



# RIIO-GD1

Stakeholder Report 2019/20



**SGN**  
Your gas. Our network.



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# Introduction from John Morea CEO

This has been another exceptional year for our company, the start of which saw us awarded Company of the Year from the Institution of Gas Engineers and Managers. At the end of the year, we took three awards - Cross Vector project of the year, Engineering project of the year, Innovation project of the year and our real time networks innovation initiative was highly commended.

We've continued to build on our excellent track record in RIIO-GD1 with many achievements. Throughout the year we've also carried out enhanced engagement with 12,500 engagements reaching 1,000,000 people leading to a stakeholder informed and supported business plan. Customer and stakeholder priorities are highly visible in our three customer commitments. We believe our RIIO-2 business plan submitted to Ofgem in December 2019 is in the best interests of current and future customers and stakeholders.

In order to further strengthen our governance standards, build increased trust amongst stakeholders and generate greater value for the communities where we operate, this year we prepared the foundations for a new Stakeholder, Environment and Customer Board Committee to be established in 2020. Led by a non-executive director, this group will support the Board in ensuring we have due regard for stakeholder, environmental and customer interests and our impact on the broader community and environment in our principle decision-making at Board level.

I'm also excited about the opportunities for our company and our industry in tackling the challenges of achieving a net-zero economy. Working alongside the

Energy Networks Association and the UK's other gas distribution networks, we've established 'Gas Goes Green' as a vehicle to co-ordinate and communicate all the activities and opportunities as we explore and prove the path for hydrogen to replace the methane gas in our networks.

I'm confident we'll respond positively by not only reducing our own impact on the environment but also bringing cost-effective solutions for the future of heat. There is potentially a significant social benefit by using hydrogen to decarbonise heat, both in terms of cost effectiveness and also avoiding the customer disruption that would be required through electrification pathways. Thanks to our mains replacement programme, we now have 80% of our network potentially hydrogen-ready. Our Hydrogen 100 Fife project is also progressing well and has been submitted for funding under the Network Innovation Competition. If it is successful, we look forward to constructing the UK's first 100% hydrogen network.

Unquestionably, the onset of COVID-19 is the most significant event affecting every UK company in 2020 and has had a devastating and profound effect on both the UK's population and business community. With tried and tested business continuity plans in place, we started our planning process early in January, and when the UK Government announced the 'lockdown' situation on 23 March, we activated all our plans immediately, minimising our interactions with the public by paring back to safety critical maintenance and emergency activities. Our quick response to the changing situation ensured our customers continued to have a safe and warm network.



Equally important, on entering lockdown, we also started robust planning for when the recovery of our activities could safely be implemented in a controlled and considered way. At the heart of everything was our commitment to ensuring the safety and wellbeing of our people, our customers, particularly those in vulnerable situations and the public at large.

Our ability to rapidly respond to COVID-19 has been due to the strength of our continuity planning, the early identification of and planning for the risk of change, the benefits delivered by our IT investments over recent years and the migration to the cloud. This has enabled the majority of our staff to switch to working from home with remarkably low levels of disruption given the speed of change imposed upon us.

We look forward to being able to respond to normal operations, when it is safe to do so, but are confident that we can safely deliver our essential service in the meantime. We've fully embraced new ways of working while keeping everyone safe, and potentially may experience changes in productivity and the adaptability of our teams.

## How we've performed

Our 2019/20 highlights at a glance:



**98.6%**

of gas escapes attended within one hour

Since the start of RIIO-GD1 we've connected

**20,021**

fuel poor customers in Scotland, and

**8,289**

in our southern network



**£5.9bn**

Regulated Asset Value

We've exceeded the full RIIO-GD1 target for leakage in both our networks





# Key highlights

During RIIO-GD1  
we've invested

**£2.7bn**

in our  
networks



We've delivered all our  
safety and reliability  
outputs in the first

**seven**

years of  
RIIO-GD1



We've  
exceeded  
the full RIIO-GD1 risk  
removed targets in  
both networks



We've exceeded the  
full RIIO-GD1 target  
for fuel poor  
connections in  
Scotland network



Stakeholders have continually shaped  
our H100 Fife project, which aims to  
initially connect 300 homes to a

**100%** green hydrogen network.



Our Scotland network is  
the **number one** network  
for customer satisfaction  
for the fourth year running

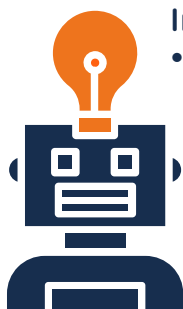


**Eight**

new biomethane  
connections in the year  
- now delivering the  
equivalent of

**227,000**

homes with green gas



Improving our service

- Live main insertion techniques have increased by an average of **48%** since the start of RIIO-GDI, reducing number of customer interruptions



