

National Grid Gas Distribution

Consultation report on proposed revision to the standard administration charges for GIRS registered & iGT organisations.

Executive Summary

Since the introduction of self connections in 2002, the way in which our customers complete the physical connection to National Grid’s gas distribution network has changed significantly. As the competitive market has evolved, the number of Utility Infrastructure Provider (UIP) and Independent Gas Transporter (IGT) completed connections to National Grid’s network has increased to several thousand jobs each year. As National Grid is not completing the physical connection on these jobs, a standard administration charge was introduced in 2008 to recover the administrative costs associated with managing these processes for the requesting customer. No charges were applied for alterations, disconnections or UIP connections equal to or less than 32mm in diameter despite National Grid incurring cost

National Grid is proposing a new administration charge structure and revised charges to align the costs incurred by National Grid more closely with the work requests received as well as incentivising our customers to use tools which further reduce National Grid’s administration costs. The table below provides a summary of the proposed administration charges that will be applied to all work requests including alterations, disconnections and UIP connections equal to or less than 32mm in diameter.

Job Type	Work Request Method (excluding VAT)		
	Manual	Portal	Portal & Pre-Authorisation
IGT Connection	£66	£50	£43
UIP (pipe diameter <63mm)	£83	£66	£60
UIP (pipe diameter =>63mm)	£123	£106	£100

In order to seek comments from our customers on the proposed changes, National Grid asked 41 organisations to provide comments, of which 5 responded; a response rate of 12%. No major concerns were highlighted by the respondents and so National Grid considers it appropriate to implement the proposed administration charges.

Introduction

Since the introduction of self connections in 2002, the way in which our customers complete the physical connection to National Grid’s gas distribution network has changed significantly. Prior to 2002 all final connections were completed by National Grid and we were able to recover our overheads for the associated administration through the physical connection charges.

As the competitive market has evolved, the number of Utility Infrastructure Provider (UIP) and Independent Gas Transporter (IGT) completed connections to National Grid’s network has increased to several thousand jobs each year, with National Grid now only completing the physical connection for approximately 1% of these connections. As National Grid is not completing the physical connection, there needs to be a mechanism that the recovery of the administrative costs associated with managing these processes for the requesting customer. In 2008 this was achieved by charging a standard administration charge on each accepted connection request.

The Reason for change

The standard administration charge has not changed since it was introduced in 2008 and currently stands at £100 for IGT connections (exc VAT) and £140 for UIP connections greater than 32mm in diameter (exc VAT). No charges were applied for alterations, disconnections or UIP connections equal to or less than 32mm in diameter despite National Grid incurring cost to administer these work requests and update records, including maps, accordingly. The proposed changes aim to correct this by more closely aligning the costs incurred by National Grid with the work requests received as well as incentivising our customers to use tools which further reduce National Grid's costs.

Proposed changes

The table below provides a summary of the proposed administration charges that will be applied to all work requests including alterations, disconnections and UIP connections equal to or less than 32mm in diameter. For UIP requests, all pipework associated with the request (new and existing pipework) must be less than 63mm in order to qualify for the reduced administration charge. These charges will be reviewed annually to ensure they remain cost reflective and the proposed date of implementation is 1st August 2013.

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	Manual	Portal	Portal & Pre-Authorisation
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Consultation approach

In order to seek comments from our customers on the proposed changes, we provided details of these changes to all signatories of National Grid's 'UIP Connection, Service Disconnection and Service Alteration Agreement' or the 'Inter Gas Transporter Connection Agreement' via email on 5th July 2013 and invited any feedback. The deadline for the provision of any feedback was Friday 19th July and 5 organisations provided feedback from the 41 organisations invited; a response rate of 12%.

Consultation feedback and National Grid's response

The table below provides details of all the feedback National Grid received as part of the consultation and National Grid's response.

Ref	Customer Comment	National Grid's Response	Responses
1	The differentiation of charges by pipe diameter needs further clarification, I would have expected a lower fee for =<63mm.	The reason why 63mm diameter pipe is included in the higher charge is mainly due to digitisation. Presently, we digitise all pipework that is 63mm in diameter or larger for inclusion in DVDmaps and Webmaps so any new connections, alterations or disconnections of 63mm pipework will require our mapping data to be updated. We also digitise all mains smaller than 63mm but not services smaller than 63mm. This difference in the administration charge therefore reflects the savings National Grid makes by not digitising services smaller than 63mm.	1

Ref	Customer Comment	National Grid's Response	Responses
2	The difference in charges between Manual, Portal and Portal & Pre-auth should be larger	This charge will be reviewed annually and we will continue review the difference between charges as part of this review to ensure they remain cost-reflective.	1
3	Regarding using your 'portal' is this the same as sending an email to a NG mail box or do we have to log in to a National Grid web site? Would email submissions be equivalent to 'Manual' in your table of charges?	This is correct, email submissions to networkdesign@nationalgrid.com will be considered as manual submissions. In order to qualify for the reduced 'Portal charge', the job must be raised and managed via the UIP/IGT Web Portal	1
4	We do not have any comments regarding these amendments	Thank you for this feedback	2
5	<p>Any charges you place on your services will ultimately be passed to the customer, therefore, this proposal must affect the industry and more importantly the end user.</p> <p>As other DN's do not currently charge for these work requests, the Ngrid stance will be seen as exploitation being both exceptional and uncompetitive as any UIP works carried out within your network boundary will be more expensive to the customer / consumer than elsewhere.</p> <p>The argument put forward can be stated for all DN's, however, I do not have to provide payment for opportunity to carry out an ISEP for SGN or WWU?</p>	<p>The administration charge is a cost reflective charge aimed at recovering National Grid's costs in administering the processes needed to facilitate competition in the industry. A major aspect of this (in terms of cost and process) is digitising the completed as-laid drawings provided by UIPs and the provision of this updated information to the industry. This is a cost that is currently borne solely by customers requesting a new connection and it is unfair that connections customers should subsidise this cost for alteration and disconnection customers.</p> <p>In relation to passing this charge on to customers, this is at the discretion of each UIP as to whether to pass on this charge and how it is passed on. How the other Distribution Networks choose to manage their costs in respect of similar competition-enhancing processes is up to each Distribution Network and National Grid has decided to recover this cost via an administration charge. We believe National Grid provide a very good service but we would always welcome feedback on how we can improve.</p>	1

Outcome of the consultation

In light of the above comments and no major concerns being highlighted by UIPs or IGTs, National Grid believe it is appropriate to implement the proposed administration charges and will do so with effect from 1st August 2013.

Further information

Further information on our existing 'Pre-Authorisation' process and the UIP/IGT Web Portal is available in briefing notes 16 and 20 respectively, both available on our website. (<http://www.nationalgrid.com/uk/Gas/Connections/uiip2/briefingnotes/>).

If you would like further information about this document or the briefing notes referenced above, please contact networkdesign@nationalgrid.com.