

**Paul Harland**  
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Network Assets  
Queens House  
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Dear Paul

### **GD 23 Price control determination**

Thank you for the opportunity to respond to the Gas distribution price control draft determination.

The recent Climate change (no 2) bill outlined the policy objectives of the Northern Ireland assembly and including a 48% lower than baseline target in the year 2030. The approach taken in the GD 23 price control could have a material impact on whether these targets are met.

We note that the vires of NIAUR has not been changed in recent years and the promotion of the development of an efficient economic and co-ordinated gas industry remains a key function.

### **Connections targets and Network Allowances for new connections**

Fundamental to the development of the gas industry is the need to promote new connections. In this regard the draft determination is unambitious and, with the proposed removal of the allowance incentive system, contrary to the long term aim of developing the industry, and in so doing achieving the policy objective inherent in the 2030 target.

In particular:

1. The calculation of the economic benefit of each connection is very conservative, assuming a 15-year recovery for items which clearly last longer than this;
2. The analysis ignores the carbon savings inherent in switching from oil to gas. The connection allowance is an extremely cost-effective way of reducing emissions. Using the figure of £410 for an allowance, and NIAURs preferred timescale of 15 years, the cost per ton of co2 saved is in the range £5 - £25/ton<sup>1</sup>. Current government guidance on the valuation of greenhouse gas emissions suggests £248/ ton. <sup>2</sup> Indeed the current incentives for electric vehicles, including the company car tax saving, are currently in the

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<sup>1</sup> Value depends on the efficiency of the boiler that is being replaced

<sup>2</sup> [Valuation of greenhouse gas emissions: for policy appraisal and evaluation - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

£1000/ton range. Consequently the value of the connections as outlined in the draft determination is materially understated.

[mutual-energy.com](https://www.mutual-energy.com)

3. The suggested movement away from an incentive allowance per connection to an activity-based allowance could in no way be portrayed as a positive step to promote good connection performance by the distribution companies. The incentive to outperform is very necessary to promote and develop the industry.

The actual targeted number of connections and incentive allowances are inter-related. We would ask that NIAUR reconsider this part of the determination with a view to being more ambitious in the targets, in order to promote the proven decarbonisation effect of the move to gas, and to make the connection incentives fit for purpose to encourage the distribution companies to not only hit their targets but to outperform.

Yours Faithfully



Gerard McIlroy