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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

- *Outputs / Stakeholder engagement / Business plan all completed by July 2011*

- *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

The HSE review of Replacement

- 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