



**QUALITY OF SERVICE DISCRETIONARY REWARD SCHEME  
GAS DISTRIBUTION NETWORK OPERATORS  
ENTRY FORM**

**Please note that the deadline for receipt of applications is 5pm, 15 May 2009.**

<b>GDN DETAILS:</b> (please complete)	<b>CONTACT DETAILS:</b> (please complete)
Company: National Grid	Name: Paul Rogers
Networks: North London	Title: Regulation Manager
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West Midlands	
Address: National Grid House	<b>CATEGORY:</b> (please tick)
Warwick Technology Park	Initiatives to reduce environmental impact of gas distribution
Gallows Hill	Initiatives to facilitate network extensions <b>X</b>
Warwick	Schemes to promote gas safety
Postcode: CV34 6DA	

**INTRODUCTION**

The aim of the discretionary reward scheme is to encourage and drive performance in areas that cannot be easily measured or incentivised through more mechanistic regimes.

The scheme will achieve this by recognising leading performance and beacons of excellence within the industry and driving innovation and creativity through the promotion of best practice.

The scheme is designed to reward the performance of those GDNs which best serve the interests of customers across the chosen categories throughout the year, particularly those which exceed their license requirements.

**GUIDANCE FOR COMPLETING YOUR APPLICATION**

- Keep it brief and simple. Keep to the page limits specified below, it will be the weight of your initiative(s) rather than the length of your application which will impress the Panel.
- Be specific, give examples and provide evidence where possible.
- Attach your application to this covering entry form.
- Your application should include:
  - A description of the initiative(s);
  - Background information on the initiative(s) (how it was identified, why it was implemented, the objectives, etc);
  - Information on how the initiative(s) was monitored, how success was measured and the current and future benefits to customers and the business ;
  - A description of how the minimum requirements were met and exceeded.

## THE RULES

1. Entries will be judged by a Panel appointed by Ofgem who will recommend award winners to the Authority. The final decision rests with the Authority.
2. Each GDN may submit one entry per category. GDNs must complete a separate entry form for each category. A GDN group may submit one entry per category which covers multiple networks, however, each of the networks covered by the entry must be clearly indicated in the relevant section of the entry form.
3. GDNs should ensure that their main submission for each category does not exceed 2 pages in length (excluding the covering entry form and any optional supplementary information). Supplementary information for each category must not exceed two pages in length per category
4. Entry forms must be received at Ofgem by no later than **5pm on 15 May 2009**. Entry forms should be sent to [paul.branston@ofgem.gov.uk](mailto:paul.branston@ofgem.gov.uk) electronically, with a hard copy sent to: **Paul Branston, Gas Distribution, Ofgem, 9 Millbank, London SW1P 3GE.**
5. Award winners will be announced during Quarter Two (July- September). Winners may include the category and year they received an award in advertising and promotional materials.

## MINIMUM REQUIREMENTS

### **Initiatives which reduce the environmental impact of gas distribution including those that reduce shrinkage but which may not be rewarded through the shrinkage incentive and those that improve the measurement of shrinkage**

- GDNs are pro-active in developing systems and processes that reduce gas shrinkage, the effects of which do not currently feed into the leakage model and can demonstrate meaningful improvements to the measurement of shrinkage;
- The GDNs look to develop and supplement the information in the leakage model to improve the measurement of shrinkage; and
- GDNs have effective and efficient systems, procedures and processes in place and ensure these effectively reduce the environmental impact of gas distribution and that performance in this area is regularly monitored.

### **Initiatives which facilitate network extensions, particularly those that increase the affordability of network extensions for fuel poor consumers**

- GDNs provide meaningful assistance to fuel poor customers in accessing available resources<sup>1</sup> so that they can benefit from extensions to the gas network by making associated 'in house works' more affordable;
- GDNs have appropriate and targeted communication strategies to ensure that information about their network extension programmes and initiatives is effective and reaching their target audience. GDNs should demonstrate how they measure and monitor their success in this area;
- GDNs develop appropriate partnerships with relevant stakeholders to assist in targeting these initiatives at the fuel poor customers and communities which are generally harder to reach; and
- GDNs seek feedback from their customers, stakeholders, partners and staff and use this feedback to improve their network extensions programmes and initiatives.

