

Our Stakeholder Report

2015



People,
pipes,
passion.



If I had to sum
up 2014/15 in
a word, it'd be
'smarter'

Yes, we do pipes – but so much more...



Northern Gas Networks (NGN) is the gas distributor for the North of England.

We own and maintain the vast, underground pipe network which transports gas to 2.7 million customers, each and every day.

Providing a safe and reliable supply of gas to our customers 24 hours a day, 365 days a year, is our over-riding priority and we invest heavily in our pipe network. Like all utility companies, we're responsible for our fair share of roadworks. But to find out how we really contribute to this fantastic region of ours, you'd be well advised to look at our impact on people, not just the number of pipes we put in the ground.

We believe in getting actively involved in local communities, and supporting the most vulnerable members of society. We're about fantastic customer service and working smartly to save time and customer headaches. And we're excited to be playing a key role in delivering new, sustainable forms of energy.

This report describes our activities and achievements from the past year.

If you are a local authority, charity, community group, business, education or training provider, or a domestic customer, we think you'll find much of interest in here.

You told us you liked the style of last year's report. With this in mind we've retained much of the original design and tried to keep it honest and straightforward, without too much PR fluff.

You also asked us to put our outcomes into context. We've listened and aimed to do just that, adapting the information on our website to help you to understand the story behind the stats, whilst keeping this report readable.

If you have any questions, or would like to have a chat about working together, please get in touch. We'd love to hear from you.

Email: stakeholder@northerngas.co.uk

Visit our website:
northerngasnetworks.co.uk

Join our online community:
community.northerngasnetworks.co.uk

A word from Mark

If I had to sum up 2014/15 in a word, it'd be 'smarter'.

We've been challenging ourselves to look at every aspect of our business, to see where we can work more effectively and deliver added value to our customers.

Out on the streets, we've been using new technology and techniques to speed up roadworks – saving raw materials and reducing customer headaches. We've even replaced pipes with keyhole surgery!

Back in our offices and depots, we're improving our systems and training so we can give our customers a more seamless, personalised service whenever they need to contact us and this will continue to evolve in line with customer needs.

In customers' homes, all our emergency engineers bring life-saving carbon monoxide detectors to each call-out which are helping to save lives.

On our pipe network, we've invested heavily (and smartly) in order to improve reliability, while boosting capacity to meet the needs of growing populations.

In local communities, we've forged new partnerships which are allowing us to help the most vulnerable in society. And with our eyes fixed on the future, we're helping to pave the way for new, sustainable forms of energy, such as biomethane, which have potential to deliver energy security for the UK, while reducing carbon emissions.

All this smart thinking has translated into a really encouraging set of annual performance results, which we've summarised in the pages to follow. I hope this report gives you an insight into our achievements and our culture, and a sense of where we are heading next.

As always, we have big things in the pipeline.

Mark Horsley,
Chief Executive Officer



First, a bit about us

What we do

We're proud to keep 2.7 million customers in the North of England heating their homes and cooking on gas.

Our job is to take gas from National Grid's transmission system and then move it through our own vast pipe network to you, the customer.

Although we don't sell gas, 17% of customers' bills does go towards the distribution service we provide.

After all, 37,000km of pipe requires considerable upkeep!

How we do it

Safety and reliability are at the heart of what we do.

On average, a customer experiences an interruption to their gas supply just once every 40 years. That's because we're continually investing in our network, to beat the leaks.

Things do go wrong occasionally, and when they do, our highly trained engineers are quick to put them right.

If you live in the North of England, smell gas and call the National Gas Emergency number – 0800 111 999 – the chances are it will be one of our fabulous engineers who arrives to sort things out.



Where we do it

Our network covers the North East, northern Cumbria and much of Yorkshire.

How we're regulated

We have a demanding performance contract with Ofgem, the energy regulator.

Known as RIIO (Revenue = Incentives + Innovation + Outputs), the contract requires us to meet stretching performance targets, with financial incentives for good performance, or penalties for falling short.

Every year, we're measured against 51 separate criteria, covering safety, reliability, customer service, environment, gas connections and social obligations.

It keeps us on our toes.

Why we do it

We love making a difference to the region, and are as much about people as we are about pipes.