External  
Awards  
2019-20  
including  
IGEMs  
Company  
of the Year

**£1.3bn**  
turnover

**£465m**

of gross regulated  
network investment



Customer complaints  
• Reduction of

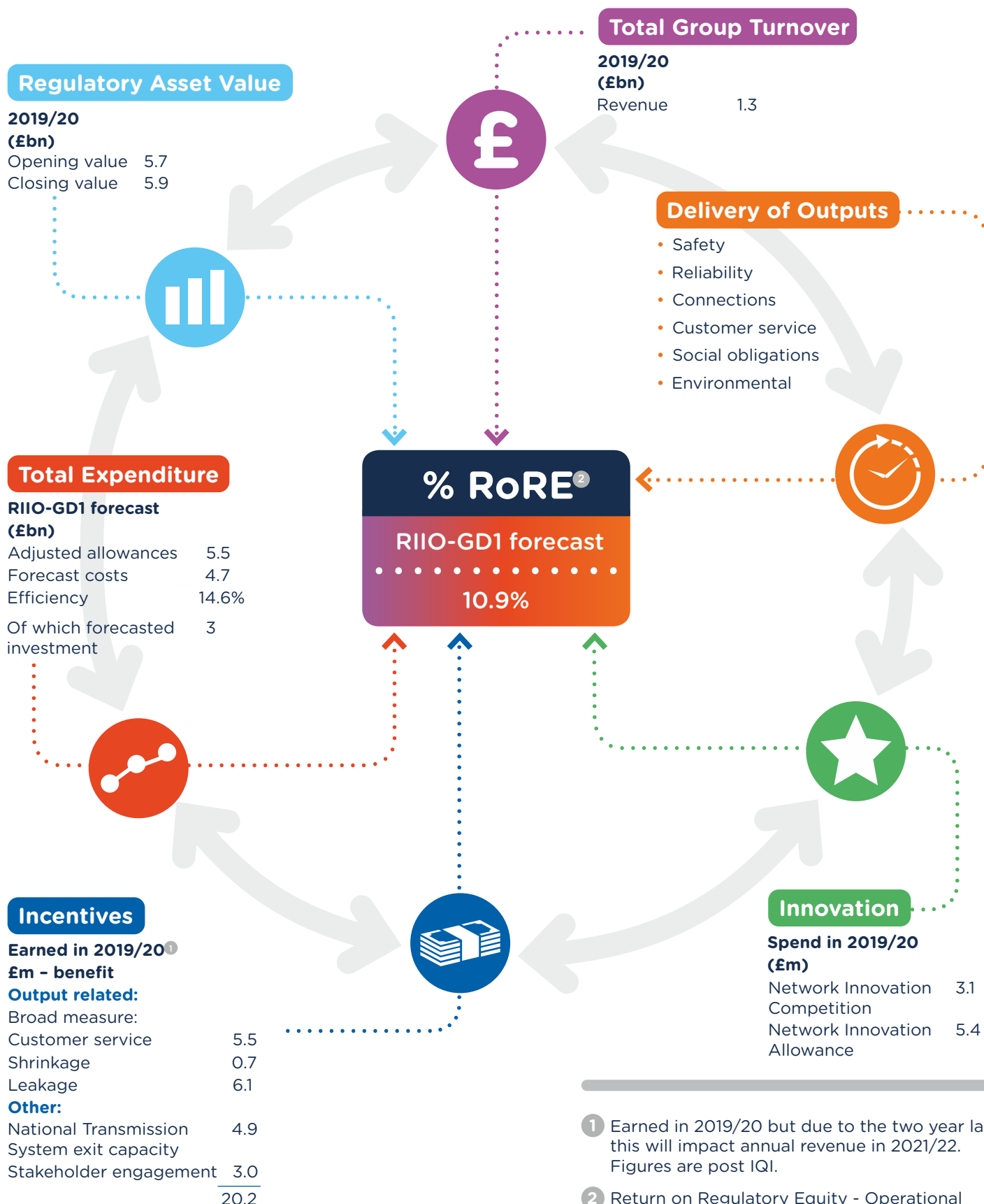
**70%**

since the start of GD1





# Our performance

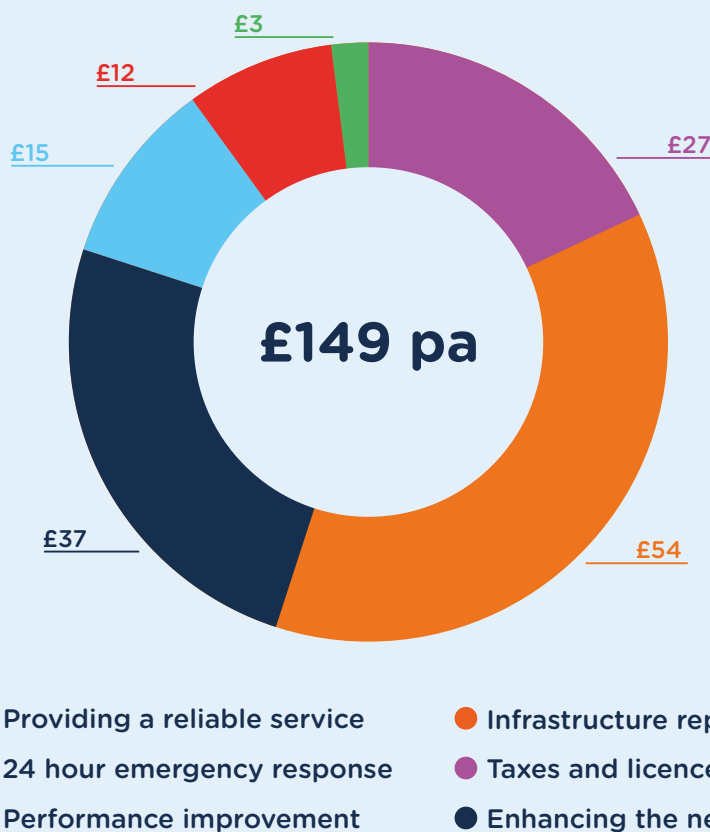


- 1 Earned in 2019/20 but due to the two year lag this will impact annual revenue in 2021/22. Figures are post IQL.
- 2 Return on Regulatory Equity - Operational Performance (Notional basis).



# Customer impact

The seventh year of RIIO-GD1 provides improved visibility of the expected impact on customer prices over the remainder of the RIIO-GD1 price control period.

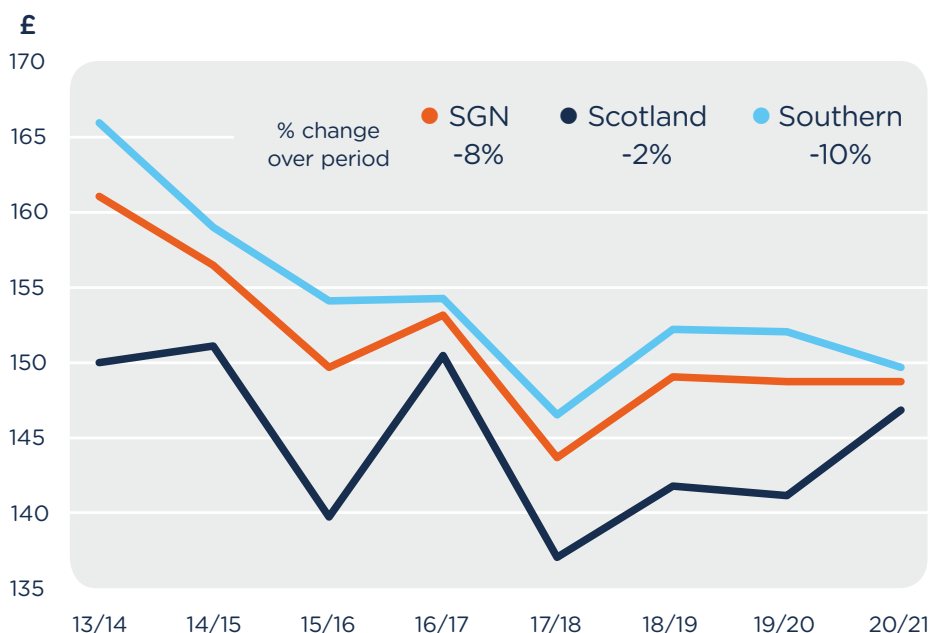


This year's domestic customer bill for SGN is **£149**, which compares to last year's figure of **£145**. The main attributing factor in this movement is inflation (**£4**).

## Breakdown of costs

### Key highlights

- We own, maintain and repair **75,000km** of gas network
- We ensure the safety of the public through providing a **24/7** emergency response service
- Through continued investment we ensure the network is ready for the future



## What it means:

In real terms we forecast an **8%** real reduction to our customers through the price control period at an SGN level (**2%** reduction in Scotland and **10%** reduction in our Southern network). We were previously forecasting this reduction to be **8%**. This variance is mainly due to the timing difference in the collection of our revenue.

The overall **8%** reduction to customers is driven in part by the sharing of the continuing outperformance achieved during RIIO-GD1.

Our continuous drive to use innovative techniques such as the Robotics NIC Project, and also our constant focus on efficient cost reductions, will assist in reducing customer prices over the remaining period of GD1.

The customer bill impacts are presented in real terms and include the impact of tax changes during GD1.



# Providing excellent service

Our overall performance in customer satisfaction remains strong achieving the number one network position for customer satisfaction for the fourth year running. Our average customer service score across all categories for Scotland was **9.28** and **9.09** for Southern.

