



ES PIPELINES LTD

CONNECTIONS CHARGING STATEMENT

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2.0 Introduction

This publication sets out the current principles and methodology used by ESP when customers request a new, increased or reduced connection to ES Pipelines Ltd (“ESP”) gas transportation system for the purposes of offtaking gas for eventual consumption. It is prepared in accordance with the requirements of Condition 4B of ESP’s Gas Transporter (“GT”) licence, the Gas Act 1986 (“Gas Act”) and the Utilities Act 2000. It has been approved by Ofgem in accordance with the requirements of Standard Condition 4B of the licence, effective from 1st April 2008.

3.0 Persons Entitled to Apply for Connection

A licensed gas transporter must comply with any reasonable request to connect premises within its licensed areas to its gas transportation system where it is economical to do so. It has a specific duty to supply and lay the necessary pipe to connect premises expected to consume 2,196,000 kWh (75,000 therms) per annum or less within 23 metres of any of its relevant mains.

A person may opt to construct some parts of the network, which can be installed by themselves or a contractor working on their behalf. However, this option will be under the conditions that the person or contractor has consulted with ESP prior to undertaking the work, and an appropriate agreement (if applicable) with ESP has been successfully arranged. Such work, normally undertaken by a Utility Infrastructure Provider (“UIP”), is referred to as “self-lay”. Under its GT license ESP has a specific duty to adopt any self-lay pipeline which connects a premises expected to consume 2,196,000 kWh (75,000 therms) per annum or less. For self-lay pipelines which connect premises expected to consume more than 2,196,000 kWh (75,000 therms) per annum, if requested, ESP will endeavour to adopt such pipelines where it is economical to do so.

4.0 Standards of Service

ESP has outlined its standards of service and this can be found in ESP Standards of Performance (Code of Practice), which is available on request. Any initial disputes should be made in writing to the address given in Appendix E. If an agreement cannot be reached then ESP will advise on how to escalate the dispute further.

Where the applicant is not satisfied with the terms and conditions offered, and an agreement with ESP cannot be reached within a reasonable time, or the dispute has reached ‘deadlock’, a party may ask Ombudsman Services (whose details are given in Appendix E) for assistance in resolving the matter.

5.0 Procedure

Any person seeking a new, increased or reduced connection to an ESP gas network should apply by contacting the following address:

ES Pipelines Utilities Group Ltd
Bluebird House
Mole Business Park
Leatherhead
Surrey
KT22 7BA

Tel: (01372) 227 560

Fax: (01372) 377 996

New Connections: newconnections@espug.com
Increased or reduced connection: meterworks@espug.com

To help applicants provide the necessary information, standard forms are used. ESP will acknowledge receipt of the application and if required request any additional information as soon as practicable (normally within 5 working days). For non-domestic properties, the relevant shipper will need to supply the gas load information in order for a meter to be installed. On receipt of all necessary information a proposal will be sent to the applicant, which will specify:

- Terms for connection to the network;
- Terms for ESP to carry out all connection work (if requested); and,
- Any other relevant information, if required.

ESP will endeavour to provide the proposal within 6 working days where the work is relatively straightforward (standard quote), and within 11 working days where significant work needs to be undertaken, and a site visit may be required to perform a survey (non-standard quote).

For isolations, the standards of service, and terms and conditions are defined in the ESP Network Code. The request and processing of isolation requests are carried out under the ESP Supply Point Administration process.

6.0 Agreements

It will be necessary for the connected party to have a supply contract with a relevant Supplier prior to gas being offtaken from ESP's transportation system. A relevant Supplier is one which is suitably licensed to supply the gas and has an appointed Shipper which has agreed to the terms and conditions to enable it to ship gas through ESP's transportation systems. A supply contract is not necessary in any case when only a service connection is required (i.e. no meter).

ESP has a Connection Agreement which sets out ESP's obligations regarding the connection, and where required the terms and conditions for carrying out any of the works involved in relation to the connection.

There may be a requirement for additional agreements. An example of this is if the GT which ESP's network is connected to requires a supplemental agreement for work (e.g. reinforcement) to be carried out on its network in relation to the connection. Also, ESP has the right to require a customer

to enter into a Supply Point Network Exit Agreement (NExA) or any other such agreements where applicable (generally required of other GTs or very large Daily Metered consumers).

If the connection is to be adopted by ESP then during the course of any works, the assets installed between the existing network and the new meter point will be owned, operated and maintained by ESP. In addition ESP shall be entitled to use such assets for the purpose of giving supply to others.

To ensure ESP fulfils its duty to develop and maintain an efficient and economical pipeline system for conveying gas, in circumstances where a person has opted to carry out the connection as a self-lay operation ESP reserves the right to request that:

- Additional connection points are installed along the length of the pipeline.
- The capacity of the pipeline is increased.
- The pipeline is re-routed.
- Any other work required to enable ESP to fulfil its duty.

These requirements are subject to the requested additional work being reasonable in relation to the skills and availability of the persons carrying out the self-lay works, and ESP agreeing to pay the additional cost to carry out its request.

In the course of providing a gas connection ESP may agree to provide additional service work for the customer. This may include laying other services with the gas pipe (e.g. electricity cable) or providing work from the outlet of the gas meter. The terms and conditions for this work is not covered in this publication, however there will be elements of the work (e.g. excavation and reinstatement) which will need to be apportioned to the work for the gas connection. The basis of this apportionment will be to calculate what work, and its cost, would be required if only the gas connection work was carried out, and it is this work which will fall under the terms and conditions of this publication.

7.0 Payment Terms

The charge for the provision of a new, increased or reduced connection is payable in full in advance unless otherwise agreed. There may be occasions when the work will be over a relatively long period of time, or is to be carried out in stages, and on these occasions a schedule of charges and allowances will be calculated and agreed before any work is started.

If a detailed study is required prior to the connection scheme, ESP will agree with the person seeking the connection the relevant study costs and their apportionment before the study is carried out. These will normally be levied in advance of the study being carried out.

If requested, ESP will provide a detailed breakdown of the costs of the connection scheme.

Allowances (both connection and reinforcement) will normally be paid when a gas Shipper takes responsibility for the new supply point and the supply commences. A more detailed description of the payment terms for allowances can be found in the “Methodology Used to Calculate Allowances” section.

If the connection work is not carried out, whether by ESP or as a self-lay scheme, the charges for any preparatory work carried out by ESP will not be refundable. ESP may, however, at its own discretion decide to refund all or part of these charges if it believes it is merited. If this preparatory work included a discount to take into account any allowance applicable then ESP has the right to request that this allowance discount be paid to ESP as it will no longer benefit from the extra income that the allowance was based on.

All charges in this publication are net of VAT. Where VAT applies, it will be added at the appropriate rate according to the tax laws prevailing at the time.

8.0 Modification of Charges

The connection charges, and the methodology used, will be reviewed on an annual basis and any adjustments will become effective on the 1st of April of each year. Any proposed material changes to the methodology will be issued in consultation with relevant Shippers 60 days before they become effective, where possible. However, for minor changes to the methodology and charges (e.g. for changes in contractor prices or inflation) consultation with relevant shippers will not be required.

There may be occasions when the methodology and/or connection charges will need to be modified before the annual review, and on these occasions all reasonable endeavours will be made to notify the relevant Shippers and any other relevant parties before the changes become effective. Some examples of when such modifications may be required are as follows:

- Directed to do so by Ofgem, or a Director.
- Changes in the regulations, or the law.
- Unforeseen expenses and significant changes in the economic environment.

9.0 Methodology Used to Calculate Connection Charges

The following principles will be used when calculating the provision of new, increased and reduced connections to ESP's gas transportation networks. These principles will be incorporated, where it is appropriate to do so, in the terms and conditions of the quotation letter or the connection agreement provided.

9.1 Standard Connection Charges

1. The charge will reflect (subject to the other principles set out in this section) ESP's estimated costs of the work to be done by ESP and of the assets to be installed by ESP for the specific benefit of the party seeking the connection.
2. The work to be done and the charge payable for connection will depend on the requirements of the party seeking the connection and on the nature of the gas distribution system at the point of connection. It will also depend on other characteristics relevant to the connection, including the effective capacity and pressure level of the relevant part of the network in relation to the requirements of the party seeking the connection. A statement showing network capacity and peak loading on specific parts of the system and other relevant information will be provided on request, subject to a charge dependent on the amount of work involved.
3. ESP reserves the right to decide the terms applicable in cases where the normal criteria may not apply following consultation with the applicant or where ESP has reasonable grounds for concluding that the proposed connection would reduce the security of the system to a level below the standard required by the Gas Act 1986, and/or the guide lines used by ESP.
4. The costs to be recovered in the charge for connection will be determined from the estimated costs of the minimum scheme which would be designed to meet the requirements of the connection and for the sole benefit of the party being connected, consistent with sound

engineering practices and subject to the specifications and standard sizes of equipment used by ESP.