We go the extra mile for local communities, by helping vulnerable customers stay safe and warm and by creating training and employment opportunities.

It's a crucial time for the UK's energy supplies, too, and we're excited about the part we can play in the move to cleaner, sustainable and more affordable forms of energy.

Our colleagues enjoy coming to work (most of the time) because we are a modern, progressive company that looks after its people and its customers.

17%

the proportion of an average gas bill that pays for our services.



2.7 million

the number of homes and businesses we serve.

£300 million

the amount we generate each year for the region's economy by stimulating employment and consumer spending.

99.85%

the number of gas escapes that required immediate attention that we responded to in the statutory one hour timeframe. Our target was 97%.



1,500+

the number of full-time NGN employees, not forgetting our 600+ contractors.

£120 million

the amount we invest each year in the region's gas network.

the length of our pipe network.

37,000 km

51

the number of performance targets we are measured against each year.

Keeping the region cooking on gas

Losing your gas supply, even for a short time, is hugely disruptive.

That's why we continue to modernise our network, replacing old leak-prone metal pipes with modern plastic equivalents to meet the needs of growing populations.

We're getting smarter all the time in how we target this investment, so that every penny we spend on new pipes delivers maximum benefit for our customers.

We use local contractors to get the new pipes in the ground, directly managed by us, rather than big, national firms managed at arm's length. It's a unique approach for our industry, and it's delivering cost savings of around 10%, as well as improving the customer experience and generating local employment.

Thanks to our continued investment, we were comfortably ahead of many of our key network investment targets for 2014/15, such as replacing older metal pipes that pose the greatest safety risk if left untouched.

When leaks occurred, our engineers stepped up – beating our statutory response targets by getting out to jobs quickly and keeping our customers safe and sound.

But we must admit, it wasn't a flawless performance. The total number of times the gas went off because of planned work, or unforeseen circumstances, was higher than our target.

This is partly because we upped the ante when it came to the number of pipe replacement jobs this year – doing lots of extra work now, to get the network in good shape for the future. Sadly, that meant we had to turn the gas off more often (although we usually got it back on quickly).

We also have ground to make up when it comes to putting in new service pipes (the connecting pipes linking homes to the gas mains in the street). However, we've got big plans to get back on track (see case study opposite).



Highlights

There when you need us: our emergency engineers got out to gas escapes pronto, beating our statutory targets.

Safe and sound: we met or exceeded all of our regulatory safety targets.

Local is best: using local contractors to replace gas mains delivered cost savings of more than 10%.

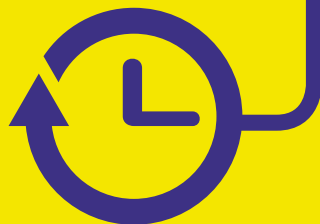
Investing in the future: we stepped up our mains replacement programme to blitz leaky pipes – preventing future problems.

Still work to do: we've got some ground to make up when it comes to replacing customers' service pipes, and continuing to drive down the number of interruptions to the gas supply.

99.99%

the number of controlled gas escapes responded to within the statutory two hour time window – our target was 97%.

3.6 million minutes



the amount of time we shaved off our target for unplanned interruptions to the gas supply, by getting customers back on quickly – compared to 3 million minutes in 2013/14.

502.6km

the length of 'at risk' iron gas mains replaced – ahead of our target of 473.6km.

28,565

the total number of service pipes replaced – behind our annual target of 30,932 – but we’ll make up lost ground!



62.9%

percentage of repairs completed within 12 hours – ahead of our 60% target.

CASE STUDY

'Live' pipe replacement to reduce disruption

To deliver a reliable gas network, we not only need to invest in the gas pipes in the street, but also the shorter, connecting pipes to each individual home.

These are known as service pipes – and we're currently lagging behind our annual replacement targets.

We're aiming to replace over 30,000 metal service pipes in 2015/16 of which 2,000 will be part of a large scale programme. Many jobs will be done 'live' – which means we don't need to switch the gas off to a whole street, or even dig in the road. This is great for our customers, and the environment.

We'll be targeting areas with a history of leakage, to make sure we put the investment in where it will be most effective and measure the results to see if the approach delivers value for money.





