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To: gas.systems@ofgem.gov.uk

Call for Input – Exercising Consumer Choice: A review of the gas disconnections framework

Dear Ofgem,

Sustainability First is a charity and think tank focussed on social and environmental issues in the energy and water sectors with a track record of engagement on regulatory issues, including as past members of Ofgem's RIIO-2 Challenge Group.

At the end of 2023 we published a paper[1] "Looking Through the FOG - the Future of Gas Networks" which set out the range of issues that need to be considered in thinking through the ramifications of a move away from conventional gas in line with GB's net zero targets. We highlighted a number of aspects that we saw as key for Ofgem to address, including on disconnections, and argued for a focused programme of stakeholder discussions to help inform thinking in this space. This report was shared with Ofgem colleagues at a senior level and we have since been assured that work was ongoing in Ofgem on the issues around disconnections. We were therefore surprised and seriously disappointed that, a year on, the Call for Input on Disconnections does not paint a clear picture of the issues at stake.

We highlighted some of our concerns in our response to the Call for Evidence on the GD3 Business Plans[2] and have expanded on them below. We have also provided (attached) brief answers to the questions raised in the Call for Input.

Our concerns and key messages in relation to the Call for Input can be summarised as follows:

Failure to draw on key existing evidence: We are surprised that there is no reference in the Call for Input to the Arup report on the "Future of Great Britain's Gas Network" [3] given that it was jointly commissioned by the National Infrastructure Commission and Ofgem. This report (which we drew on heavily in our own work) provides a detailed description of what is involved in disconnecting properties and the roles of different parties. It also discusses the likely scale of these costs (£28bn in the low hydrogen scenario) while noting the very significant uncertainty in this area. In particular, Arup assume that Government ultimately moves to a planned rollout of heat pumps rather than the current choice-led approach – which we highlight as a crucial uncertainty. The report also includes suggestions for changes that could be made to the legal framework and approach which could help reduce disconnection costs. While we recognise that this is a Call for Input where Ofgem are seeking

[1] https://sustainabilityfirst.org.uk/wp-content/uploads/2023/12/Sustainability_First_-_V2_Viewpoint_-_Gas_Network_Decline_and_Stranding_in_RIIO-3_-_v_041223_final.pdf

[2] https://sustainabilityfirst.org.uk/wp-content/uploads/2025/02/sf-gd3-cfe-response-060225.pdf

[3] https://nic.org.uk/app/uploads/Arup-Future-of-UK-Gas-Networks-18-October-2023.pdf

wider stakeholder views, highlighting the Arup report would have allowed more focussed questions to be asked and the findings in the report to be tested with stakeholders.

Failure to clarify the current arrangements from a consumer perspective: As Ofgem acknowledge in their Call for Input, one of the issues that gets raised by consumer groups is around the opaqueness of the current arrangements. From the perspective of a consumer installing a heat pump and who wants to disconnect from the gas network it is unclear who they should contact, who is responsible for what, and what the costs are likely to be. We are therefore disappointed that the Call for Input does nothing to clarify this. The Call for Input sets out the high-level legal framework around disconnections and almost presents this as a choice for consumers about what sort of disconnection they opt for ("voluntary" or "health and safety"). In practice customers will almost invariably start by contacting their supplier, as that is who, from their perspective, provides their gas – and given the very low awareness of the network companies' existence and role. The Arup report makes clear that the standard route is through suppliers (see extract at Annex A), who are responsible for removing the meter, with the GDNs then being obliged to make the service pipe safe within 12 months. The only exception is where the customer is looking to carry out building work which needs the service pipe to be made safe before the work can be done and where therefore the customer pays for the disconnection.

This framing of the distinct supplier and network roles is also set out in the Gas Safety (Installation and Use) Regulations which Ofgem reference but do not explore (see extract at Annex B).

This position was (as we recall) also previously set out on the ENA and GDN websites but the latter now simply say, in effect, "If you no longer need gas at your property, apply here for it to be disconnected. But you need to get your meter removed first – for which contact your supplier". If we are right there has been a change we are unclear what has prompted it. It is possible it links to potential changes being considered by the HSE, which reinforces the importance of their role as noted below.