5. Where the scheme actually designed and/or the assets to be installed are of greater size and capacity than the practical minimum scheme required for that connection, the costs in excess of that minimum scheme will normally be borne by ESP. Where the minimum scheme is capable of accommodating additional connections and the relevant parties agree at the time of application to pay a share of the costs of connection then the costs of the scheme will be apportioned accordingly.
6. Where additional design pressure is required by the customer (i.e. above the minimum necessary for the required capacity) any work required to provide this enhancement is fully chargeable.
7. The cost of materials and labour will be calculated on a project by project basis through a specific feasibility or conceptual design study based on the reasonable expectation of the costs likely to be achieved by independent tender plus any special expenses and overheads incurred by ESP.
8. Reinforcement of the existing system required for works for a new or increased connection will be charged. In addition, any required reinforcement of the Gas Transporter's network to which ESP's network is connected will be charged for based on the terms specified by the relevant Gas Transporter.
9. ESP may pay an allowance towards new and increased connection work, which includes any connection work done as a self-lay scheme. This allowance will normally be based on the expected additional future income from the party seeking the connection and the methodology used to calculate the allowance is detailed in the section "Methodology Used to Calculate Allowances". To calculate the allowance ESP may have to charge for any work required to carry out the analysis (e.g. administration, design work, site visit).
10. There is a statutory Domestic Connection Allowance (DCA), which applies to all individual premises consuming 73,200 kWh (2,500 therms) per annum or less which are within 23 metres of a relevant ESP main. This allowance is applied so that the first 10 metres laid within land that is dedicated to public use outside the consumer's premises will be free of charge, which includes the cost of the final connection. Note: the DCA cannot be used in conjunction with the Infill Network Extension Scheme allowance.
11. Where, on request, a connection is made to a standard of security different from that normally provided by ESP the terms described in this section are not a reliable guide to the charges which will apply. Persons seeking such a connection should contact ESP. The approval of Ofgem and the Health and Safety Executive may be required for connections which do not meet ESP's minimum standard of security.
12. The calculation of the gas consumption of the premises, and the treatment of any information used in the calculation of the gas consumption of the premises will be done in consultation with the person requesting the connection. However, ESP reserves the right to make the final decision on the gas consumption data used in the calculation of connection charges, allowances and additional charges (as defined below).

13. On-going use of system charges will normally recover the future costs associated with operating (including business rates) and maintaining connections. Where full recovery of these costs is not expected through the on-going use of system charges, then either:
 - a) The charge for connection will include ESP's estimate of the capitalised cost of the future operation and maintenance costs that it expects will not be recovered by the on-going distribution use of system charges; or
 - b) Special arrangements may be agreed with ESP for the recovery or treatment of these costs.
14. Standard Charges will be applied for some categories of connection where the cost benefit of their use, relative to the production of bespoke quotations, is believed to be favourable. For example, for low value domestic connections a Standard Charge within zero to twenty metres in length is provided by a contractor as the most efficient way of tendering for the work. Although the connection work for an individual connection which is very short may be less expensive than the Standard Charge, once the extra ESP and contractor administration charges for the work to compile a bespoke quotation - and very possibly the cost of an initial site visit to scope the work - are added, it is generally found that the resulting connection charge is higher than the Standard Charge.
15. Standard Allowances will be applied for some categories of connection where the cost benefit of their use, relative to the production of bespoke quotations, is believed to be favourable. For example, to calculate an individual DCA generally is difficult to do accurately as the costs for highway work are not easy to extract from the Standard Connection Charge used by contractors (which they find the most efficient way of tendering for the work). Although the DCA for an individual connection may be more than the Standard Allowance, once the extra ESP and contractor administration charges for the work to compile a bespoke allowance quotation (and also it is likely a bespoke connection quotation will be required) are added to the connection charge, the overall connection charge is higher than if the lower Standard Allowance had been used.
16. The connection charge may include consideration for the provision and installation of the meter housing. On completion of the connection works the meter housing becomes the responsibility of the customer and therefore they are responsible for the ongoing maintenance and upkeep. There may be occasions where the customer may want, or be required, to provide the meter housing. In such cases this work will be done in full consultation with ESP, and ESP will only accept meter housing it believes is suitable.

9.2 Additional Charges

1. As indicated above, charges for connection are based upon the costs of the assets installed for the benefit of the party seeking connection. In certain circumstances, however, the party seeking connection will be required to make a payment in respect of assets which have been installed previously and which are used for the purpose of giving the supply to that party, these are referred to as "additional charges". These additional charges will be site specific to take into account individual circumstances. However, as a guide the following are examples of where it may apply:
 - a) A section of network was installed in anticipation of the party seeking connection, as it was more economical to install it while other work was being undertaken, than to wait for the party's application for connection.
 - b) A proportion of homes in a village financed a mains pipeline network to bring gas to the village as part of an infill project. It is considered appropriate to expect other homes in the

village that connect onto the mains at a later date to contribute to the installation of this mains pipeline network. (How these infill projects are treated regarding connection charges is described in more detail in the following section.)

Therefore the additional charges calculated would be primarily based on the contributions already made towards the network within the area by ESP, end users on the network, or other parties that provided a contribution.

2. The additional charges will only apply for designated areas and for a specified timescale. These designated areas, and the additional charges applicable to them, are available upon request.
3. As circumstances develop where a need for an additional charge has been identified for a designated area, the information will be updated to include the additional designated area and the applicable additional charges. The ESP contact address specified in the publication should be used to request the updated information.
4. The additional charges will still be applicable even if ESP is not employed to carry out the work (i.e. it is done as a self-lay scheme). Where the cost of the work is used in the calculation of the additional charges, ESP will calculate the value of the cost of the work used in the calculation of the additional charges in consultation with the person requesting the connection. However, ESP reserves the right to make the final decision on the value of the cost of the work used in the calculation of the additional charges.
5. Where additional charges are applied, the standard allowances as described in the section “Methodology Used to Calculate Allowances” may not be applicable. Any modification to the treatment of these allowances will be defined with the additional charges described in Appendix D.
6. Where the connecting party is a Gas Transporter, any applicable additional charges will be calculated on an individual basis as it will need to take into account additional factors such as the layout of the proposed network and allocation of costs.
7. Additional charges may also apply to any requests to increase the capacity requirement of an existing connection where it is appropriate because as a result the connection is using a greater proportion of the initial investment and costs incurred. (Should a decrease in the capacity of an existing connection be required no form of rebate will be provided as ESP is unable recoup any initial investment by it for the original capacity.) This requirement for additional charges for increases in capacity will not normally be applied to single domestic premises.
8. On a typical new housing network, ESP only invests based on the number of connections and does not make any contribution to the cost of the main and procuring additional capacity. This is generally paid for by the developer. Consequently, ESP does not need to recover this cost from a third party at a later date. Therefore, connections by another GT to these networks, ESP applies a standard flat rate connection charge to allow for load evaluation. If the work required to facilitate such a connection is considerably more than this flat rate, in particular if a feeder main is required, then this will be assessed and charged on an individual basis. ESP will also charge for any reinforcement work that may be required. Please note that there may be some developments where future additional capacity was planned for at the initial stage. In these circumstances, charges may be calculated by the method described for infill connections.
9. Where additional charges are for some, or all, assets not yet installed (for example, the network has not yet been completed) then the additional charges will be based on the anticipated

relevant costs for these assets not yet installed. The anticipation of these costs will be on a reasonable endeavours basis, but ESP retains the right to determine all the costs involved.