Customer service to rival any industry

The bad old days of utility companies delivering sub-par performance because their customers can't shop elsewhere are thankfully long gone. People, quite rightly, expect more.

We pride ourselves on delivering customer service to rival any business in any industry – including high street retailers and online giants.

Putting customers first is a philosophy shared right across our company, from the engineers repairing or replacing gas mains in the street to our call handlers back at the office.

Over the past year, we've introduced a sophisticated new customer management system to provide a more seamless, personalised service when people need to get in touch and have used research to better understand the needs of our different types of customer. It's highly adaptable and will continue to evolve in line with customer needs.

We've continued our challenging 90 in 60 programme to agree a direct resolution to 90% of customer complaints in 60 minutes, whilst striving to completely resolve 90% of complaints the following day. In 2014/15 we resolved 81% of complaints by the end of the day following receipt of the complaint.

We've reinvented the way we plan mains replacement jobs and are continuing to improve processes behind the scenes so they start and finish right on time, and homes and businesses are supported through periods of disruption.

We've joined the Considerate Constructors Scheme (the first energy distribution network to do so) to help us improve the appearance and professionalism of our work sites.

And we've encouraged everyone in the business to share their ideas for better customer service, and to form their own groups to bring these ideas to life.

It's working too. We've won no less than 12 national awards for customer service and employee engagement over the past year, and have comfortably beaten all our regulatory targets in this area – improving on the high benchmark we set last year.

There's no time to rest on our laurels however. In the pipeline are new European measures for customer service – presenting even tougher targets for home grown utility companies such as ours. We're up for the challenge!



our recent tally of national customer service and employee engagement awards.



Highlights

Satisfied customers: we beat all our customer satisfaction targets, and outdid last year's performance.

Van with a plan: we've improved the way we plan our mains replacement jobs, so they go without a hitch.

Know your customer: we're using research to understand our customers better, and have developed new systems to provide a more seamless service.

Creaking trophy cabinet: we've won no less than 12 national customer service and employee engagement awards, including a prestigious National Business Award, over the past year.

88%

we agreed a resolution to 88% of complaints in an hour in 2014/15.

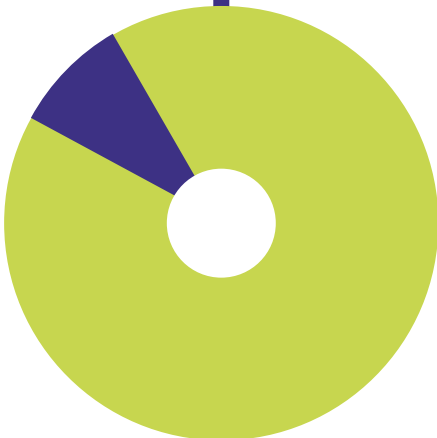
9.4 out of 10

our customer score for unplanned jobs, such as emergency repairs, exceeding our target of 9. That's an improvement of 0.1 on last year.



8.7 out of 10

our customer score for planned jobs, such as mains replacement – up from 8.4 last year and ahead of our 8.5 target.



9.0 out of 10

our customer score for providing gas connections to homes and businesses – up from 8.6 last year and ahead of our 8.4 target.

A man with short brown hair, wearing a black t-shirt, is smiling and looking down at a card he is holding. A young girl with blonde hair, wearing a white t-shirt, is sitting next to him, also looking at a card. They appear to be in a home setting, possibly a living room, with a textured wall and a pink wall in the background. The overall mood is warm and collaborative.

CASE STUDY

The power of 10

Team 10 is a customer service group set up by colleagues across the business. It brings together representatives of our nine geographical patches from out on the network, plus customer services colleagues, to share ideas and best-practice initiatives designed to improve customer service.

Some of the innovations to come from Team 10 include branded dust sheets and shoe covers to help protect customers' homes, along with name badges and branded tool bags.

Customer scores have gone up steadily since the group was formed, and its 'can do' attitude and focus on practical solutions is really paying off.

The group has developed organically, with hardly any intervention from senior management.

Team 10 member Paul Meadley said: "It's great to know that Team 10 has made a difference. Some great ideas have come out the sessions. There's a focus on getting things done, and not being afraid to try new things – it's certainly not just a talking shop."

