



evolve



# GD23 Business Plan





**evolve**  
Connecting pipes and people

← Reception

**“We look forward to tackling fuel poverty in the west whilst building a network for the future.”**

**David Butler,  
Director  
Evolve**





# PART 1: EXECUTIVE SUMMARY

Evolve is proud to be given the opportunity to serve the west of Northern Ireland and to deliver the essential service of gas to our customers, helping to move them away from more carbon intensive fuels in the short term and to then help them transition to green gases such as biomethane or hydrogen.

We are at the very early stages of this journey, our priority is to build our customers' understanding of gas, to build their awareness of how gas would fit into their home, and to build the trust of our customers in Evolve as a reliable and safe provider of energy.

We will ensure that as we progress through this business plan, that we take the opportunities to ensure that the network is prepared for the future. The advantage of being the newest network provider in Northern Ireland is that we are then able to incorporate many of the design features that will facilitate a move to decarbonised gas from the outset. During GD23 we will work with both biomethane providers and regulators to support the rapid deployment of biomethane. During GD23 we will also look to facilitate the transfer of learning and lessons from hydrogen innovation projects that the SGN group is involved within the Great Britain (GB) market and how they apply to the Northern Ireland context.



### Delivering the network

The last price control, GD17, was our first full price control having successfully bid for the Gas to the West licence and been awarded it in February 2015. The GD17 business plan was submitted shortly afterwards in September 2015 and focused on the rapid building of the network and the early connection of customers.

We anticipate that by the end of GD17 we will have delivered 42km more mains than we originally set out in the GD17 Final Determination. However, with delays to the delivery of the High Pressure and Intermediate Pressure feeder mains we were unable to commission the distribution network at the pace which we envisaged at the time of the business plan submission.

Of the 8 towns that we are serving in the licence area we were only able to commission one, Strabane, in January 2017 – the Strabane Intermediate Pressure pipeline was not deemed to be part of a ‘Connected System’ in the planning process and construction was able to proceed from November 2015. The other 7 towns were dependent on a more substantial extension of the transmission network, the Gas to the West High Pressure transmission pipeline, which required full planning consent.

The planning process, while proceeding exceptionally quickly, still introduced a delay of one year to the start of the High Pressure and Intermediate Pressure projects. During construction the transmission network was further delayed due to improvements to design, challenges in discharge of planning conditions and poor weather i.e., Beast from the East. This delay in the build and commissioning of the transmission network then delayed our ability to commission the distribution network.

So, whilst our first commercial customer was connected in January 2017 in Artigarvan, it was only in July 2019 that we were able to connect our first commercial customers from the main Gas to the West pipeline. Four large commercial loads were connected in that month. As a result of the delayed commissioning, of the





8,692 connections that we targeted across all categories of consumer, we anticipate delivering 3,425 by the end of GD17 - approximately 40% of the original target. However, because we targeted the largest consumers to get them connected quickly, the amount of gas we expect to deliver is 96m therms, almost 80% of our 122m therms target for GD17. <sup>1</sup>

**Establishing ourselves in the community**  
In the upcoming GD23 regulatory period our focus is on building our presence in our licence area and growing the number of customers connected to our network. Evolve has the shortest operational period of all the networks in Northern Ireland and survey data shows that over 94% of homes in our network area use oil as their primary fuel source, with 3% using coal. Of those surveyed more than 50% stated a loyalty to oil and over 64% of total respondents stated a disinterest in converting to gas. As a result, we have a communication challenge to bring brand awareness of Evolve and the knowledge relating to the benefits of converting to gas.

To address this, we are proposing to engage in an effective multi-channel sales and marketing plan that will put gas networks as a viable alternative 'front-of-mind' for customers looking to upgrade their heating solution. This, combined with an active programme of engagement with new build property developers and the Northern Ireland Housing Executive, will allow us to connect an average of 1,000 properties each year and increase our annual throughput to over 30m therms per annum. Approximately 87% of the new connections are expected to be domestic customers. The remaining 13% of connections are predominantly small Industrial and Commercial customers. To deliver these connection volumes we

have proposed a connection incentive of £1,323 per property for owner occupiers, £679 per property for the smallest commercial customers (P1) and £3,365 for the next tier of commercial customers (P2). These incentive values recognise the long-term environmental benefit from a change to agas from more carbon intensive sources of heat. It also recognises that there is an upfront economic challenge with regard to the cost of a conversion to a gas for both domestic and commercial customers.

