

SGN Engage

Shaping our plans together

GD3 Business Planning (2026 -2031) Stakeholder workshops

Questions & Answers

Below are the questions posed during the meeting that were taken away to be answered by the relevant experts with SGN.

Q1. Do you see prices needing to increase or decrease to customers over the long term based on trends?

- A. At this stage in the process, it is too early to predict with any accuracy what the bill impact of our plan will be and we do not believe that our business plan is the right place to contextualise the bill impact. We are currently seeing strong headwinds from a number of macro factors which will see the underlying cost of capital rise through the indexation mechanism and Ofgem are considering accelerating depreciation, as a mechanism to mitigate against potential risks to asset stranding, which would also increase bills if implemented.

In addition, we are seeing cost pressures from both the nature of the work and from our supply chain. Supply chain pressures include but are not limited to retaining and attracting resource to deliver the workloads as well as pressure on the supply of good and materials needed to complete the work. As we develop our business plan, we will look to understand these pressures better whilst ensuring we continue to provide a safe and reliable network and the sector is investable - we believe all of these things will be in the long-term interest of consumers by ensuring gas plays a vital role in the transition to net zero.

Q2. Is your Environmental Plan just your operations or does it look at how your wider influence as a huge organisation enables others to reduce climate impact?

- A. Our Environmental Action Plan for the upcoming price control period (GD3) will look at how we are improving our own impact (operational), how we can work and collaborate and influence others (both in our supply chain and in the wider industry) to improve environmental impacts, and how we can contribute to decarbonising the energy system in the UK - which is effectively helping our customers to reduce their climate impact.

Q3. To what extent can hydrogen displace natural gas on the network?

- A. This is dependent on the amount of hydrogen that can be produced and stored to provide security of supply. Effectively you could transition all existing gas consumers to hydrogen if there was enough being produced. However, we realise that to get to net zero there is not one silver bullet and a number of different technologies will be required to achieve the target in the required timeframe.

Q4. Given the impact of methane, can a case be made to accelerate cast iron mains to deliver net zero? The quicker we get net zero, less adaptation investment will be needed.

- A. I think they are asking if we could accelerate the replacement of iron main to reduce leakage and reach net zero - yes is the answer. We are exploring this for our Environmental Action Plan. We made such a proposal to Ofgem for the Business Plan for GD2 2021 - 2026, and it was not accepted at the time. As per guidance from our regulator, all investment decisions (e.g. accelerating the pipe replacement programme/investing in innovative technologies/etc) must always be carefully assessed to ensure the best outcome for Customers. Further to this, particularly in the case of accelerating the pipe replacement programme, manpower resource can be a limiting factor.

Q5. Is it fair to call venting, purging, etc "fugitive" emissions? These are, in effect, operational decisions and could be termed "purposeful".

- A. Historically, venting and purging have been considered fugitive emissions as the technology available required these actions as part of routine operation. With the advent of new technologies, technically, these types of emissions have become operational decisions over time. SGN are actively pursuing, developing and embedding technologies which either reduce or eliminate venting/purging/etc. As per guidance from our regulator, rolling out these technologies at scale must always be carefully assessed to ensure the best outcome for Customers.

Q6. Does SGN feel it's on "the front foot" in communicating its role in getting to Net Zero?

- A. There's always more we could do to promote our role in meeting net zero, whether on our strategy for hydrogen use across the many sectors or the role biomethane could play in the decarbonisation journey.

Q7. How will SGN ensure investment / support on the "650k homes" will focus on "Customers that will be left on the gas network"?

- A. Our ambition is to support those customers most vulnerable maintain a safe and warm home. Our approach for customers will be that we use data to identify those communities where we're working (mains replacement) as well as community outreach projects where data highlights vulnerability including fuel poverty in areas where we're providing gas to domestic customers.

Q8. How do you decouple heat outages in the home from outages in the electric network, and help homeowners to invest in heat efficiency measures than generation?

- A. SGN monitor gas rather than electrical outages. Gas is available over 99% of the time and customers are only likely to experience an outage once every 40 years on average. Energy saving advice to help customers use heat more efficiently is available on our website via our energy saving tool <https://eewa-sgn.est.org.uk/>

Q9. Recognising the challenges on the hydrogen heating trials in the UK, do you still fully support transition to hydrogen?

- A. Yes, hydrogen offers a solution to decarbonise a number of different hard to abate sectors, such as industry, power generation and transport, as well as the opportunity for heat decarbonisation of domestic properties following the governments heat policy decision. The simplest and most efficient way to transport large volumes of hydrogen across the country, from production/storage to end users is through a pipeline system.

