

Report Price: £995.00 | \$1236.29 | €1164.25

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.



"Ofgem has introduced a new regulatory framework, known as the RIIO model, for the current eight-year price controls for gas transmission and distribution networks, which run from April 2013 to March 2021. Under the new framework, the revenue earned by network operators is strongly linked to incentives, innovation and outputs."

Claudia Preedy - B2B Analyst

This report looks at the following areas:

- How does Ofgem's new regulatory framework the RIIO model impact distribution network operators' approach to infrastructure management and investment?
- What are the key challenges faced by the UK's gas network operators? How are companies innovating to address these challenges?
- What are the key recommendations in the CMA's final report following the energy market inquiry?

BUY THIS REPORT NOW

VISIT: store.mintel.com

CALL:EMEA
+44 (0) 20 7606 4533

Brazil 0800 095 9094

+1 (312) 943 5250

+86 (21) 6032 7300

+61 (0) 2 8284 8100

EMAIL: reports@mintel.com

DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market



Report Price: £995.00 | \$1236.29 | €1164.25

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Table of Contents

Executive Summary

The market

Increased demand for electricity generation drives natural gas demand in 2016, reversing recent downward trend

Demand for gas from the domestic sector strongly influenced by changing weather patterns

Figure 1: Gas consumption by key end use sectors, 2012-16

Capital expenditure in gas transmission and distribution industry up by 5% in 2015/16

Figure 2: Total gas transmission and distribution capital expenditure, 2011/12-2015/16

National Grid Gas Transmission forecasts total capex to more than double between 2013/14 and 2017/18

Market factors

UK increasingly dependent on natural gas imports

Figure 3: UK Gas Supply, 2012-16

Iron Mains Replacement Programme (IMRP) drives replacement expenditure by gas distribution network operators

Rising wholesale costs prompt a number of suppliers to hike prices in early 2017, following price cuts in the previous year

New regulatory framework introduced for current control period

Companies

Transmission and distribution industry structure

Gas supply industry continues to be dominated by 'big six' energy firms...

... but independent suppliers are rapidly gaining market share

What we think

Key Insights

How does Ofgem's new regulatory framework - the RIIO model - impact distribution network operators' approach to infrastructure management and investment?

What are the key challenges faced by the UK's gas network operators? How are companies innovating to address these challenges? What are the key recommendations in the CMA's final report following the energy market inquiry?

Introduction

Definitions

Methodology

Abbreviations

Market Positioning

Key points

Overview

Roles of distribution networks

Ofgem regulates gas network operators via price controls

Customers

Suppliers

UK Economy





Report Price: £995.00 | \$1236.29 | €1164.25

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Overview

Figure 4: UK GDP quarterly development, 2003-16

Figure 5: UK GDP in economic downturns and recoveries since 1979

Inflation

Interest rates

House prices

Figure 6: UK house price changes, 2004-16

Consumer spending

Manufacturing

Figure 7: UK manufacturing, 2014-16

Business investment

Figure 8: UK GFCF 2003-16

Imports

Exports

Market Factors

Key points

Social factors

Economic factors

The UK's increased reliance on gas imports

Potential for shale gas extraction

Wholesale gas prices

Figure 9: Average wholesale gas prices, 2002-16 Figure 10: Average wholesale gas prices, 2002-16

Environmental and legislative factors

Climate Change Programme (including Climate Change Levy, Agreement and efficiency measures)

Emissions Trading Scheme

Carbon Plan

Combined Heat and Power

EU Renewables Directives

Climate Change Act 2008

Renewables Obligation (RO)

Feed-In Tariffs (FITs)

The Renewable Heat Incentive

National Emission Ceilings Directive

Carbon Emission Reduction Target (CERT) and Community Energy Saving Programme (CESP)

Energy Company Obligation (ECO)

Reforms to promote increased competition in retail energy market

CMA energy market investigation

UK Gas Demand and Supply

BUY THIS REPORT NOW

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094 Americas +1 (312) 943 5250 | China +86 (21) 6032 7300



