Key Issues facing Gas Distribution Networks within the next price control review (GDPCR2)



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1 | Energy Networks Association

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≻The first Gas Distribution Price Control Review subject to "Sustainable Regulation Principles"

≻Energy Policy

≻The HSE review of Replacement

➤Summary

## Sustainable Regulation principles



>Our first price control review subject to "Sustainable Regulation" principles

*▶Output based* 

► Longer term context

Balance of focus on current and future consumers

➢Process challenges

Cutputs / Stakeholder engagement / Business plan all completed by July 2011

 $\succ$  Fast track process – how will this be applied and what will be the consequence on the process?

*Ofgem and some ownership groups running two major reviews in parallel* 

## ➢Funding challenges

How will the financeability principles be applied to GDPCR2 to ensure continued, necessary investment, given competing demands for capital?

How will risks around a longer term price control be managed?





>How we balance security of supply, affordability and the environment is proving a real challenge for the energy policy makers

≻The future energy mix is uncertain

▶ Previous analysis suggests electrification based around renewables is the answer

More recent analysis suggests gas may play a more significant role than previously suggested

Oil and Gas UK report
ENA / Redpoint independent report
CBI reports
The role of unconventional gas

≻Further analysis will emerge



≻Gas Distribution has plastic and non plastic mains underground

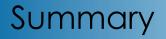
> We are eight years into a 30 year programme of replacing non plastic pipe with plastic as a precautionary approach to reduce risk to the general public

> We acknowledge the materiality of the programme within our businesses to allow networks to comply with their legal and safety obligations

We must be mindful of the original reasons and benefits of the programme and the potential implications of change, e.g. value of environmental benefit in reducing leakage / emissions

The networks are already fully engaged with HSE and Ofgem and will continue to engage throughout the review

The timing and outcome of the review is likely to have implications on GDPCR2





≻Gas Distribution, in parallel with Transmission, will be the first sector subject to the Sustainable Regulation principles

➢GDPCR2 will be conducted during a period of uncertain energy policy and a challenging economic environment

The HSE review of Replacement will have a significant impact on this and future price control reviews

The networks are fully engaged and we want to ensure an appropriate outcome that balances the risks, needs and rewards appropriately between all parties