Finally, it must be recognised that with current oil prices and economic uncertainty associated with Brexit and COVID-19, potential customers may otherwise choose to remain with the 'known' but more carbon intensive option. The incentive is therefore sized according to the net present value (NPV) of the transportation income over the revenue recovery period.

### Building the network in GD23

The focus of GD17 was to build the network and maximise the number of properties passed that had a commissioned gas network in their street so that they could connect. This has been successfully delivered, as set out in the GD17 business plan, with 327km of distribution gas mains to be successfully constructed by the end of the price control.

In GD23 we propose to finish the main construction work in the 8 towns of the Evolve licence with a further 154km of distribution network to be constructed, making gas available to a further 12,700 properties. We have also presented an additional 4,242 properties located in towns that are 'readily accessible' from our current network for consideration by the Utility Regulator.

<sup>1</sup> Includes volumes during 2017 to 2022

## Efficient delivery

We are very aware of the need to ensure that we deliver our operations in the most cost-effective and safe manner for both capital costs and operational costs. As part of the GD17 Final Determination Evolve was awarded an Opex Allowance of £8.8m to do this.

Evolve is in the unique position of being at the early stage of the growth cycle, with focus on marketing and connecting customers. Given the size of the company and the rapid growth we look to contract out services on a competitive basis wherever possible and look to deploy the most current systems and up-to-date processes. As a result, we look to build the most recent innovations into our ways of working from the outset. We believe that the combination of these factors has supported us to operate at a higher level of efficiency than would be the case for a more established player if economies of scale were accounted for.

However, given the size of Evolve and the early stage in its market development, we recognise that some activities which have a fixed cost basis, such as providing a 24/7 emergency service will be more expensive on a cost per customer basis. It is because of this that we are looking to increase our customer base and to build the economies of scale as rapidly as possible.

In our assessment, we have also identified that there may shortly be viable hydrogen readiness solutions available at little or no incremental cost - such as hydrogen ready boilers. We anticipate that these solutions will become established in the GD23 period, and we would support further discussion with the Utility Regulator on their deployment, to ensure that our network maximises the potential for rapid decarbonisation by making pre-emptive investments where the cost benefit case can be clearly established, ensuring an approach of least regret.

Table 1.1: GD23 overview

2020 Prices	Last yr. of GD17	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
	2022	2023	2024	2025	2026	2027	2028	GD23
<b>Volume (Therms M)</b>	29,800	30,624	31,407	32,254	33,136	34,104	34,976	196,501
<b>Revenue (£ 000)</b>	£5,900	£6,716	£7,031	£7,373	£7,757	£8,179	£8,560	£45,616
<b>Operating Expenditure (£ 000)</b>	£3,355	£4,230	£4,333	£4,403	£4,702	£5,404	£4,958	£28,030
<b>Capital Expenditure (£ 000)</b>	£7,100	£6,276	£6,024	£5,691	£8,327	£5,490	£4,516	£36,324





