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Dear James

Re: Statutory Consultation on Fuel Poor Network Extension Scheme

This response is made on behalf of National Grid Gas plc (NGG), in our role as owner and operator of 4 Gas Distribution Networks.

NGG supports the proposed Scheme incentive mechanism and believes it will make a real difference to customers in fuel poverty. However, we consider clarification is required on how the incentive mechanism will work in practice.

Paragraph 4J.6 (b) & (c) of the proposed licence condition refers to any justified over- or under-delivery in accordance with the RIIO principles. It is unclear what is meant by '*in accordance with the RIIO principles*'. Ofgem should provide an explanation as to what it envisages this term will mean and include a definition within the licence condition or a cross-reference to where these principles are set out.

It is not clear in 4J.6 what the detailed explanations should consist of; to avoid any misunderstanding it would be beneficial for Ofgem to provide guidance.

Annex A refers to scheme connection targets and not specifications. Therefore, there is no requirement to refer to "specifications" in 4J.6a.

Despite previous discussions with Ofgem, and indicating in the draft response that the Gas Distribution Networks (GDN's) should be incentivised to facilitate the delivery of Independent Gas Transporter (IGT) connections and district heating solutions, There is no reference to this in the proposed Licence Condition. NGG suggests that Ofgem corrects this oversight prior to implementation.

We note your comment in the covering letter that 'the RIGs are an appropriate location for the definitions'. However, we remain concerned that the Regulatory Instructions and Guidance (RIGs) definitions are subject to change and this may lead to inconsistency from that originally intended by the licence. If Ofgem decides not to include complete definitions in the licence condition, this issue needs to be managed appropriately should definitions in the RIGs change.

The references in paragraphs 4J.5 and 4J.7 to '4I.4' need amending to '4J.4'. For clarity, we suggest that the wording at the start of paragraph 4J.6 should be amended as follows: The Licensee's Performance Report.

NGG remains committed to its fuel poor ambition in order to reduce costs for consumers. We would welcome the opportunity to discuss with you, and work to resolve, the issues and concerns raised in this letter, at the earliest opportunity.

If you would like to discuss any aspect of this response please contact Stuart Easterbrook on 07880 783427 or Stuart.Easterbrook@nationalgrid.com.

Yours sincerely,
[By email]
Paul Rogers
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