of these potential future frameworks, regimes or mechanisms which is preferable and why?

Regulation needs to be conscious and deliberate about who pays for disconnections and should not result in a situation which places an undue and unfair burden on those who remain connected to the gas network. We recognise that costs are a barrier to customers transitions to



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low carbon technology, but this does not mean that these costs should be socialised in a way that removes all obligation from early movers to fund the transition of the network.

Ofgem have made a decision in their RIIO-GD3 Sector Specific Methodology Decision that the depreciation for gas networks should be accelerated to address issues of intergenerational fairness. We see a similar issue here where current customers are avoiding costs that future customers would bear. We would urge Ofgem to explore options where either, the relevant customers pay the charges for a 'voluntary disconnection' at the point of a change of gas use, or disconnections are 'pre-funded' through a price control mechanism that requires all customers to fund disconnections now at a rate higher than the current demand. The solution for GDN customers and IGT customers needs to be aligned so that gas customers on either network are treated equally. As with our proposed solution for accelerated depreciation, a relatively small adjustment to the IGT's Relative Price Control will be needed to ensure IGTs can recover these costs and ensure parity for all gas customers.

It is important that gas transporters are an integral part of the customer journey and are aware where consumers have transitioned away from gas. There could be ways to do this through technology. For example, Connect Direct, is the ENA system that links IDNOs/DNOs and low carbon technology fitters to ensure the relevant electricity network permissions can be easily achieved when a customer moves to a low carbon technology. Could this platform also inform the relevant gas transporter of a customer moving to an alternative form of heat? The GDN/IGT can then communicate with the customers directly to schedule and, if appropriate, charge for any voluntary gas disconnection?

Q8. Are there any impediments inherent in the potential future regulatory frameworks, regimes or mechanisms identified in response to question 6 above that would affect their effective operation, the achievement of net zero and/or the protection of consumers?

No observations to make.

Q9. For the purposes of this Call for Input, we have defined 'small businesses' as those with an annual gas consumption of not more than 500,000 kWh. What are the implications, if any, of using this definition?

This figure does not align with other sector cut off levels of 732,000KWh. In addition, the size of the business does not necessarily depend on the consumption of gas. Businesses with lower gas



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consumption may be large businesses or there may be a small business which is heavily reliant on gas for its operations but only employs a few people.

Q10. Is there anything else we ought to consider that has not been covered in your responses to questions 1-9?

We have no further observations.

Please note that individual IGTs will respond to questions 11 to 35 and the spreadsheets you provided.

Please let me know if there are any questions on any area of our submission.

Nicola Pitts
Executive Director