# PART 2: GD17 REVIEW

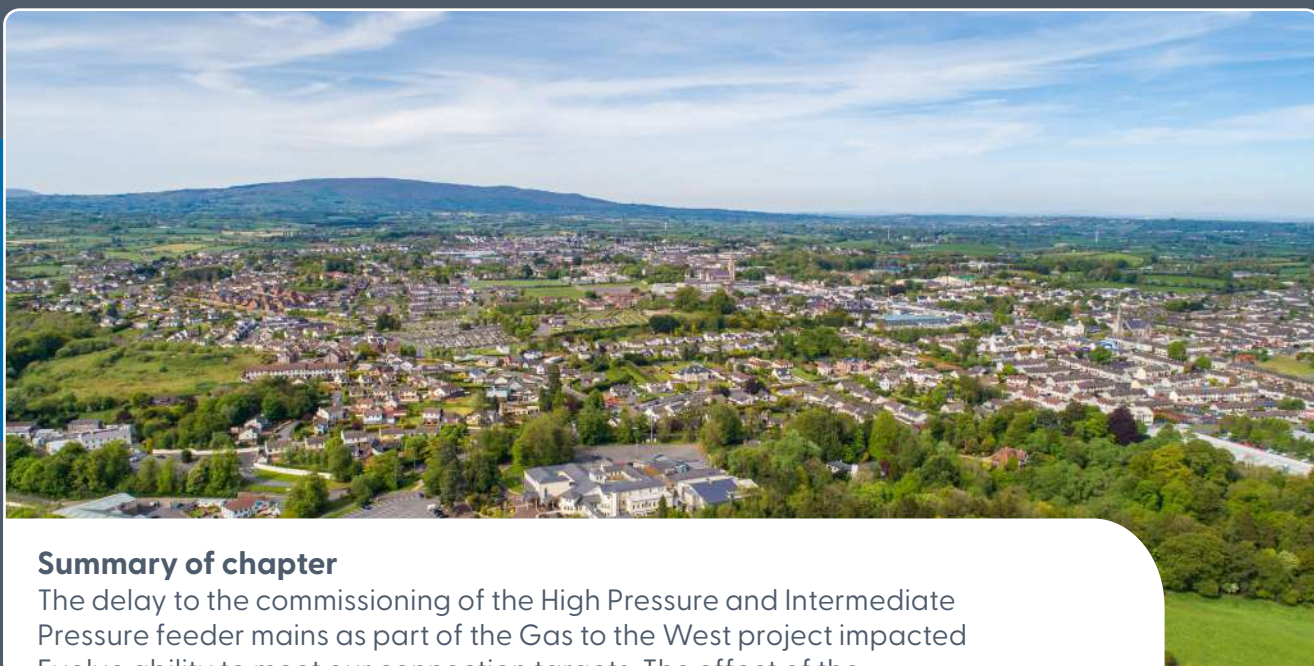
## Headlines

During GD17 we will deliver 327km of mains across our core towns making gas available to over 27,000 properties.

We will have made 3,400 new connections, allowing customers to avail of the benefits of gas.

Our GD17 expenditure forecast was directly impacted by the delay in commissioning the High Pressure and Intermediate Pressure projects prior to us commissioning the distribution network as planned.





### Summary of chapter

The delay to the commissioning of the High Pressure and Intermediate Pressure feeder mains as part of the Gas to the West project impacted Evolve's ability to meet our connection targets. The effect of the COVID-19 pandemic and the necessary government restrictions disrupted the connections process, in terms of lost momentum in marketing, promotional activities and completing connection work. However, we adapted and recovered quickly. As a result, we currently expect that the number of connections at the end of the current price control to be approximately 40% of the GD17 target.

During the delay period, Evolve focused on maintaining the build programme which is expected to be approximately 42km ahead of schedule by the end of GD17. Whilst the inability to commission the network impacted the properties passed numbers in the early years - as a property cannot be considered as passed until the main is commissioned and gas is live - we forecast that the properties passed targets for the period will also be met by the end of 2022.

While it is difficult to discern the actual full impact of COVID-19 due to the lack of a robust baseline, it is clear that it required amending our marketing strategies to respond to the changing circumstances and it also created opportunities to try alternative communication mediums.

Total gas consumption in therms is approximately 80% of the target volume, largely due to the focus on getting Large Industrial and Commercial customers connected quickly. This partially mitigated some of the impact of the delay.

The mobilisation period for Evolve includes the period from the licence award in February 2015 until December 2017. Therefore, the GD17 price control period took effect in January 2018 and continues until December 2022.





## 2.1 Key dates

For reference we have provided key dates in the development of the Evolve distribution network and the dependency on the delivery of the high-pressure network necessary to connect the distribution network to the broader gas supply network.

