

Paul Harland  
Finance and Network Assets  
Queens House  
14 Queen Street  
Belfast  
BT1 6ED

**Re: Draft determination for gas distribution network operators (GD17)**

Dear Mr Harland,

The NI Natural Gas Association (NINGA) membership is pleased to have the opportunity to share our views on the Draft determination paper for Gas Distribution Network operators (GDN's) published in March 2016.

The NINGA membership includes over 200 companies that represent a broad range of sectors within the natural gas industry in NI that include Installation Companies, gas retailers, trade merchants, product manufacturers, training centres and service engineers.

With over 3000 individuals employed within this sector the continued growth of the industry is of critical importance to our members.

It is in this context that the NINGA membership disagrees with the proposals made in the draft determination and the impact that a proposed reduction in network operators allowances would have on the development of the natural gas industry in NI.

We strongly believe that the continued ability of network operators to maintain a sustained presence in the local market place is critical in creating the right conditions for the wider industry to in turn persuade unconnected householders about the merits of natural gas central heating.

Network operators have demonstrated an ability to effectively engage with their prospect base, developing strong brand identities that offer high levels of credibility and are instantly recognisable by consumers that the wider industry engages with.

A reduction in a network operator's ability to maintain this level of activity and engagement with unconnected householders at an already economically challenging period of growth would have a detrimental impact on the wider industry.

Outside of network operators in NI the wider natural gas industry is fragmented, particularly within the installation sector. Although there are a number of exceptions, the majority of installation companies who operate in the domestic sector are small family run businesses.

These small family run businesses have played a critical role in creating a competitive market for natural gas installations and also in establishing natural gas as a trusted fuel in communities across NI however lack the scale to significantly influence consumer behaviour, with the local natural gas industry very much relying on the continued ability of network operators to create the conditions for continued levels of new interest.

Network operators have successfully created effective campaigns that have been able to transfer to the wider industry allowing smaller installation companies to 'piggy back' the momentum created by such campaigns and introduced the wider industry to regular, larger profile opportunities, such as exhibitions, conferences, consumer events that would simply not be possible without this investment by network operators.

Additionally the campaign creative developed by network operators extends to consumer literature used by the wider industry. Without the initial campaign activity of network operators such literature would lack the credibility, recognition and impact that it currently enjoys amongst domestic households.

NINGA through a series of monthly association meetings provide a platform for the wider industry to meet and discuss best practice, learn about innovative product developments and promote high levels of customer experience. Sponsorship of these monthly events is provided by manufacturers operating in the wider natural gas industry.

The decision for large supply chain companies to continue investing in the NI natural gas industry and in turn making their high quality products and support services available will be influenced by the confidence they have in network operator's ability to stimulate continued growth in the marketplace.

A number of NINGA members involved in product manufacturing are concerned that the implementation of the proposals contained within the draft determination would result in a significant decline in the continued development of the natural gas industry and as a result product manufacturers who have established a presence in NI would reduce their continued presence and investment in NI in line with the reduced consumer take up.

It is therefore critical that at minimum the same costs are available to network operators during GD17 as have been available in previous price control periods to maintain natural gas as the fuel of choice and stimulate new interest levels as they have demonstrated an ability to effectively so in the past.

We understand that the network operators have continued to demonstrate an ability to meet their targets to connect new homes and businesses to the gas network which is a tremendous achievement. It would be premature to shut down the driving force behind this success which is the network operator's ability to stimulate consumer demand and coordinate the supply chain in a focused and efficient manner.

We call on UREG to re-consider the detrimental impact that the current draft proposals would have on the ability of the industry to continue to grow and in turn to the continued level of private investment the wider gas industry would make in NI and introduce connection targets and a set of allowances that would allow Natural Gas to continue being promoted as the fuel of choice to c.150,000 unconnected householders in NI at the same level as has been so effective to date.

Yours Sincerely

Stephen Kane  
NINGA Committee Member