9.3 Additional Charges for Operational Costs

1. As described in Section 9.1 part 13, where some or all of the future operating costs, based solely on ESP's calculation of what it expects these costs to be, are not to be recovered through its transportation charges then an additional charge will be levied on connections to which these operating costs apply. It will be ESP's sole decision as to which connections these additional operating costs apply.
2. Where these operating costs become significantly higher than those anticipated by ESP when the Additional Charges for Operating Costs were calculated ESP reserves the right to recover these additional operational costs through a future connection charge from those parties benefiting from the connections (includes GTs who operate gas networks). This will normally be done in consultation with Ofgem. Please note the higher operating costs may be a one-off occurrence or a long-term trend.
3. If the potential for these operating costs to escalate is in ESP's view significant, then ESP may apply an uplift to reflect the risk to ESP.
4. Examples of future operating costs that may be taken into account for 1, 2 or 3 above includes, but is not limited to, the following considerations: Potential network governor costs, a provision for replacements, potential costs associated with easements, emergency cover cost increases, third party damage, increases in business rates, insurance costs, high inflation rates, changes in regulation. It may also include other associated operational costs, for example, network code maintenance costs, general office overheads, IT system upgrades. For further guidance ESP's Gas Transportation Charges publication will give more details as to the types of costs normally recouped through transportation charges, but in this case recouped upfront through a connection charge.

9.4 Infill Project Connections

For an infill project, the amount of any Additional Charges to be paid by each premises will be calculated as follows:

- a) The cost of the new mains, connecting the new mains with existing mains, installing pressure controlling apparatus (not part of any Supply Meter Installation) and all other cost associated with the new mains (which includes, if applicable, the charge for the provision of capacity on the existing system whether it be ESP's system or another GT's system) is the "Total Mains Network Cost".
- b) For ESP to proceed with an infill project, ESP will conduct a survey of the area to be supplied to assess the number of premises likely to connect within twenty years of the new mains being laid. It is this number which is used to apportion costs, not the total number of premises in the area.
- c) ESP will then take into account the income it anticipates the infill project will generate for it within twenty years of the new mains being laid, and a proportion of this income will be used to reduce the Additional Charge as it will allow ESP to invest its own capital within the infill project ("ESP Capital Investment"). How ESP calculates this ESP Capital Investment is at the sole discretion of ESP, but it will take into account (but not be limited to) such factors as required rates of return, operating costs and other capital investment required by ESP in the infill project (this includes the Domestic Connection Allowance).

- d) There may also be a commercial consumer that is likely to consume more than 2,196,000 kWh (75,000 therms) per year within the infill project area that requires a connection while the new mains is being installed. Such commercial consumers may also provide a contribution towards the new mains; such contribution is subject to commercial negotiation between the consumer and ESP. The total amount of the contribution(s) from this commercial consumer(s) where provided is the “Commercial Contribution”.
- e) In addition, there may be other parties within the infill project which are willing to contribute towards the new mains. Examples of these parties are Councils, Housing Authorities and Government bodies providing grants. The total of these contributions is the “Other Contributions”.
- f) The ESP Capital Investment, the Commercial Contribution and the Other Contributions (where they are applicable) are then subtracted from the Total Mains Network Cost and the remaining amount “the Recoverable Cost” will be the total of the Additional Charges for the infill project.
- g) The Recoverable Cost will then be divided equally by the number of premises which are likely to connect within twenty years of the new mains being laid. This amount is the Additional Charge which will be added to the Connection Charge for each premises when they request a connection.
- h) Subject to the Gas (Connection Charges) Regulations 2001 as amended this Additional Charge is charged to all customers connecting in the infill project area for a period of not more than twenty years until the Recoverable Cost of the mains has been recovered or the scheme closes, whichever is earlier.
- i) The twenty year period starts on the day the Relevant Main is commissioned.
- j) In an infill project the cost of the service pipe will be charged on an individual basis in the same way as any other connection. Potential consumers within an infill project will benefit from the Domestic Connection Allowance, where this is applicable.
- k) Where a non-domestic consumer, likely to consume more than 2,196,000 kWh per annum, is situated within the infill project, and declines to connect at the time when mains are laid then that consumer will not be permitted to connect to the infill project unless;
 - There will still be sufficient capacity to enable the remaining below 2,196,000 kWh per annum premises within the infill project, which might connect to gas, to take a connection without there being any requirement for any additional reinforcement, or if not then,
 - Either the twenty year infill project period has expired, or
 - They fund sufficient reinforcement to enable the remaining not above 2,196,000 kWh per annum premises within the infill project, which might connect to gas, to be connected without there being any requirement for any additional reinforcement within the twenty year period.

9.5 Isolations and Reconnections

1. Where a temporary disconnection of a supply point is carried out for the purposes of enabling connection work to be carried out, it is considered to be part of that connection work and not isolation.
2. Isolations can only be carried out by ESP as set out in the ESP Network Code; therefore, isolations cannot be carried out as a self-lay scheme. Also isolation cannot be carried out without the permission of the registered Shipper for the property.
3. The costs to be recovered in the charge for isolation will be determined from the estimated costs of the minimum scheme which would be designed to meet the requirements of the

isolation, consistent with sound engineering practices and subject to the specifications and standard sizes of equipment used by ESP.

4. Permanent or temporary isolation (and subsequent reconnection) at the request of a Shipper, Supplier or customer will be at the expense of that Shipper, Supplier or customer.
5. If works are unable to proceed as a result of the presence of a third party Supply Meter Installation (i.e. where ESP is not responsible for it), or because outlet pipework has not been purged, ESP will charge an Abortive Visit Charge.
6. Permanent or temporary isolation (and subsequent reconnection) resulting from the failure by a Shipper, Supplier or customer to comply with the terms of their use of system or connection agreement as the case may be, will be at the expense of that Shipper, Supplier or customer.
7. ESP retains the right to remove its equipment from an isolated supply point. Assets which are not cost effective to recover (e.g. buried pipes) will normally be made safe and left on site (unless they are required to be removed for safety or legal reasons), but if the customer requires ESP to remove them, the cost of removal will be payable by the customer. All such equipment will remain the property of ESP until otherwise agreed in writing with ESP.
8. When a supply point is isolated but it remains physically connected to the Pipeline it may need to be physically disconnected from the ESP network within a set period of time, as defined in ESP's Network Code. If ESP is required to, or is requested to, take such actions to disable the flow of gas as required by its Network code the full costs of taking such actions, including internal administration and technical work, will be charged to the person responsible for ensuring the physical disconnection, unless otherwise agreed.

9.6 Self-Lay Connections

1. A person may opt to construct those parts of the connection work which can be installed by themselves or a contractor working on their behalf. However, this option will be under the conditions that the person or contractor has consulted with ESP prior to undertaking the work, and an appropriate agreement (if applicable) with ESP has been successfully arranged. Such work, normally undertaken by a Utility Infrastructure Provider ("UIP") who is preferably Gas Industry Registration Scheme (GIRS) registered, is referred to as self-lay.
2. Where it is asked to adopt and take ownership of gas pipelines installed as a self-lay scheme, ESP applies a charge for the work required to be undertaken by ESP, or third parties employed by ESP, in the adoption of the gas pipeline. This charge will include legal costs where the agreement for the adoption varies significantly from ESP's standard contract.
3. Charges for the adoption and taking ownership of assets installed as part of a self-lay scheme form part of the customer quotation and are payable on acceptance of the quotation. If ESP does not receive the required payment a rejection letter for the self-lay scheme will be issued.
4. Where ESP is required to provide a connection point to its network for the self-lay scheme to connect to, ESP reserves the right to require that the persons requesting the connection point carry out the excavation and backfill (this includes obtaining suitable permissions) for the connection point.

9.7 Abortive Visit Charges

1. Where ESP, or anyone working on ESP's behalf, arrives on-site and cannot complete all, or part, of the connection work for any of the following types of reasons:
 - a) The customer refuses an on-site variation (which may, or may not, be as a result of any of the following listed reasons) that subsequently requires a job cancellation or deferral. It should be noted that ESP, or the contractor working for them, cannot always give an exact quote for any variation in work required while on-site and an indication of any increase in the connection cost will therefore be given on a best endeavours basis subject to later confirmation. Where the reason for refusing the on-site variation is because a fixed quote cannot be provided the Abortive Visit Charge will still apply where the variation was as a consequence of the listed reasons.
 - b) The customer has not informed ESP of on-site conditions which prevent the work from being carried out, or would make it unsafe to do so. (This does not apply where these on-site conditions are outside of the customer's control, and the customer can show they could not reasonably inform ESP of these on-site conditions prior to the visit.)
 - c) The customer has not provided ESP with all the relevant information that is required to carry out the work, or without this information it would make it unsafe to do so, where it is reasonable for ESP to have expected the customer to have provided this information.
 - d) The customer has not fully informed ESP of their requirements, or has requested an alteration to their requirement on-site, which has a significant cost and/or operational implication to ESP.
 - e) ESP requested that the customer be present on-site, and the customer confirmed that they would be on-site as requested, but the customer subsequently was not present. (This excludes circumstances where the customer can demonstrate they were unable to be on-site due to events outside of their reasonable control, and they were unable to inform ESP of this before the site visit.)
 - f) The customer had not completed any preparatory work required of them as part of the agreed connection work.
 - g) The customer requires a job cancellation or deferral, which was not given prior to ESP arriving on site.
 - h) ESP made an assumption(s) when determining the connection cost which was communicated to the customer, and the customer acknowledged the assumption(s) as correct, or did not respond to inform ESP that the assumption(s) was not correct. ESP then subsequently found this assumption(s) to be incorrect which prevented ESP from carrying out all, or some, of the work required (this could include not having been paid for any additional work required).
 - i) Any other circumstances which ESP can reasonably demonstrate was directly attributable to the customer and the customer should be reasonably aware it would adversely affect the installation of the connection, but did not give ESP any prior notification of these circumstances.

