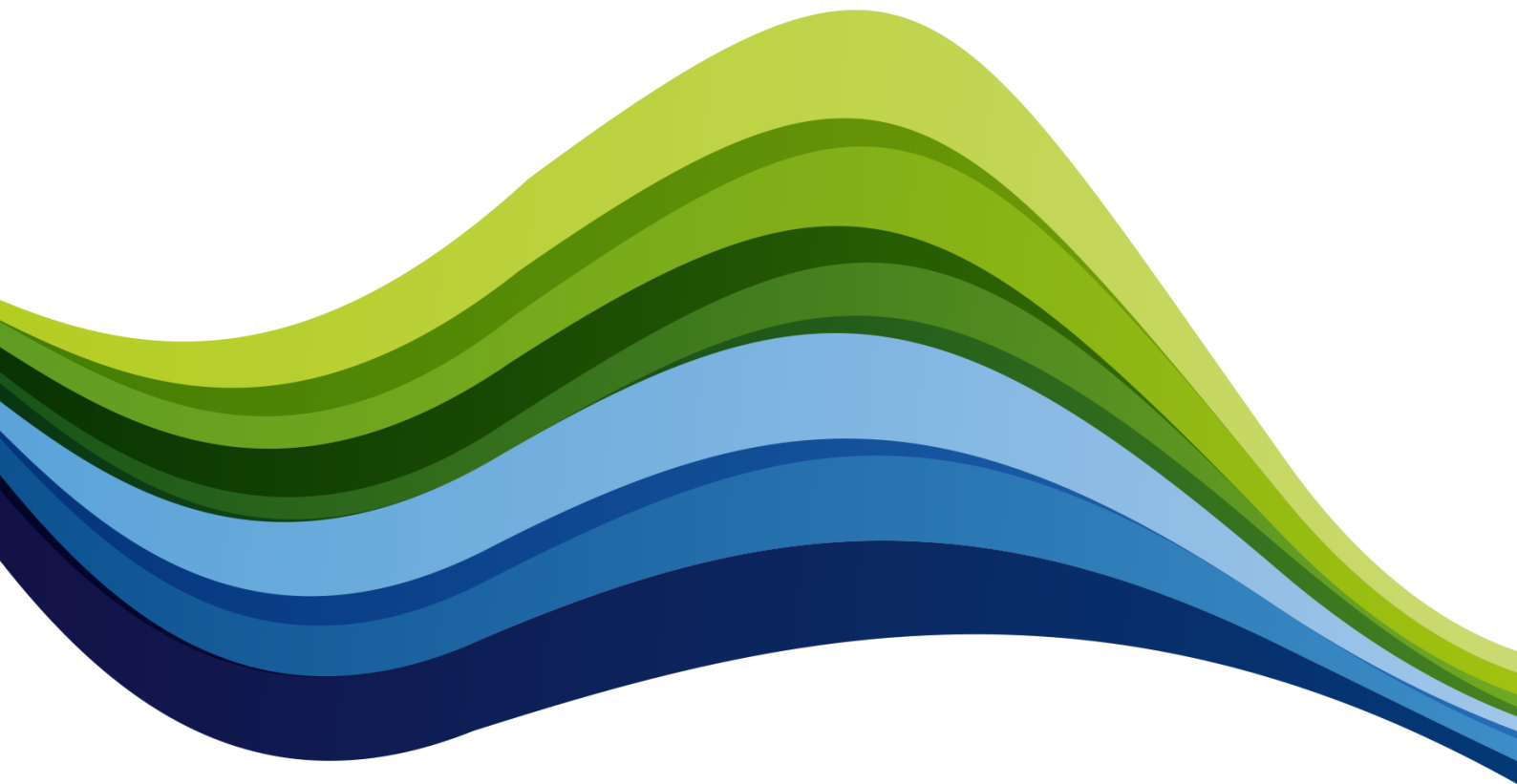


## **AGSNI response to GD17 Draft Determination**

### **Gas distribution network price control**

If you have any questions in relation to our response, please don't hesitate to contact me at [lisa.fahy@sse.com](mailto:lisa.fahy@sse.com)



## Introduction

SSE Airtricity Gas Supply Northern Ireland (AGSNI) welcomes the opportunity to comment on the UR consultation on the GD17 draft Determination for the gas distribution network price controls. The consultation sets out the sets out the Utility Regulator's thinking on rate of return and allowance to be recovered for the 3 DNOs; firmus, PNGL and SGN.

