

### Part 1 - About you

Question	Your response
<i>What is your name?</i>	Stephen Parker
<i>What is your position?</i>	Regulation Director
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### Part 2 - About your business

Question	Your response
<i>What is your company's name?</i>	Northern Gas Networks
<i>What is the nature of your company's business? Please state if this involves Fuel Poor Network Extensions Scheme, or Fuel Poverty related work.</i>	Gas distribution
<i>What areas of the country does your business operate in?</i>	Northern England

### Part 3 – FPNES review questions

**Q1 – How do you think the voucher calculation should be amended for funding DH schemes? From which party would the future gas transportation revenue be recovered?**

We see there are basically two options as to how this could work:

1) Where a district housing scheme developer wants a gas connection to a CHP plant then assuming all the premises on the scheme are eligible under the fuel poor criteria then the fuel poor voucher would simply be equal to the NPV of the gas transportation revenue to the CHP plant. For calculation of the revenues this would exclude the customer element of the transportation tariff.

2) Use the same voucher value for all customers as per the current methodology irrespective of whether connecting to gas network or district heating scheme.

Option 1 would maintain the principle of cost recovery from future transportation revenues but would result in a smaller voucher value per customer and some may argue this would discriminate against a district heating solution. Option 2 provides the same level of support for all customers but breaks the cost recovery principle and would therefore result in gas network customers providing a subsidy to district heating customers. On balance we support option 1.

Transportation revenues are always charged to gas shippers. The operator of the CHP plant would have a contract with a relevant shipper for the supply of gas to the plant.

**Q2 – What calculations and assumptions should be made for:**

- 1. the gas consumption of the CHP unit and for the individual DH connected households.**
  - 2. asset life over which the connection costs are recovered.**
- Please provide detailed suggestions in your response.**

The consumption of a CHP plant can vary significantly dependent on size and usage so it is extremely difficult to come up with standard assumptions. With regard to end customer energy consumption this could be calculated from conversion of the TDCV to a heating load equivalent.

We see no reason why the connection costs for a CHP plant should vary from the treatment of any other capex under the price control and therefore recovered on a “sum of digits” basis over 45 years.

**Q3 – Do you think the partnership eligibility criteria for the Scheme should be amended to support the inclusion of DH and if so, how? Please provide detailed suggestions in your response.**

No. The criteria assess the individual/household and should not be varied based on what particular heating technology is being proposed.

**Q4 - In addition to the current arrangement, how can the Scheme be modified to better enable gas connections for eligible households that are located adjacent to an iGT network?**

We see there are two issues that need to be addressed.

Recovery of any CSEP fuel poor voucher monies by the IGT from the GDN.

Under the GDPCR1 price control no upfront funding was provided to the GDNs for any fuel poor connections including those carried out by the GDNs themselves. All monies had to be recovered at the end of the price control and the arrangements with IGTs mirrored this approach to avoid discriminatory treatment. Under RIIO-GD1 funding has been provided in totex for the fuel poor outputs in GDN business plans based on the fast/slow money split. However, as under GDPCR 1 no IGT had ever done any fuel poor connections NGN business plan targets did not include any IGT connections.

To address this issue we believe the solution is to include any CSEP voucher costs as a pass through item under the miscellaneous pass through term in the RIIO GD1 price control subject to an efficiency review by Ofgem of the IGTs costs. The GDN would then pass these monies back to the IGT. The precise timings of these flows would need to be determined but should be annually rather than at the end of the price control.

Discrimination of One-off Fuel poor customers seeking to connect to an IGT network

Where a main outside a customer's property belongs to an IGT our understanding is that currently the IGT would levy a charge to the customer for the difference between the CSEP fuel poor voucher and the actual cost of connection. Such a customer connecting to a GDN network would receive the full voucher value and would in most cases not face a charge leaving the IGT customer in a worse position.

The solution is to obligate the IGT to make up any shortfall between the CSEP fuel poor voucher and the actual cost of connection recovering the costs through its transportation charges. This would then mirror the GDN arrangements, remove the discrimination and mean all customers contribute in the correct proportion to the subsidy being provided.

***Q5 What is your view on our proposal to introduce changes to the partnership approval process and the obligations of the partner organisations?***

We agree with these changes.

***Q6 What is your view on our proposal to use the medium gas Typical Domestic Consumption Value, published and updated periodically by Ofgem, as the average gas consumption number in calculation of the fuel poor voucher?***

We agree with this change.

Our current policy is that the voucher value is calculated at the point the customer is quoted for a connection. So long as the quote is accepted within the quotation validity period we do not recalculate the voucher value. This provides certainty to the customer. With more frequent changes to the TDCV we will continue to apply this policy unless Ofgem requires a different approach.

***Q7 We welcome your views on the fuel poor output incentive mechanism.***

NGN is very much committed to maximising the benefits we can deliver to fuel poor customers as demonstrated in our DRS and stakeholder submissions but we are not convinced this merits a further separate financial incentive based purely on the number of fuel poor connections made.