

## **The MCS Foundation's response to Ofgem's consultation: Exercising consumer choice: a review of the gas disconnections framework**

### **The MCS Foundation**

Our vision is to make every UK home carbon-free. The MCS Foundation helps drive positive change to decarbonise homes heat and energy through our work programmes, grants and advocacy. We support engagement programmes, fund research and facilitate innovative solutions to drive widespread adoption of renewables to help achieve a Net Zero future. In addition, the Foundation oversees the Microgeneration Certification Scheme (MCS) which defines, maintains and improves quality standards for renewable energy at buildings scale.

Submission by: **Jenny Russon**

Title: **Senior Research and Policy Officer**

Organisation: **The MCS Foundation**

Contact: [jenny.russon@mcsfoundation.org.uk](mailto:jenny.russon@mcsfoundation.org.uk)

### **Summary**

We agree that now is the right time to reevaluate the framework for households disconnecting from the gas grid. While the number of disconnections is likely to be relatively low at present, we expect this to increase significantly in the coming years due to the rollout of heat pumps and other low-carbon heating technologies. For example, The Climate Change Committee has projected that the percentage of households with heat pumps will rise from 1% in 2024 to 50% by 2040.<sup>1</sup> Additionally, a decision on hydrogen for home heating will be made this year and we expect the conclusion of this to be that hydrogen will play only a minimal role, if any, in home heating, and this will be limited to some industrial clusters.<sup>2</sup> Research from Imperial College London<sup>3</sup> has concluded that heat pumps, not hydrogen should be the focus of Government heat decarbonisation policy over the next decade, and this has been echoed by the National Infrastructure Commission.<sup>4</sup> In fact, a meta-analysis undertaken on hydrogen heating presented 54 independent, international studies that have all concluded that hydrogen will only play a limited role in heating at most.<sup>5</sup> It is, therefore, looking very unlikely that the gas grid will be repurposed for hydrogen, and this will impact the projected number of disconnections.

Currently, the disconnection process is not standardised, with some households paying nothing for disconnection, with others paying over £1,000. If we continue with the same process, it could result in significant inequities between different households. Consequently, we believe there should be a nationalised framework for gas disconnections. This means that the cost of disconnections would be paid for through general taxation and be free for the individual household. In our view, this model is the best way to ensure fairness, whilst also preventing fees that could otherwise disincentivise

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<sup>1</sup> <https://www.theccc.org.uk/publication/the-seventh-carbon-budget/>

<sup>2</sup> <https://www.theccc.org.uk/publication/hydrogen-in-a-low-carbon-economy/>

<sup>3</sup> <https://spiral.imperial.ac.uk/handle/10044/1/93856>

<sup>4</sup> [NIA-2-Technical-annex-hydrogen-heating-Final-18-October-2023.pdf](#)

<sup>5</sup> [https://www.cell.com/cell-reports-sustainability/fulltext/S2949-7906\(23\)00010-1](https://www.cell.com/cell-reports-sustainability/fulltext/S2949-7906(23)00010-1)

households from disconnecting. If disconnection costs rise to over £2,000 by 2025, as predicted by Ofgem in this call, it could either discourage people from disconnecting, leaving them to pay a standing charge unnecessarily, or be seen as an additional cost to adopting low-carbon heating, which could disincentivise low-carbon heating adoption.

Finally, this Call for Input is an important step in addressing the future of the gas grid, but it only touches the surface of a much larger issue — the need to decide on a comprehensive strategy for decommissioning the gas network. Ofgem must work closely with the government to develop a clear and comprehensive plan as suggested by the National Infrastructure Commission, to ensure an equitable and efficient decommissioning of the gas network.<sup>6</sup>

