

# An update from the folk at Northern Gas Networks.

Stakeholder Report 2013



**Norman Gardner,**  
Senior Gas Operative,  
Hendon



# Keeping the North of England cooking on gas

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When the  
heat is on,  
we transport  
4 times more  
energy than  
electricity  
networks

"Northern Gas Networks (NGN), safely delivers gas to 2.7 million homes and businesses across the North of England every hour of every day.

We don't generate gas. We transport it, through a vast network of underground pipes covering the North East, Northern Cumbria and much of Yorkshire. During periods of peak demand, we transport four times as much energy as the electricity networks.

At the heart of what we do are safety, reliability and great customer service. Without the efficiency of our network and dedication of our team, the region simply wouldn't function. A testament to this is that our customers on average only suffer an interruption to their gas supply once every 40 years. And if something does go wrong, we're quick to put it right in the safest way possible.

Since our formation in 2005, Ofgem, the energy regulator, has voted us the most cost efficient of all eight UK Gas Distribution Networks. It's thanks to the great value we offer customers and the wealth of social and economic benefits we've brought to the region. We're pleased we are helping to make such a difference."

Mark Horsley,  
Chief Executive Officer.

# A changing landscape

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We're in good shape and ready for the challenge

The next eight years promises to be a period of great change and innovation for the UK's Gas Distribution Industry following challenging new plans from Ofgem.

The energy regulator has agreed new budgets with distributors for the period 2013-2021 – with upfront funding significantly reduced and a new performance-related contract introduced.

The aim of the regulatory contract, known as RIIO, is to ensure distribution companies deliver an even more effective and commercially-minded service – maintaining reliable networks, meeting customer expectations, cutting carbon emissions and contributing to the social wellbeing of the communities they serve.

**Chris Buckton,**  
Network Officer,  
Maintenance, Tees and Wear

But this new regulatory framework is not the only driver of change in our industry. The Government's legally-binding framework to cut greenhouse gas emissions will require gas distributors to play an even greater role in the transition to a low carbon economy.

From tackling network pipe leaks, which cause methane gas to escape into the atmosphere, right through to helping producers of clean, sustainable biomethane tap into our networks, there is a wealth green-themed innovation in the pipeline.

It's going to be tough, but, we're looking forward to the challenge. We've adapted our business to make it greener, more responsive and more strategic in its investment decisions, and we are ready for whatever the future holds.



  
Northern  
Gas Networks

# We won't let you down

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## Our engineers are on the streets 365 days a year

If you live and work in the North of England, you can't fail to have passed a Northern Gas Networks van or engineering site in the past 12 months.

Keeping our 36,000 kilometre pipe network in good working order is a huge undertaking. Our engineers are on the streets 365 days a year, at all hours of the day and night – carrying out planned upgrades and emergency repairs.

Over the next eight years, we will be improving the reliability of our network by replacing more than 3,700 kilometres of old metal gas pipes, with modern plastic equivalents which are more durable. The result... even fewer interruptions to supply and a reduction in the number of emergency repairs.

We know no one likes road works, which is why we're constantly exploring new ways to reduce the time and duration needed to complete repairs or improvements. From technological advances such as ground probing radar to a more joined up way of working with other utility companies, our goal is to get in, and out, with a minimum of fuss and public inconvenience.

We're committed to being as open, honest and timely with our communications with customers – ensuring we meet any special needs customers may have during work schemes.

When things do go wrong, we pride ourselves on putting them right quickly. And to make sure we deliver on our promises, we're measured by Ofgem against three broad criteria: emergency work, planned work and new connections to homes and businesses. We're pleased to say we consistently score above industry average on all three.

But we don't stop there; we look to other industries that score high on customer service to see how we really compare. So we measure ourselves and set our standards higher.

# Smell gas?

## Call 0800 111 999

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Our gas network is extremely safe, because we don't take any chances with our customers' safety

We employ highly trained professionals who are on call ready to respond at a moment's notice to any customer who reports a smell of gas by calling the National Gas Emergency number.