Cleaner and greener

The UK is committed to reducing its carbon emissions by at least 80% over the next 30 years.

Gas distributors can help – both by improving day-to-day environmental performance and by paving the way for new, sustainable forms of energy.

Here at NGN, it's fair to say that environmental issues have historically played second fiddle to other business priorities such as safety and efficiency. But we're getting better. Much better.

Of all our activities, gas leaks pose the biggest environmental risk. Every time gas is released into the atmosphere, it contributes to the build-up of harmful greenhouse gases.

By replacing ageing, leak-prone pipes, and by using advanced equipment and modelling to regulate gas pressure in the network, we managed to outperform our leakage targets for the second year running in 2014/15. Good news for us (we earn financial rewards from Ofgem) and great for the environment.

Roadworks can also take a hefty environmental toll. We managed to increase the amount of recycled aggregate used to backfill excavations (even though we're still behind our annual targets here – largely because of the current scarcity of suitable recycling centres) and used new technology to dig smaller, more precisely targeted holes – a bit like keyhole surgery!

2014/15 also saw us invest in a more fuel efficient vehicle fleet, launch a new 'points make prizes' incentive scheme to encourage green thinking among suppliers, and undertake energy audits to find out where savings could be made across the business. Look out for a raft of new, green-themed initiatives on the back of these audits in the coming year.

And with our eyes fixed firmly on the UK's energy horizon, we continued our work in support of the growing biomethane industry, setting up a dedicated in-house team and launching a range of free tools and support for prospective biomethane producers.

We're delighted to report that biomethane producer enquiries soared in 2014/15. A biomethane plant also went online!

And with plenty more futuristic energy schemes in the pipeline – such as a bid for a natural gas filling station and the first ever hydrogen city – these are very exciting times.



Supporting a
sustainable
and affordable
energy future

Highlights

Beating the leaks: by driving down leaks, we've reduced greenhouse gases.

The gas is greener: we've supported the UK's growing biomethane industry.

Miles better: we've invested in a modern, fuel efficient vehicle fleet.

Waste not, want not: we've increased our use of recycled aggregate, although still have a way to go to meet our annual targets.

Bold thinking: from bin lorries powered by natural gas to the UK's first hydrogen city, we're thinking big!

397 GWH

(Giga Watts per hour)

the amount of gas lost through shrinkage. Our target was 445 Giga Watts per hour.



46,000 tonnes

the amount of CO² equivalent saved by beating the leaks – that's a huge 9,000 tonnes more than last year.

10%

the amount of spoil sent to landfill – significantly better than last year's 36% but still just off our <8% target.

23%

the amount of virgin aggregate used for our operations – down from 28.58% last year, our target was <20%.

CASE STUDY

Gas holder demolition – filling in the holes



By 2021, we're aiming to demolish 23 of the region's gas holders. A legacy of a different age, the holders are no longer in use, and are costly to maintain.

We're committed to taking the holders down in an environmentally responsible way, by recycling as many materials as possible. Once holders are removed, sites need reinstating. Following the demolition of our gas holder in St Mark's Street in Hull, spoil from local streetworks was used to help fill in the vast excavation left behind.

We're now looking at how we can work with partner organisations to source recycled spoil for future gas holder demolition projects.

We are providing local communities and stakeholders with the opportunity to influence the way we deliver our gas holder demolition programme, and to commemorate the structures as they disappear from the skyline.

Our local community artist, Mick Hand, hosts art workshops for local school children where gas holder demolition programmes are soon to take place. We are also encouraging members of the public to share their memories of the gas holders through our 'Gas Holder Memories' campaign. You can watch our video, which includes local people's reminiscences about the holders, on our website.

Making the right connection

Every year we receive around 13,000 enquiries for a private gas connection or meter alteration. Common scenarios include a home extension which requires a gas supply, a business expansion or a newly built property.

These are commercial transactions, with customers paying for our labour, materials and expertise. Understandably, they demand great service.

To make life as easy as possible, we have transformed our connections business to ensure the customer receives a superb service from the very first phone call or web enquiry, to the completion of work.

The result has been a dramatic improvement in customer satisfaction scores.

