



Making a positive difference
for energy consumers

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Dear Stephen

Approval of Northern Gas Network's revised Connection Charging Methodology Statement

You submitted a revised copy of Northern Gas Network's (NGN's) Connection Charging Methodology Statement (the "Statement") to us¹ on 24 December 2015. The Statement had been revised to incorporate the recent changes we made to the Fuel Poor Network Extension Scheme (the "Scheme").

Standard Condition (SC) 4B of your Gas Transporter Licence states that any modifications to the Statement can be vetoed by us. On this occasion, we have decided not to veto the changes you propose to make to the Statement. Our decision is explained below.

Background

SC 4B of your Gas Transporter Licence sets out the obligations for you to put in place and maintain a connection charging methodology. In particular, SC 4B states that you must review the connection charging methodology at least once in every year and make modifications in order to make sure it continues to achieve the relevant charging objectives.²

It also states that any modifications must be submitted to us alongside a report which sets them out, explaining why they will better facilitate the relevant objectives, and including a timetable for implementing the changes. We have a 28 day period starting from the date this information is submitted to veto the proposed modifications, ie to issue a direction to the licensee that the modification shall not be made.³

We recently reviewed and made a number of changes to the Fuel Poor Network Extension Connection Scheme.⁴ A full description of the changes we made to the Scheme can be found in the final decision document published on our website.⁵ Some of the changes we made to the Scheme have required you to revise the connection charging methodology statement including:

¹ The Gas and Electricity Markets Authority. Ofgem is the Office of the Gas and Electricity Markets.

² SC 4B, paragraph 4

³ SC 4B, paragraph 6

⁴ The Review was launched in August 2014. The consultation letter can be found here:

<https://www.ofgem.gov.uk/publications-and-updates/fuel-poor-network-extension-scheme-review-consultation-letter>

⁵ The Fuel Poor Network Extension Scheme final decision document can be found here:

<https://www.ofgem.gov.uk/publications-and-updates/fuel-poor-network-extension-scheme-final-decision-document>

- changes to the Scheme's eligibility criteria that will apply from 1 April 2016
- using the median Typical Domestic Consumption Value (TDCV) as the source of average gas consumption in the fuel poor voucher calculation.

The changes you propose are described in more detail below.

Revisions to NGN's connection charging methodology

You propose to make a number of changes to section 2.19 of the Statement - this section explains the fuel poor voucher. You propose to revise text in this section so it reflects the Scheme's eligibility criteria we will implement from 1 April 2016. In particular, changes are made to:

- explain that domestic consumers who reside within the 25% most deprived areas as measured by the Index Of Multiple Deprivation qualify for support. Similar changes are also made in sections 4.1 and 4.3
- explain that domestic consumers who are eligible for measures under the Home Heating Cost Reduction Obligation (HHCRO) qualify for support
- explain that the Low Income High Cost indicator will be used as the fuel poverty measurement
- delete the priority group eligibility criterion
- explain that the median TDCV will be used as the measurement of gas consumption by a typical domestic consumer. Similar changes are made in section 4.3.

We also note that you propose to make a number of other minor changes to the Statement. These are mostly straightforward text corrections and include:

- expressing values in kWh instead of MWh in section 1.4
- adding the words "design and/or" in section 2.1 when discussing connection design philosophy
- amending the format of hyperlinks throughout the document
- changing the definition of "Qualifying Person" in Annex A by adding the words "a state" before "pensionable age"
- updating the monetary values used in the Connection Charging Examples contained in Annex F.

Our decision

We have considered the modifications you propose to make to the Statement. We are content that they update the Statement to reflect the changes we have made to the Fuel Poor Network Extension Scheme. In particular, that the Statement now sets out the revised Scheme eligibility criteria that will apply from 1 April 2016.

We are also content with the other text changes you propose to make to the Statement.

Decision Notice

In accordance with Standard Condition 4B of the Gas Transporter Licence, the Authority has decided not to veto this modification to the connection charging methodology of Northern Gas Networks Limited.

Yours sincerely

Paul Branston

Associate Partner, RIIO Networks

Signed on behalf of the Authority and authorised for that purpose