Report Price: £995.00 | \$1236.29 | €1164.25

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Key points

Overview

UK gas demand in decline

- Figure 11: Segmentation of industrial gas consumption, by end use industries, UK, 2011-15
- Figure 12: Segmentation of gas consumption, by non-industrial sectors, UK, 2011-15
- Figure 13: Segmentation of gas consumption, by non-industrial sectors, 2015

Power generation

- Figure 14: Gas supplied for electricity generation, UK, 2012-16
- Figure 15: Gas supplied for electricity generation, UK, 2012-16

Interruptible

Industrial

- Figure 16: Gas supplied to the industrial sector, UK, 2012-16
- Figure 17: Gas supplied to the industrial sector, UK, 2012-16

Commercia

- Figure 18: Gas supplied to the UK commercial sector, 2011-15
- Figure 19: Gas supplied to the commercial sector, UK, 2011-15

Domestic

- Figure 20: Analysis of the development of gas supplied to the UK domestic sector, 2012-16
- Figure 21: Gas supplied to the UK domestic sector, 2012-16
- Figure 22: UK installed base of central heating systems, by type of fuel, 1970-14

Regional demand

Figure 23: Gas sales and customers by region, Great Britain, 2015

Northern Ireland gas market

Gas supply

- Figure 24: Total gas supply, UK, 2012-16
- Figure 25: Development of the UK gas supply, 2012-16

Gas Transmission and Distribution Capital Expenditure

Key points

Capital expenditure

The market 2012-16

- Figure 26: Total gas transmission and distribution capital expenditure, 2011/12-2015/16
- Figure 27: Total gas transmission capital expenditure, 2011/12-15/16
- Figure 28: Total gas distribution capital expenditure, 2011/12-2015/16
- Figure 29: Total gas transmission and distribution capital expenditure, 2011/12-2015/16

Replacement expenditure (Repex)

Figure 30: Length of iron gas mains replaced, by distribution network operator, 2011-16

Capital expenditure by individual companies

National Grid Gas

Figure 31: Gas transmission and distribution capital expenditure by National Grid Gas, 20011/12-2015/16

BUY THIS REPORT NOW VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094 Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100

EMAIL: reports@mintel.com



Report Price: £995.00 | \$1236.29 | €1164.25

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Northern Gas Networks

Figure 32: Gas Distribution Capital Expenditure by Northern Gas Networks, 2011/12-2015/16

Scottish Gas Networks

Figure 33: Gas Distribution Capital Expenditure by Scottish Gas Networks, 2011/12-2015/16

Southern Gas Networks

Figure 34: Gas distribution capital expenditure by Southern Gas Networks, 2011/12-2015/16

Wales and West Utilities

Figure 35: Gas Distribution Capital Expenditure by Wales and West Utilities, 2011/12-2015/16

Forecast Capital Expenditure

Key points

Overview

Figure 36: Ofgem's required expansion of the number of properties to alleviate fuel poverty, 2013-21

Innovation at centre of new price control model for gas distribution and transmission network

Transmission network

Figure 37: Capital expenditure plans by National Grid Gas under RIIO-T1, by category, 2014-21

Figure 38: Annual capital expenditure plans by National Grid Gas under RIIO-T1, by category, 2014-2021

Distribution network

Figure 39: Controllable cost allowances for gas distribution companies under (RIIO-GD1), 2014-21

Figure 40: Annual capex plans under RIIO-GD1, by GDN, 2014-21

Figure 41: Annual repex plans under RIIO-GD1, by GDN, 2014-21

Figure 42: Forecast total capex and repex during RIIO-GD1, 2013/14-2020/21

Individual companies

Northern Gas Networks

Figure 43: Northern Gas Networks capex & repex, 2014-16 (actual) and 2017-21 (planned)

Figure 44: Northern Gas Networks capex & repex workload, 2014-16 (actual) and 2017-21 (planned)

Scotland Gas Networks

Figure 45: Scotland Gas Networks capex & repex, 2014-16 (actual) and 2017-21 (planned)

Figure 46: Scotland Gas Networks capex & repex workload, 2014-16 (actual) and 2017-21 (planned)

Southern Gas Networks

Figure 47: Southern Gas Networks capex & repex, 2014-16 (actual) and 2017-21 (planned)