Q10. How do you create a hydrogen market?

- A. There are a number of different factors to creating a market for hydrogen, the government is looking to start this with its hydrogen production business models. Essentially you need an end use for the product, whether in homes, industry, power generation (linked to energy security), transport or for export. This would give the market confidence in the production of hydrogen, which could be subsidised by government in the early stages of development.

Q11. Is tier 2 and 3 replacement a priority in SGNs GD3 ambitions given the de-incentivisation from Ofgem in GD2, with the role they may play in a future Net Zero network?

- A. We are exploring this as part of our overall Repex delivery and as part of our Environmental Action Plan. As part of our RIIO-GD2 business plan we included proposals for Tier 2 and 3, however these were reduced at the time even though we did have significant stakeholder support. We will test these types of proposals through our stakeholder engagement plan and where appropriate we will include proposals. This will always be weighed up against the requirement for safety and resilience as well as deliverability for any additional workloads within this area.

Q12. What percentage of SGNs operating costs come from Repex (pipe replacement programme)?

- A. The percentage of operating costs that are attributed to Repex are circa 40%.

Q13. Can you show performance so far against your GD2 plan?

- A. This is published in our annual regulatory reporting pack available on our website:
<https://sgn.co.uk/reports-publications>

Q14. Do you have any statistics/views on the quantity of methane lost directly to atmosphere through leaking and venting/maintenance operations?

- A. Yes, it is a Licence Condition for Gas Distribution Networks to measure and report on Leakage to our regulator through our annual regulatory reporting. A wealth of information is also published annually on the Joint Office of Gas Transporters website, which can be found here:
<https://www.gasgovernance.co.uk/Shrinkage/Publications>

Further to the above, SGN also publish high level Shrinkage and Leakage figures on our Open Data Sharing Portal, which can be found here: <https://www.sgn.co.uk/open-data-sharing-portal>

For further information, Shrinkage representatives from each GDN can also be directly engaged via the quarterly Shrinkage Forum, hosted by the Joint Office of Gas Transporters. Should you wish to attend, please contact the Joint Office via any of the methods documented on this web page <https://www.gasgovernance.co.uk/sf>

Q15. Regarding fuel poverty, how do costs compare to transitioning to hydrogen and how can we get our lowest income families switching to save money?

- A. There are a number of factors that will impact the cost of the transition to hydrogen, not least, dictated by the needs case for the production and utilisation of hydrogen across different sectors stimulating the market and wholesale cost. Our own view of hydrogen is a that it offers customers a choice in their energy provision, whilst being less disruptive when considering the retrofitting activities that may be required within the property, although energy efficiency measures would help in reducing overall energy bills no matter what low carbon technology is used. Hydrogen can also support customers whose properties are harder to decarbonise due to their age, construction and use, which may deliver lower costs in comparison with other alternatives.

Q16. How important is Ofgem's decisions around the upcoming 3rd price control on SGN's net zero ambitions?

- A. The RIIO-3 process will play a key role in the further developing our strategy to meet net zero. Through the integration of hydrogen blending, the role of biomethane and ensuring our network develops in a safe, secure and efficient manner to deliver low carbon solutions.

Q17. How does your process take into account non-standard views? It's quite structured.

- A. Our process is inclusive and welcomes and considers all views. Outside of our structured programme, stakeholders are always welcome to send feedback to our email address: engagement@sgn.co.uk. We also encourage our colleagues to forward any feedback they receive to this central email address.

Q18. Does SGN still work with Accident and Emergency carbon monoxide (CO) screening research to establish the process and protocols for a study at hospitals to screen people attending Accident & Emergency (A&E) for CO levels in their blood. Where extended levels of carboxyhaemoglobin are found, then A&E staff will treat the patient plus complete a questionnaire and use an algorithm to confirm presence of CO?

- A. We were a member of the original steering group for a pilot study at St George and Frimley Hospitals which supported the creation of the process and protocols to screen 2000 people admitted to A&E for CO2 levels. The 18-month study began in 2017 and has now been completed.

Q19. Planned interruptions, in GD1 and GD2 we used live and dead insertions (the old main is kept live throughout the insertion process and the new PE is gassed up to maintain gas supplies to customers). This is not a technique we will be using in GD3 - only dead insertion why?

A. We will continue to use live insertion where appropriate in GD3, apologies for any confusion.