



## **SBGI Response to the Gas Distribution Price Control Review Third Consultation Document published November 2006 (Ref 203/06)**

### **1 Introduction**

- 1.1 The SBGI (formerly known as the Society of British Gas Industries) is the trade association for the UK onshore gas industry, although its scope now extends beyond gas. Its members are mainly involved in either the utility networks sector or the domestic heating market.

### **2 Innovation Funding Incentive**

- 2.1 This response is focused solely on the Innovation Funding Incentive (paras 594 - 596).

- 2.2 The SBGI supports the introduction of an IFI for gas distribution on the following grounds:

- It would serve the best interest of customers to incentivise innovation aimed at and likely to lead to improvements in efficiency, safety, environmental impact etc.
- An IFI would further focus Gas Distribution Networks on serving the long term interests of customers
- An IFI would provide a common basis for – and so encourage – Gas Distribution Networks to collaborate on Research and Development
- It would be contrary to the principle of regulatory consistency and would appear arbitrary to have an IFI for electricity distribution and gas and electricity transmission, but not gas distribution.

- 2.3 Given the focus on cost and the fragmentation of the industry, the SBGI believes that there are certain innovations which may not happen - either at all, or to the same extent or as quickly - without an IFI, including:

- Asset life extension – eg improved asset condition assessment techniques
- Operational efficiency – eg new network monitoring and control solutions, more efficient gas storage and network capacity management solutions, pressure reduction station design improvements, improved techniques for replacement
- Environment – eg injection of bio-methane from landfill into gas networks, use of gas pressure to generate electricity at pressure reduction installations, and further development of new technologies such as microCHP and home fill CNG devices
- Gas quality and flow modeling – further measures to address the issues arising from greater diversity of supply
- Safety – more investment in continuous improvement in gas safety at all stages in the distribution and use of gas