Figure 48: Southern Gas Networks capex & repex workload, 2014-16 (actual) and 2017-21 (planned)

Wales and West Utilities (WWU)

Figure 49: WWU capex & repex, 2014-16 (actual) and 2017-21 (planned)

Figure 50: WWU capex & repex workload, 2014-16 (actual) and 2017-21 (planned)

NGG East of England

Figure 51: NGG East of England capex & repex, 2014-16 (actual) and 2017-21 (planned)

Figure 52: NGG East of England capex & repex workload, 2014-16 (actual) and 2017-21 (planned)

NGG London

Figure 53: NGG London capex & repex, 2014-16 (actual) and 2017-21 (planned)

BUY THIS REPORT NOW VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300



Report Price: £995.00 | \$1236.29 | €1164.25

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 54: NGG London capex & repex workload, 2014-16 (actual) and 2017-21 (planned)

NGG North West

Figure 55: NGG North West capex & repex, 2014-16 (actual) and 2017-21 (planned)

Figure 56: NGG North West capex & repex workload, 2014-16 (actual) and 2017-21 (planned)

NGG West Midlands

Figure 57: NGG West Midlands capex & repex, 2014-16 (actual) and 2017-21 (planned)

Figure 58: NGG West Midlands capex & repex workload, 2014-16 (actual) and 2017-21 (planned)

Structure of the Gas Distribution Industry

Key points

Development and structure of the gas industry

Industry structure

Industry development

National Grid Gas sells majority stake in its four UK distribution networks

Figure 59: Structure of the Distribution Network Operators, as of February 2017

Competition in network connections

National Grid Gas

National Grid sells its UK gas distribution businesses

National Grid Gas' Innovation Strategy

Figure 60: Financial analysis of National Grid Gas, 2012-16

Northern Gas Networks

NGN' Spending Plans

Innovation

Figure 61: Financial analysis of Northern Gas Networks, 2011-16

Scotland Gas Networks

Innovation

Figure 62: Financial analysis of Scotland Gas Networks, 2012-16

Southern Gas Networks

Figure 63: Financial analysis of Southern Gas Networks, 2012-16

Wales and West Utilities

Figure 64: Financial analysis of Wales & West Utilities, 2012-16

Gas Supply Industry

Key points

Recent retail market and industry developments

Ofgem implemented market reforms in 2014 to promote increased competition and supplier switching

Further market reforms on the way following CMA Energy Market Investigation

Cheaper tariffs available due to falling wholesale costs, cuts to green levies and increased competition

...but a number of suppliers hike prices in early 2017, citing rising wholesale costs and the cost of delivering government policies

BUY THIS REPORT NOW VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094 Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100

EMAIL: reports@mintel.com



Report Price: £995.00 | \$1236.29 | €1164.25

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Suppliers face criticism from government amid latest price hikes

Breakdown of average gas and electricity bill

Figure 65: Breakdown of average large supplier dual fuel household bill, 2015

Figure 66: Breakdown of average domestic electricity bill, 2015

Figure 67: Breakdown of average domestic gas bill, 2015

Cheap fixed tariffs have become focal point of competition...

A considerable proportion of households remain on more expensive standard variable tariff, but switching rates are on the up

Figure 68: Number of supplier switches in the domestic gas and electricity markets and share of small suppliers, Great Britain, Q1 2011 - Q4 2016

Figure 69: Number of supplier switches in the domestic gas and electricity markets, Great Britain, 2013 - 16

Independent suppliers are rapidly gaining market share

Figure 70: Domestic gas supply market shares in Great Britain, by company 2012-16

Lower prices and differentiation strategies drive growth of independent suppliers

Future rise in wholesale prices could put smaller suppliers at risk

Poor customer service and complaints handling is an industry-wide issue

Smart Meter Roll-out programme

Switching rates in the SME sector also set to increase

Centrica/British Gas Trading

Recent acquisitions and disposals

Company strategy

Figure 71: Financial analysis of Centrica, 2011-15

Figure 72: Centrica revenue segmental analysis, 2016

British Gas freezes standard energy tariffs until August 2017

Focus on innovative Connected Homes Products

Company review and outlook

Figure 73: Financial analysis of British Gas Trading, 2011-15

EDF Energy

Smart metering programme

Recent price cuts and hikes

Intense competition sees EDF Energy lose more customers in 2016

Figure 74: Financial analysis of EDF Energy, 2011-15

Figure 75: EDF Energy revenue segmental analysis, 2015

RWE Npower

Price cuts announced in early 2016...