## Questions

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

The current gas disconnections process has not posed a significant issue to date, largely because the number of households disconnecting from the gas grid is still small. Whilst there does not appear to be publicly available data on the number of annual disconnections, if we use heat pump sales as a proxy for the maximum number of disconnections, this will be no more than 98,000 in 2024, and 60,000 in 2023.<sup>7</sup> It is worth noting that this assumes that these households are transitioning to electric heating and at the same time have no gas cooking (or are switching from gas cooking to electric cooking). Thus, in reality we imagine this number would be smaller. This is only a small fraction considering that 85% of British homes are connected to the gas grid,<sup>8</sup> which roughly equates to 24 million households.<sup>9</sup> However, given the anticipated increase in the adoption of low-carbon heating systems over the next few years, demand for disconnection is likely to rise substantially. For example, the Climate Change Committee model that we need at least 50% of households to have heat pumps by 2040.<sup>10</sup> We, therefore, agree that it is important to evaluate the framework now, ensuring that it is fit for purpose as demand grows.

One of the key concerns we have is the lack of standardisation in the current framework. At present, the process for disconnecting from the gas grid can be a simple process for some households. They contact their energy supplier, who will either cap or remove the gas meter, thereby eliminating the standing charge, which currently amounts to around £115 per year.<sup>11</sup> This service charge will vary depending on the energy supplier, with Octopus offering it at no charge,<sup>12</sup> Ovo energy charging

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<sup>6</sup> <https://nic.org.uk/studies-reports/recommendations/government-should-plan-for-the-end-of-the-use-of-natural-gas/>

<sup>7</sup> <https://www.heatpumps.org.uk/resources/statistics/>

<sup>8</sup> <https://www.nesta.org.uk/feature/future-signals-2024/shutting-down-the-gas-grid/>

<sup>9</sup> Based on the 2023 ONS data of 28.4 million households in the UK.

[https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/bulletins/familiesandhouseholds/2023#:~:text=There%20were%20an%20estimated%2028.4,with%202013%20\(26.7%20million\).](https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/bulletins/familiesandhouseholds/2023#:~:text=There%20were%20an%20estimated%2028.4,with%202013%20(26.7%20million).)

<sup>10</sup> <https://www.theccc.org.uk/publication/the-seventh-carbon-budget/>

<sup>11</sup> Based on the January-March 2025 price cap

<sup>12</sup> <https://octopus.energy/blog/disconnecting-your-gas-supply/>

around £106,<sup>13</sup> and some around £330.<sup>14</sup> While Octopus is offering this service for free at present, they admit that as the number of disconnection requests increases, this could change, and suppliers may begin to increase charges potentially making the process more expensive for consumers.<sup>15</sup>

However, while some households may only need their meter capped or removed, others may need the gas network operator to alter the supply pipes, which can result in much higher costs.<sup>16</sup> For example, customers on the SGN network could face charges between £917 and £1,299 depending on their location.<sup>17</sup> We understand from Ofgem's calculations that on average across other networks this can be a lot higher, and is predicted to increase in the future to over £2,000. Households can also apply for a disconnection directly from their Gas Network Operator (GNO) to begin with,<sup>18</sup> but then they will automatically result in them being charged the higher fee. This lack of consistency in costs creates an unfair situation, where some consumers are able to disconnect at minimal or no cost, while others could face significant financial barriers. This inconsistency could discourage households from disconnecting, as the potential savings on the standing charge may not outweigh the costs of disconnection, particularly when pipe alterations are required. It also suggests that consumer interests are not being protected as the process is unfair.

Furthermore, as there's still a limited number of households disconnecting, it is likely that there is limited awareness of the process. When googling 'how can I disconnect my gas supply', there is inconsistent information. GNO websites inform customers that they need to apply directly to them,<sup>19</sup> whereas energy supplier websites inform customers that they need to apply through them.<sup>20</sup> Once again, this could lead to confusion and different households paying fairly different amounts.

Given the expected growth of low-carbon heating systems in the coming years, it's important to establish a more standardised, fair, and accessible framework for disconnection in anticipation of future demand. Without this, we risk creating a system where only a limited number of households can afford to disconnect, hindering the progress toward net-zero targets and potentially discouraging the adoption of clean heating solutions. By addressing the standardisation issues now, we can ensure that the disconnection process remains fair and accessible for all consumers, supporting both the transition to low-carbon heating and the UK's broader climate goals.

