



**Standard Condition 4B of the Gas Transporter
Licence for Last Mile Gas Limited
(Connection Charges Statement 2017)**

Effective from 1st May 2018

STANDARD CONDITION 4B OF THE GAS TRANSPORTER LICENCE FOR LAST MILE GAS
STATEMENT OF PRINCIPLES AND METHODS TO BE USED TO DETERMINE CHARGES FOR GAS
DISTRIBUTION CONNECTION SERVICES

Effective Date– 1st May 2018

This is a statement of the principles on which, and the methods by which, Last Mile Gas Limited will determine from the Effective Date the charges specified in Standard Condition 4B of the Gas Transporter License. In addition this document contains sections that outline how Last Mile Gas Limited will charge for the alteration and disconnection of connection apparatus. It also includes some information about capacity availability and meter housing.

1.0 Principles

This statement outlines the principles and methods which Last Mile Gas Limited will use to determine the charges specified in Standard Condition 4B of the Gas Transportation Licence.

Last Mile Gas Limited aims to recover those charges, which it reasonably anticipates to incur when it provides connection services.

Customers should be aware however that they are free to employ the services of a suitably accredited contractor to carry out any connections work with the exception of physical tie in to the Last Mile Gas Limited network which is subject to prior agreement, such works subject to signature of an Last Mile Gas Limited adoption agreement (available on request) and where fit for purpose will be adopted by Last Mile Gas Limited.

The customer, if he chooses to use Last Mile Gas Limited for provision of the connection services, may nominate if he so wishes an approved and accredited contractor of his choice to be used by Last Mile Gas Limited in the provision of the works.

In such an event the cost will be based on a design & build tender completed and provided by the chosen contractor plus 10% related to the management of contractors and the general costs of providing connections activities.

Last Mile Gas Limited's charges for Connection Works will reflect labour, material and overhead costs and include any special expenses required to carry out the connection to the customer's requirements.

Standard charges will be applied for some categories of connection where economies of scale relative to production of bespoke connection quotations show this to be more economic to both the customer and Last Mile Gas Limited. When a standard charge is not applied, Last Mile Gas Limited will assess, and quote, the cost of each job using the principles outlined above.

Last Mile Gas Limited will charge for design where a bespoke design is required to enable the quotation of proposed connection apparatus. Design charges will be identified within quotations and will be based upon the anticipated cost of design works. The design charge will only be paid, by the customer, when Last Mile Gas Limited is requested to install the quoted apparatus.

Last Mile Gas Limited may carry out work additional to that which is required to meet the requirements of the customer to ensure that it develops its pipeline system in an economic and efficient manner. Where this occurs, the cost of any additional works will not be charged to the customer.

Any queries regarding this document should be forwarded to :

Last Mile Gas Limited
Fenick House
Lister way
Hamilton International Technology Park
Glasgow
G72 0FT
E-Mail: gas.ssp@lastmile-uk.com

Any complaint in respect of a charge to which this statement relates, if not resolved between the complainant and Last Mile Gas Limited may be referred to the:

Ombudsman Services: Energy for a determination, contact details are as below:

Tel: 0330 440 1624
Website: www.ombudsman-services.org/energy.html
email: enquiries@os-energy.org

Post: Ombudsman Services: Energy
PO Box 966
Warrington
WA4 9DF

2.0 METHODOLOGY

2.1 Connection Work Charging

Charges for connection works are normally calculated using:

- current materials costs and any special expenses required to carry out the connection plus overheads related to the management of materials and other bought-in services and,
- contract rates (of the principal incumbent) plus overhead costs related to the management of contractors and the general costs of providing connections activities.

However, as Last Mile Gas Limited works across the whole of the United Kingdom, to provide an equitable and competitive environment for its customers, Last Mile Gas Limited will track the published charges for the Large Distribution Network Operators in the areas which they predominately operate. An average figure will then be used for the associated type of work, thereby ensuring that the fairest charge will be applied.

Charges for connection include excavation, backfill and reinstatement in the public highway. They also include excavation, backfill and reinstatement on private land except where requested otherwise. There will be circumstances when Last Mile Gas Limited will not be able to reinstate to the condition which existed before works commenced. This is because works may affect a specialist surface (e.g. a mosaic, coloured tarmac or non-standard tiles / flagstones) or growing plants and Last Mile Gas Limited may not be able to replace them.