Despite setting ourselves very demanding targets – way beyond industry standards – we still managed to exceed 5 out of 7 of these targets in 2014/15, compared to 2 out of 7 last year.

The past 12 months saw us continue to evolve our connections service to make life easier for our customers.

We introduced 'one stop alters' – allowing customers to pay for an alteration on site and get the work done on the day. We also set up a cost review group, to look at generating the best possible price for the customer. This has led to smarter delivery, by grouping jobs together to reduce travel.

What's more, customers can now pay for their new connection online following the introduction of our online payments service – offering even more convenience.

We've also started benchmarking our performance against challenging new European standards (known as the Council of European Energy Regulators) and there's lots more to come over the next 12 months.

Well, we don't want to get complacent, after all!



Making life easier for our customers

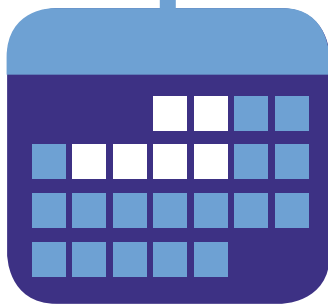
Highlights

Smarter service: we outdid last year's performance and customer satisfaction has soared.

Raising the roof on standards: we've started benchmarking performance against challenging European standards.

'One-stop alters': customers can pay for a meter alteration on site and get the work done on the day.

Online payments: a faster, smarter payments service launched this year.



99.7%

of standard quotations issued in six working days, just over our 99.6% target.

98.5%

of start and completion dates notified within 20 days for connections above 275kwh, just under our target of 100%.

98.6%

of jobs completed on date agreed with the customer, just over our target of 95% and a 1.4% improvement on last year.

Heart of the community

We've always believed that utility companies are in a great position to deliver added value to local communities.

That's why, over the past year, we've been busy helping our customers stay warm; budget more effectively; look after their health and find employment and training opportunities.

Lots of this work has been focused on the most vulnerable members of society, for whom basic necessities, such as a warm home, are by no means a given.

We made an impact by working with a wide range of partner organisations, while maintaining a regular dialogue with our stakeholders to make sure we stayed focused on the things that really matter.

With fuel poverty still a pressing issue in our region, we provided a range of support – such as free benefits checks – and exceeded our target for providing gas connections to some of our poorest customers. We'll be ramping up this activity in the coming years to make up for the shortfall in the first year of RIIO, where we fell slightly behind.

We continued our work to educate and protect the region against Carbon Monoxide (CO), by completing our roll out of life saving CO detectors to our emergency engineers, and by working with our fellow gas distributors on a new public awareness campaign.

We delivered an extensive education and training programme, which ranged from 'Play Safe, Stay Safe' sessions for younger children, to employability workshops for those of school leaving age.

We also took our stakeholder engagement strategy to the next level by strengthening governance; developing a new annual stakeholder plan and launching an online stakeholder community to facilitate discussion.

There'll always be a limit to just how much we can achieve. But by working with partners, and focusing on those social issues most closely aligned to our business objectives, we can make a lasting difference.



Highlights

Child's play: an existing partnership with the Children's Society went from strength to strength, with the charity delivering NGN sponsored events ranging from how to switch energy supplier to basic cookery.

All good in the hub: we became a founding member of a new initiative called Warm Hubs – providing warm places to meet and relax for people in rural communities.

iFest: working with our fellow UK gas distributors, we launched a CO awareness campaign aimed at campers and festival goers.

Taking on fuel poverty: we teamed up with local authorities, registered social landlords and specialist partners to provide free gas connections for vulnerable customers, and a range of additional support, such as benefits advice.

Education and training: our extensive programme included CO and environmental workshops; careers fairs, innovation challenges and employability workshops. We focused heavily on undersubscribed Science Technology, Engineering and Maths (STEM) subjects, in an effort to nurture the engineers of the future.

Collaboration: we worked with a wide range of partners, including other utility companies, charities, emergency services, campaign groups and training specialists, to achieve far more than we could ever hope to by working alone.

1,707

the number of free gas connections delivered for customers facing fuel poverty – up on our target of 1,500 and nearly 50% more than last year.

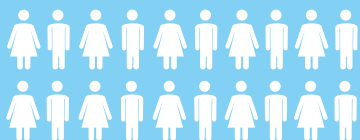
£417,000

the total value of unclaimed benefits unlocked for vulnerable customers, thanks to our free benefit health checks.