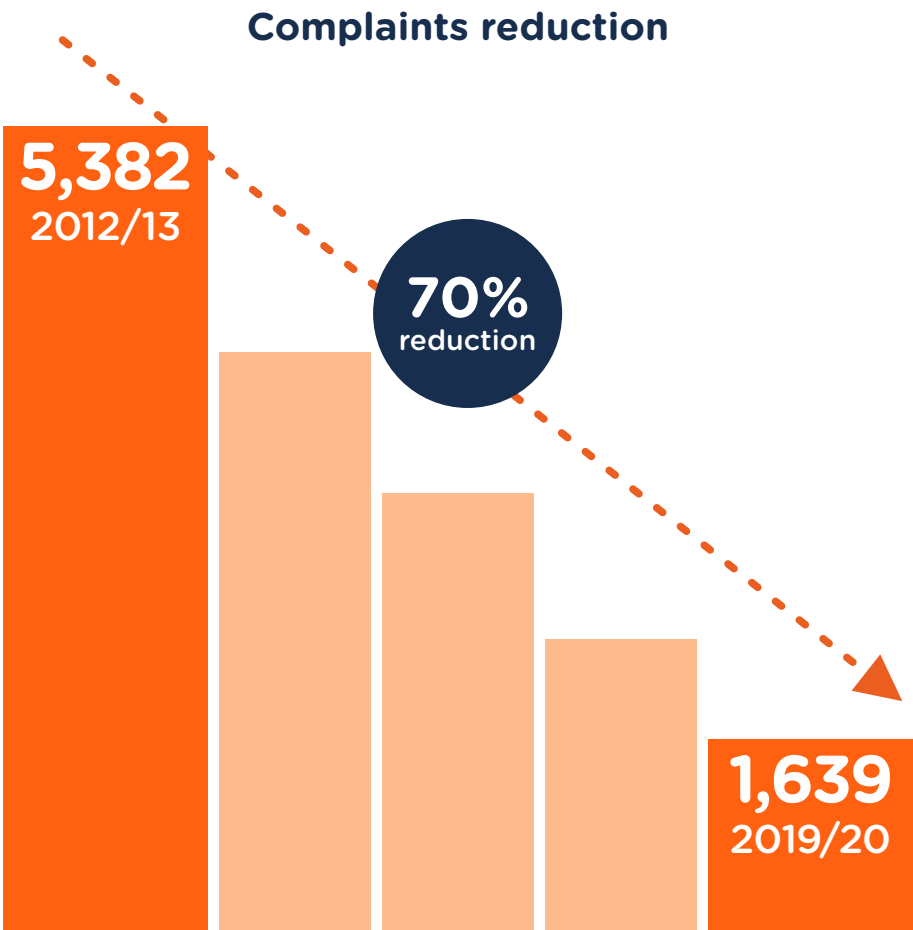
We always seek to provide customers with the highest level of service in all areas by continually improving and innovating.

| SCORES<br>OUT OF 10 | SCOTLAND |         | SOUTHERN |         | BASE   |
|---------------------|----------|---------|----------|---------|--------|
|                     | 2018/19  | 2019/20 | 2018/19  | 2019/20 | Target |
| Emergency work      | 9.49     | 9.53    | 9.40     | 9.39    | 8.80   |
| Planned work        | 8.95     | 8.98    | 8.78     | 8.86    | 8.10   |
| Connections work    | 9.27     | 9.34    | 8.77     | 9.01    | 8.00   |
| Average             | 9.24     | 9.28    | 8.98     | 9.09    | 8.30   |

## What it means:

Customer engagement allows us to listen to and understand what our customers want and which of our services they value the most. More interaction through social media has allowed us to become smarter in how we engage with our customers, but other and sometimes more traditional methods of engagement are equally important.

During the year we have refocused our efforts on making sure our services reflect the needs of our customers in what is an ever-changing world. Our customer experience transformation programme continues to deliver a great experience for our customers.





**Decommissioned**  
**884.5km**  
of iron mains and  
**77,639**

**Service replacements**  
of which **27,416**  
are **service transfers**

**Delivered**  
**189%**  
of our target on RIIO-GD1 iron mains risk reduction in Scotland

**137%**  
of our RIIO-GD1 iron mains risk reduction target in Southern



## Safety

Making our network safer and responding to emergencies quickly



**One-hour response**  
(target 97%)

Achieved **98.5%** in Southern  
Achieved **98.9%** in Scotland

**Two-hour response**  
(target 97%)

Achieved **98.9%** in Southern  
Achieved **99.6%** in Scotland

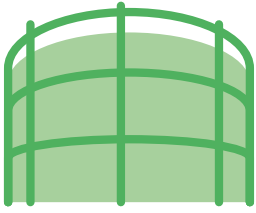
**Lost-time injury**  
rate **0.08** per 100,000 hours

**25% reduction**



This represents  
**105%**  
exceeding our overall target.

On track to deliver eight-year target of removing  
**55**  
gasholders across our networks



## Environmental

Reducing the impact we have on our world

Keep energy affordable

Customer bill impact

2013/14  
**£161**



## Supporting our communities

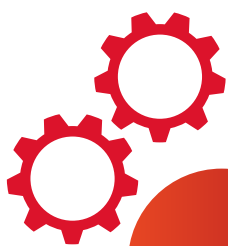
Tackling fuel poverty and increasing awareness of carbon monoxide dangers



**28,310**  
**Help to Heat connections**

made to date against our eight-year target of  
**27,497**





## Reliability

Keeping the gas flowing under even the harshest conditions

ONLY  
**0.27%**

of our customers experienced an

**unplanned interruption**



ping  
ergy  
dable

**8%**

2019/20  
**£149**



## Connections

Making it easy for households to switch to gas



Connections customers can apply online **24 hours** a day, **365 days** a year

We've made  
**19,898**  
connections in the last year



## Customer service

Keeping our customers satisfied and our stakeholders engaged

**No penalty**

for Ofgem's penalty score on customer complaints



## Maintaining strong performance

in our **customer satisfaction scores** and **stakeholder engagement scores**

### Southern

**8.86**

Planned

**9.39**

Emergency

**9.01**

Connections

### Scotland

**8.98**

Planned

**9.53**

Emergency

**9.34**

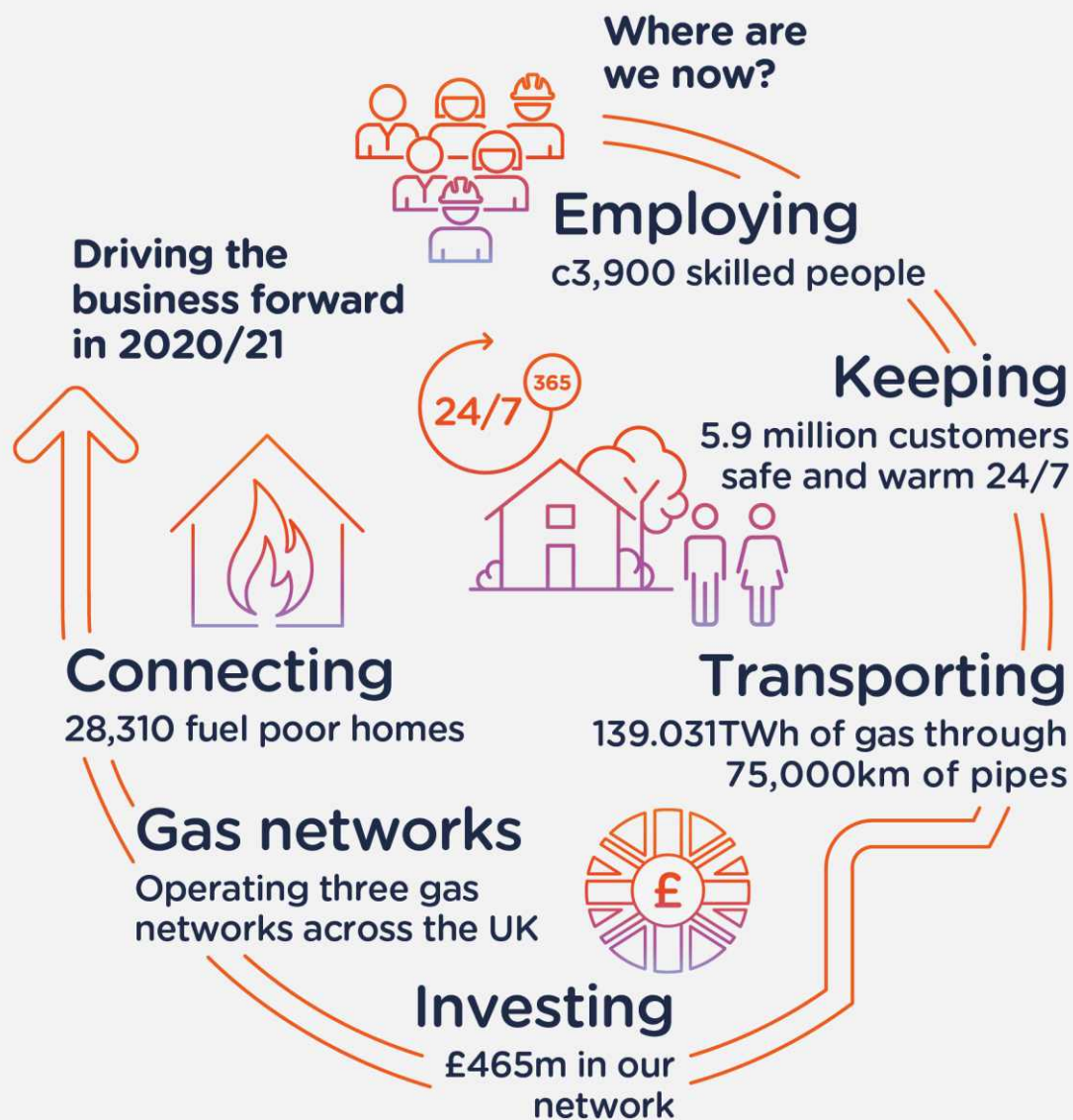
Connections



# Keeping the gas flowing

## The SGN effect

In keeping the gas flowing for our 5.9 million customers, our people and services touch on many aspects of people's lives as we ensure safety is at the heart of everything we do.