Pressure Reduction Apparatus is charged for as follows:

- if it forms part of the Supply Meter Installation, then it is not covered by the provisions of this statement,
- if it is located along the connecting pipework, it is charged for at cost plus overheads or,
- if it is part of any specific reinforcement, Last Mile Gas Limited funds it, where it can be demonstrated such reinforcement is of a material benefit to the existing Last Mile Gas Limited network.

When a premises already has one or more gas service pipes, and the owner or occupier wishes to increase their consumption of gas, it may be necessary for Last Mile Gas Limited to replace, or duplicate an existing service pipe. No charge will be made if the additional flow of gas is required from an existing Supply Meter Point and the total consumption remains below 73,200kWh (2,500 therms) per annum. In other circumstances Last Mile Gas Limited will charge for works as if the consumer required a new connection of the appropriate charge category. The only exception to this is that the consumer will not receive the Domestic Load Connection Allowance.

All the costs associated with increasing the gas supply pressure from an existing gas supply pipe will be charged to the person concerned. (Note: Consumers using less than 73,200kWh per annum. are not permitted to receive their gas at a pressure higher than 21 mbarg. nominal because of the provisions of the Gas (Calculation of Thermal Energy) Regulations.)

2.2 Standard Charges

Standard charges will be used for some charge categories, in place of bespoke charges, where:

- the standardisation is based on an analysis of the types of works that are typically carried out in that charge category;
- the costs of such typical works are calculated in accordance with the principles and methods of this statement;
- the resulting standard charges do not entail undue preference or undue discrimination.

2.3 Standard Designs

Last Mile Gas Limited will utilise standard designs in respect of certain connections, where:

- the cost / benefit of using standard designs is believed, by Last Mile Gas Limited, to be advantageous,
- the designs have been produced in accordance with the principles and methods of this statement; and,
- the resulting standard designs do not result in charges, which entail undue preference or undue discrimination.

2.4 Domestic Load Connection Allowance

In respect of premises that are wholly or mainly used for domestic purposes Last Mile Gas Limited is obliged, at no initial charge, to install the connection to the Relevant Main and lay the first ten metres of pipe in land that is dedicated to public use provided that the potential consumer's premises is situated within 23m of a Relevant Main. The contribution, by Last Mile Gas Limited, in respect of these connections is known as the Domestic Load Connection Allowance.

A person may request multiple connections, each benefiting from this allowance, provided that each connection is to a different eligible premises and it can be demonstrated that there is a present intent by an identifiable domestic consumer to use gas at each premises.

2.5 Design Charges

Any charges made for design works will be calculated on the basis of the cost that Last Mile Gas Limited expects to incur in carrying out such a design and is dependent upon the information provided by the customer and information relating to Last Mile Gas Limited's pipeline system.

Last Mile Gas Limited will charge for design except where there is a standard charge quotation or standard design connection. Last Mile Gas Limited will not provide its designs for construction by third parties and consequently will not charge for designs when it does not also construct apparatus.

2.6 Load Evaluation Service

Last Mile Gas Limited will not carry out load evaluation except in the circumstances detailed below:

- to determine whether a potential consumer will require an ARCA or,
- to determine whether a potential customer will require a Supply Point NEXA or,
- where it is necessary to determine which connection charge category applies to a potential consumer or,
- where the potential consumer's request may impact on the upstream network.

2.7 Reinforcements for System Exit Connections

Given the nature and age of Last Mile Gas Limited networks it is anticipated the networks will be discrete system extensions to the main gas network. Therefore any additional load which requires reinforcement to that system will be charged as specific reinforcement.

Last Mile Gas Limited apportions the cost of specific reinforcement according to its location in relation to the Connection Charging Point. Specific reinforcement downstream of the Connection Charging Point is charged to the customer. Last Mile Gas Limited, subject to the Economic Test in respect of network system reinforcements, funds Specific Reinforcement, upstream of the connection charging point.

All the costs associated with reinforcement works that are required to increase the gas pressure at an existing Supply Point or Connected System Exit Point will be charged to the person requiring the increase.

Where requested by the customer, and where practicable and consistent with the other provisions of this Statement and Last Mile Gas Limited Uniform Network Code, as appropriate, Last Mile Gas Limited will provide pressure elevation at a new Supply Point or Connected System Exit Point, free of charge if the required pressure is predicted to be continuously available during the subsequent 5 years. If the pressure is determined to be unavailable at any time within this period reinforcement will be required. Subject to the exception detailed in the paragraph below, the cost of these works will be charged to the person requiring the elevated pressure.