This response addresses AGSNI's interaction with the network operators and the role it plays as an intermediary between the DNO and the end user (gas customers). We have also included comments on the Supplier of Last Resort (SoLR) element of the control and briefly on the rate of return.

## Response

### Supplier interactions

The network code sets out the systems and processes for interactions with the network operator for a broad range of functions. AGSNI is often an intermediary for contact between the network operator and the customer. A good example of this is the process for arranging various site-works activities. According to the network code this is to take place through the supplier. This is a time intensive process which often leads to AGSNI having to explain and justify regulatory approved charges<sup>1</sup> for the network operator.

A potential solution would be for the network operator to increase direct interactions with customers to deal with queries in a more efficient and timely manner through its customer service department. AGSNI would encourage the UR to consider the potential customer benefit to directing network related queries to the network operators.

In the meantime however, it would be useful for a document explaining the calculation and basis for the network operator's statement of charges to be published either on their own website or in a collective document on the UR website. Put simply, this could serve as a FAQ document for customers and should reduce the level of queries suppliers receive. AGSNI is happy to provide examples of the queries it is receiving from customers on network works directly to the UR or through an appropriate industry forum. AGSNI will consider possibilities for proposing modifications of the relevant network codes in the near future to simplify and improve these processes.

AGSNI also interacts with the network operator through the site-works system for a number of reasons including switching and to access the asset register. In the case of PNGL there is no specific reference to this system in the draft determination. There are a number of minor adjustments that could be made to this system to make it more useful for suppliers. For example, the inclusion of additional fields in this system and the ability to make requests raiser specific would make searching more efficient and the removal of other inputs such as postcodes for accessing the asset register would be helpful. AGSNI would encourage the UR to ensure adequate resources are provided to improve IT systems in the next price control period as the industry continues to evolve.

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<sup>1</sup> Often the end user is looking for a breakdown of a quote they have received from the DNO for a particular piece of work.

### SoLR

AGSNI is the appointed SoLR for the Greater Belfast area. The UR, in conjunction with the network operators and suppliers is working to put arrangements in place if a SoLR event occurs. These arrangements cover a number of actions ranging from how to handle affected customers to cost recovery for SoLR suppliers through the network price controls.

The draft determination sets out two options for SoLR cost recovery; within year recovery through the uncertainty mechanism or deferred recovery until next price control period. AGSNI's preference is for the first option (recovery through uncertainty mechanism) which minimises risk for both the network operator and SoLR.

AGSNI notes that the allowance included in the control will be based on an estimate of SoLR costs provided by the relevant suppliers. The UR have assured AGSNI that they will not be bound by the quantum of this estimate if an event were to occur and that the costs to be recovered would be reviewed and discussed in detail if an event were to occur. On this basis AGSNI would support the SoLR recovery proposal included in the draft determination.

### Rate of return

In relation to the rate of return (and regulated margin) calculations, it is important to ensure that the calculations have been carried in an independent manner, taking into account the differences in corporate structures, business maturity and relevant risks. These principles should be applied to this and all other price control exercises undertaken by the UR.

## **Conclusion**

AGSNI's view is that there is potential for improving the efficiency of interactions between customers, supplier and the DNOs for the benefit of all parties. The approach taken by the UR to provision of costs for SoLR is also welcomed and AGSNI will continue to engage in discussions on this matter. The rate of return is an important element of any price control process. Regulated companies operate within the confines of their control with limited scope to adjust within the set period. It is therefore imperative that the level of return allowed to these entities is sufficient to encourage investment while providing for any unforeseen circumstance that may impact its ability to do business in a fair and sustainable manner.

AGSNI is happy to provide additional detail on any of the points above.