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Llywodraeth Cynulliad Cymru
Welsh Assembly Government

Eich cyf . Your ref
Ein cyf . Our ref:

12 July 2007

Gas Distribution Price Control Review - Initial Proposals Document

Dear Joanna Whittington

Please find enclosed to response of the Welsh Assembly Government to Ofgem's Gas Distribution Price Control Review – Initial Proposals Document. I have focused on the questions contained in section 7 on Sustainable Development from the perspective of the Assembly Government's responsibility for fuel poverty in Wales.

Yours sincerely

Francois Samuel
Head of Construction and Domestic Energy Unit



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Question 1: Do you agree with our assessment of the risks, costs and benefits attributable to the options for facilitating network extensions (Appendix 14)?

We have no comment to make on the assessment of risks, costs and benefits.

Question 2: Do you agree with our initial proposals (i.e. Option 3 complemented by a Discretionary Reward Scheme)?

We would welcome a change to the existing gas distribution price controls to provide a more favourable environment for gas network extension projects, and agree that they should focus on communities off the gas network which may have a high concentration of fuel poor households.

We would also support the inclusion of carbon monoxide poisoning awareness within the proposed Discretionary Reward Scheme.

Question 3: Do you consider our proposed method to implement Option 6 appropriate (i.e. through GDNs' connection charging statements)?

We have no comment to make on the proposed method for implementing Option 6.

Question 4: Do you consider the Government's Index of Multiple Deprivation to be an appropriate index to identify which fuel poor non-gas communities qualify for special treatment for gas network extensions? If not what do you recommend?

We would agree that the Government's Index of Multiple Deprivation might provide the most appropriate framework for identifying communities which may qualify for special treatment. We would like to bring to Ofgem's attention that the Wales Index of Multiple Deprivation (WIMD) is significantly different from the English Index. It might not be appropriate to set a threshold IMD score until these differences have been examined by Ofgem.

We recommend that Ofgem might consider focusing on specific domains of WIMD rather than the composite index as this probably correlates weakly with fuel poverty. It is likely that the income and work domains probably correlate quite well with poverty, and reasonably well with fuel poverty.

For more information:

<http://new.wales.gov.uk/topics/statistics/theme/wimd2005/?lang=en>

<http://www.lgdu-wales.gov.uk/eng/WimdProject.asp?id=1758>

Question 5: Do you support our proposals for the introduction of a Discretionary Reward Scheme for GDNs and its format given the larger reward?

We support Ofgem's proposals to increase the value of the reward available under the scheme to £4m per annum to network extensions. We are content that, to achieve social and environmental benefits from network extension, where a reward is made GDNs may charge marginally higher distribution costs to its customers.