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Our Reference: 3/12/3.70

Paul Harland
Regulation Manager
Utility Regulator
Queen's House
14 Queen Street
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12/02/2015

Dear Paul

Re: Price Control for Northern Ireland's Gas Distribution Networks GD17

The Consumer Council welcomes the opportunity to respond to the Regulator's discussion document concerning the GD17 price control for Northern Ireland's gas distribution networks.

The Consumer Council supports the Regulator's overriding aim to continue the growth and development of the gas networks in Northern Ireland. The Consumer Council is in support of transitioning to a carbon free renewable energy industry in Northern Ireland and believes development of the natural gas networks is a stepping stone to achieving this goal.

The Consumer Council recognises the need to incentivise growth in the natural gas networks and encourage new customers to connect. To this end it is essential that gas distribution network companies (GDNs) have appropriate incentives to grow their networks to allow new customers to connect to natural gas. However, more needs to be done to raise awareness of the availability of natural gas in areas where connections to the networks are currently possible. Research undertaken by the Consumer Council in 2014 indicates that 46% of unconnected residents living in areas currently served by



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natural gas either believed that connections were not available or were unsure of availability¹.

The Regulator explains that it will consider looking into the possibility of separate allowances and targeted connections within the current Connection Incentive Mechanism, for fuel-poor consumers, to help drive connections to this customer type. The Consumer Council strongly encourages the Regulator to pursue this area of investigation.

The Consumer Council believe that fuel poor households should be targeted for help in connecting to gas. It is these households that will most benefit from converting to gas and that are least likely to convert without significant help. Research shows that fuel poverty is at its greatest extent in households with incomes below £15,000 and amongst private tenants. Furthermore households using oil have higher levels of fuel poverty than those using mains gas².

Private tenants are the group of consumers who have the least control over both the fuel used in their home and the standard of energy efficiency in their home. Therefore allowances and incentives to increase connections targeted at the fuel poor should particularly focus on fuel poor private tenants.

To encourage consumers to convert from oil to natural gas potential users will need to be convinced of the benefits it will bring. The Consumer Council has found that 60% of non connected consumers didn't know if converting to natural gas would save them money on an annual basis³. This research was undertaken at a stage when natural gas was cheaper than home heating oil and had been for several years. Although the situation has become more complicated with the recent drop in the price of crude oil, more needs to be done by GDNs to inform non-connected customers of the potential benefits of converting to natural gas.

The Consumer Council also believes that the manner of the intervention that the GDNs make should include providing energy efficiency advice and insulation measures. It is of little value to fit a highly efficient condensing boiler and system if a proportion of the heat produced is lost through poor insulation.

Of equal importance to incentivising connections is requiring GDNs to improve their efficiency and performance to ensure existing customers receive high standards of service and reliability of supply.

The Consumer Council believes it is essential that the views of consumers are central to informing the decision making process undertaken by the Regulator. We therefore welcome the proposal to incorporate consumer engagement in the price control

¹ Consumer Council Energy and Money Affairs Research (2014)

² Northern Ireland House Condition Survey (2011)

³ Consumer Council Energy and Money Affairs Research (2014)



process. It is important that consumers are able to express their opinions via survey, focus group discussions, or a combination of these regarding their willingness to contribute to service enhancements and the impact that such enhancements would have on their bills. The Consumer Council would be willing to cooperate with the Regulator and the GDNs to help facilitate the delivery of this research.

The Consumer Council also believes there would be merit in including the review of the appropriateness and relevance of the Guaranteed and overall Standards of Service already in place as part of the consumer engagement and research process. Alterations to the Standards of Service may have an impact on the price control and to provide certainty for consumers it would be beneficial to undertake this review prior to the GD17 determination rather than during the price control period as explained in the discussion document.

We would also like to make some additional comments specific to points raised in the document.

We note and welcome;

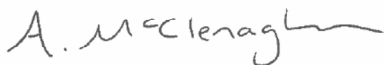
- That the Regulator has put more detailed cost reporting arrangements in place and that a higher level of engagement for all aspects of the price control is provided for;
- The acknowledgement by the Regulator that there is a 'growing need for a more holistic, more strategic approach to the management of all aspects of the gas industry'. This is a point that we made in our response to the PNG GD14 Price Control, when we said, 'The GD14 Price Control is an opportunity for Government, the Utility Regulator and stakeholders to consider the cost of getting more consumers to use gas, who should pay for it and who should be the beneficiaries. The DETI Strategic Energy Framework for NI contains a target to 'agree a strategy to incentivise gas connections and increase gas uptake in existing and future licence areas'. This is an issue that that will not only benefit potential gas users in the existing licence areas but also those in DETI's proposals for taking 'Gas to the West'. As GD17 covers both PNG, firmus and possibly the 'Gas to the West' project this point is pertinent;
- That the Regulator plans to review the existing asset management system in place and ensure that it is fit for purpose. The quality and availability of asset data has been a problem in past price controls. Clear and verifiable data provides consumers and their representatives with a better understanding and increased confidence in the outcomes of the price control;
- We welcome that the Regulator intends to consider the possibility of targeted allowances within the current 'Connection Incentive Mechanism' for Fuel Poor consumers, to help drive connections to this customer type;



- The Regulator's commitment to consider a range of views on how best to ensure user commitment in the GTW project;
- The Regulator's commitment to stakeholder engagement. It is important that stakeholder engagement is included as a milestone in the price control process and is driven by the GDN's with support from the Regulator and the Consumer Council. To this end we have had initial discussions with GDNs on how the views and experiences of consumers could inform their business cases for GD17;
- That the Regulator will 'consider revising during the GD17 price control period, the measures in place to ensure ongoing focus of the GDNs on consumer interests and needs'.

If you would like further information on any of the points raised in this letter please contact me on 028 9067 4808 or amcclenaghan@consumercouncil.org.uk.

Yours sincerely



Andy McClenaghan
Senior Policy Officer (Energy)



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