It may be necessary for Last Mile Gas Limited to upsize a connection or reinforcement pipe beyond that which is required to enable the connection of a load. Last Mile Gas Limited will do this to ensure efficient system development. Last Mile Gas Limited will do this when the anticipated cost of subsequent reinforcement is greater than the predicted cost of upsizing apparatus, taking into account the time value of money and probability that subsequent reinforcement will be required. Where necessary Last Mile Gas Limited will fund the upsizing cost of apparatus that it adopts. In this circumstance Last Mile Gas Limited will ask the Infrastructure Connection Provider to quote for the upsizing works and will use this quotation when deciding whether to proceed with upsizing.

2.8 Quotation Assumptions

Where it is necessary for Last Mile Gas Limited to make assumptions, to determine the cost of a connection, these will be stated on the quotation.

Quotations will include a statement to the effect that the customer, in accepting the quotation will also be accepting that the assumptions are appropriate and understood. If it is determined later, but prior to works commencing on site, that any stated assumption is significantly wrong, Last Mile Gas Limited will determine whether the customer's charge should be varied. Works will only then commence if the customer agrees to the variation (in line with the contract).

2.9 Taking Ownership of above 7 barg apparatus.

Last Mile Gas Limited will make a charge to determine whether connection apparatus, that is designed to operate at 7 barg. or above, is fit for purpose.

The charge will be based upon the number of hours that Last Mile Gas Limited staff will take together with any costs incurred by service providers employed by Last Mile Gas Limited to evaluate the suitability and fit for purpose nature of the connection apparatus. Charges will include an appropriate level of overheads.

Regardless of whether the apparatus is Last Mile Gas Limited lay or third party lay the charges will be calculated in the same way so that there will be no difference in the basis for calculating the charges.

3 Disconnection and Alteration of Gas Connection Apparatus

A service pipe disconnection occurs when a person requests that an existing gas service pipe, owned by Last Mile Gas Limited, is physically disconnected from the Last Mile Gas Limited supply system.

An alteration occurs when a person requests the relocation of a gas service pipe, without there being any significant variation in the load at the premises.

In general, Last Mile Gas Limited will follow the same principles that it applies to connection works in respect of pricing disconnection and alteration services.

3.1 Disconnections

Last Mile Gas Limited will disconnect service pipes that it owns when requested by the Shipper. If a person who owns or occupies the premises, or a person acting as their agent, contacts Last Mile Gas Limited to request a disconnection, Last Mile Gas Limited will disconnect the premises and inform the Shipper when the work is complete.

Last Mile Gas Limited will charge the cost that it reasonably expects to incur when disconnecting a service pipe. Charges will include an appropriate level of overheads.

Last Mile Gas Limited will not charge the additional cost where it carries out works, which are in addition to those required to fulfill the requirements of a disconnection and which are designed to enhance its network.

If works are unable to proceed for reasons outwith the control of Last Mile Gas Limited, Last Mile Gas Limited may reserve the right to charge an abortive visit charge.

3.2 Service Pipe Alterations

Last Mile Gas Limited will alter the position of any service pipe it owns when requested by the Shipper. If a person who owns or occupies the premises, or a person acting as their agent, contacts Last Mile Gas Limited to request a service alteration, Last Mile Gas Limited will alter the service pipework as requested.

Last Mile Gas Limited will charge the cost that it reasonably expects to incur when altering a service pipe. Charges will include an appropriate level of overheads.

Last Mile Gas Limited will not charge the additional cost where it carries out works, which are in addition to those required to fulfill the requirements of a service alteration and which are designed to enhance its network.

Last Mile Gas Limited will not charge for the minimum work entailing a compliant relocation of a service pipe where a Qualifying Person requires it.

4. Other

The alteration of transportation apparatus, other than existing connection (service) pipes, together with any pressure reduction apparatus associated with those pipes, is known as a Diversion.

Where applicable Charges for Diversions will be calculated either in accordance with the New Roads and Street Works Act 1991 or the Model Consultative agreement. Otherwise diversions shall be carried out on a time and materials basis, including overheads: details may be obtained from Last Mile Gas Limited at the address shown elsewhere in this statement.

