

**Decision Paper on the Extension to the  
Gas Conveyance Licence of Phoenix  
Natural Gas Limited – Whitehead**

04 July 2018



# About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs; Electricity; Gas; Retail and Social; and Water. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

## Our Mission

Value and sustainability in energy and water.

## Our Vision

We will make a difference for consumers by listening, innovating and leading.

## Our Values

Be a best practice regulator: transparent, consistent, proportional, accountable, and targeted.

Be a united team.

Be collaborative and co-operative.

Be professional.

Listen and explain.

Make a difference

Act with integrity.

## Abstract

This paper sets out the Utility Regulator's proposals to extend the licence area contained within the licence granted to Phoenix Natural Gas Limited to include Whitehead. This extension comprises a previously undeveloped town for development and requires capital expenditure in excess of £3m. It will make gas available to around 2,250 properties over the total period.

## Audience

This document is likely to be of interest to; the licensee affected; other regulated companies in the energy industry; government and other statutory bodies; and consumer groups with an interest in the energy industry.

## Consumer impact

The effect of this extension is to ensure that natural gas connections are available in an area that has not been developed to date. It will allow access to a cleaner alternative fuel source for consumers. It will seek to aid a reduction in fuel poverty.

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# 1. Purpose of this Paper

- 1.1. This paper sets out the responses received in relation to the consultation on the Extension to the Gas Conveyance Licence of Phoenix Natural Gas Limited in respect of the town of Whitehead (which consists of the electoral wards of Whitehead and Blackhead).
- 1.2. This paper also deals with the Utility Regulator's decision in this area.

## 2. Background

- 2.1. On 3 May 2018, Phoenix Natural Gas Limited (PNGL) applied for our approval, under Article 8 of the Gas (NI) Order 1996, to grant an extension to its Conveyance Licence, to facilitate conveyance in the town of Whitehead.
- 2.2. The reason for this extension is to allow for the construction of the pipeline infrastructure necessary to facilitate the conveyance of gas to Whitehead.
- 2.3. The capital investment for the overall project is upwards of £3m and is estimated to make gas available to approximately 2,200 domestic properties and approximately 50 small industrial and commercial businesses.
- 2.4. On 1 June 2018<sup>1</sup>, the Utility Regulator gave notice under Article 8(4) of the Gas (Northern Ireland) Order 1996, of its proposal to grant an extension to the Conveyance Licence of PNGL, and facilitated representations or objections.
- 2.5. The proposed modification grants the addition of 2 wards (namely Whitehead and Blackhead) to schedule 1 of the PNGL licence, on a non-

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<sup>1</sup> <https://www.uregni.gov.uk/consultations/consultation-natural-gas-extension-whitehead>

exclusive basis and can be viewed as part of the Notice under Article 8(6) of the Gas (Northern Ireland) Order 1996 published on our [website](#).

### 3. Responses Received to the Consultation

3.1. The Utility Regulator received 2 responses in relation to the proposed licence extension and modification, both of which have been published on our website, from the following parties:

- a) [Firmus Energy \(Distribution\) Limited](#), and;
- b) [The Consumer Council Northern Ireland \(CCNI\)](#).

3.2. Both responses are broadly in support of the extension and any future extensions that may occur.

3.3. firmus energy noted a number of elements they feel should be considered alongside project net present value (NPV). Many of these are current considerations when forming the underlying assumptions that shape the NPV calculation, however, firmus have outlined an interest in discussing how their suggestions would work in practice in more detail with the Utility Regulator.

3.4. The UR would be happy to have further discussions and would note that in recent years we have worked alongside network operators in order to extend the networks where it is economically viable to do so in line with our statutory duties.

3.5. The Consumer Council underlined anecdotally how “readily connectable” properties can sometimes be missed due to small margins, so they pose a question to find out if the economics would allow for more pipe to be laid in Whitehead to pass as many properties as possible.

3.6. We would note that the overall economics of any project will dictate how much pipe can be feasibly laid. The greater volumes anticipated drive the

amount of pipe laid.

3.7. They would also like to see the burden of the cost of conversion to natural gas being lifted as far as possible off customers.

3.8. The Utility Regulator considered this point as part of the GD17 price control determination and would expect it to arise again in the next price control process.

## **4. UR Decision on Extension to Licenced Area and Modifications**

4.1. The Utility Regulator reviewed the PNGL licence application received under Article 8 of the Gas Order (Northern Ireland) 1996<sup>2</sup>.

4.2. The information submitted follows the published schedules and principals as laid out in the Gas (Applications for Licences and Extensions) (Amendment No. 2) Regulations (Northern Ireland) 2013<sup>3</sup>.

4.3. Careful consideration was given to the responses which were received to the consultation.

4.4. In line with the Utility Regulator's statutory duties to ensure the economic, efficient and co-ordinated development of the gas industry within Northern Ireland, we are satisfied that the proposed extension of the network to Whitehead and the associated wards adhere to these principles and will bring significant benefits to customers in the town.

4.5. In accordance with the power conferred on it by Article 8(2) the Utility Regulator grants the extension to the PNGL licence to increase the area authorised by that licence and will implement the licence modifications as set out in the notice given in accordance with Article 8(6) as outlined in paragraph 2.5.

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<sup>2</sup> <http://www.legislation.gov.uk/nisi/1996/275/article/8>

<sup>3</sup> Namely the Gas (Applications for Licences and Extensions) (Amendment No. 2) Regulations (Northern Ireland) 2013: <http://www.legislation.gov.uk/nisr/2013/281/made>