## **2. What factors impact the effectiveness of the framework in achieving its objectives?**

In our view, the key factors impacting the effectiveness of the gas disconnection framework in achieving its objectives are cost, ease of process, and standardisation. To be effective, the framework

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<sup>13</sup> <https://forum.ovoenergy.com/my-account-140/thinking-about-removing-your-gas-supply-here-s-some-advice-tutorial-9166#:~:text=What%20would%20the%20disconnection%20cost,as%20per%20the%20jobs%20list.&text=The%20job%20includes%20disconnecting%20and,else%20to%20do%20that%20part.>

<sup>14</sup> <https://www.gasconnections.co.uk/gas-meter-removal/#:~:text=How%20much%20does%20it%20cost,a%20quote%20will%20be%20prepared.>

<sup>15</sup> <https://octopus.energy/blog/disconnecting-your-gas-supply/>

<sup>16</sup> <https://octopus.energy/blog/disconnecting-your-gas-supply/>

<sup>17</sup> <https://www.sgn.co.uk/gas-connections/household-customers/disconnect-your-gas-supply0>

<sup>18</sup> <https://www.sgn.co.uk/gas-connections/household-customers/disconnect-your-gas-supply0>

<sup>19</sup> <https://cadentgas.com/our-services/household-customers/gas-disconnections>

<sup>20</sup> <https://octopus.energy/blog/disconnecting-your-gas-supply/>

must be designed to be simple and straightforward for consumers to navigate. Households should be able to easily understand how to disconnect from the gas grid and where to find the relevant information to support the process. Clear communication from energy suppliers and gas network operators is essential to ensure that customers know exactly what steps they need to take and what to expect.

Standardisation is another critical factor. At present, the lack of a uniform process means that some households may face significantly higher costs than others. For example, while some may only need their meter capped or removed, others may require alterations to their gas supply pipes, resulting in costs of over £1000 in some cases.<sup>21</sup> This lack of consistency creates an inequitable framework, with some consumers able to disconnect at little or no cost, while others are burdened with substantial fees. Ensuring a standardised process will help address this issue and provide fairness for all consumers.

Finally, the cost of disconnection plays a crucial role in the effectiveness of the framework. The process should ideally be low-cost or free, as high fees could discourage households from disconnecting from the gas grid, undermining the wider transition to low-carbon heating. If consumers find that they must pay a hidden fee, such as the significant charges associated with alterations to the gas supply, this could create a negative perception of low-carbon heating solutions, which could in turn disincentivise future adoption. To promote broader uptake of low-carbon heating systems, the disconnection process must remain affordable and accessible to ensure that households are not deterred by unexpected costs.

### **3. What factors impact the efficiency of the framework in achieving its objectives?**

The factors outlined in our response to question 2 are also relevant to the efficiency of the gas disconnection framework. Ensuring that the process is straightforward, affordable, and consistent across households will contribute to making the system more efficient by reducing unnecessary delays and complications that could slow down disconnections.

In addition to these factors, one important consideration for future efficiency is the capacity amongst energy suppliers and gas network operators. As the number of households seeking disconnections is expected to grow with the increasing adoption of low-carbon heating systems, it will be crucial to assess whether energy suppliers and gas network operators have sufficient skilled personnel to handle the demand. Ideally, customers should be able to book a disconnection within a few weeks of applying, ensuring that they are not left waiting for extended periods.

If demand for disconnections outstrips the available supply of resources, households may face long waiting times. Such delays could undermine the efficiency of the entire process and discourage households from pursuing disconnections in the first place, as well as hinder progress towards the UK's net-zero goals. Ensuring that energy suppliers and gas network operators have the capacity to meet growing demand will be essential for maintaining the efficiency of the framework in the coming years.

### **4. 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?**

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<sup>21</sup> For example, customers of SGN will pay between £917 and £1,299 depending on their location.

We agree that Ofgem should consider a wide range of factors in its review, including safety, financial, and commercial considerations.

From a financial and commercial perspective, we do not believe that gas network operators (GNOs) nor energy suppliers should profit from the disconnection process. However, we acknowledge that these organisations should be able to cover the costs associated with disconnection, such as the removal of gas meters and capping the pipes. To ensure fairness, Ofgem should seek to understand the actual costs involved in these processes to ensure that the fees charged are reflective of the true costs.