1,385

the number of employee volunteering hours clocked up in 2014/15.



120

the number of NGN colleagues who have received specialist training in supporting customers in fuel poverty.

200

the number of CO detecting 'gascoseekers' rolled out to our emergency engineers in 2014/15, meeting our target. A total of 1200 of these hand-held devices are now in use by our colleagues, helping to save lives.

11



the number of lives potentially saved through the roll-out of hand-held CO detectors for our emergency engineers in 2014/15.

CASE STUDY

The CO alarm that sends text messages

We've collaborated with our fellow gas distributors to take part in a national trial to put a new type of Carbon Monoxide (CO) alarm through its paces.

The smart new devices not only sound an alarm if CO is detected, but also send a text message to a central monitoring point – such as a social landlord or warden.

This makes them ideal for vulnerable customers (e.g. in sheltered housing) who may not know what to do if the alarm sounds.

Weekly reports are also issued by the detectors to confirm that they are fully functional and to alert owners when the batteries need replacing.

We've teamed up with a social landlord in Kirklees to trial 150 of the new alarms, where, during the installation process, we identified CO in a resident's boiler house.

As well as testing the technology, we're sharing quarterly updates to all of those involved. We're also gauging awareness of CO before, during and after the trial to help inform our future education activities.





At the cutting edge

Our industry is going through a period of great change, and we're excited to be helping to reshape it for the future.

By trialling new technology and innovative ways of working, we can help the whole sector to become greener, more efficient and more customer focused.

Our regulator, Ofgem, provides several pots of money to support groundbreaking projects. Gas distributors can bid for some of this funding, with Ofgem looking favourably on projects which stand to improve efficiency across the whole industry and deliver environmental benefits.

At the end of 2014/15 we had 38 live innovation projects on the go under Ofgem's Network Innovation Allowance (NIA), and our teams continue to put new ideas and technologies through their paces.

It's an exciting time.

70%

the estimated cost savings that the technique could deliver.

38

the number of live innovation projects.

4 weeks

the time shaved off the duration of a gas mains replacement project in Castleford by inserting a new pipe lining.

£2.4 million

the amount we invested in innovation projects under the Network Innovation Allowance – £1 million more than last year.

Highlights

Tackling water ingress:

when water finds its way into the gas network, it can be extremely costly and time consuming to remove, and cause huge customer inconvenience. We've developed prototype CCTV cameras with in-built water extraction devices to find the water, and remove it quickly. These devices are currently being tested.

High rise silver lining:

replacing steel 'riser' gas pipes in multi-occupancy buildings is fraught with difficulties. It's logistically very challenging, and usually requires strapping new, unsightly pipes to the exterior of buildings. We're collaborating with our fellow gas distributors on a project to adopt pipe lining technology used in the water industry to upgrade these gas risers without the need for full replacement.

Listening out for leaks:

we've teamed up with Manchester University to trial clever 'listening' technology called Acoustek. Already used successfully on high pressure offshore gas pipelines, the equipment comprises a probe and microphone which can send a sound wave 500 metres down a pipe, in either direction.

When the sound wave encounters a leak, blockage or any other kind of anomaly, it bounces back and produces a sound graph, precisely locating the problem.

Giving old pipes a new lease of life:

replacing pipes in busy town centres can be very disruptive. As an alternative to digging up the road, earlier this year we used a technique in Whitehaven and Castleford which saw polyethylene pipes inserted inside the original iron main and then expanded to form a tight lining, creating a resilient pipe from the inside out. It worked a treat!

A hot topic: when gas moves from National Grid's transmission system to our lower pressure network, it needs heating to prevent the pipes and surrounding ground from freezing. This has traditionally been a costly and energy intensive process. We're running a trial to examine the energy consumption and effectiveness of different types of pre-heating units – with the site data live on our website, to be shared with the whole industry.

CASE STUDY

A hole new approach

Following successful trials, we've invested £750,000 in technology to locate and repair gas leaks with minimal cost and customer inconvenience. Special 'acoustic' cameras allow us to locate a leak without the need to dig exploratory holes. We then use 'Core & Vac' rigs to take a small diameter 'plug' from the road surface above the leak, rather than digging a large hole, reducing virgin material used by 96%.