The biggest risk posed to members of the public is carbon monoxide – the product of incomplete combustion of natural gas. Carbon monoxide poisoning claims around 50 lives each year in the UK, with faulty heating systems and gas appliances the most common causes.

We raise awareness of carbon monoxide through an education campaign and have been pioneering developments to existing technology in the form of an innovative hand-held carbon monoxide detector. Following a pilot where we equipped 100 staff with the device, we're now rolling out the technology across the network.

In addition, work site related injuries to the public and our own employees have fallen to record lows since NGN was formed in 2005. Our hotline service 'It's Your Call' allows employees to report unsafe work sites. And our school education programme 'Play Safe' encourages children not to play near our work sites.

Our employees and contractors undergo continual training and mentoring to ensure they do their day's work safely, and to the very highest professional standards.



**Andrew Lambert,**  
Construction Manager,  
West Yorkshire



# Helping Northern folk keep warm

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We're working hard to cut fuel poverty in our region

Rising energy costs and falling wages means keeping warm is proving increasingly difficult for thousands of hard pressed families across our region.

The North of England has one of the highest levels of fuel poverty in the country, with 24% of households estimated to spend more than 10% of their income on heating.

We're helping to cut fuel poverty through a long-running partnership with Community Energy Solutions, which has seen us deliver solutions to improve home energy efficiency to help keep customers warm and out of debt.

Clusters of fuel poor, off-gas households are identified using door-to-door surveys and other available data. We connect these properties to our gas network, free of charge, and work in collaboration to provide households with new heating system installation and insulation, plus energy advice.

We also run an annual hardship fund to help customers who are really struggling to pay their bills. By funding a benefits health check scheme, we can ensure customers are not missing out on vital financial assistance from the state.


This hands-on rigorous approach is helping thousands of people to stay warm for less.



# Greener on the other side

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We never lose sight  
of our environmental  
responsibilities



As custodians of one of the earth's most precious natural resources, we never lose sight of our environmental responsibilities. We take a sustainable approach to our day-to-day operations and champion green innovation, to support the UK's transition to a low carbon economy.

Perhaps the most significant way in which gas distributors can reduce carbon emissions is by reducing pipe leakage. Natural gas contains large quantities of methane, which if it escapes into the atmosphere, contributes to a build-up of harmful greenhouse gases.