ESP will charge the customer for the abortive visit and any associated costs.

2. For all connections, ESP will charge an Abortive Visit Charge based on costs reasonably incurred by both ESP and any party working on behalf of ESP.

10.0 Methodology Used to Calculate Allowances

The allowances are based upon the present value to ESP of the future usage of the system and the income it expects to realise from the new or increased gas supply from a connection point on ESP's existing gas network to the point where the gas is off-taken.

10.1 Domestic Connection Allowance

There is a statutory Domestic Connection Allowance (“DCA”) which applies to all individual domestic premises consuming 73,200 kWh (2,500 therms) per annum or less which are within 23 metres of an existing relevant ESP main. This allowance is applied so that the first 10 metres laid outside the consumer's premises in land dedicated to public use is free of charge, which includes the final connection, and is subject to the following;

- the premises are used or proposed to be used mainly or wholly for domestic purposes, and
- there is no existing gas supply to the premises, and
- the individual premises does not form part of a multiple development, or
- the individual premises does form part of a multiple development, however, the person owning or occupying each premises can be identified (evidence of the owner or occupier will be required). Note that housing developers or landlords or an agent working on behalf of a developer or landlord are not eligible.
- In addition, any exclusions as defined in the Gas Act, Utilities Act 2000, ESP's GT licence and the Gas (Connection Charges) Regulations 2001 as amended. However, in these circumstances, ESP may still apply a DCA to these exclusions on selected networks where it has allocated additional investment for these networks to ensure domestic connection costs are kept to a required level based on its own economic criteria and marketing requirements.

Calculating a DCA on an individual basis is not considered cost efficient for the consumer for the following reasons:

- The prices provided by a contractor are for a complete job that encompasses all aspects of the work and does not have the work done in land dedicated to public use priced separately.
- To split this element of the work out is not normally possible with any reasonable accuracy as contractors will provide a standard quote for service connection “types” and will not provide a bespoke quotation for individual connections.
- This is because for a contractor to provide a bespoke quotation (particularly where they have to also split out the costs with reasonable accuracy) for each individual connection is not a cost effective method as it entails too many additional costs (e.g. extra design and administration work, a pre-site visit). Therefore, any benefit in cost accuracy is lost because the connection costs will increase significantly. (It should also be noted that different contractors have different ways of allocating costs which means there will be no consistent method used to split out the work done in land dedicated to public use.)
- In addition, to provide a bespoke allowance cost will also incur additional costs for ESP as this will require more administration work whether a bespoke or Standard Connection cost is used as it requires an analysis of the costs to establish which should be allocated to work in land dedicated to public use.

Therefore, ESP considers it more cost efficient to calculate a Standard Domestic Connection Allowance (SDCA) which is applied to all connection requests. Even if it can be demonstrated that the DCA should be higher for an individual connection, once the additional costs are added to the connection charge to calculate a bespoke connection/allowance any benefit to the consumer will be lost. It should be noted that there would be many consumers whose connections require little work in land dedicated to public use and they will benefit from a higher allowance by this method.

An additional benefit of using the SDCA arises when the economic viability of an infill project is assessed by ESP at the pre-approval stage. ESP knows precisely how much it needs to invest in each gas connection which it then recoups (taking into account the cost of capital, operating costs and commercial rates of return) from the income it receives operating the infill network. Without an accurate forecast of the future investment ESP will need to make for the DCA, this economic assessment cannot be optimised to ensure the best value for the consumers who are within the infill project area. This is because the lack of an accurate forecast in capital expenditure in a project increases the risk factor for the potential investor, which generally requires that the rates of return be increased to compensate for the higher risk. Alternatively, it will encourage an investor to use a forecast of a higher capital investment to make sure that they are covered in the future. Either way, the result will be a reduction in ESP's contribution towards the new mains, which will therefore result in the contribution required towards the new mains from the consumers being increased to compensate.

In the calculation of the SDCA it is recognised that a consumer who requires a road crossing would receive a higher DCA, as more of the work will be in the highway compared to a consumer whose property is on the same side of the road as the relevant mains. As this person will also incur a higher connection charge because of the extra length of service it is considered appropriate to split the Standard Domestic Connection Allowance into three types:

1. Near Side Connection Allowance.
2. Far Side Connection Allowance.
3. Average Connection Allowance (used where the relevant main is in the middle of the road, or the contractor's quote does not distinguish between near and far side).

This will ensure the final connection charge to the consumers will be more equitable, as far side connection charges will not be too much higher than near side connections. ESP may also use a contractor's quote which does not distinguish between near and far side, and so will use the Average Connection Allowance. This will result in there being no difference in the final connection charge.

The method to calculate these Standard Domestic Connection Allowances is as follows:

Assumptions:

- The average road width is 6 metres.
- The average path width and/or verge is 1.8 metres.
- The average length of service laid on the land of typical house to frontage is 6 metres.
- Price based on average quotes for services up to 20 metres are:
 - Near Side Connection is **£685**.
 - Far Side Connection is **£900**.
- The cost of provision and installation of a bolt on meter box is **£33**.
- Connection to mains is **£39**.
- Most services will be 'moled', so reinstatement costs will be for the launch pit in the highway/path and the receiving pit at the front of the house. Although the cost of reinstatement of receiving pit can be high (i.e. concrete or tarmac driveway) it is acknowledged that on average the reinstatement of the highway will be higher in cost, therefore a premium of **£33** is added to take this into account.
- For a Near Side Connection it is assumed that the connection is in the side of the road, and therefore 0.4 metre of service pipe will be in the road, 1.8 metres in the pathway/verge and 6 metres on private land.

Calculations:

- First the cost of the meter box, connection to mains and the premium for the highway reinstatement is subtracted from the two service costs to give:
 - Near Side Connection is **£580**
 - Far Side Connection is **£795**
- For a Near Side Connection as it is assumed that 2.2 metres of the service is in the public highway and 6 metres on private land, this gives a split of 27% in public highway and 73% in private land. If the cost of the above Near Side Connection is split in the same proportion this gives a cost of **£156.60** for work in the highway.
- If the cost of the connection and premium for reinstatement is added to this it gives a total cost of **£228.60** for the highway work, which is the Near Side Connection Allowance.
- The difference between the above Near and Far Side Connections is **£215** and this is assumed to be for the additional work to cross the highway. Therefore if this is added to Near Side Connection Allowance it gives **£443.60** and this is the Far Side Connection Allowance.
- The average of the two allowances is **£336.10** and therefore this will be used as the Average Connection Allowance.

Special Conditions:

- If the cost of the connection for a domestic consumer is less than the applicable SDCA, then the consumer is not due payment of the difference. Instead the Connection Charge for the consumer in this particular case will be zero.
- In certain circumstances ESP may provide a higher allowance to an individual domestic consumer if it believes there is merit in doing so. For example its connection may extend the network to allow other consumers to connect to the network, ESP wants to secure the connection for strategic or commercial reasons, the consumer has special needs and ESP chooses to provide a lower cost connection.
- For any domestic service connection carried out as a self-lay scheme ESP will provide the SDCA, as ESP deems applicable, to the person requesting the connection, or the person carrying out the connection work.
- For avoidance of doubt it should be noted that if the connection work is carried out as a self-lay scheme, it is still ESP's estimated costs of the work and of the assets to be installed for the specific benefit of the party seeking the connection which determines any limit to the SDCA, as described above, not the cost of the self-lay scheme.
- The SDCA may not be used in conjunction with the Infill Network Extensions Scheme allowance. The SDCA can only be used where the recipient of the connection does not qualify for the Infill Network Extensions Scheme allowance (see below).

