

Consultation on Proposed Standardisation of Licence Condition

“Connection Charges and Obligation to Permit a Connection”

and Consequential Licence Changes

January 2018

Phoenix Natural Gas Ltd. (“**PNGL**”) welcomes the opportunity to respond to the Utility Regulator (“**UR**”) consultation on proposed standardisation of Licence Condition 2.3¹, “*Connection Charges and Obligation to Permit a Connection*” and consequential Licence changes.

As noted in the consultation, UR sought informal feedback from PNGL and other relevant licensees prior to the publication of this consultation and we are pleased to note that the proposed licence modification is reflective of the outcome of these discussions.

One of the key areas of discussion was UR’s interpretation of an eligible customer within the meaning of the Gas Directive (Directive 2009/73/EC). The proposed licence modification captures this by enabling any “*Relevant Person*” to apply for a connection to PNGL’s network e.g. a tenant of a property would now be able to apply for a connection and where:

- they accept PNGL’s quotation;
- PNGL receives certain consents from the owner of the property e.g. their willingness to accept PNGL’s terms and conditions as well as all associated liabilities; and
- PNGL receives confirmation from a Gas Supplier that they are willing to supply gas to them,

PNGL would be obliged to connect that property.

Of fundamental importance to PNGL is its right at Condition 2.3.18(a) to refuse a connection if the making or maintaining of the connection involves danger to the public and / or a risk to the safety of its network. This right is essential to ensure that PNGL maintains the safety and integrity of its network and provides a safe environment for its employees, contractors, gas consumers and the general public.

The proposed licence modification would also give PNGL the right to refuse a connection if it has reasonable grounds to believe the making of the connection would be in conflict with any public service obligation² (where applicable). This right of refusal is in accordance with the principles of the

¹ The relevant condition in PNGL’s Licence is Condition 2.4 but we base our response on the numbering in UR’s consultation for ease of reference

² A public service obligation is an obligation, within the meaning of the Gas Directive, which may be imposed by a Member State on organisations operating in the gas sector

Gas Directive and was noted in UR's determination of the connection dispute referenced in the consultation. Although PNGL confirmed that it does not currently have any public service obligation assigned to it, it seems prudent to recognise this right of refusal in Licence should such a time arise.

PNGL has several comments on UR's proposed drafting of the licence modification. PNGL would suggest:

- changing "*...any conditions pursuant to 2.3.17...*" in Condition 2.3.16 to "*...any requirements pursuant to Condition 2.3.17...*". This would bring further clarity to Condition 2.3.16 and ensure language is common across Condition 2.3; and
- removing "*...including any Separate Business engaged in the supply of gas...*" from Condition 2.3.4(b) as reference to supply activities are not of relevance to PNGL. This would bring further clarity to Condition 2.3.4(b) and ensure consistency with the definition of "*Separate Business*" in Condition 1.1.6.

Condition 2.3.10 would require PNGL to review its Connection Policy for compliance with the new Condition 2.3 and propose, and submit to UR for approval, any changes necessary in light of this review. As these proposed licence modifications would significantly impact upon operations within PNGL (e.g. changes to Connection Policy, terms and conditions) PNGL welcomes discussion with UR on an appropriate timeframe to facilitate compliance with the new requirements once these take effect.