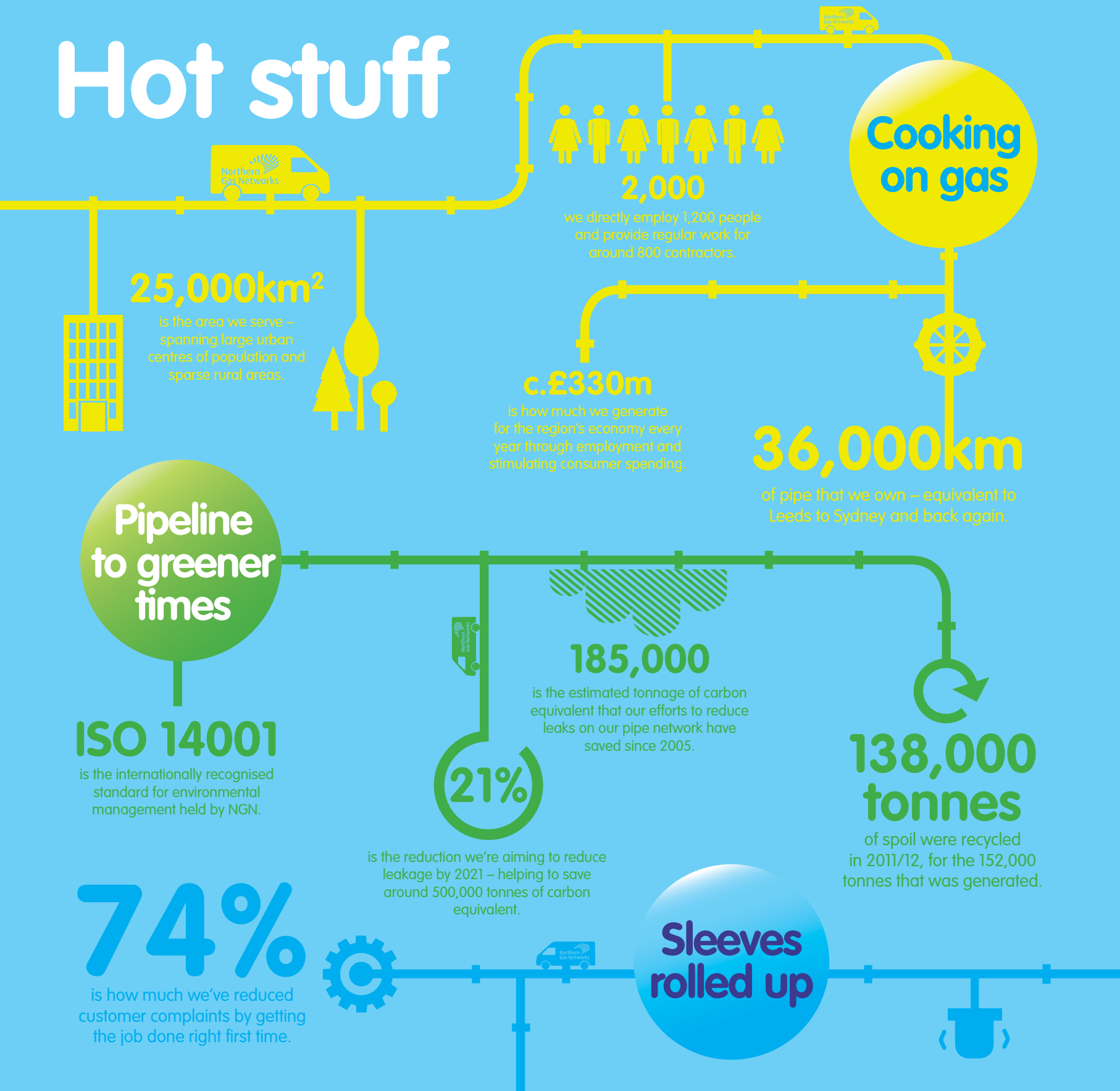
Since 2005, we have reduced leakage by more than 10% through our on-going mains replacement programme and by managing gas escapes promptly. Over the next eight years, we plan to reduce leakage by a further 21%, by replacing more than 3,700 kilometres of old metal gas mains with modern plastic pipes. Investment will be focused on the parts of the network which suffer the most escapes.

It will require ambitious technological innovation to meet the Government's green agenda and the use of our network to transport new forms of clean energy.

We are already helping to pave the way for more widespread adoption of biomethane by helping producers to tap into our network. We have developed our own form of recycled aggregate to fill in holes reducing the quantity required from quarrying and have launched a new green procurement policy to promote sustainable purchasing.

And, in the years ahead, we'll be exploring the use of alternative fuel sources for our operational vehicles and harnessing energy that is currently wasted at gas off-takes.

# Hot stuff



## Nurturing talent

Personal responsibility for complaints or queries is instilled into our employees, so that issues are resolved quickly.



# £1.9m

per year is the estimated figure we've slashed from the region's energy bills as a result.

# 7%

reduction in gas escapes by 2021 is what we expect our pipe replacement programme and effective asset management to deliver – slashing the number of emergency repairs we need to make.

# 16

new apprentices get to learn the ropes through a combination of college-based learning and practical, on-site experience.

# 4,500+

fuel poverty households have been connected to our gas network, free of charge, since 2009.



# £540k

of payments have been unlocked by our benefits health check scheme.

# 35

is how many gas operatives we've appointed in the first half of 2013, plus we're busy recruiting additional customer team managers and back-office staff.