10.2 Infill Network Extensions Scheme Allowance

Where the infill development is designated eligible for the Fuel Poor Network Extension Scheme (FPNES), then the cost of the connection may be discounted by a contribution received by the GDN in line with the provisions set out in the Network Extension scheme.

Allowances will be granted in the form of a voucher, which will pay for a proportion of the cost of the connection to the gas network, up to a maximum value of the cost of the connection. The allowance cannot be used to offset the cost of other works, such as internal central heating installations.

Individual customers may be eligible for the FPNES voucher where:

- The community or area where you live is within the 25% most deprived areas in England, Wales or Scotland as measured by the Government's Index of Multiple Deprivation (IMD).
- You must be eligible for support under Home Heating Cost Reduction Obligation in England, Wales or Scotland, Nest in Wales or the Home Energy Efficiency Programmes in Scotland
- You must be in fuel poverty based on the latest government definition or indicator. This currently is:
 - In England, the Low Income High Cost Indicator where a household is considered to be fuel poor if its income is below the poverty line (taking into account energy costs) and its energy costs are higher than is typical for its household type
 - In Scotland and Wales, a household spends more than 10% of disposable income on all household fuel

The allowances are based upon the value to ESP of the future usage of the system and the income it expects to realise from the new or increased gas supply from a connection point on ESP's existing gas network to the point where the gas is offtaken. It must also factor in the proportion of total use of system income for ESP's network and the upstream network. Worked examples are provided in Appendix C.

Where the infill development is not designated to be eligible for the Fuel Poor Network Extension Scheme, customers will be entitled to a Standard Domestic Connection Allowance (SDCA). For clarity, the FPNES voucher may not be used in conjunction with the SDCA (see 10.1), nor can it be used for new housing connections or commercial connections (see 10.3).

In addition to either the FPNES voucher or the SCDA, a customer taking a connection to an infill network may qualify for additional financial assistance towards the cost of the gas connection. Customers wishing to access this funding will need to apply directly to the relevant funding body and will be assessed for eligibility on an individual basis.

Existing households may qualify for the following financial assistance if they are eligible for measures under the Welsh Government Warm Homes Scheme 'Nest' or the 'Warmer Homes Scotland' scheme 'HEEPS' in Scotland.

10.3 Commercial Connection Allowance

When considering what capital contribution ESP is prepared to make towards a non-domestic gas connection it is at ESP's sole discretion as to the amount it will provide by way of an allowance. This is because each request has to be assessed on its individual merits and the economics of the network it is connected to. These include, but are not limited to the following:

- The forecast of the gas load of the connection and the security that this will be achieved.
- The transportation income ESP will receive from the connection, which is limited by The DN Operators' Equivalent Charges (as defined by Relative Price Control) and The DN Operators' charge to the CSEP.
- Any additional operational costs ESP will incur from the connection.
- Possible additional benefits other consumers on the network will receive from the connection (for example it may extend the network so other premises can connect to a gas supply).
- The commercial viability for the commercial consumer involved.

It is therefore not possible to publish any set allowances, or even guidelines, regarding allowances to commercial premises. Instead these will be based on commercial negotiations undertaken by ESP and the consumer involved.

Special Conditions:

- If the cost of the connection is less than the applicable Connection Allowance calculated, then the consumer is not due payment of the difference. Instead the Connection Charge for the consumer in this particular case will be zero.
- For any connection carried out as a self-lay scheme ESP will provide the Connection Allowance, as ESP deems applicable, to the person requesting the connection, or the person carrying out the connection work.
- For avoidance of doubt it should be noted that if the connection work is carried out as a self-lay scheme, it is still ESP's estimated costs of the work and of the assets to be installed for the specific benefit of the party seeking the connection which determines any limit to the Connection Allowance, as described above, not the cost of the self-lay scheme.

10.4 Allowances for Reinforcement Work on ESP's Existing Gas Network

If reinforcement of the existing ESP system is required for works for a new or increased connection an additional allowance may be provided in addition to those in the previous sections, the "Reinforcement Allowance". The application of this Allowance is at ESP's sole discretion as each request has to be assessed on its individual merits and the economics of the network it is connected to. These include, but are not limited to the following:

- The additional transportation income ESP will receive from the extra gas consumption on the network and The DN Operators' charge to the CSEP.
- Any additional operational costs ESP will incur from the reinforcement.
- Possible additional benefits other consumers on the network will receive from the reinforcement (for example it may provide additional capacity to enable other consumers to connect to the network).

If the reinforcement is part of a new connection request then the cost of reinforcement will normally be taken into account as part of the cost of connection. As such the calculation of the Connection Allowance will take into account the reinforcement, therefore, no Reinforcement Allowance will apply.

It should be noted that a Reinforcement Allowance is rarely, if ever, applicable to single domestic connection requests because they rarely require reinforcement and the applicable ESP capital contribution has been already accounted for in the SDCA. A Reinforcement Allowance is normally applicable where it is required to increase the capacity for an existing connection (e.g. industrial premise with significant gas consumption), or is required for a connection point to extend the gas network (e.g. new housing estate).

Special Conditions:

- If the cost of the reinforcement is less than the applicable Reinforcement Allowance calculated, then the consumer is not due payment of the difference. Instead the reinforcement cost for the consumer in this particular case will be zero.
- Unless under exceptional circumstances reinforcement work is only carried out by ESP, and therefore is not an activity which can be carried out as a self-lay scheme.
- For any connection carried out as a self-lay scheme ESP will provide the Reinforcement Allowance as part of the Connection Allowance, as ESP deems applicable, to the person requesting the connection, or the person carrying out the connection work.

- For avoidance of doubt it should be noted that if the connection work is carried out as a self-layself-lay scheme, it is still ESP's estimated costs of the work and of the assets to be installed for the specific benefit of the party seeking the connection which determines any limit to the Reinforcement Allowance, as described above, not the cost of the self-lay scheme.

10.5 Modifications to the Standard Principles used to Calculate the Allowances

The allowances set out in this publication will be used in the majority of cases. However, in a small number of cases allowances may have to take into account unusual circumstances, which will affect the amount payable. Examples of such cases are as follows:

- a) Temporary and other short term connections.
- b) Seasonal and standby supplies.
- c) Where the standard allowances are not appropriate to the anticipated use of gas through the connection.
- d) Where additional charges are applied.
- e) In cases where a customer installs connection equipment which will reduce ESP's normally expected future operation and maintenance costs, an additional allowance may be given.
- f) If any required reinforcement of the Gas Transporter's network (to which ESP's network is connected) specifically benefits the party seeking the connection. Any allowances, if any, given by that Gas Transporter will be treated on an individual basis taking into account the terms and conditions of that Gas Transporter.
- g) If the person requiring a connection is a Gas Transporter, allowances will be paid only in circumstances where ESP will receive additional transportation income from the new or increased connection.

This is because ESP allowances are based upon the present value to ESP of the future use of system income it expects to realise from the new or increased connection. Therefore, if the arrangement for Shippers to bring gas to the connection point precludes ESP charging them a transportation charge ESP has no additional income on which to base its allowances.

10.6 Payment of Allowances

Allowances that are appropriate for work carried out as a self-lay scheme will be paid to the person who applied for the connection on completion of the self-lay work to the satisfaction of ESP as set out in the applicable Agreement. Alternatively, the ESP charge for the connection point (where applicable) may be reduced by the amount of the allowance. The value of allowances will be the same regardless of who carries out the self-lay work.

Allowances that are appropriate for work carried out by ESP will be paid to the person who applied for the connection by way of a reduction in the Connection Charge, or by a rebate payment on completion of the work by ESP.

In the event of costs for reinforcement of ESP's existing distribution system being allocated to the applicant, then the reinforcement charge to the applicant will be reduced by the amount of Reinforcement Allowance appropriate for the reinforcement work.

All types of allowances for non-domestic connections will be calculated from ESP's estimate of the maximum demand to be made. In cases where the maximum demand cannot be reasonably established at the outset or where the person who applied for the connection so requests

allowances will be paid when the take up of the supply is known. ESP would expect to finalise payment of allowances, in normal cases, no more than twelve months after the connection work and any reinforcement work has been completed.

If any charge for preparatory or reinforcement work provided by ESP included a discount to take into account any applicable allowance then ESP has the right to request that this allowance discount be paid to ESP if the connection work is subsequently not carried out, whether by ESP or as a self-lay scheme, as ESP will no longer benefit from the extra income that the allowance was based on.