## **5. What factors do you believe will impact demand for gas disconnections?**

The main factor that will impact demand for gas disconnections is the uptake of electric low-carbon heating systems, notably heat pumps. Over the past few years, there has been significant annual growth in heat pump deployment, but this needs to increase at a faster rate over the coming years. The CCC estimate that we need 450,000 installations per year by 2030 (compared to 100,000 in 2024) and this will need to increase to 1.5 million per year by 2035.<sup>22</sup> However, meeting these targets will be dependent on government policy over the coming years to support uptake. This includes policies to increase consumer awareness and trust in heat pumps, the extension of subsidies like the Boiler Upgrade Scheme, the availability of competitive finance offers, and regulation to phase-out fossil fuel heating systems from 2035. We believe that with a comprehensive policy package, these targets are achievable. Once households have made the switch to low-carbon heating, there is an incentive for them to disconnect from the gas grid as they will only need to pay a single standing charge for electricity, rather than both gas and electricity standing charges. Therefore, we can imagine that the demand for disconnections in alignment with the rise in low-carbon heating.

Another factor that is likely to impact demand for gas disconnections is the Government's decision on hydrogen for home heating this year. We expect the Government will take the strategic decision for hydrogen to only play a minimal role at most, potentially for some industrial clusters. This decision to follow a high-electrification pathway will result in an increased demand of gas disconnections in the long-term, but equally we believe it will have an impact in the short-term. The possibility of hydrogen has given rise to significant uncertainty about the future of home heating which in turn is likely to have delayed some important policies for heat pumps.<sup>23</sup> We hope that this decision will provide industry with the clarity needed and in turn lead to further innovation and investment in the heat pump sector.

## **6. 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.**

In considering potential future regulatory frameworks for gas disconnections, we think there are four main options. Each of these frameworks comes with its own set of advantages and challenges, and

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<sup>22</sup> <https://www.theccc.org.uk/publication/the-seventh-carbon-budget/>

<sup>23</sup> <https://cornwall-insight.com/press-and-media/press-release/hydrogen-uncertainty-could-delay-uptake-of-low-carbon-heating/>

we believe it is crucial to carefully assess these in light of both the growing demand for disconnections and the need to transition away from fossil fuels.

1. **Status-Quo (Households are responsible for costs (if any) of disconnection):** Under the current model, households are responsible for the costs of disconnecting from the gas grid. This can include the capping and removal of the gas meter or in some cases, more extensive work by gas network operators (GNOs) if alterations to gas pipes are needed. While this framework offers clarity on who bears the cost, it has notable drawbacks. The process is not standardised, and the costs can vary greatly depending on the specific requirements of the household. Some homes may only need a simple meter removal (which for Octopus customers at the moment is free), while others may face expensive pipe alterations, creating an uneven and potentially unfair experience for consumers. This lack of consistency makes the framework challenging to implement at scale and could result in households feeling like they are being made to pay high 'hidden fees' for a low-carbon heating technology if they are forced to pay over £1000 for disconnection.
2. **Standardised Customer Pays Model:** A more structured version of the status-quo model could involve a standardised customer pays model, where households would still bear the cost of disconnection, but the price would be fixed and consistent across the country. This would address some of the inconsistencies seen in the current framework, offering clearer expectations for households and reducing potential inequities in cost. However, while this model could improve fairness, it still places the financial burden on consumers. If the costs of disconnection are high, it could still disincentivise participation in the decarbonisation of homes, especially for low-income households. Additionally, as the demand for disconnections rises, there may still be a need to review whether households can afford these fixed costs.
3. **Levying on Gas Bills:** An alternative framework could involve levying the costs of disconnections on gas bills, where gas network operators and energy suppliers would cover the costs of disconnection and then recover those costs by adding them to network charges. Due to the costs being spread over a large number of customers, this is unlikely to have a significant impact on gas bills in the short-term. However, care must be taken for any approach that would result in an increase in gas bills, especially considering that there are a high number of households in the UK who are in fuel poverty. Furthermore, there is a serious question of equity, as under this framework households who are not receiving or benefiting from the disconnection are paying for it. As the number of gas customers decreases (as more people switch to electrified options), the cost per customer will increase. This could negatively impact those who are unable to afford the transition to heat pumps or other low-carbon heating technologies.
4. **Nationalised Framework:** A more transformative option would involve a nationalised framework, where the government funds the disconnection process through general taxation. Under this system, households would not be required to pay for any disconnection costs, whether it's capping and removing the gas meter or making alterations to gas supply pipes. This model would ensure that no consumer is left financially burdened by the disconnection process and could be seen as the most equitable approach. However, funding disconnections through taxation would place the financial responsibility on taxpayers and would represent a cost to the public purse. Additionally, it could raise questions about the long-term sustainability of funding such a programme and the impact on government budgets as more households leave the gas network. There are also potentially equity issues