Vital to examine the supplier role: Given the central role of suppliers in this process, we are disappointed that Ofgem has not directed any questions at suppliers to understand what information they provide and what charges they levy. On Octopus' website[4] they set out clearly that they will come and remove the meter, making it safe; that given the current low levels of disconnections they do not make a charge for that work (although they may in future, depending also on the charges raised by the meter asset provider) and that at some point subsequently the gas network may need to come and do further work. They make clear that the only situation in which customers need to contact the GDN is if they are doing building work.

Ovo[5] in contrast suggest that you could just keep the meter and keep paying the standing charge[6] (in case you change your mind) but that to remove the meter costs £106. They mention that the gas transporter may then contact you but imply this is just to remove the property from the national database. Other suppliers do not seem to offer any information online.

In their GD3 Business Plan, Cadent state that 85% of their disconnections currently go through the supplier route. Given the central role of suppliers in this process it is concerning that Ofgem have not explored their role at all. **It is vital, to get a full picture of how disconnections are handled, that**

[4] https://octopus.energy/blog/disconnecting-your-gas-supply/

[5] https://forum.ovoenergy.com/my-account-140/thinking-about-removing-your-gas-supply-here-s-some-advice-tutorial-9166

[6] This could become a more attractive option under Ofgem's proposals for zero standing charge tariffs

Ofgem formally asks all suppliers what information they provide to customers seeking to cease their gas supply and what charges they currently make for removing the meter and whether this might change in future (including what arrangements they have with their meter asset managers on this, whether this varies with gas smart meters etc).

Essential to join up this work with key decisions for GD3: We understand that this work is being taken forward by a separate team in Ofgem but were surprised that there was no reference at all in the Call for Input to RIIO GD3 and we are not confident key aspects of the work will be completed in time to inform Draft Determinations. In our response to the Call for Evidence on the GD3 Plans, we highlighted that on the basis of the FES Holistic Transition pathway (which GDNs are meant to use in their planning) there would be 3 million customers moving to heat pumps in GD3 with a total cost of £2-3bn which would need to be recovered through RIIO revenue allowances. While we saw that level of disconnections as unlikely to materialise in practice in GD3, it highlights the importance of the issue for RIIO. In our FOG report we argued that an early decision was needed on whether it remains right to continue to socialise the costs of disconnections (which means the costs are included in the GDNs' revenue allowances in RIIO). We now see that as unlikely to be addressed in time for GD3 and hence must assume that the status quo prevails in terms of costs being socialised. It is vital that the team leading this work are clear what decisions are needed when to support GD3.

Confusion being created on the costs of disconnection: One specific example of the interaction with GD3 – and where the Call for Input has not helped the position - is on costs. Assuming disconnection costs are to continue to be socialised and given the huge uncertainty around future volumes, it is crucial that there is a robust view of unit costs to include in the inevitable volume driver. In terms of unit cost we note that SGN in their Business Plan quote a cost of £1300 per disconnection. None of the other GDNs include a figure in their Plans although the Arup report estimated a cost of £1150 per household *at scale* based on a 20% reduction as against the GDN weighted-average publicly quoted cost of £1450.

By contrast the Disconnections Call for Input cites an average price of £1950, which seems radically out of step with these other figures and for which the basis is unclear[7]. The Call for Input also shows an underlying upward cost trend which it says it expects will continue (but without giving reasons). In contrast, a cornerstone of RIIO is to create incentives that will drive efficiency.

Need to acknowledge the wider context: The Call for Input does briefly touch on the fact that over time, if socialised, these disconnection costs would be picked up by an ever-smaller group of customers who are increasingly likely to be vulnerable. This is very important but the Call for Input fails to position this as part of the bigger problem of RAV recovery (which Ofgem is looking to address through accelerated depreciation) and also, as we highlight in our GD3 response, recovery of the ongoing costs of keeping the network safe. There are also the costs of decommissioning the network (once all customers have moved away from gas in an area) which will need to be addressed at some point. In terms of thinking about the implications for consumer bills (and questions of inter-generational fairness) these issues need to be thought about in the round.