5 Definitions

5.1 An **Alteration** is any change made to an existing service pipe, and associated equipment, to premises.

5.2 **ARCA** (Advanced Reservation of Capacity Agreement) is required when a load is to be booked firm (this includes load increases and interruptible to firm transfers) and specific reinforcement upstream of the charging point is required. They are required for loads that exceed 586,000,000kWh (20 million Therms) a year in aggregate and may be required for loads exceeding 58,600,000kWh (2 million Therms) but less than 586,000,000 (20 million Therms) a year. An ARCA will oblige the person making the connection (or load increase or transfer) to either ensure that their Shipper books firm capacity (in respect of their supply point, to at least the level of the ARCA) or to pay Last Mile Gas Limited an appropriate amount to compensate for the loss of transportation revenue. Each ARCA will remain in force for the time specified within it.

5.3 The **Connection Charging Point** is the closest economically feasible point, taking into account any customer request for gas to be made available at a particular pressure, on the Last Mile Gas Limited network, which is deemed to have enough capacity to supply the new load disregarding existing loads. The Charging Point creates the financial distinction between connection costs, that are fully chargeable to the person concerned and upstream reinforcement costs, which may be funded by Last Mile Gas Limited subject to any reinforcement and contractual requirements.

5.4 **Connection Costs**, in respect of Connected System Exit Points, are the costs of all physical connection works downstream of the Charging Point, which may include specific reinforcement costs downstream of the Connection Charging Point.

5.5 A **Design Study** is the design work, which must occur before construction works can commence. Very small projects e.g. the connection of a small domestic premises require little in the way of design and no charge is made in respect of design for these projects.

For larger, but routine, connection projects Last Mile Gas Limited will apply standard design charges.

5.6 **Design works** can be defined as the preparatory work required before the Physical Connection activity can commence.

5.7 A **Disconnection** occurs when a service pipe is disconnected from the main.

- 5.8 A **Diversion** is a change made to the route of an existing main or the relocation of other gas transportation assets. This definition is not associated with service pipes.
- 5.9 The **Domestic Load Connection Allowance** will apply to all individual premises which are mainly used for domestic purposes and which are situated within 23 metres of an Last Mile Gas Limited relevant main.
- 5.10 The **Final Connection** consists of the labour and materials required to physically connect the pipe at the point where it interfaces with the Last Mile Gas Limited Relevant Main but does not include the costs of excavation, backfill or reinstatement.
- 5.11 An **Independent Connection Provider** (ICP) is an organization which designs and constructs gas infrastructure for adoption by a Gas Transporter.
- 5.12 **Physical Connection Works** are works necessary to supply and lay gas mains and services, including any associated equipment and works to reinforce Last Mile Gas Limited's pipeline system.
- 5.13 A **Qualifying Person** is a person who requires the relocation of their gas meter and/or Emergency Control Valve because of his or her physical condition, who is either: -
- Of state pensionable age and/ or;
 - Is a registered disabled person and/ or;
 - Is a chronically sick person.
- 5.14 **Reinforcement** of the supply system is determined by Last Mile Gas Limited, and is necessary to ensure that its pipeline system has sufficient capacity to supply new and existing demands at the applicable pressures. Pipeline system pressures affected by the connection of a new load (or an interruptible to firm load transfer or an increase in load at an existing connection) may cause Last Mile Gas Limited to reinforce its pipeline system, prior to the load being connected. This reinforcement may take the form of new pipelines being laid or the installation or modification of other equipment to increase the pressure within the pipeline system.
- 5.15 A **Relevant Main** is a distribution main operated by a gas Transporter which is being used for the purpose of giving a supply of gas to any premises in its at a rate not exceeding 2,196,000kWh per year, except any pipe which is not relevant in accordance with Section 10(13) of the Gas Act 1986 as amended by the Gas Act 1995.
- 5.16 **Specific Reinforcement** occurs when Last Mile Gas Limited has to undertake system reinforcement, or additional system reinforcement, as a result of one or more of the following: -
- An increase in the rate of gas consumption at a supply point, or;
 - An increase in the rate of gas consumption of a connected system, or;

- The connection of a new supply point where the consumer in question is anticipated to be likely to consume more than 73,200kWh per year, or;
- The connection of a Connected System or where there has been an interruptible to firm load transfer.

5.17 A **Supply Meter Installation** is the gas meter and associated apparatus used to measure the volume of gas taken off at a supply point.