around those who aren't on the gas grid now paying for disconnections. For example, if they are off-grid or all electric new build estates.

## **7. Of these potential future frameworks, regimes or mechanisms which is preferable and why?**

After evaluating the advantages and disadvantages of each of the frameworks, The MCS Foundation advocates for a nationalised approach to gas disconnections. Given the potential high costs of disconnection, especially when alterations to gas supply pipes are necessary, this model would ensure that no household faces significant financial barriers to disconnecting from the gas grid. As Ofgem has estimated, these costs could rise to over £2,000 in the coming years, which could act as a disincentive for households considering disconnection. We believe that households should not be burdened with these costs, especially as the transition to cleaner heating systems is critical for meeting the UK's net-zero goals.

The status-quo model, where households pay for disconnection, raises significant fairness concerns. Some households may only require a simple meter removal, which is low-cost, while others may need extensive work on their gas pipes, which can incur costs exceeding £1,000. This inconsistency creates an inequitable situation, where some households face minimal charges, while others are exposed to significant financial burden. A standardised cost for every household may be a fairer option, but the cost may end up being prohibitive still.

We also have concerns about the alternative of levying the cost of disconnections onto network charges for gas bills. This would result in customers who remain connected to the gas grid effectively paying for the disconnections of others, which we believe is unfair. As more households disconnect, the cost of maintaining the gas grid would be increasingly passed on to a smaller group of consumers, exacerbating financial strain. This could disproportionately impact lower-income households who may struggle to afford the transition to low-carbon heating solutions without sufficient government support. In the worst-case scenario, these vulnerable groups could be left footing the bill for a transition they can't afford, further deepening inequality.

To ensure that any framework put in place is both fair and cost-effective, we strongly recommend that Ofgem conduct a thorough investigation into the true cost of disconnection. This will provide a clear understanding of the financial implications for all stakeholders and help ensure that the chosen model provides value for money, supports the transition to low-carbon heating, and protects consumers from undue financial burden.

In conclusion, a nationalised model offers the most equitable solution, removing the financial barriers to disconnection, ensuring fairness, and promoting the uptake of low-carbon heating.

## **8. 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?**

n/a

Additional

## **9. 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?**

n/a

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

This Call for Input is an important step in addressing the future of the gas grid, but it only touches the surface of a much larger issue — the need to decide on a comprehensive strategy for decommissioning the gas network. A decision will be made on the role of hydrogen for home heating this year, and we expect that this will confirm that hydrogen will play a very minimal role in residential heating, with the potential for it to be used only in some industrial clusters, if it plays any role at all. This raises a crucial point: with the decline in hydrogen's expected contribution to decarbonisation, there will inevitably be a continued and accelerated decline in the use of the gas grid. As the UK moves away from fossil fuels, this process will need careful planning and a clear strategy to manage the decommissioning of gas infrastructure.