### External awards

5

including IGEM  
Gas Industry Awards:  
Company of the Year

### Constantly innovating

By bringing new ideas and technology to bear on tried and tested methods we can deliver a more efficient and resilient gas network

### RAV (Regulatory Asset Value)

£5.9bn

3% increase  
on 2018/19





# Making a positive impact

We provide a range of additional services for customers in vulnerable circumstances through our frontline engineers. This year, we have further rolled this out to our contractors and other SGN staff, ensuring that wherever vulnerability is identified we are able to offer support and signposting. Continuing our work with specialist partners has ensured we've further scaled-up our activities this year.

The overall social value generated by our activities this year was **£6,381,698.**





## MAKING A POSITIVE IMPACT

We provide a range of additional services for customers in vulnerable circumstances through our front-line engineers. This year we have further rolled this out to our contractors and other SGN staff, ensuring that wherever vulnerability is identified we are able to offer support and signposting. Continuing our work with specialist partners has ensured we've further scaled-up our activities this year. The overall social value generated by our activities this year was £6,381,698.

|  | 2018/19 number of customers supported | 2019/20 number of customers supported | Increase in activity this year |
|--|---------------------------------------|---------------------------------------|--------------------------------|
| Energy efficiency advice and measures  | 2,859                                 | 2,866                                 | 0.2%                           |
| Referrals for safe and well visits, appliance repairs and Locking Cooker Valves (LCVs) | 263                                   | 818                                   | 211%                           |
| Extra services   | 3,122                                 | 3,684                                 | 18%                            |
| Priority Services Register (PSR) referrals   | 3,295                                 | 4,597                                 | 40%                            |
| <b>TOTAL services including PSR</b>  | <b>6,417</b>                          | <b>8,281</b>                          | <b>29%</b>                     |

We arranged workshops for stakeholders and customers to discuss in depth the activities we undertake to support vulnerable and fuel poor customers. Together we constructed a three-tier framework, where tier 1 activities are most expensive to deliver, but provide the greatest benefit (and social value) to recipients, and where tiers 2 and 3 consist of services that are less expensive but also less impactful. The consensus was that we should try to help fewer customers more deeply (tier 1), rather than provide less impactful support to greater numbers of customers.

This year:

- **16%** of our activities were tier 1 (for example appliance repairs), generating **£5,036,185** of social value
- **16%** were tier 2 (such as installing locking cooker valves), generating **£649,114** of social value
- **68%** were tier 3 (for example Priority Services Register referrals), generating **£696,399** of social value

### Working with project partners to reach vulnerable customers

Partnership working is critical to how we provide additional services to vulnerable customers and contribute to the totals shown in the table above.

- Our **Warm and Well Milton Keynes** outreach scheme, in collaboration with **Western Power Distribution (WPD)** and **National Energy Foundation**, targets areas of high deprivation and eligibility for the PSR using WPD's social indicator map. This year, through robust project management, we've delivered more outputs for the same level of funding:
  - 403 households received advice
  - 133 tariffs switched, energy efficiency measures provided, or warm home discounts received
  - 7 boilers repaired/upgraded
  - 57 PSR referrals
  - 21 food bank vouchers issued
- **Community Energy South** have helped us engage **1,612** customers through energy cafes and clinics. We've been able to train **401** individuals, of which **184** have targeted harder to reach ethnic minority communities. We have built on this model to extend our energy cafes and switching advice in Scotland through a partnership with **Changeworks**.
- Continuing our partnership with **Warmworks** in Scotland to support loft clearance and remedial work has enabled **50** households to receive energy advice, boiler upgrades and additional insulation measures.



### Responding early to the coronavirus pandemic to support vulnerable customers

We recognised early on that the implications of the UK Government's drastic but necessary response to the COVID-19 pandemic could be disproportionately severe for customers in vulnerable circumstances. To help mitigate the impact on this group, we teamed up with seven other utility networks\* to provide **£500,000** funding to local community foundations across the south of England and Scotland.

The money was used to boost local community resilience, supporting local foodbanks, volunteer centres, food delivery services and outreach programmes for those at risk of isolation. The implications of this crisis will be far-reaching and prolonged for everyone, through 2020 and beyond. A comprehensive report on our response to the pandemic to the pandemic will be submitted in our 2020/21 report.

\* UK Power Networks, Southern Water, Thames Water, Anglian Water, Affinity Water, SES Water and South East Water





## Empowering our people to support our most vulnerable customers

Customers and stakeholders frequently remind us that we should support vulnerable customers in need of additional help. A key driver in how and where we deliver support is our own people's ability to identify vulnerable customers, engage with them successfully and ensure they are referred for the help they need. This year we have increased our investment in training our workforce, improving the scale and breadth of our activities to fully embed and build knowledge and understanding in all parts of our business.

We have introduced a range of vulnerability awareness tools to help our front-line people better support vulnerable customers. A key example is our Customer Toolkit, which is available for use by our engineers via an app. This year, we've enhanced our customer toolkit and rolled it out to all front-line engineers, who collectively accessed it more than 1,100 times.

Last year we reported on our referral app that allows our front-line FCO engineers to provide vulnerable customers with the opportunity to register for up to five additional services: our appliance repair scheme, safe and well visits from Fire & Rescue, registration to the Priority Services Register (PSR), application for a Locking Cooker Valve (LCV) and referral for energy advice from partners. This year, we gave the app to all front-line employees who encounter customers in their day-to-day activities. Referrals are now made by our replacement teams, repair teams, connections surveyors and our contractors, as well as our FCOs.

This year we have referred 529 customers, resulting in 865 service requests.

Almost 2,700 customers told us they were vulnerable this year, a 4% increase on last year. Two thirds of these registrations came through our mains replacement teams, where we have embedded a process for serving vulnerable customers who may be impacted by our work. Properties impacted by mains replacement activity are cross checked against a list of known vulnerable customers. The job card is marked with a green 'P' to advise the team that additional priority customer support may be required.

Vulnerable circumstances training is given to our employees and contractors to ensure they provide consistently high levels of vulnerable customer support. Contractors have access to the same digital training materials as our own staff and this year 1,587 engineers, including 610 contractors, have received this face-to-face training. Contractors are trained to understand how their work affects vulnerable customers, and are equipped with knowledge of our additional services, such as the process for PSR registrations, to ensure their needs for additional support are met.

Additionally, this training is available online to all employees across the business. 1,729 of our staff have registered for this e-learning, of which 1,538 are in customer-facing roles.



### Customer Toolkit

The toolkit builds awareness of different vulnerability personas, such as age, hearing, sight, physical and mental health, fuel poor, mobility and language. It provides guidance and refresher information on:

- key things to look and listen out for while out on site
- tailoring services depending on the vulnerabilities encountered
- support available to help with next steps
- PSR (Priority Services Register) referral scheme and other services we offer via our trusted partners
- our 'Engineer Textline', which provides an escalation route to highlight a vulnerable customer being left without gas
- use of Language Line to assist with translating conversations with non-English speaking customers.