### **Schemes to promote gas safety including awareness of carbon monoxide**

- GDNs have a scheme, or range of schemes, that improve public awareness of gas safety (including carbon monoxide poisoning) and that are tailored to particular target audiences
- The GDNs have processes in place to monitor such schemes to ensure that they are effective in reaching their target audiences and in getting their message across; and
- GDNs seek feedback from customers, stakeholders, partners and staff regarding these schemes and their effectiveness and use this to improve their scheme.

## DECLARATION AND CONSENT

I declare that the information contained in this application is correct and true to the best of my knowledge and belief and I give consent for Ofgem to use the information and contact details provided when publishing the Best Practice Register.

<sup>1</sup> For example, from existing sources of government funding, such as those aimed at tackling fuel poverty and regeneration.

Signature: Paul Rogers by email

Date: 15 May 2009

**Initiatives which facilitate network extensions, particularly those that increase the affordability of network extensions for fuel poor customers**

**National Grid initiative to form a new Community Interest Company with a specific remit to help National Grid alleviate fuel poverty through providing new gas connections and central heating to non-gas fuel poor households. An initiative that has already started to deliver its first scheme in Stoke on Trent.**

## **INTRODUCTION**

National Grid owns and operates the electricity transmission system in England and Wales and is the system operator for electricity transmission in Great Britain. It owns and operates the National gas transmission system and four of the eight gas distribution networks (GDNs) covering North London, the West Midlands, North West and East of England. It also owns around 18,000,000 domestic and non-domestic gas meters in Great Britain and owns significant electricity and gas transmission, distribution, generation and supply businesses in the USA. It owns and operates the Grain LNG terminal in Kent which is capable of supplying up to 20% of the UK gas demand and the England – France electricity inter-connector

This submission is on behalf of the gas distribution business which holds one gas transporter licence covering all four of its gas networks.

The submission is under the category of **Initiatives which facilitate network extensions, particularly those that increase the affordability of network extensions for fuel poor customers.**

## **BACKGROUND**

Both during and after the recent Gas Distribution Price Control Review, the GDNs and Ofgem worked co-operatively to put in place the regulatory frameworks and charging methodologies to facilitate the extension of the gas network to non gas fuel poor communities and households. This process took until March 2009 to finally conclude what has proven to be a complex issue with many legal and regulatory challenges to overcome. National Grid has been at the forefront of helping Ofgem develop these principles and indeed has made a number of suggestions which have subsequently been adopted into the final proposals

Despite the uncertainty at the outset, National Grid realised that waiting for a firm basis to move forward, would delay the start of any work to connect fuel poor communities and households and so began development of delivery mechanisms in parallel with the development of fuel poor regulatory frameworks. The objective being to start fuel poor connections as early as possible to maximise the time available within the price control to fulfil Government, Ofgem and National Grid objectives in relation to fuel poverty. This paper describes what actions National Grid has taken and progress to connect non-gas fuel poor households in 2009.

## **NATIONAL GRID AFFORDABLE WARMTH SOLUTIONS**

One of the key criteria that Ofgem set in relation to fuel poor connections was that National Grid must not only provide a no/low cost gas connection, but that it must do so in partnership with an "approved " service provider. In taking a holistic and informed view of some of the issues facing Fuel Poor households, National Grid believed a scheme

that delivered a gas connection and also free or discounted gas central heating (and other energy efficient measures such as insulation) would have the greatest positive impact for householders. Taking a narrow view of simply providing a gas connection where it is likely that the householder could not afford to install heating is ineffective.

National Grid approached a number of potential partners during 2008, but could not identify an organisation with the funding, geographic footprint or commercial neutrality that matched the needs of the Fuel Poor customer and indeed could satisfy the Ofgem criteria. Historically, National Grid has an excellent track record of establishing successful community interest companies (CIC) such as 'Warm Wales – Cymru Gynnes CIC' and 'Community Energy Solutions CIC'. With support from National Grid, these two organisations have been highly successful in leveraging third party funding and delivering schemes similar to the warm zone concept. Having established these organisations pre-network sales it is recognised that they now operate locally in other Gas Distribution Network areas and indeed they continue to meet the needs of fuel poor households.

No such companies however existed within the National Grid gas distribution network footprint. Hence, in response to the fuel poor 'challenge,' National Grid built on the expertise and reputation of its former Affordable Warmth Programme and dedicated a team to explore the potential of setting up a new independent community interest company. Realising the benefit of an independent company to leverage the funding and expertise to provide "in house" services to complement new gas connections, National Grid has established Affordable Warmth Solutions CIC. This company's purpose is to provide affordable energy efficient solutions to fuel poor communities and individuals in our network footprint. By bringing together funding partners and energy companies, the company provides a delivery model which National Grid can access in terms of providing efficient fuel poor connections where required but also provides a mechanism which independent Gas Transporters and Infrastructure Connection providers can also access to leverage the funding partnerships that National Grid AWS will bring together.