One of the primary concerns is the financial burden of decommissioning the gas grid, including stranded assets and decommissioning costs.<sup>24</sup> Under the current regulatory model, network owners make investments in the energy networks, which are then paid for by customer network charges to cover depreciation and a return on investment over the lifetimes of the assets. This approach, with depreciation over 45 years, will leave about £3 billion of residual Regulated Asset Value (RAV) in 2050 based on existing assets.<sup>25</sup> This could result in higher network charges, placing an increasing financial burden on households, particularly as more consumers transition away from gas. The continued use of gas infrastructure could become unsustainable in mixed-energy neighbourhoods, where some homes transition to alternatives like heat pumps while others remain on gas. This could drive up costs for all remaining users, making the disconnection process more complex.<sup>26</sup> Decommissioning costs under a 'low hydrogen scenario' could amass to £25 billion,<sup>27</sup> and thought must be given to how and importantly 'who' will pay for this.

A report by the Regulatory Assistance Project highlighted three main approaches to gas decommissioning:<sup>28</sup>

**1. Business-as-Usual Wind-Down with Accelerated Depreciation and a Decommissioning Fund:**

**Description:** This approach involves maintaining the current regulatory model but adjusting depreciation schedules to reflect the anticipated early retirement of gas assets due to decarbonisation. A decommissioning fund would be established to cover the costs associated with decommissioning the gas grid.

**Considerations:** While this method allows for a gradual transition, it may lead to higher gas bills for consumers and could result in stranded assets if the gas network is decommissioned more rapidly than anticipated.

**2. Evolutionary Regulation to Encourage Gas Networks into Clean Heating:**

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<sup>24</sup> [https://www.raponline.org/wp-content/uploads/2023/08/2023-08\\_decomissioning\\_gas\\_FINAL.pdf](https://www.raponline.org/wp-content/uploads/2023/08/2023-08_decomissioning_gas_FINAL.pdf)

<sup>25</sup> <https://www.regen.co.uk/who-will-pay-for-gas-network-decline-and-decommissioning/>

<sup>26</sup> <https://www.nesta.org.uk/feature/future-signals-2024/shutting-down-the-gas-grid/>

<sup>27</sup> <https://www.nesta.org.uk/feature/future-signals-2024/shutting-down-the-gas-grid/>

<sup>28</sup> [https://www.raponline.org/wp-content/uploads/2023/08/2023-08\\_decomissioning\\_gas\\_FINAL.pdf](https://www.raponline.org/wp-content/uploads/2023/08/2023-08_decomissioning_gas_FINAL.pdf)



**Description:** This strategy aims to guide gas network operators towards adopting clean heating solutions, such as heat pumps and district heating systems, by incentivising investments in low-carbon technologies and services.

**Considerations:** This approach leverages existing infrastructure and expertise but requires careful regulation to ensure that the transition aligns with decarbonisation goals and does not result in continued investment in fossil fuel infrastructure.

### 3. Nationalisation with Planned Wind-Down:

**Description:** Under this model, the government would take ownership of the gas networks and manage their decommissioning in a planned and coordinated manner, potentially using general taxation to fund the process.

**Considerations:** This approach allows for a more controlled and equitable transition but involves significant public expenditure and requires careful management to avoid financial burdens on taxpayers.

Reports from Regen<sup>29</sup> and Nesta<sup>30</sup> have also started to consider this question. Whilst The MCS Foundation have not yet made a firm decision on our preferred framework, we think it's essential to start the process of planning. There needs to be a coordinated approach to gas grid decommissioning, with the Department for Energy Security and Net Zero, Ofgem, and other stakeholders collaborating to develop a plan that allocates the high costs and risks associated with stranded gas assets and decommissioning. Heating policy and planning must be properly coordinated with gas grid decommissioning.<sup>31</sup>

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***Later questions not relevant to the Foundation.***

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<sup>29</sup> <https://www.nesta.org.uk/feature/future-signals-2024/shutting-down-the-gas-grid/>

<sup>30</sup> <https://www.regen.co.uk/who-will-pay-for-gas-network-decline-and-decommissioning/>

<sup>31</sup> [https://www.raponline.org/wp-content/uploads/2023/08/2023-08\\_decomissioning\\_gas\\_FINAL.pdf](https://www.raponline.org/wp-content/uploads/2023/08/2023-08_decomissioning_gas_FINAL.pdf)