## Case study

### Working with partners to enhance support for vulnerable customers - Coltswood Court

Our front-line engineers wanted to identify and support different categories of vulnerable customers during our planned works, such as higher proportions of elderly people or non-English speakers. We've achieved that by using DNO **Data Mapping Tools**, applying advanced vulnerability metrics to cross reference with our data, to identify vulnerable customers.

At Coltswood Court in Coatbridge, Lanarkshire, 28 residents living in high-rise accommodation were left without gas following a leak on the riser service pipe. Using the tool and working with the local authority, highlighted that a significant proportion of these residents were vulnerable and would need additional support during the planned eight weeks of replacement work. We enlisted the partners Scottish Fire & Rescue Service (SFRS), Scottish Power Energy Networks (SPEN) and Home Energy Scotland (HES) and managed the provision of additional support to impacted residents.

This included a community event giving talks on safety, energy efficiency, accessing benefits and PSR advice. We provided thermal socks, hand warmers and hot food vouchers, and SPEN issued **30** winter emergency packs. The well attended event was followed up with a voucher for residents to use at the local take-away.

Our work over the eight weeks received no complaints or enquiries, which we believe is partly attributable to our proactive approach with residents. Our engagement activity resulted in **18** residents signing up to the PSR, and **five** customers requesting **14** additional support services.

Operationally, we were able to enhance our approach through an innovative technique called orbital welding, reducing disruption for vulnerable customers and improving safety. Using this technique significantly reduced disruption and minimised inconvenience for residents as the need to gain access to resident's properties was dramatically reduced by around two thirds.

“I'd like to thank you all for your hard work on this issue, your welfare based approach and the way you have continued to keep residents informed.”

MSP Fulton MacGregor, commenting on Twitter in relation to our collaborative efforts







## COLLABORATING TO SUPPORT CUSTOMERS IN FUEL POVERTY

| FUEL POVERTY          | SCOTLAND    |                 | SOUTHERN    |                 |
|-----------------------|-------------|-----------------|-------------|-----------------|
|                       | GD1 to date | RIIO-GD1 Target | GD1 to date | RIIO-GD1 Target |
| Fuel poor connections | 20,021      | 17,130          | 8,289       | 10,367          |



Our Help to Heat programme supports both the UK and Scottish Governments' commitment to tackling fuel poverty by helping to transform homes to be warmer and more energy efficient. Help is targeted to where it's needed most, increasing comfort and wellbeing in the coldest low-income homes.

Experts on our fuel poverty specialist panels advised us to extend our reach and collaboration with trusted partners, and use data to prioritise areas where our support would deliver the most impactful outcomes.

This year, we have increased the number of our **partnerships** in targeted areas from **30 to 38**, enabling improved support and delivering stronger outcomes for fuel poor customers.

Working with **SSEN** and **YES Energy Solutions** we've broadened the scope of our existing support to include advice on energy supplier switching, funding for energy efficiency measures, referrals to the PSR and specialist debt counselling and advice.

Through our partnership with **East Sussex Energy Partnership**, **2,300** customers have been supported by **Citizens Advice** through the 'client journey' to ensure holistic advice is given focusing on managing household finances or improving health and social welfare. This has been particularly beneficial for customers with health conditions who might have struggled to cope with the installation of central heating.

- Through this partnership initiative **443** households were supported, with **561** minor measures carried out, of which **38** households received a major heating or insulation measure.
- We identified **50** households where a customer's health would be at risk from living in a cold home, providing **£71,290** in additional welfare benefits.
- In addition, we supported **308** customers to switch their energy tariff, creating projected savings of **£67,219**.
- Applications to the Warm Home Discount were made for **430** people, delivering savings of **£35,490**.

### Building on the SGN Central Heating Grant Fund

The **SGN central heating grant** funding, which has been a vital component when building relationships with our partner organisations, now includes energy suppliers with **ECO** funding.

This is significant as we are now able to work with partners to blend our grant fund with other sources of finance, such as **ECO** and the **Warms Homes Fund**, and have provided gap funding for **1,488 central heating systems** in our southern network.

### Embedding awareness of fuel poverty across our business

Stakeholders have asked us to do more to extend our support to fuel poor customers. Our **Help to Heat** team has developed a wide range of communication mechanisms to engage staff across our business and raise awareness of the impact that fuel poverty has on a household, including:

- Internal National Energy Action housewarming events
- A fuel poverty briefing on our internal app
- Internal team briefings
- A dedicated video
- Training slides for front-line staff and information leaflets for them to distribute

### Delivering fuel poor connections in a changing environment

While there remains policy uncertainty around the future of heat, and with a growing number of councils declaring climate emergencies, it is critical that we are perceived as low carbon partners for our Help to Heat programme to continue to deliver benefit. In response to our recent local authority survey, which indicated we need to engage to understand their long-term energy plans, we're making and embracing opportunities to share how we are decarbonising the gas network, including presenting to the Association of Local Energy Officers in London and the South East.

In our southern network, **69** of the **95** councils have declared climate emergencies. In that context, we're proud to have delivered **1,273** fuel poor connections this year, the second-highest annual number in our current price control period. Our total number of southern fuel poor connections now stands at **8,289**, **80%** of our GD1 target for southern.

In Scotland, where fuel poor customers benefit from a Scottish Government-backed programme for in-house measures, we continue to collaborate with the Energy Savings Trust and Warmworks to ensure that fuel poor households have the best customer journey and access to all eligible support.

We are well ahead of our Scottish target, having added **955** fuel poor connections this year. Our GD1 total for Scotland stands at **20,033**, **17% over** our target.

This year, these connections have generated social value worth over **£2.7m** in southern and **£2.3m** in Scotland.

### Extending targeted support

We've embedded our data mapping tool into our partner activity. This has extended the reach of our data mapping capabilities and enabled our trusted partners to identify areas with a greater proportion of households with the potential to receive a funded gas connection. Our partners have now mapped **40** potential areas likely to be eligible and within connectable distance to the existing gas network. Councils and other partners are using this to target their engagement.

We have developed an eligibility '**quick check**' tool to support our referral partners and ensure that correct eligibility is entered for each tenure. The tool has now been shared with **38** active partners; streamlining the process and helping to clarify eligibility rules for the scheme.



## DELIVERING A SAFE AND EFFICIENT SERVICE

### Using insight from customers to improve our streetworks

Stakeholders attending our Safety Culture roundtable recommended improvements to our safety strategy, specifically to develop our data and reporting systems. We have subsequently used data from customer enquiries and complaints to produce a new monthly safety report for managers, covering five key areas of customer-reported behaviours and activities. This year our year-end total for 'safe days' (zero incidents) was **64**, an improvement of **10 days** on last year's performance.

Acting on a recommendation from our Stakeholder Advisory Panel, we've taken action to better understand the impact of our activities on customers with disabilities by partnering with national disability charity **Scope** and holding a forum with **12** disabled customers. We had observed that across all activities site safety issues at street works accounted for the majority of customer-reported safety issues. In this forum we put our mains replacement activities under the spotlight, as experienced by disabled customers.

The discussions brought to life the numerous issues experienced by disabled people in relation to our street works. Taking this feedback on board, our CEO John Morea took a leading role by undertaking a site visit with Scope and three disabled customers to witness their experiences of our works first-hand. Customers recommended we focus on on-site issues, such as road and footpath access, and also pre-work communication, on-site signage and prioritising the needs of disabled adults and children. We have now established a working group to make changes to the way we work.