Appendix A: Costs Associated with ESP Connection Charges

To give a schedule of rates for connection work is not practical, as there are many factors which influence a project and its costs. However, the following section provides a guide to the type of considerations taken into account when pricing connection work with examples of costs where appropriate. It should be noted that this information is only a guide and therefore will **not** be used by ESP as a basis for pricing connection work. The information used for pricing the connection work will be detailed in the quote as part of a request for a connection.

Standard Domestic Connection Charges

When obtaining a quotation from a contractor for most domestic connections they quote based on standard connection “types”. For example, in a defined geographical area for all services up to 20 metres in length and terminating at the front of the property contractors may give a single price for a Near Side service and a single price for a Far Side service. This is the most efficient way of costing this type of work as to give individual prices would be too resource intensive in extra administrative and design work. Therefore contractors tend to take a balanced approach where they assess the work to ensure the connections work is profitable overall, not based on individual jobs. This also benefits the customer, as the connection charges passed on will be cheaper on average.

Furthermore, if as many services as possible are carried out in one visit to that defined geographical area the connection costs can be further reduced through economies of scale (mainly obtained from the mobilisation and demobilisation costs being spread over more than one service). Therefore ESP endeavours to try and ensure as many connections are carried out at the same time in an area as possible, mainly through mailshots informing customers of when ESP’s contractor will be in the area.

ESP has compiled a set of standard connection charges with chosen contractors for a number of our networks and has a set of prices (which are being used to quote customers). ESP does not intend to publish these prices, as it cannot guarantee they will be applicable when a request is made.

Pipeline and Trenching Costs

Pipeline costs are based on using manufacturers’ standard dimensions and include material, installation, and testing. Trenching costs are based on the excavation and backfilling of unmade ground typically encountered, however these costs can vary considerable depending on the ground conditions. The costs do not include for sand surround and protective tiles which may be required depending on the ground conditions.

Reinstatement Costs

Reinstatement costs are those costs associated with making good the surface of the backfilled trench (e.g. resurfacing roads with tarmac). These costs can vary considerably, depending on the surface type.

Charges include excavation, backfill and routine reinstatement on private land except where requested otherwise. When a specialist surface e.g. a mosaic, coloured tarmac, tiles is encountered within private land the customer may choose to pay the standard charge (where applicable) and have excavations reinstated with black tarmac or re-laid modules (without any damaged modules being replaced by new ones) or they may choose to pay a supplementary charge that will pay for the employment of a specialist reinstatement contractor. ESP will charge in respect of the hire of the specialist contractor, and there is no guarantee that an exact match can be achieved particularly if the existing surface is weathered or the original surfacing material is no longer manufactured.

Customers are advised to relocate or protect growing plants because although ESP will try to avoid damaging growing plants, ESP will not replace them if they are destroyed or damaged.

Work Undertaken by Party Requesting Connection

Even if the connection is not to be done as a self-lay scheme, to help reduce costs ESP will still allow the party requesting the connection to do some of the work required themselves. This is normally restricted to the excavation of the trench and some reinstatement work where it is on the party's own land. It is entirely at ESP's discretion what work the party will be able to undertake and the party must agree with ESP what work they intend to do beforehand.

Connection to the Mains

The work required to physically connect to the existing gas mains will vary considerably. For example it may only require a relatively inexpensive fitting which can be connected as part of the installation of the pipeline, however in some circumstances the work required can be significant. Therefore the connection cost will be priced on a project by project basis.

Connection to an existing New Housing network by another GT

On a typical new housing network, ESP only invests based on the number of connections and does not make any contribution to the cost of the main and procuring additional capacity. This is generally paid for by the developer. Consequently, ESP does not need to recover this cost from a third party at a later date. So, for connections by another GT to these networks, ESP applies a standard flat rate connection charge to allow for load evaluation. If the work required to facilitate such a connection is considerably more than this flat rate, in particular if a feeder main is required, then this will be assessed and charged on an individual basis. ESP will also charge for any reinforcement work that may be required. Please note that there may be some developments where future additional capacity was planned for at the initial stage. In these circumstances, charges may be calculated by the method described for infill connections.

Labour Costs

Most of the direct labour costs have been included in the costs quoted for the pipeline, trenching and reinstatement; however there will be additional direct labour costs if the work requires it. Other labour costs which are normally added, in addition to the direct costs, are such things as supervision, project management and any other work required as part of the works.

Meter Housing

The connection charge usually includes for the provision and installation of the meter housing, however on completion of the connection works the meter housing becomes the responsibility of the customer and therefore they are responsible for the ongoing maintenance and upkeep. ESP offers a 1 year guarantee in respect of meter boxes that are supplied by ESP; however this is invalidated if any defect or damage has not been caused by fair wear and tear. ESP is not obliged to provide a meter box and/or transport it to site unless it is also going to be installing it; however ESP may at its discretion provide either service if requested.

There may be occasions where the customer may want, or be required, to provide the meter housing. In such cases this work will be done in full consultation with ESP, and ESP will only accept meter housing it believes is suitable. Also, there may be no discount from the standard charges if the customer procures their own meter housing.

For domestic connections ESP will normally only provide multi boxes installed at ground level or “bolt on” surface mounted meter boxes, therefore where a “built in” meter box is required a customer must arrange for the provision of the box and undertake its installation prior to ESP beginning the engineering works.

Mobilisation and Demobilisation Costs

These are the costs associated with bringing to and from the site the required material, equipment and labour. It also may include setting up on site portacabins, provision of storage facilities to house equipment or materials (and security if necessary) and utilities if required. These costs depend very much on the connection work and therefore meaningful costs cannot be given here as a guide.

Lane Rental Charges

There may be Highway Authority Lane Rental Charges applicable and these will be charged for, but only those costs which have been efficiently incurred.

Administration and Design Costs

The administration requirements will be assessed on a project-by-project basis, however as an indication of the costs involved, typically £30.00 per hour will be charged. There will be other costs taken into account which may include postage, stationery, office overheads and other ancillary costs.

Standard design and network analysis charges will be based upon an hourly charge out rate, for design staff, of £44.00 per hour where this can be resourced internally. Where external resources are required these charges will be levied according to the cost to ESP, and overheads will be applied at the appropriate rate.

If requested ESP will carry out Network Analysis to determine a precise source pressure, however a charge will be made for this service which may be required to be paid before the work is undertaken if the costs incurred are anticipated to be potentially significant.

The charges for this type of work, particularly where it is required to be paid up front, will be calculated on the basis of the costs that ESP expects to incur in carrying out the work. Accordingly, any charge made may be a combination of administration and design costs.

For avoidance of doubt it should be noted that if the connection work is not carried out, whether by ESP or as a self-lay scheme, the charges for any preparatory work carried out by ESP (e.g. Administrative, Design and Network Analysis work) will not be refundable. ESP may however at its own discretion decide to refund all or part of these charges if it believes it is merited.

Overheads

Each cost element will have an appropriate level of overhead added.

Reinforcement Costs

If reinforcement of ESP's existing network is required the costing for this work will need to be done on a project by project basis and therefore it is not possible to give any indication of what these costs would be. This also applies if reinforcement work is required on the GT's network to which ESP's network is connected.

Load Evaluation Service

ESP does not have an obligation to provide a load evaluation service to determine individual or groups of customers' gas load requirement. ESP may still provide this service, or provide help to the person investigating the load requirement (e.g. gas shippers), where it decides it has the resource to do so. Normally the load evaluation will be a basic evaluation only and where this service represents a significant amount of work ESP may choose to levy a charge.

Other Costs

It is not feasible to cover every possible variable which may be required as part of a connection project. However, listed below are some additional costs that have not been covered in the charges previously discussed:

- Negotiation and payment of wayleaves and easements.
- Negotiation and payment of planning consents.
- Valves.
- Pressure regulating equipment and its housing (which is not part of a meter unit).
- Traffic management.
- Treatment of contaminated ground.
- Serving notices to the Highways Authority.
- Acquiring plans of other utilities' plant equipment.

Factors Influencing Costs

Although this must not be regarded as a comprehensive list, the following is a guide to the factors which influences the costs that have been described:

- Length of pipe required.
- Ground conditions for excavation.
- Type and extent of reinstatement and the need for road crossings.
- Size of customer demand in relation to available capacity of existing network, taking into account the age of the assets and the condition of the network.
- Standards governing the system.
- Availability of wayleaves and easements for pipelines, including any planning consents.
- Availability of suitable sites for equipment, including any planning consents.
- Restrictions in working space.
- Necessity of overtime working.
- The time of year the work is carried out.
- The labour rates in different parts of the country.
- Connections at pressures greater than 2 bar (gauge) usually require special consideration and may require special equipment.
- Obstacles on route (e.g. railways, rivers, sites of special interest).