Using both pieces of kit in tandem have reduced repair times from days to hours in some cases, and 95% of trial jobs have delivered a cost saving of 12%.

We've now applied to Ofgem for further innovation funding, to see if we can adapt the technology for even larger diameter pipes – unlocking even more cost savings and customer benefits.



MX5
LDC

The future role of gas

As the UK continues to move towards a low carbon economy, we have the opportunity to ensure gas remains an essential part of the energy mix.

New, sustainable forms of gas, such as biomethane, low carbon gas, hydrogen and synthetic natural gas could be injected into the gas distribution network and used to heat homes, power vehicles and even run entire cities.

At Northern Gas Networks, we want to play a key role in the future of gas, by trialling new and imaginative projects. We have a dedicated team focused on this task, and we're thinking big!



CASE STUDY

Bin lorries running on gas – and that's just for starters!

Meeting the UK's future energy needs requires big ideas – and they don't come much bigger than the UK's largest natural gas filling station.

We've teamed up with Leeds City Council to try to make this a reality. If we can get the funding model agreed, the station could be open for business as early as 2017.

In the first instance it would be used to fuel the council's fleet of bin wagons, with the future potential to open the fuelling station to any back to depot vehicle including buses, taxis and commercial fleet, not forgetting NGN's very own vans.

CASE STUDY

Hydrogen city

Hydrogen offers great potential as a sustainable fuel. The combustion of hydrogen with oxygen results in water and heat – and that's it!

Most people have heard of hydrogen vehicles (fuel cell technology) but what if we could develop a hydrogen based distribution system for domestic heating, cooking and fuelling stations?

We think this is an exciting, and realistic proposition, and are investing funding from Ofgem's Network Innovation Allowance to carry out a feasibility study to produce a design scenario for a hydrogen city, using the great city of Leeds as our template.

CASE STUDY

Learning more about shale

Shale gas and fracking is being debated vigorously in the media at the moment, but what does this potential new energy source mean for the gas distribution industry?

To find out, we've been on a fact-finding trip to the US, and have also launched a study to understand the existing capacity of the UK's gas network at different times of the year. This intelligence will help shale producers better understand when, and how, they could potentially inject their product into the network.



GAS

CASE STUDY

Turning sludge into power

Northumbrian Water's award-winning anaerobic digestion plant at Howden on Tyneside produces biogas from sludge – the byproduct of the sewage treatment process.

The gas has been used in the past to generate electricity, but Northumbrian Water has invested in new equipment to upgrade the biogas into biomethane, so it can be injected directly into our distribution network.

The project is now up and running – representing the first live biomethane grid injection project for our region.

We are
constantly
investing in our
workforce

Building a sustainable business

We're only as good as our people. We rely on their expertise and enthusiasm to deliver a great service to our customers.

We're constantly investing in our workforce, and hired 285 new full-time colleagues in 2014/15.

These include newly designed roles, such as Operational Response Engineers, who have a remit to respond to emergency jobs such as gas escapes, but also to support on our mains replacement work during quieter times – giving us more flexibility.

We're committed to nurturing future talent, and took on three apprentices in 2014/15. They'll learn the ropes (or should that be pipes?) through a combination of hands-on training and classroom based activities, with a guaranteed full-time role with us on qualification.

All colleagues are given the opportunity to reach their full potential, through continual training and well-defined career pathways. And we don't just focus on the typical tools of the trade – we offer everything from presentation training to Microsoft Excel 101!

To keep operational colleagues' skills up to date, we've developed a new, internally driven training programme, certified by EU skills. Rather than periodic, classroom-based workshops (the industry's default approach), the programme uses continual 'on the job' assessments, which we believe to be a far more effective method.

Our terms and conditions have been modernised, so that colleagues have the opportunity to earn more through great productivity and customer service. This is challenging the old 'clock on, clock off' mentality, with an achievement focused culture.

And to ensure expertise is retained within the business as colleagues retire, we've launched a new succession programme which sees older, more experienced colleagues mentor younger colleagues, so that priceless knowledge gets passed on.