**Table 2.1: Key dates**

Date	Event
November 2014	Final Decision on Gas to the West licences
February 2015	Award of the Gas to the West Low-pressure licences to Evolve
November 2015	Start of construction for first leg of Gas to the West project to Strabane
January 2017	Commissioning of the first leg of the Gas to the West project to Strabane
January 2017	First Large Industrial and Commercial customer connection in Artigarvan
August 2017	First domestic customer connection in Strabane
October 2017	Construction start on main Gas to the West High Pressure and Intermediate Pressure mains
June 2019	Commissioning of main Gas to the West project to Dungannon and Magherafelt
July 2019	Connection of four Large industrial connections from main Gas to the West system
December 2019	Commissioning of final legs of Gas to the West project to Omagh and Coalisland
January 2020	First domestic customer from the main Gas to the West project
January 2023	Start of GD23 price control period
December 2028	End of GD23 price control period

## 2.2 Evolve licence award

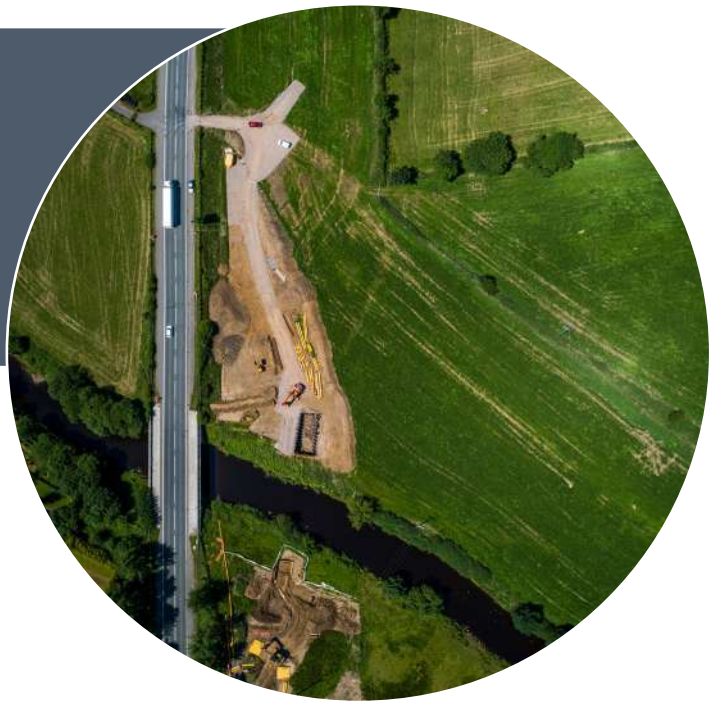
Evolve is part of Scotia Gas Networks (SGN), which manages networks across Scotland and the south of England distributing natural and green gas to 5.9 million homes and businesses through 74,000km of gas mains and services.

These range from high pressure transmission lines transporting gas to major towns and cities, down to the low-pressure networks supplying gas to local communities.

Following a competitive licence application process in 2014, Evolve was awarded the licence to design, develop and operate the new distribution network which will supply gas to homes and businesses to the west of Northern Ireland in February 2015. The bid application was based on the information available from the Fingleton McAdam study which was carried out in 2010 with adjustments made in 2014 by Evolve to reflect the best available information at that time.

Following the award of the licence, we carried out further work to optimise the network route and design with a view to maximising the number of customers who will have the opportunity to connect to our network and benefit from gas. We presented our revised business plan to the Utility Regulator who published the Final Determination, setting our priorities and revenues for the period to the end of December 2022.