Supporting all of our staff by helping them to develop new skills.

## Tackling fuel poverty



# 100km

of gas mains have been replaced by local companies with contracts worth a total of £90m.

## Digging deep to help small businesses

# 50

is the number of local companies our small business scheme has helped since the start of 2012.

# 2021

We hope to involve many more local businesses with our scheme by 2021.

# Digging deep to help small businesses

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## We're training local engineering businesses to work with us

Over the next eight years, we'll be investing around £720m to upgrade the region's gas network. We want as much of this investment as possible to stay within local communities – generating wealth and jobs in our region.

So we're training small engineering firms, often family run, to work with us. They're being given the chance to dig deep to replace the region's ageing gas mains. With our full training, expert supervision, and a guarantee of work, we're helping to boost our local economy.

Handing contracts to small businesses is an innovative approach, as the gas industry's default position is usually to award mains replacement contracts to a few key national or international players. But, this way, the work will not only meet our exacting standards, the investment will stay in the local area and businesses are given a new income stream and vital transferable skills. The scheme has been running as a pilot since the start of 2012 and we have big ambitions to expand it.

We are set to replace more than 3,700 kilometres of gas mains by 2021 – presenting a great opportunity for small businesses to benefit.

The scheme has been strongly supported by Energy & Utility Skills. Sharon McLaughlin, an Engagement Director from the organisation said: "Opening up gas contracts to small businesses is a great idea, as it helps them expand their horizons. It stands to be a real shot in the arm for the engineering sector."

**Phil Bryant**  
Team leader,  
Heckmondwike



# Going the extra mile for local communities

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Inspiring the  
region's next  
generation of  
green-minded,  
socially aware  
citizens

Our engineers are a regular fixture in neighbourhoods across the North of England, because they live and work in these communities.

We have an active Corporate Social Responsibility programme to support worthwhile local causes and promote our core environmental and safety messages.

In 2011/12, we awarded 20 local grants worth a total of £50,000 to help worthwhile community initiatives get off the ground across the North of England. From urban allotments to school workshops, right through to projects with strong environmental and education focus, we helped make communities cleaner, greener and more proactive.

This year we've launched a major new schools education campaign aimed at Key Stage 3 students (11-12 years old). The '2020' initiative is bringing to life our messages about carbon reduction, recycling, social responsibility, carbon monoxide awareness and site safety. We are engaging with students through fun, interactive classroom-based workshops, teacher resources, a dedicated website and a student ambassadors' scheme, with all activity linked closely to the national curriculum.

## Saving lives through carbon monoxide awareness

We recently launched a free mobile app to highlight the risks of carbon monoxide poisoning among the region's student population.

Students living in rented accommodation are one of the groups most at risk of carbon monoxide poisoning, as boilers and appliances in student properties are not always checked as regularly as they should be.

Through the iCOP app, you take on the role of the police, following clues to solve the cause of death of a body found in a student flat. By following the clues, players discover that the death was caused by a faulty gas fire. On completion, players are prompted to store the National Gas Emergency number in their mobile and apply for a free carbon monoxide alarm. With more than 1,353 downloads in the first two weeks, over 100 requests for carbon monoxide alarms and the backing of The University of Sunderland and The University of Huddersfield, it's proving a massive success.

We are now extending our awareness campaign to another key 'at risk' group – the over 70s. Our trained professionals are delivering carbon monoxide protection advice in customers' homes and offering discount vouchers for carbon monoxide alarms.

## Warming up homes in Halifax

We helped 140 families in Halifax enjoy warmer homes and lower energy bills, thanks to a joint 3 way project with social housing provider Pennine Housing and our regular partner, Community Energy Solutions.

We connected customers to our network, free of charge, allowing Pennine Housing and Community Energy Solutions to step in and upgrade their homes with new heating systems and better insulation.