To assist vulnerable customers and to build investor confidence the company trades under a licence agreement as 'National Grid Affordable Warmth Solutions' (National Grid-AWS). National Grid is a member of this independent CIC that is presently appointing further members and non-executive Directors. It already has Non Executive support from the National Energy Action organisation who are providing a Board member. Having established this new venture National Grid has seconded a senior manager who worked on the earlier Affordable Warmth programme as Chief Executive and an additional member of staff to administer contracts. In addition to the executive team the company now employs a total of 5 staff and managers.

National Grid-AWS has developed arms length commercial contracts with National Grid to deliver fuel poor connections and "in house" services to around 5,000 vulnerable homes over the price control period. The contract includes performance reporting obligations so that National Grid can monitor the number of fuel poor households connected under the scheme. In addition to National Grid's investment, National Grid-AWS has agreed (subject to final contract) a funding package of some £13.5million with a leading energy supplier for new gas heating systems and other energy efficient measures.

In addition National Grid-AWS is at an advance stage of discussions with a leading independent gas transporter to deliver, on its behalf, a number of 'fuel poor schemes'. This initiative is a further enhancement to the original objectives of Ofgem's fuel poor scheme and provides further evidence of National Grid's continued commitment to safeguarding the environment for future generations through promoting good energy management and assisting fuel poor households.

## **DELIVERY TO DATE**

During 2008 and early 2009, National Grid-AWS has been surveying a number of potential community projects as well as developing processes for fuel poor, one-off connections. In addition, it has been seeking third party funding for "in house" services with a number of energy suppliers. Subject to final contract discussions National Grid-AWS will shortly announce this major funding arrangement.

### **Community Schemes**

In partnership with National Grid, Stoke City Council and Scottish Power, National Grid-AWS has designed and planned a fully funded programme to provide new gas connections to 48 non-gas vulnerable fuel poor households in Stoke. Construction work commenced on 20 April and the project, including new heating systems is due for completion at the end of May 2009. **The total investment in this project is some £220,000.**

In addition, National Grid-AWS has identified a further 10 potential projects across our networks that if feasible and economic will be constructed over the next 12 to 18 months. National Grid-AWS is also working with a leading Social Housing Provider on a scheme to connect some 120 low income, vulnerable homes within a defined geographic area. Whilst not strictly a single community scheme this coordinated programme of one-off gas connections is likely to result in an investment of some £500,000 by scheme partners. In adopting this holistic and coordinated approach to tackling local issues, National Grid-AWS are likely to make a previously uneconomic proposal into a ground-breaking scheme.

### **One-off domestic connections**

National Grid has commissioned a number of changes to its online connection quotations processes to enable fuel poor customers to be identified and directed to National Grid-AWS for support in providing a whole-house energy solution. In addition, National Grid-AWS has been working with National Grid's mains replacement teams to identify where fuel poor households may be able to be connected in conjunction with mains replacement activity.

In these circumstances National Grid-AWS will engage the householders and offer a fuel poor voucher against the cost of a new gas connection, in addition householders will be offered free or discounted heating systems together with other energy efficiency measures e.g. insulation. These services will be provided through a single entity National Grid-AWS ensuring the customer experience is positive and informed, ensuring value for money and high technical standards of work.

National Grid believes it has gone further than other GDNs, with an approach which is both innovative and unique in the field of non-gas fuel poor connections, by creating a new independent community interest company and delivery model with a specific objective to deliver an end to end fuel poor connections service. In the space of six months, we have set up National Grid-AWS, that has been able to identify, plan and deliver the Stoke project, together with identifying a further potential 10 community projects plus the initiative in providing 'one-off' gas connections. Moreover by securing third party funding, National Grid-AWS is able to resolve, in part, one of the major sticking points for local authority, housing association or private housing schemes, that of funding for new heating systems. It is also designed to meet Ofgem's objective to help National Grid, Independent Gas Transporters and Infrastructure connection Providers to deliver a long-term sustainable solution to fuel poor connections. The work in Stoke should be the start of many such community projects and one-off fuel poor connections during the course of this price control period and beyond.

**Enclosures: National Grid-Affordable Warmth Solutions brochure.**



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