Need for strategic engagement with the HSE: In our response on the GD3 Business Plans we highlighted the large number of areas in which upcoming HSE decisions could materially increase network costs and argued that there was a need for a strategic dialogue with the HSE on how best to maintain safety in the gas network through the transition. One of the areas we highlighted was on

[7] Ofgem says they are based on GDN published charges averaged across all types of disconnection. We can only assume therefore that this includes larger commercial sites, with no weighting for relative volumes.

disconnections where SGN talked about potential changes the HSE were proposing to make (eg to include plastic pipes in scope) which would add to the costs. It is vital that Ofgem (and DESNZ) are fully engaged in any discussions around potential changes to the Regulations (or HSE guidance). If the current arrangements are in the process of being changed, this would seem vital context for this Call for Input. In our view, the Call for Input under-plays the central role of the HSE in relation to disconnections.

While we acknowledge this is a Call for Input and hence has set out open questions rather than aiming to provide initial policy thinking, a lack of framing for these questions means that Ofgem will likely receive less useful input than it otherwise might. It is unclear what plans there are for engagement on this topic beyond this Call for Input but we would encourage Ofgem to think how it can best encourage a wider sharing of even the basic information outlined here in order to prompt a more informed debate.

As noted above, we see this as part of a wider debate that needs to take place on the future of the gas networks. This is a complex landscape – the issues involve many actors with many agendas at play and issues are currently being taken forward in disparate work streams. Orchestration of a considered debate on the future evolution of our gas GB networks is a large and complex exercise. Sustainability First therefore wishes to see the key actors, together with consumer bodies and other key stakeholders, around the table in a focused year-long programme of deep-dives to:

- Develop a common understanding of key issues
- Recognise broad areas of agreement / disagreement
- Identify priorities for further work / major gaps
- Agree who leads on what
- Create a better line-of-sight – ie policy options, timelines, network plans, choreography – especially in terms of what these alternatives might mean for gas consumers.

A well-designed scoping conversation is urgently needed. Sustainability First continues to explore options for such a programme and we remain open to conversations with interested parties.

Yours faithfully

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Judith Ward, Associate Sustainability First

Answers to Ofgem Questions

Please also see high level comments in our cover letter

The current gas disconnections framework

1. How effective is the current gas disconnections framework in protecting the consumer interest, assisting net zero goals and promoting economic growth?

Ineffective. The arrangements are opaque. There is no regulation of charges. Consumers are at risk of overpaying and customers may be discouraged from moving to heat pumps by the complexity, the uncertainty and the perceived cost (hindering net zero goals).

2. What factors impact the effectiveness of the framework in achieving its objectives?

Complex and confusing for customers to navigate – not helped by having two separate parties involved (supplier and network). Lack of any reliable information on what is involved.

3. What factors impact the efficiency of the framework in achieving its objectives?

Normally Ofgem would want cost reflective charges but making the customer who is disconnecting bear the cost would be seen as a barrier to heat pump take up. Ofgem has not hitherto scrutinised these costs (and seemingly has no awareness of what they are or what drives them).

The level of costs will be driven in large part by whether Government mandates a planned area-by-area approach to heat decarbonisation or continues with the current choice-led approach.

4. What other factors beyond those impacting the effectiveness and efficiency of the framework (dealt with in questions 2 and 3), for example, safety, financial, commercial factors, ought Ofgem consider as part of its review?

Safety is an absolutely central driver in terms of the network role. As such the HSE plays a key role and needs to be engaged. There are suggestions HSE may be tightening requirements in this area.

For suppliers their commercial arrangements with meter asset providers will be key.

Fairness between those customers disconnecting (typically better off) and the rest. Also inter-generational fairness.

