



SGN Natural Gas
Beverley Grubb
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Newbridge
Edinburgh, EH28 8TG

FAO Alison Farr
The Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED

25 June 2015

Dear Alison,

Response to consultation on extension to NISEP programme and reallocation of costs between customer groups.

Following an open competitive process, SGN Natural Gas Limited (previously Scotia Gas Networks Northern Ireland Limited) was awarded a licence by the Utility Regulator for Northern Ireland to develop and construct the low pressure gas pipelines and associated infrastructure that will bring the very considerable benefits of natural gas to the towns of Dungannon, Coalisland, Cookstown, Magherafelt, Omagh, Enniskillen, Derrylin and Strabane. The first gas is expected to be available in Strabane in late 2016. Thereafter, the low pressure network within these principle towns will be developed in line with a development plan approved by the regulator.

Key conditions in our licence commit us to facilitating connections to both domestic and non-domestic customers and we recognise the challenge of encouraging connections across the different market segments and the particular difficulty of supporting connections to the most vulnerable of domestic customers. While SGN Natural Gas have no direct experience of operating in the Northern Ireland market, we will draw on our growing knowledge of the Northern Ireland market and the experiences of our parent company SGN, in facilitating connections in GB.

In simple terms however, our experience is that while gas conveyors may facilitate connections at little or no charge, without appropriate and sufficient support through schemes that provide 'in-house' measures such as central heating systems, or boiler exchanges, then the benefits of natural gas can remain beyond the reach of those most in need.

With regard to the specific consultation questions:

1. Respondents are asked to provide any evidence that they have in relation to the impact that the proposals in this paper will have on the groups listed above in relation to Section 75 of the Northern Ireland Act.

SGN Natural Gas have no direct evidence to offer, however we note the proposals to reallocate recovery of some 80% of the NISEP costs against domestic customers. We believe this would specifically increase the burden on fuel poor households and impact the most vulnerable groups. For example, pensioners, individuals with disabilities, or those living in rural areas; all customer who due to their circumstances are likely to have higher than average requirements for home heating and who may also make most use of

supplementary electrical alternatives to keep them warm. Our view would be that they would be disproportionately impacted by the proposed reallocation costs.

2. Respondents are asked to provide any further comments on the impact that the proposals in this paper are likely to have in relation to the promotion of equality of opportunity and the promotion of good relations.

SGN Natural Gas have no response to this question.

3. Respondents are asked to comment on the proposal to extend NISEP on the basis that costs associated with the scheme will be allocated on the basis of 80% to domestic customers and 20% to non-domestic customers. Respondents are asked where possible to include any evidence that they might have to support their responses.

In recognising the importance of energy efficiency schemes in supporting the most vulnerable individuals and notwithstanding our reservations concerning the proposed reallocation of costs, we would support the extension of NISEP until 2017. With NISEP alternatives still under discussion, the recent closure of the Warm Homes scheme, coupled with the fact that the Affordable Warmth scheme only targets those in the most severe fuel poverty, it would seem imperative that the NISEP scheme continues to provide support for those on low incomes and in fuel poverty. We note the move in GB to move funding arrangements for such schemes out of energy bills, given the potential impact on those most in need, and in to general taxation. We believe there may be merit in considering such alternatives for Northern Ireland.

Furthermore we would argue that NISEP should remain in place until a suitable equivalent scheme is introduced that retains an element of ring fencing in support of the fuel poor. In addition our experience of the sector chimes with the Consumer Council report on the proliferation of schemes and the confusion that can create. Perhaps in all of this there is an opportunity to review the interaction between schemes and what future form best meets the needs of the most vulnerable.

We would also suggest that the redesign of schemes should be considered against wider government ambitions such as those expressed by the gas to the west project. Schemes that take an areas based approach would be of particular use and could do much to alleviate fuel poverty in those communities served by the project.

Yours sincerely,

Beverley Grubb
Regulation Manager
SGN Natural Gas