Additionally, we have created a series of **'How we can help' videos** with Scope and UKPN to improve employee awareness of the extra support some customers may need. Topics, presented using first-hand experiences of disabled customers, include face-to-face communication, stress and anxiety and the importance of daily life and routine. We've made our videos available to other gas, electric and water utilities to establish a shared



understanding of disabled customers' needs. We captured a number of positive stakeholder responses to this initiative, including:

“ Really powerful videos of direct experience. Utilities need to amplify the voices of vulnerable customers and show other industries great leadership in this space. ”

“ It's great to see videos that break down the awkwardness and don't cause offence. ”

### Partnering to prevent damage

Over **96%** of our stakeholders have told us that acting safely and keeping the gas flowing are important, reinforcing stakeholder feedback we've had in previous years that preventing damage to our network is key to maintaining supplies and keeping landowners and other people safe. We've built a range of initiatives with partners to prevent damage to our network.

Our strategic partnership with the **National Farmers Union Scotland (NFUS)** gives us the opportunity to amplify our safety message. We've tailored it to reflect the views and opinions of NFUS members and co-created our Grantor's Charter, which clearly sets out our approach and expectations from working together in the interests of mutual safety.

For the third year running we've delivered training to employees and students of

Scotland's Rural Colleges. This year, we've extended our damage prevention module to include Borders College and the Dundee and Angus College, reaching a further **66** students, tailoring the content of our training to align with the course syllabus. We've supported the UK Onshore Pipeline Operators' Association (UKOPA) to adopt our engagement model and we've been invited to share our best practice with the wider UKOPA group. Our training module is being rolled-out to all land-based colleges in the UK, working with the other GDNs and partners UKOPA and Landex.

#### Using innovative technology

We've developed a range of innovative technologies to prevent damage and speed up hazard identification. These include satellite remote sensing, data analytics and bespoke software combined

with GPS technology to allow the rapid collection of data to support early identification of any potential problems near our network. So far we've seen a **47%** reduction in encroachments in Scotland following training for **99** students and through our extended reach to **9000** stakeholders via our partnerships with NFUS and UKOPA.

We have started to replicate our Scottish approach in our southern network. We participated in the Velcourt Training Day in Wimborne, Dorset and trained **90** agricultural workers on how to avoid damaging our plant using our online service LSBUD.

### Joining forces to provide mutual aid during the Falkirk incident

Resilience partners in both our networks told us they had limited or no knowledge of how we managed a loss of gas supply incident in the communities they support. As a result we agreed a three-year programme of depot 'mock incidents' across our footprint to ensure we have robust plans in place and can call upon resilience partners for support if there is a loss of gas supply in the community.

This and our active participation in the Scottish Resilience Framework became invaluable when **8000** customers in the Falkirk area of Scotland lost their gas

supply in one of the coldest weeks last winter, with temperatures down to **-5°C**. We were able to enact agreed plans with our resilience partners who responded quickly, providing a local incident site where multi-agency partners could work together to support the local community. A key priority was supporting the most vulnerable customers in the area. Over half the customers affected were on the PSR, and resilience partners were able to identify around **650** who were critically vulnerable. With the shared data we were able to prioritise support, identify and



utilise the skills of all the agencies and our own staff to make sure customers were looked after while the gas was off and prioritise getting the gas back on to the most vulnerable.



Help from local partners meant we were able to focus on getting the gas back on as quickly as possible. To make sure we had enough engineers in the area we initiated mutual aid arrangements with other GDNs, bringing help from across Great Britain to deliver a truly UK-wide response to the incident. In addition, we were able to call upon engineers from Northern Ireland, the local authority, and several metering and mains replacement contractors, with engineers travelling from as far as the Isle of Wight, Stornoway and Belfast to assist with the incident.

We know on some occasions when we put the gas back on customers' appliances can fail. To ensure customers in these circumstances got their appliances working we engaged Gas Safe registered engineers to fix any faults. Our effective

and collaborative response to the incident meant we were able to restore gas supplies **two days** earlier than originally projected.

To keep people informed we updated the dedicated incident page on our website every four hours. Our **22** tweets during the incident were viewed more than **623,000** times and our **16** Facebook updates were seen more than **175,000** times. We also gave **22** TV and radio interviews, including a feature on the BBC's 'The One Show'.

Resilience partners were extremely supportive, sharing our social media messaging through their channels as well as linking to our incident webpage from their websites,



enabling our messaging to travel further across the affected community.

A survey of resilience partners following the incident scored us **4.6 out of 5.0** on our ability to prepare, respond and recover during the incident. The subsequent multi-agency de-brief identified areas of further improvement that we are incorporating into future responses. This includes further enhancements our Incident App, which manages and tracks tasks to resolve a gas supply emergency, in order to better identify vulnerable customers from a range of data sources, and prioritise critically vulnerable customers in an emergency.

We have now donated a total of **£20,000** to support local community organisations following the incident.

## Collaborating on our streetworks: Croydon in collaboration

Customers attending our workshops have repeated their interest in utilities collaborating more to reduce the amount of streetworks. In 2016, TfL estimated that traffic congestion cost London's economy £6.7bn a year, with 15% caused by streetworks.

In 2018, we reported on our planned innovative approach to minimise disruption - a streetworks project in collaboration with Thames Water, the London Borough of Croydon and the Greater London Authority (GLA). Last summer we coordinated our mains replacement work and the council's road resurfacing so that residents, businesses and road users didn't have to suffer separate periods of disruption.

Our joined-up approach reduced noise, air pollution, lorry movements and traffic delays and saved money. Hailed as best practice by the GLA, this approach is now set to be rolled-out across other

London boroughs by the Mayor of London's Infrastructure and Development Coordination Team, and planning for further collaborative projects is underway.

The Croydon project aimed to test the benefits and any constraints arising through collaboration of this kind. In January we met with the London Mayor and GLA members to present our findings:

- ✓ **85** days of road closures avoided
- ✓ **£588,000** of economic benefit
- ✓ circa **£200,000** of financial benefit
- ✓ **98%** resident satisfaction
- ✓ A collaborative handbook created
- ✓ **Four award nominations** including **winner** of the Highways Maintenance Efficiency Award at the 2019 Highways Awards



“The vast majority of local residents are positive about companies coordinating roadworks. At least **nine in ten** residents agree that it is a good idea, the approach of coordinating roadworks at the same time should be used elsewhere, and coordinating roadworks has reduced disruption to local residents.”

*GLA Croydon research report*

## Mitigating the dangers of Carbon Monoxide (CO)



This year, we surveyed **139** of our front-line engineers about CO in customers' homes, and asked what more we could do to address this issue.

A priority issue was erroneous call-outs due to faulty alarms or dead batteries. We shared our survey results at our CO expert roundtables and stakeholders supported a focus on prevention and development of our collaborative approach.

As a result, we have produced **Carbon Monoxide (CO) alarm sound videos** that help customers understand what the different sounds CO alarms make and what they mean, such as the difference between CO being detected and a low-battery warning. We have started development of a **first-of-its-kind** 'spoken warning' CO alarm, that will broadcast pre-recorded messages explaining exactly what the customer is required to do.

Working with schools and school children is essential if we are to establish a shared CO awareness culture in the future. Last year we reached over **3,780** pupils, engaging them through Gas Safety and CO awareness talks in **12** schools.

We supported the **Junior Citizen Child Safety Event**, to raise awareness for children in year 6 of potential threats and dangers in a fun, interactive and enjoyable way. The two-week program of activity was supported by **21** SGN staff and attended by **947** pupils from **18** schools.

Our ongoing cross-GDN work on CO awareness has included sharing messaging on the Bounty app and online newsletter to reach new and expectant parents. During November our article was viewed **9,440** times, clicked **435** times and shared **127** times. Our billboard advertising campaign is raising CO awareness among road users - our two billboards in Southampton and Chatham are passed by **203,000** and **329,000** cars per week respectively.