## Budge up, make room for biomethane

One of the biggest barriers to more widespread adoption of biomethane is available 'room' on the pipe network. During periods of low customer demand, when there is a lot of gas within the pipe network, biomethane producers risk restrictions on the amount of product that can be entered on the system.

NGN, in partnership with National Grid and specialist consultancy CNG Services, have launched a successful pilot scheme in Skipton to compress existing gas in the system and make room for biomethane to enter.

## Women on the front line

Three newly promoted colleagues are flying the flag for more women in engineering – and we're proud of them!

Amanda White became our first female Site Manager recently, responsible for overseeing our work sites in the Pennines, while Gemma Harvey Cole, who is employed by our contractor Enterprise, also became a Site Manager in West Yorkshire.

25 year-old Kelly Mander, a former Police Community Support Officer, became our first female apprentice. By learning the ropes as a First Call Operative, she will be first on the scene when members of the public report a smell of gas.

Amanda said: "I think it's great that we have more women taking on these front-line engineering roles. Women can sometimes bring a different style to customer service and notice things male colleagues might not. A better balance of men and women in these positions can only be a good thing."

# Nurturing talent

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Without  
enthusiastic,  
well-trained  
employees,  
we simply can't  
do our job

We want our employees to achieve their full potential, so we offer a wide range of training and personal development opportunities.

We recently launched a new suite of online learning modules and a coaching network in which employees with useful skills (from conflict resolution to specific engineering know-how), mentor their fellow colleagues.

Our young persons' network – a working and social group for employees aged 16-35 – was also established recently and has a flourishing membership.

For NGN, new blood is vitally important. We have a thriving apprenticeship scheme which ensures there is always a new generation of engineers waiting in the wings, ready to pick up the baton when older colleagues retire.

We are also making great strides to increase the number of women in front line engineering roles. With the Institution of Engineering and Technology estimating that just 6% of women occupy these positions, we are keen to play our part in achieving a healthier balance. In 2012, we were delighted to welcome our first ever female site managers and our first female apprentice.

Gemma Harvey-Cole,  
Site Manager,  
West Yorkshire



# Results Summary 2012

## Financial performance for the twelve months of operations ended 31st December, 2012.

The financial information set out below does not constitute the company's statutory accounts for the year ended 31 December 2012, but is derived from those accounts. Statutory accounts for 2012 have been delivered to the Registrar of Companies. The auditors have reported on those accounts in accordance with Chapter 3 of Part 16 of the Companies Act 2006; their report was unqualified.

### Highlights

Total Revenue	£378.1m
Operating Profit (EBITDA)	£157.0m
Profit After Tax	£32.8m
Dividends	£82.0m
Operating Cash Flow	£138.0m
Capital expenditure and financial investment	£37.9m
Total Fixed Assets	£1,571.3m
Net Assets	£152.2m
Regulated Asset Value (latest estimate)	£1,770.6m

### Financial ratios

EBITDA/Total income	40.8%
EBITDA Interest coverage ratio	2.4
Net Senior Debt/RAV	66.2%

### Operational measures

Number of customers to whom Northern Gas Networks transports gas	2.7m
Sales volume (tWh)	76.04
Length of pipe (000s km)	37,000km
Customer density (customers/km of pipe)	70.2

### Employee measures

Number of full-time equivalent employees	1,190
Number of lost time injuries	3
Number of injuries to members of the public	2

### Operational/efficiency

Number of gas escapes attended within 1 hour	99.48%
Number of gas escapes attended within 2 hours	99.83%
Number of connections	6,220
Repex abandonment workload (for 2012)	522.577km



## We're chuffed to bits

Thanks to all of the hard work and dedication of our teams, this looks set to be another prosperous year.

**[www.notherngasnetworks.co.uk](http://www.notherngasnetworks.co.uk)**

** @ngngas**

The National Gas Emergency Service is available 24 hours a day, every day.  
FREEPHONE 0800 111 999\*

\*All calls are recorded and may be monitored.