...But Npower introduces strong price rises in March 2017

Company strategy and outlook

Figure 76: Financial analysis of Npower, 2011-15

Figure 77: RWE - UK revenue segmental analysis, 201 5

E.ON Energy



VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094 Americas +1 (312) 943 5250 | China +86 (21) 6032 7300



Report Price: £995.00 | \$1236.29 | €1164.25

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

E.ON cuts gas price in early 2016....

.. But announces a price hike in March 2017, the first in more than three years

Company strategy

Figure 78: Financial analysis of E.ON Energy Solutions, 2011-15

Figure 79: E.ON revenue segmental analysis, 2015

ScottishPower Energy Retail

Gas prices cut in early 2016, but dual tariff raised in early 2017

Company strategy & outlook

Figure 80: Financial analysis of ScottishPower Energy Retail, 2011-15

Figure 81: ScottishPower revenue segmental analysis, 2015

SSE

Recent reductions in gas prices for SSE customers

But SSE hikes electricity prices from April 2017

Company strategy and outlook

Figure 82: Financial analysis of SSE, 2012-16

Figure 83: SSE revenue segmental analysis, 2016

Ecotricity Group

Ecotricity raises energy prices towards the end of 2016

Company strategy

Figure 84: Financial analysis of Ecotricity Group, 2012-16

First Utility

Company strategy and outlook

Figure 85: Financial analysis of First Utility, 2011-15

Good Energy Group

Company strategy

Figure 86: Financial analysis of Good Energy Group, 2011-15

Figure 87: Turnover analysis of Good Energy Group, by segment, 2012-15

Future Gas Demand

Key points

The market

Consumer Power scenario:

No Progression scenario:

Gone Green scenario:

Slow Progression scenario:

Figure 88: Forecast UK gas demand, 2016-40

Figure 89: Forecast UK gas demand, 2016-40

Figure 90: Forecast gas demand, by sector, 2016-40

BUY THIS REPORT NOW

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094 Americas +1 (312) 943 5250 | China +86 (21) 6032 7300



Report Price: £995.00 | \$1236.29 | €1164.25

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 91: Forecast UK gas demand by sector under "slow progression" scenario, 2016-35

Figure 92: Forecast UK gas demand by sector under "gone green" scenario, 2016-35

Figure 93: Forecast UK gas demand by sector under "no progression" scenario, 2016-35

Figure 94: Forecast UK gas demand by sector under "consumer power" scenario, 2016-35

Domestic demand

Home insulation

Smart meters programme

Increased uptake of smart thermostats

Heat pumps

Industrial/commercial demand

Power generation demand

Figure 95: Forecast power generation installed capacity under "slow progression" scenario, by source, 2016-40

Figure 96: Forecast power generation installed capacity under "gone green" scenario, by source, 2016-40

Figure 97: Forecast power generation installed capacity under "no progression" scenario, by source, 2016-40

Figure 98: Forecast power generation installed capacity under "consumer power" scenario, by source, 2016-40

Imports

Figure 99: Existing UK gas import infrastructure, as of November 2016

Figure 100: Proposed UK import projects, as of November 2016

Exports

Further Sources & Contacts

Trade associations & regulatory bodies

Energy Networks Association

Office of Gas and Electricity Markets (Ofgem)

Office of Gas and Electricity Markets - Scotland (Ofgem Scotland)

Office of Gas and Electricity Markets - Wales (Ofgem Wales)

Society of British Gas Industries

Trade exhibitions

edie2016

Offshore Europe 2017

Trade magazines

Modern Utility Management

Utility Week



VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094 Americas +1 (312) 943 5250 | China +86 (21) 6032 7300