2014/15 also saw us continue to invest in our processes, technology, offices and depots to provide modern, agile and inspiring places in which to work.

285

new employees taken
on in 2014/15.

Highlights

New jobs: we took on 285 new employees in 2014/15.

Succession planning: our recruitment and mentoring programmes ensure there is a steady stream of new talent.

No train, no gain: we provide career-long training and development opportunities for all employees.

Inspiring places to work: we invested in technology, opened brand new depots and office spaces, and refurbished existing ones, to provide great places to work so our people can get on with doing a great job.



15

the number of apprentices that qualified as emergency response engineers.

CASE STUDY

An apprenticeship programme with a difference

The bulk of our mains replacement work is delivered by local engineering firms across the region, rather than big national or multi-national providers.

We have a great relationship with these local businesses, and recently launched a two year apprenticeship programme for them.

This has allowed these businesses to take on 14 apprentices and put them through a two year training programme, which we have developed with Northumberland College and Leeds College of Building.

The programme underlines our commitment to these local partners, by allowing them to take on new talent. They benefit, the local economy benefits, and so do our customers.



Keeping costs down

Approximately 17% of a customer's gas bill goes towards the distribution service we provide.

As such, we have a responsibility to work efficiently, and invest wisely, in order to keep our costs down, without compromising the quality of our service.

We look at all angles before making investment decisions, to ensure every pound we spend on the network delivers maximum benefits.

In 2014/15, we pursued a policy of top heavy investment – putting in extra investment into the network now, to tackle perennial issues (e.g. long running leaks) and began an investment programme that will help to get our business fighting fit for the future and save money in the years to come.

Our use of local contractors to deliver our pipe replacement programme has reduced costs by up to 10%. By working more efficiently we've also slashed costs for our repair activities by around 19% - that's £650 per team, per week – by improving basics such as stock control and procurement.

Around 60% of our workforce are now on modern terms and conditions (see previous page for more details) and this has seen efficiency increase by an average of 40% in our repair teams.

We've also outsourced our maintenance contract – handing over to an experienced, specialist third party to manage mechanical equipment such as gas off-take equipment and district governors. We project that this will deliver efficiency savings of 10% over the next three years.

Under the terms of our RIIO contract with Ofgem, we receive financial rewards for good performance in key areas – or penalties for falling short. The good news is, we achieved significant rewards in 2014/15, and no penalties.



Rewards included:

£0.6 million

for our work with stakeholders
to deliver shared goals

£0.8 million

for our work to support local people
and communities

£2 million

for customer service

£3.3 million

for exceeding our pipe leakage
targets for the year

Zero

penalties

Results summary 2015

Financial performance for the twelve months of operations ended 31st March 2015

The financial information set out below does not constitute the company's regulatory accounts for the year ended 31st March 2015, but is derived from those accounts.

The auditors have reported those accounts in accordance with the Gas Transporters License; their report was unqualified.

Highlights

Total revenue	£411.3m
Operating profit	£120m
Profit after tax	£53m
Operating cash flow	£179.1m
Capital expenditure	£58.6m
Total fixed assets	£1,503.5m

Financial ratios

EBITDA / total income	43.0%
EBITDA interest coverage ratio	4.0x

Operational measures

Number of customers to whom Northern Gas Networks transports gas	2.7m
Sales volume (tWh)	74.5
Length of pipe (km)	37,000
Customer density (customers/km of pipe)	70.2

Employee measures

Number of full-time equivalent employees	1,536
Number of lost time injuries	1
Number of injuries to members of the public	0

Operational / efficiency

Number of gas escapes attended within 1 hour	99.85%
Number of gas escapes attended within 2 hours	99.99%
Number of connections	6,866
Repex abandonment workload	530.8

We've tried to keep this report readable by talking in plain English and keeping it straightforward. If you're keen to read about what we've delivered in more detail, take a look at our RII0-GD1 Year 2 Report. You can find it on our website, along with more information about our challenges and future plans.

northerngasnetworks.co.uk

community.northerngasnetworks.co.uk

 [@NGNgas](https://twitter.com/NGNgas)

**Smell gas? The National Gas
Emergency Service is available
24 hours a day. Call 0800 111 999***

*All calls are recorded and may be monitored.