5. What factors do you believe will impact demand for gas disconnections?

Increased take up of heat pumps (or other forms of electric heat) and moves to district heat. This in turn will be driven in part by government policy and funding which remains subject to significant uncertainty.

A future gas disconnections framework

6. What are the potential future regulatory frameworks, regimes or mechanisms that should be considered for gas disconnections that would operate effectively, assist in achieving net zero and protect consumers? We are open to hearing any potential options you have identified for regulatory reform whether they be commercial, technological, regulatory, policy-based or legislative in nature. While Ofgem is not responsible for changing legislation, we can make recommendations to government.

7. Of these potential future frameworks, regimes or mechanisms which is preferable and why?

8. Are there any impediments inherent in the potential future regulatory frameworks, regimes or mechanisms identified in response to question 6 above that would affect their effective operation, the achievement of net zero and/or the protection of consumers?

The comments below cover Qs 6-8. We first address wider changes to the regulatory framework which is what Ofgem seem most interested in. We then highlight near term actions that we believe are important.

Wider options for regulatory reform

The NIC Infrastucture Plan (published alongside the Arup report) argued for the need for a Plan – a recommendation that we fully endorse:

"*Government should establish a national plan for disconnecting properties from the gas network. Signalling the timetable and preparation will be key to a smoother transition for households and businesses…."*

They also advocated an area-based approach (based on the Arup work). "*Government should set national targets aligned with emissions reduction targets. But switching off the supply of gas will require an area by area approach".* We agree that this would be significantly more cost effective but we question the political appetite for such an approach at least for the foreseeable future.

The Arup report also puts forward a number of regulatory options for how costs might be reduced (including changing the boundary between the supplier and GDN remit, and creating a new licensed activity). We cannot immediately see benefits in these but it would have been helpful to flag the Arup report to encourage views on these specific ideas. Arup suggest the 12 month timeline for making a service safe could be reviewed which we can see would enable the work to be programmed more efficiently – but are unclear whether this would be acceptable to the HSE who are reportedly looking to tighten the rules in this area. We therefore highlighted in our response on the GD3 Business Plans **the need for a strategic dialogue with the HSE and DESNZ** on these issues. Arup also look at the benefits of a planned area by area approach (so decommissioning and disconnection are carried out in parallel). As we have note above, this is a crucial point but we cannot see Government committing to a mandated transition in the near future.

Near term actions

In our view a central requirement is for **disconnections to be properly covered in the RIIO GD3** price control with a volume driver designed in a way that will help **drive efficiency** (eg with progressive reductions over time in the unit cost allowed). As a part of this process Ofgem should benchmark the charges levied by the different networks as it does for other parts of the price control.

Ofgem should encourage technical and commercial **innovation** by including more efficient approaches to disconnection as a Challenge in the Strategic Innovation Fund.

It is unclear whether socialised disconnection costs are treated as fast or slow money in RIIO – ensuring they are treated as **fast money** (ie recovered in the year in which they are incurred) would limit the inter-generational impacts.

We understand Ofgem are also looking at introducing a customer satisfaction survey for network disconnections. At this stage we would encourage Ofgem to focus this on gaining feedback about the **customer experience** rather than simply marks out of 10.

Although outside RIIO Ofgem should use the information gathered to test **whether the charges for voluntary disconnections are cost reflective** (as required under the licence)

Clear information should be provided on the Ofgem and Citizens Advice websites on what consumers should expect. Suppliers and networks should then be required to reference that information.

Ofgem should also **gather comparative information on the charges levied by suppliers** for removing a meter (and consider whether this highlights any problems). Ofgem could set a maximum charge.

Ofgem might usefully carry out **a survey to understand customer experience of the disconnection process overall** (not simply the networks performance).

Additional

9. For the purposes of this Call for Input, we have defined 'small businesses' as those with an annual gas consumption of not more than 500,000 kWh. What are the implications, if any, of using this definition?

No comment

10.Is there anything else we ought to consider that has not been covered in your responses to questions 1-9?