Isolations, Reconnections and Alterations

The cost of isolating a supply point will depend on what is required, as it could consist of simply capping off the supply at the meter, or alternatively it may mean removal of pipeline from the premises.

This will also apply to renewing or altering a connection to a site, therefore any charges involved for the work will be assessed individually.

ESP will charge the cost that it reasonably expects to incur when carrying out the work and this charge will include appropriate overheads.

Provision, Return and Repositioning of Metres

The provision, return and repositioning of meters for existing offtake positions is not included in this publication. Also, provision of meters and any pressure regulating equipment which forms part of the meter unit for any new connections are not included in this publication.

Appendix B: Connection Charges and Allowances - Examples

The following are examples of how connection charges and allowances are calculated. It should be noted that the applicable allowances and additional charges have also been included in this section, to demonstrate what the overall charge to the party requesting the connection will be. (Note that the costs shown do not include VAT, however it may be applicable depending on circumstances.)

The costs described are indicative only. They are included in this publication to serve as examples and should not be used to evaluate the accuracy of actual quotes provided by ESP.

Standard Domestic Connection

A house requires a connection from an existing low pressure gas main.

Job Details:

- Located in the South East of England.
- Length of service pipeline is 8 metres to the front of the property.
- The existing gas main is on the same side of the road as the property.
- Customer requires a bolt on meter box.
- Anticipated annual consumption is 19,350 kWh.
- Request is one of three other requests within the same area.

Quote Details:

- ESP has procured a quote from its contractor of **£890** per Near Side standard connection (i.e. service is of a typical domestic type, up to 20 metres in length) where 4 domestic services are laid in the area at the same time.
- ESP has put on an additional **£30** for its administration and overheads costs.
- The Standard Domestic Connection Allowance for a Near Side connection is **£228.60**
- This is not in an infill area so there is a **Zero** additional charge.

Connection Cost:

Contractor's Costs		£890.00
ESP's Costs		£30.00
Allowance		- £228.60
Additional Costs		£0.00
TOTAL COST	=	£691.40

Infill Domestic Connection

A house requires a connection from existing low pressure gas mains.

Job Details:

- Located in the Highlands of Scotland (Note: a remote area which requires a significant trip to site).
- Length of service pipeline is 17 metres to the front of the property.
- The existing gas main is on the other side of the road from the property.
- Customer requires a bolt on meter box.
- Anticipated annual consumption is 23,450 kWh.
- Request is the only one within the same area.
- The property will connect to an infill network.

Quote Details:

- ESP has procured a quote from its contractor of **£1,920** per Far Side standard connection (i.e. service is of a typical domestic type, up to 20 metres in length) where only one service is to be laid within the area during the contractor's visit.
- ESP has put on an additional **£30** for its administration and overheads costs.
- The Standard Domestic Connection Allowance for a Far Side connection is **£443.60**
- This is in an infill area so there is an additional charge towards the mains of **£123.30**.

Connection Cost:

Contractor's Costs		£1920.00
ESP's Costs		£30.00
Allowance		- £443.60
Additional Costs		£123.30
TOTAL COST	=	£1629.70

Another Gas Transporter Connection

Another gas Transporter requires a connection from an existing low pressure gas mains to enable it to service a new housing estate with a gas network.

Job Details:

- Located in the South West of Scotland and it will connect to an infill network.
- It will be a housing estate of 50 houses.
- The connection point will require ESP to provide a peak hourly rate of 62.5 standard cubic metres per hour.
- ESP will need to provide a 90mm connection point off its network in the road terminating in the footpath outside the site. This will require ESP to carry out a live connection and the laying of 8 metres of pipe in the highway.

Quote Details:

- ESP has a total peak hourly rate requirement of 300 standard cubic metres per hour for all the connections off its own network. Therefore the total peak hourly rate at The DN Operators' connection point for ESP's and the GT's network is 362.5 standard cubic metres per hour, of which 17.2% is for the GT.
- ESP spent about 5 hours carrying out the required network analysis to provide a quote and another 2 hours to process the quote. With overheads that produces an ESP charge of **£319.20**.
- ESP broke the pipeline from The DN Operator's connection point to the GT's connection point into 3 sections. For each section ESP calculated what percentage of the capacity that section has allocated for the gas to be delivered to the GT's network based on peak hourly rates.
- ESP allocated a proportion of the cost to ESP of installing each section to the GT based on the percentage of the capacity allocated to it.
- As ESP will not benefit from any additional income from the transportation of the gas to the GT's network therefore there is no allowance applicable.
- All the Future Operating Costs for the network are expected to be recovered through transportation charges; therefore ESP has decided not to include an additional charge for Future Operating costs.

Connection Cost:

DN Operators' Connection	= £2,000 x 17.2%	= £344.00
Section 1	= £9,500 x 17.2%	= £1,634.00
Section 2	= £5,400 x 25.5%	= £1,377.00
Section 3	= £3,800 x 65.0%	= £2,470.00
ESP Costs		= £319.20
Provision of Connection		= £950.00
TOTAL COST		= £7,094.20

Commercial Connection

A commercial premises requires a connection from gas mains 200 metres away using a 125 mm PE pipeline operating at 2 bar (gauge) pressure.

90 metres will be in the road and will cost:

Pipe	= £20.00 x 90 metres	= £1,800.00
Trench	= £9.80 x 90 metres	= £882.00
Reinstatement	= £67.00 x 40 square metres	= £2,680.00

The connection is a straightforward top T done at the same time as the work in the road:

Top T and fitting		= £325.00
Valve and valve pit at connection point		= £270.00
Additional reinstatement work		= £430.00

80 metres is across a farmer's field:

Pipe	= £20.00 x 80 metres	= £1,600.00
Trench	= £9.80 x 80 metres	= £784.00
Easement	= £6.00 x 80 metres	= £480.00
Legal Costs		= £972.00
Temporary Fencing	= £2.00 x 160 metres	= £320.00

30 metres is across the commercial premises' front lawn, the owner of the premises is to excavate and backfill the trench and reinstate the lawn:

Pipe	= £20.00 x 30 metres	= £600.00
Trench	= To be done by customer	= £0.00
Reinstatement	= To be done by customer	= £0.00

Mobilisation and demobilisation includes for bringing the teams and equipment to the site for 5 days work:

Travel to and from site	= £450 x 5 days	= £2,250.00
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ESP administration charges for the project totals 20 hours work:

Administration	= £26.00 x 10 hours	= £260.00
Project Management	= £42.00 x 10 hours	= £420.00
Overheads (20%)	= £700 x 20%	= £140.00

Additional costs include some sand surround for a section of the pipe and traffic management for the road works:

Sand surround and delivery		= £210.00
Traffic lights hire and labour		= £210.00
Storage and security on site		= £850.00

There is a reinforcement cost relating to a modification to a gas regulator on the ESP existing network to allow for the additional gas flow.

Labour	= £ 900.00 x 1 day	= £900.00
Replacement parts for governor unit		= £1,600.00

ESP will provide and install a single stream meter unit free of charge; however the customer requires it to be twin stream and housed in a kiosk.

Extra to provide additional stream		= £1,500.00
Meter Kiosk		= £2,500.00

From an economic analysis where ESP took into account the extra income it will receive from the connection (which is anticipated to take a gas load of 7,500,000 kWh per year with a load factor of 75%) it is prepared to give an allowance of **£3,500.00**

TOTAL COST = £18,483

Spine Main Connection

A spine main has been installed to service a number of plots that will either be developed by ESP itself, another GT or another party wishing a single connection for a premise serviced directly from the main. Therefore this example is the basis for the connection cost for all three types of “connecting parties” (for ESP this connection cost will be included in its overall installation cost for the network or service quote provided to the developer or other party).