## BUILDING A SHARED FUTURE

### Collaborating to address the social impact of heat decarbonisation

We have engaged extensively to support the UK's net zero targets and to build the necessary evidence required by Government on the decarbonisation of heat. Recognising the more stretching targets set in Scotland, we have asked advice of expert stakeholders through specialist panels. Acting on the panel's advice not to underestimate the impact on consumers of the transition to decarbonised heat, we are working with a local environmental charity, **Greener Kirkcaldy**, to develop a consumer pilot project, building on an existing Council-funded energy advice project in Levenmouth in Fife. This is also the

proposed site for **H100 Fife**, our hydrogen demonstration project, which aims to build the world's first green hydrogen-to-homes network and confirm hydrogen as a decarbonised heat source.

The consumer pilot surveyed **one hundred representative households** over three months, to measure how much the local community understands about heating technologies, and the barriers that could have an impact on a customer's willingness to consider green heating technologies.

Overwhelmingly, households in the Levenmouth area are most familiar with

gas for heating. Whilst **30%** had previously used or were familiar with storage heating, only **3%** had any prior experience of electric radiators. Households also said they were most comfortable and confident with gas and this was their preferred heating technology, with **81%** ranking it their top preference. Affordability was a dominant factor in the survey, with **60 out of 84** comments saying energy costs were a concern. Reducing carbon emissions was mentioned by **46%** of respondents.

The survey responses below illustrate a concern and reluctance to move away from gas to another heating technology:

“As I've only ever used gas central heating, I'd be hesitant to make any changes without fully understanding the benefits.”

“Gas central heating is all I've ever had so I wouldn't really want to change now.”

“Gas is all I know and that took me long enough to get used to, I wouldn't want to make big changes now at my age.”

### Stakeholders shaping our H100 pathway to net zero

Stakeholders have continually shaped our **H100 Fife** project, which aims to initially connect 300 homes to a **100% green hydrogen** network.

#### Levenmouth site selection and project partnership

Fife Council highlighted the unique combination of technologies and natural resources on site at Levenmouth, such as proximity to ORE Catapult's offshore wind demonstration turbine. The Council also spoke of the social deprivation in the area and the economic opportunity that our project could bring. We have now decided that Levenmouth should be the selected site for our H100 project. The ORE Catapult turbine is also an integral part of the project, which will allow us to produce hydrogen through electrolysis using zero carbon electricity.

Scottish Enterprise emphasised the importance of demonstrating economic benefit for training and education. The scope of the project now includes a permanent demonstration facility for communities to learn about hydrogen as a means for heating, the energy systems transformation, and hydrogen appliances in the home.



**300** homes to be initially connected to **100% green hydrogen** network

#### Hy4Heat collaboration

Complementing the H100 Fife project, the **Hy4Heat** project is investigating if hydrogen can replace natural gas in buildings and gas appliances.

We've shared learnings from our Oban project, including data on appliances and customer engagement. We've also taken a leading role in helping Hy4Heat to build a comparative model which assesses the risks associated with the switch from natural gas to hydrogen. This involved developing a survey for use by our front-line FCOs to improve knowledge of natural gas characteristics in relation to gas escapes. This data will be used to identify process changes, site actions or training required for hydrogen.

Hydrogen appliances and meters being developed under Hy4Heat will be considered for the H100 programme.

### Collaborative planning on the use of our networks

We've strengthened and deepened our strategic relationships and collaboration with central and local government in network and energy planning, in line with advice from our Stakeholder Advisory Panel.

#### Joining forces to address climate change

This year, we've developed new partnerships with a number of local authorities in both our networks. We're working with the Western Isles Council on a hydrogen project for Stornoway, and we are members of the Climate Ready Clyde (CRC) partnership, influencing Glasgow City Region's first climate resilience and adaptation strategy. This CRC partnership has now successfully bid for Climate-KIC funding, one of only four successful cities globally to secure these funds.

#### Stakeholders influencing our network planning

We have formed an industry leading partnership with the Improvement Service (IS), the national improvement organisation for local government in Scotland. We are currently the only utility company to share our network planning data on their **Spatial Hub**; a national online data bank for all local authorities in Scotland. Our network data has already been accessed **48** times, helping to ensure our plans are aligned with local planning and support local development.

In our southern network, the Greater London Authority (GLA) provided us access to its infrastructure mapping application, an interactive online GIS tool which integrates infrastructure and development data, encouraging co-ordination and strategic planning across Greater London (as illustrated by our 'Croydon in collaboration' project described in the next section). We have now embedded the Infrastructure Mapping Application into our longer-term collaborative planning with the GLA and Thames Water by providing details of our planned mains replacement programme up to **2032**. This enables greater foresight and flexibility when identifying future collaborative opportunities.

#### Islands Growth Deal

We're partnering with Western Isles Council on a feasibility study and options appraisal for hydrogen production at Stornoway's Deep Water Port. We've won funding from the Scottish Government's Low Carbon Infrastructure Transition Fund to bring the project to life.



# For good measure

## How we fared in our primary outputs:



Risk of not reaching annual output or forecast achievement for the eight year period.



Successful achievement of an annual output or forecast achievement of the eight year output.

| ANNUAL OUTPUT MEASURE 2019/20             |  | ACTUAL   |          |
|---|--|----------|----------|
| Primary Output                            | Deliverable                              | Scotland | Southern |
| Connections                               | Guaranteed standards performance         | ●        | ●        |
| Environmental                             | Leakage                                  | ●        | ●        |
| Reliability (network capacity)            | Achieving 1 in 20 obligation             | ●        | ●        |
| Safety (emergency response)               | 97% controlled escapes                   | ●        | ●        |
|   | 97% uncontrolled escapes                 | ●        | ●        |
| Safety (management of repairs)            | GS(M)R 12 hour escape repair requirement | ●        | ●        |
|   | Management of repairs (repair risk)      | ●        | ●        |
| Safety (major accident hazard prevention) | GS(M)R safety case acceptance by HSE     | ●        | ●        |
|   | COMAH safety report reviewed by HSE      | ●        | ●        |
| Customer service                          | Planned interruptions survey             | ●        | ●        |
|   | Emergency response and repair survey     | ●        | ●        |
|   | Connections survey                       | ●        | ●        |
|   | Complaints metric                        | ●        | ●        |

| RIIO-GD1 EIGHT YEAR OUTPUT COMMITMENT |  | FORECAST |          |
|---------------------------------------|--|----------|----------|
| Primary Output                        | Deliverable                                | Scotland | Southern |
| Connections                           | Introduce distributed gas entry standards  | ●        | ●        |
| Social obligation                     | Fuel poor connections                      | ●        | ●*       |
|                                       | Carbon monoxide awareness                  | ●        | ●        |
| Environmental                         | Leakage                                    | ●        | ●        |
|                                       | Provide biomethane connections information | ●        | ●        |
| Reliability (loss of supply)          | Duration of planned interruptions          | ●        | ●        |
|                                       | Duration of unplanned interruptions        | ●        | ●        |
|                                       | Number of planned interruptions            | ●        | ●        |
|                                       | Number of unplanned interruptions          | ●        | ●        |
| Reliability (network reliability)     | Maintaining operational performance        | ●        | ●        |
| Safety (mains replacement)            | Iron mains risk reduction (based on MRPS)  | ●        | ●        |
|                                       | Sub-deducts networks off risk              | ●        | ●        |

\* We are very close to achieving this output but recognise, due to current circumstances, there is some risk to meeting the challenging target we set.