The wider context around the future of the gas networks as set out in our Future of Gas report.

Historic and future volumes of gas connections and disconnections (Q13-16)

We note that Ofgem has addressed the questions around the future volume of disconnections solely to the GDNs. Clearly the level of disconnections will be highly dependent on the future take-up of heat pumps where, as we highlighted in our response on the GD3 Business Plans, there is huge uncertainty. Gas networks have no better view of this than other players.

In our GD3 response we flagged our concerns with the 2024 FES net zero scenarios as a basis for projecting the level of disconnections. In particular we noted they all assumed the same profile of gas boilers through to 2050 despite the very significant uncertainty related to Government policy on domestic heat (including the hydrogen decision scheduled for 2026, the ending of gas connections in new build, the mooted 2035 end date for new gas boilers, the future role of biomethane in heat) – with heat (but not energy) a devolved matter in Scotland, creating added complexity. We also noted how the scenarios vary from year to year. Given the current choice-led approach and the lack of a clear consumer line of sight on the future of gas, we took the view that the level of disconnections implicit in the net zero FES scenarios were implausible for GD3.

However, we also were critical of the GDN assumptions that current low level of disconnections would be maintained through GD3 given the Government's commitment to increase funding and ease planning restrictions around heat pumps which should see some increase in take-up. Ofgem should not simply rely on the GDN forecasts in this area.

Annex A: Extract From Arup Report Explaining the Disconnection Process

This process is currently well established for normal operations for the gas networks, as customers voluntarily transition away from gas to heat pumps or other alternative means. The typical process is as follows:

• The customer notifies their energy provider that they no longer require a gas connection. Note a standing charge is applicable for a gas connection, even if no gas is being used; hence customers are financially incentivised to disconnect from the network as soon as is practicably possible in the event they are transitioning.

• The energy provider would arrange for the customer to be non-permanently disconnected from the gas network, either using their own field force, or a sub contracted personnel.

• Using the ECV valve, the customer would be disconnected from the network, the meter removed and the ECV valve capped with a plastic screw cap.

• Under the current Pipeline Safety Regulation, the GDN has 12 months to come and make the disconnection permanent:

    • The GDN would cut and cap at the customer end of the service pipe, usually in the pavement or the driveway of the customer premises, with the service pipe left in situ.

    • The ECV and meter box would be removed (either from the outside of the customer premises or from inside the customer premises depending on the location of the meter).

    • The customer site would be remediated including reinstatement of the driveway / pavement from the capping, with any additional remedial works to the customer premise carried out (e.g. filling of holes, painting etc.)

Annex B: Extract from The Gas Safety (Installation and Use) Regulations 1998 – Regulation 16 (3)[8]

Where a primary meter is removed, the person who last supplied gas through the meter before removal shall –

(a) where the meter is not forthwith re-installed or replaced by another meter –

> *(i) close any service valve which controlled the supply of gas to that meter and did not control the supply of gas to any other primary meter; and*
>
> *(ii) seal the outlet of the emergency control with an appropriate fitting; and*
>
> *(iii) clearly mark any live gas pipe in the premises in which the meter was installed to the effect that the pipe contains gas; and*

(b) where the meter has not been re-installed or replaced by another meter before the expiry of the period of 12 months beginning with the date of removal of the meter and there is no such service valve as is mentioned in sub-paragraph (a)(i) above, ensure that the service pipe or service pipework for those premises is disconnected as near as is reasonably practicable to the main or storage vessel and that any part of the pipe or pipework which is not removed is sealed at both ends with the appropriate fitting.

Note: The HSE's "Approved Code of Practice and guidance"[9] gives further, practical advice on the Gas Safety (Installation and Use) Regulations (GSIUR). In particular this makes clear that the supplier has a responsibility, as far as reasonably practicable, to ensure that the gas transporter carries out the action set out in 16(3) b).

[8] https://www.legislation.gov.uk/uksi/1998/2451/regulation/16/made

[9] https://www.hse.gov.uk/pubns/priced/l56.pdf