Job Details:

- A spine main installed for a lead developer to service 19 plots of land that it intends to sell off to other developers to build flats, homes and commercial premises.
- For this type of network it was decided that the appropriate format for allocating the costs of the spine main to connecting parties is by a simple allocation of the investment and costs incurred by ESP based on the proportion of the total peak hourly rate the connecting party requires. (Note therefore the length of spine main used from The DN Operators connection to connecting party’s connection point will not be taken into account.)
- It should be noted that should the connecting party require an increase in its capacity requirement for the connection in the future, an additional connection contribution would be required based on the same allocation for the additional amount.
- Also should the connecting party require a decrease in its capacity requirement ESP at its **own discretion** may provide a rebate for the reduced amount; however it would normally be expect that the connecting party would take the commercial risk for any decreases in capacity requirements.
- The connection point will require ESP to provide a peak hourly rate of 3,000 kW (includes diversification).
- ESP will need to provide a 125mm connection point off its network in the footpath outside the site. This will require ESP to carry out a live connection and the laying of 2 metres of pipe into the site.

Quote Details:

- ESP has designed the spine main for a total peak hourly rate of 31,773 kW (includes diversification) for all the connections off the spine main and so the total peak hourly rate contracted to The DN Operators at the connection point to The DN Operators’ network is 31,773 kW. Therefore the connecting party will be using **9.44%** of the total peak hourly capacity of the network.

- ESP spent about 2.5 hours carrying out the required network analysis to provide a quote and another 1 hour to process the quote, with overheads that produces an ESP charge of **£159.60**.
- The ESP investment and costs incurred for the spine main in total is £35,000; however a further £25,000 expenditure is anticipated to complete the spine mains therefore the total used is **£60,000**.
- Assumed this is a GT connection therefore ESP will not benefit from any additional income from the transportation of the gas to the connecting party's connection, and so no allowance applicable (there would be if it were an ESP adopted connection).
- The future operating costs for the spine main will not be recovered through ESP's transportation charges therefore an additional charge will be levied based on a total capitalised charge of **£20,000**. This mainly comes from the maintenance of a network governor (includes replacement of parts and emergency cover).

Connection Cost:

Spine Main	= £60,000 x 9.44%	= £5,664.00
Future Operating Costs	= £20,000 x 9.44%	= £1,888.00
ESP Costs		= £159.60
Provision of Connection		= <u>£600.00</u>
TOTAL COST		= £8,311.60

Appendix C: Example of connections benefitting from the Infill network extensions scheme

Example 1: Community based project connecting to an iGT where cost of connection is less than NPV of future transportation income

Cost of mains and services (per customer)	= £1,200
NPV of future transportation income	= £1,500
iGT receives 40% of NPV of future transportation income	= £600
GDN receives 60% NPV of future transportation income	= £900
GDN connection contribution to iGT = £1,200 x 60%	= £720

The GDN will be expected to give to the iGT a contribution of £720 towards the fuel poor discount, which the iGT will use to discount the cost of the connection. This leaves a shortfall of £480 in the cost of the connection, which the iGT can meet by offering a connection discount to the customer.

Example 2: Community based project connecting to an iGT where cost of connection is more than NPV of future transportation income

Cost of mains and services (per customer)	= £1,600
NPV of future transportation income	= £1,500
iGT receives 40% of NPV of future transportation income	= £600
GDN receives 60% of NPV of future transportation income	= £900
GDN connection contribution to iGT = £1,500 x 60%	= £900

The GDN will be expected to give to the iGT a contribution of £900 towards the fuel poor discount, which the iGT will use to discount the cost of the connection. This leaves a shortfall of £600 in the cost of the connection, which the iGT can meet by offering a connection discount to the customer.

Example 3: One-off connection to an iGT

One premise located 12m away from the relevant main	
Gross cost of service pipe (standard connection charge = £300 plus 10m allowance = £500)	= £800
NPV of future transportation income	= £1,500
iGT receives 40% of NPV of future transportation income	= £600
GDN receives 60% of future transportation income	= £900
GDN connection contribution to iGT = £800 x 60%	= £480

The GDN's connection contribution to the iGT is £480, which leaves a shortfall of £320 in the cost of the connection, which the iGT can meet by offering a connection discount to the customer.

Appendix D: Additional Connection Charges

Introduction

This section identifies the ESP gas networks where additional connection charges will be levied in addition to the standard connection charges for new or increased connections. It is prepared in accordance with the requirements of Condition 4B of ESP's Gas Transporters licence, the Gas Act 1986, Utilities Act 2000, and the Gas (Connection Charges) Regulations 2001 as amended.

This section should be used as guidance where a requirement for an additional charge has been identified when applying through the standard connection procedure. Normally the terms and conditions for the additional charge will be included in the quotation provided as part of the standard connection procedure.

Modification of Additional Connection Charges

The additional connection charges, and the methodology used, will be reviewed on an annual basis and any adjustments will normally become effective on the 1st April of each year. There may be occasions when the additional connection charges will need to be modified before the annual review, and on these occasions all reasonable endeavours will be made to forewarn the relevant Shippers and any other relevant parties before the changes become effective.

A list of networks, and their charges, is available upon request from ESP.

Treatment of Additional Connection Charges

Most of the additional connection payments received by ESP for a designated area will, depending on the circumstances, be treated as follows:

- **Type 1:** Some, or all, of the additional connection payment will be used to reduce the contribution made by ESP towards the network when it was initially installed. This is where the calculation of the Gas Transportation Charges and, or, any other charges used by ESP to recover its capital investment were adjusted to take into account this gradual recovery over time of some of its investment through the additional connection charges. This type of additional connection charge is for infill areas and so is applied under the **Gas (Connection Charges) Regulations 2001 as amended**.
- **Type 2:** If ESP has an agreement that additional connection payments will be used to reduce the contribution made by other end users on the network, some, or all, of the additional connection payments will be distributed among these end users as a rebate.
- **Type 3:** Where a speculative contribution was made by ESP towards the network which was not used in the calculation of the Gas Transportation Charges and, or, any other charges used by ESP to recover any of its contributions, some, or all, of the additional connection payment will be used to reduce this ESP speculative contribution. This type of speculative investment by ESP is based on the expectation of additional income should the connection(s) be made, or at least recovery of the capital investment (and where applicable future operating costs) made where there will be no additional income. An example of this is recovery of spine mains costs from individual end users or other connecting GTs.

The above principles are expected to be used for most designated areas; however there may be a variance to these principles in the future depending on the circumstances and considerations which need to be taken into account.

Appendix E: Useful Contacts and Addresses

ES Pipelines Utilities Group Ltd
Bluebird House
Mole Business Park
Leatherhead
Surrey
KT22 7BA

Tel: (01372) 227 560
Fax: (01372) 377 996

E-mail: customerservices@espug.com
Website: www.espug.com

Ofgem
9 Millbank
London
SW1P 3GE

Tel: (0207) 901 7000
Fax: (0207) 901 7066
Website: <https://www.ofgem.gov.uk/>

Health and Safety Executive
Rose Court
2 Southwark Bridge
London
SE1 9HS

Tel: (0845) 345 0055
Website: <http://www.hse.gov.uk/>

Ombudsman Services
PO Box 966
Warrington
WA4 9DF

Telephone: 0330 440 1624
Textphone: 0330 440 1600
E-mail: osenquiries@os-energy.org
Website: www.ombudsman-services.org/energy

Appendix F: Glossary of Terms

<u>Word / Acronym</u>	<u>Definition</u>
AQ	Annual quantity (of energy consumption)
CSEP	Connected System Exit Point
DCA	Domestic Collection Allowance
DM loads	Daily Metered Loads
DN Operators	National Grid and the iDNs
ESP	ES Pipelines Ltd
Gas Act	The Gas Act 1986
GIRS	Gas Industry Registration Scheme
GT	Gas Transporter (as licensed by Ofgem)
HSE	Health and Safety Executive
iGT	Independent Gas Transporter (all licenced gas transporters except The DN Operators)
I&C	Industrial and Commercial
kWh	Kilowatt hours
NDM loads	Non Daily Metered loads
NExA	Network Exit Agreement
NG	National Grid (formally known as National Grid Transco)
NPV	Net Present Value
Ofgem	The Gas Regulator (Office of Gas and Electricity Markets)
SDCA	Standard Domestic Connection Allowance
tpa	Therms per annum

Approach Mains: Is a pipe that will become a Relevant Main that is designed to connect a new system of pipes with an existing transportation system.

Connection Costs: The costs of all physical connection works, and associated work, downstream of the connection point to the existing Relevant Main, which may include reinforcement costs downstream of the connection point.

Reinforcement: Physical works to build additional capacity into the ESP system.

DN Operators Equivalent Charges: Where The DN Operators' transportation charges to the connection point of ESP's network (CSEP), are added to ESP's transportation charges from the connection point to the meter unit, the total charges are equivalent to The DN Operators' charges had the premises been connected directly to The DN Operators' network. This excludes meter and CSEP charges.