# Going with the flow

No one likes an interruption to supply, so we're looking at innovative ways to make sure our network is as safe and reliable as possible.

| INTERRUPTIONS                             | SCOTLAND |                 | SOUTHERN |                 |
|---|----------|-----------------|----------|-----------------|
|   | 2019/20  | RIIO-GD1 Target | 2019/20  | RIIO-GD1 Target |
| Planned (volume)                          | 19,906   | 29,728          | 65,854   | 88,500          |
| Planned (duration minutes, millions of)   | 7        | 11              | 21       | 35              |
| Unplanned (volume)                        | 3,565    | 6,021           | 15,567   | 20,282          |
| Unplanned (duration minutes, millions of) | 5        | 6               | 22       | 22              |
| Achieving 1 in 20 obligation              | ✓        | n/a             | ✓        | n/a             |
| Maintaining operational performance       | ✓        | n/a             | ✓        | n/a             |

## What it means:

- We continue to achieve our commitment of planning for a one in twenty winter in both our networks, which means we keep the gas flowing, 365 days a year, whatever the weather.
- This commitment goes towards keeping all of our customers safe and warm even during periods of unexpectedly prolonged severe weather events
- We continue to seek ways to reduce the inconvenience to our customers. Interruptions to customers' supplies have fallen by **35%** during RIIO-GD1. This is due to:
  - Improving how we plan and carry out our planned replacement work
  - Increasing the use of live mains insertion techniques
  - Increasing the use of innovative technology to allow replacement of services without interrupting customers' supplies (microstop)

On average unplanned interruptions impact just **0.27%** of our customers a year.





# Safety as standard

Our focus is on making sure we supply gas safely to our customers, and throughout RIIO-GD1 we've achieved our outputs for attending both uncontrolled gas escapes (within one hour) and controlled gas escapes (within two hours).

| MEASURE   | SCOTLAND |                 | SOUTHERN |                 |
|---|----------|-----------------|----------|-----------------|
|   | 2019/20  | RIIO-GD1 Target | 2019/20  | RIIO-GD1 Target |
| Attend uncontrolled gas escapes within one hour | 98.9%    | >97%            | 98.5%    | >97%            |
| Attend controlled gas escapes within two hours  | 99.6%    | >97%            | 98.9%    | >97%            |
| Repair residual risk                            | 1.3      | 2.5             | 7.5      | 17.7            |
| Cumulative iron mains risk reduction            | 83,779   | 44,277          | 187,853  | 137,287         |

## Hitting the mark

We've exceeded our targets for mains replacement, and look to make further strides forward.

### What we've done:



#### Decommissioned

**884.5km**

iron mains



#### Service replacements

**77,639** metallic service pipes replaced with **flexible, plastic ones** of which **27,416** are **service transfers**



Delivered our targeted performance, achieving **89%** of our eight-year target in Scotland and **88%** in our southern network



### What we're doing:

Implementing a **plan of action** to replace higher risk, lower diameter pipes



Incentivising our contractors to increase their use of **live insertion** and deliver improved **customer service and efficiency**

Replacing higher diameter pipes from 2017 to 2021 using **robotics**, out of hours working, and other techniques to **reduce costs**, interruptions and disruptions





# Our performance

Below you can see how our total 2019/20 Totex breaks down.

| £m<br>19/20<br>prices | SCOTLAND |           |          | SOUTHERN |           |          | SGN      | 7 year<br>cumulative | Previous<br>6 year<br>cumulative |
|-----------------------|----------|-----------|----------|----------|-----------|----------|----------|----------------------|----------------------------------|
|                       | Actual   | Allowance | Variance | Actual   | Allowance | Variance | Variance |                      |                                  |
| Opex                  | 64       | 96        | 34%      | 129      | 163       | 20%      | 25%      | 24%                  | 23%                              |
| Repex                 | 77       | 71        | -7%      | 215      | 206       | -4%      | -5%      | 14%                  | 17%                              |
| Capex                 | 51       | 40        | -28%     | 84       | 61        | -37%     | -34%     | 3%                   | 8%                               |
| TOTEX                 | 192      | 207       | 8%       | 428      | 430       | 0%       | 3%       | 16%                  | 18%                              |

## What it means:

- We've continued to build on our strong performance in RIIO-GD1, by delivering efficiency initiatives to meet our outputs resulting in reduced tariffs for our customers.
- Operating expenditure is 25% below allowance, which is slightly higher variance than previous trends we have seen in the first six years of RIIO-GD1. This is mainly due to a reduction in the volume of public reported escapes and associated repair work during 2019/20.
- Cost pressures within the labour market continue within a number of areas, which are offsetting the more benign trends in the early part of RIIO-GD1.
- We continue to innovate to drive further efficiency gains across the business to deliver wider benefits such as reduced traffic disruption.
- Repex spend is 5% above allowance this year, which was anticipated, as we continue to experience substantial cost pressures across our operations. We also programmed the larger more complex replacement work to the latter years of the price control, and this workload is now materialising.
- Capital investment is 34% higher than allowances, as we are seeing increases to our customer demand-driven work, closer to the level anticipated at the start of RIIO-GD1. Investment within our IT infrastructure continues to be a main priority.







# The future

Our forecast to the end of RIIO-GD1 is laid out here.

| £m<br>19/20<br>prices | SCOTLAND              |                       |          | SOUTHERN              |                       |          | SGN      |
|-----------------------|-----------------------|-----------------------|----------|-----------------------|-----------------------|----------|----------|
|                       | Forecast<br>GD1 Total | Allowances<br>for GD1 | Variance | Forecast<br>GD1 Total | Allowances<br>for GD1 | Variance | Variance |
| Opex                  | 559                   | 774                   | 28%      | 1,060                 | 1,335                 | 21%      | 23%      |
| Repex                 | 525                   | 619                   | 15%      | 1,559                 | 1,748                 | 11%      | 12%      |
| Capex                 | 398                   | 412                   | 5%       | 567                   | 577                   | 2%       | 2%       |
| TOTEX                 | 1,482                 | 1,806                 | 18%      | 3,185                 | 3,660                 | 13%      | 15%      |

## RIIO-GD1 forecast for eight years

Following the completion of our seventh year of RIIO-GD1, we have reviewed our output commitments and expenditure for the final year of the current price control. During the first seven years, our totex variance to allowance was **16%** however, as discussed on Page 21, this variance is reducing as we are seeing cost pressures, more complex replacement projects and continued investment in our network.

Our review shows a forecast of totex which is **15%** below our allowances for the full eight years of RIIO-GD1. The forecast for our final year of RIIO-GD1 has been based on a pre-Covid basis, as currently it is too early to forecast how Covid-19 will impact our business over the coming year.





# Financial performance

## Forecast performance over RIIO-GD1

Return on Regulatory Equity (RoRE) is calculated for each network at the end of each year and is an estimate of the average annual return that shareholders could expect over the eight-year price control period.

The figures are based on the Totex forecasts set out in the previous section.

Over the eight years, we are forecasting a return on regulated equity of **10.9%** across our two networks compared to a base cost of equity of **6.7%** (real post tax).

| NETWORK                              | SCOTLAND       | SOUTHERN       | SGN            |
|--------------------------------------|----------------|----------------|----------------|
| Additional returns (£m 19/20 prices) | 8 year average | 8 year average | 8 year average |
| Totex outperformance                 | 42             | 61             | 103            |
| Incentive income                     | 3              | 15             | 18             |
| IQI reward                           | 2              | 5              | 7              |
| Less sharing/tax                     | (17)           | (29)           | (46)           |
| Average additional returns           | 30             | 53             | 83             |
| Additional return on equity          |                |                |                |
| Average additional returns           | 30             | 53             | 83             |
| Equity (based on notional gearing)   | 605            | 1,347          | 1,952          |
| Additional returns %                 | 5.0%           | 3.9%           | 4.2%           |
| Base cost of equity                  | 6.7%           | 6.7%           | 6.7%           |
| Total RoRE                           | 11.7%          | 10.6%          | 10.9%          |





# Contact us

If you'd like to be part of the conversation to ensure your views count or if you have any questions on our stakeholder engagement activities please get in touch.

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**Smell gas?**  
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