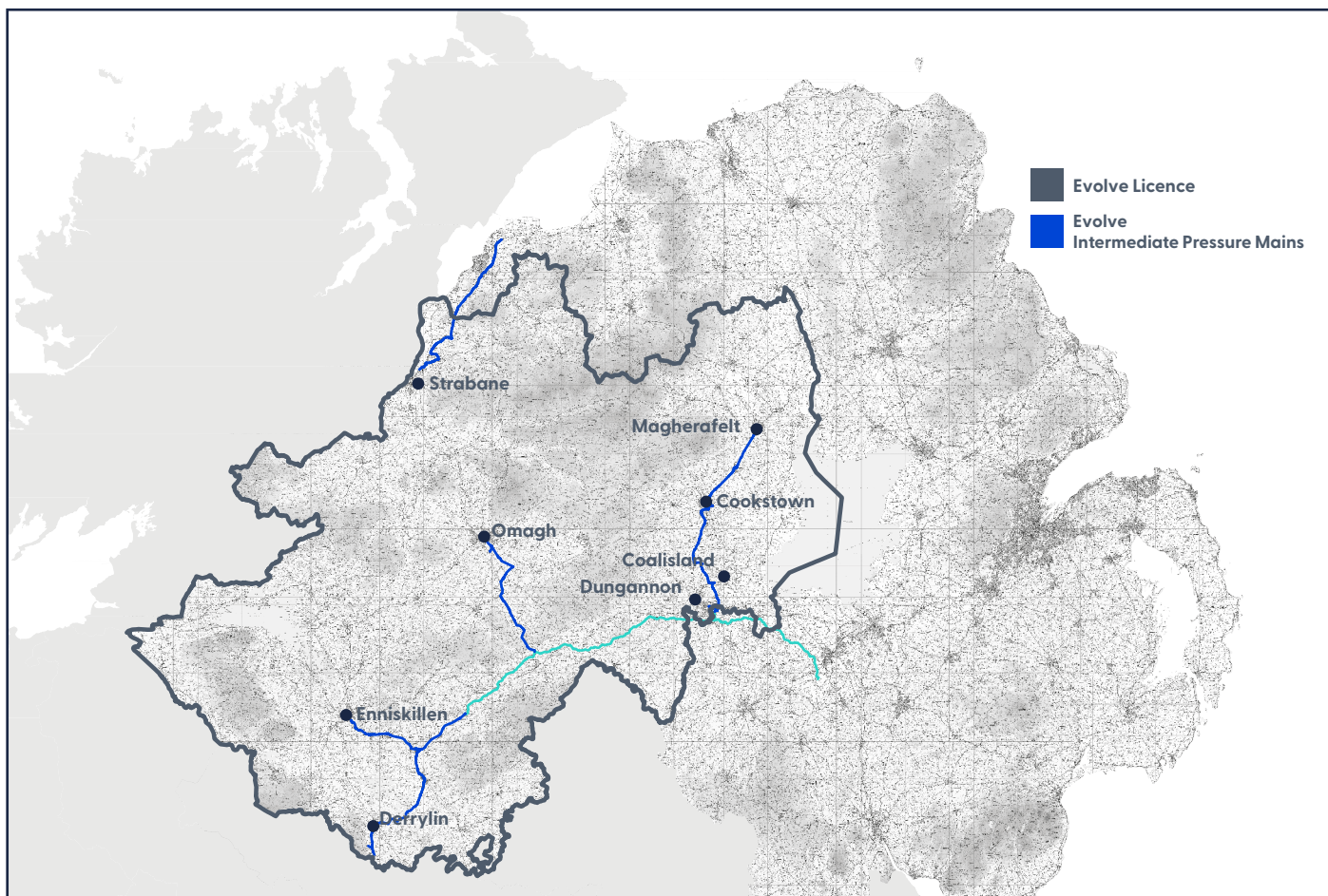
Our principal activities during the GD17 price control period were the safe development, administration, maintenance and operation of the gas distribution system and provision of gas transportation services for a gas distribution network in Northern Ireland. The development of Evolve's



distribution network was dependant on the commissioning of the Gas to the West High Pressure and Intermediate Pressure projects. The first phase of commissioning (from Maydown to Strabane in December 2016) facilitated connections to the north side of Strabane town allowing for the connection of the first Large Industrial and Commercial customer to the network – LacPatrick Dairies in Artigarvan.

The remainder of the High Pressure system, which was originally scheduled for completion by Q4 2017, was then commissioned at the start of July 2019, with the majority of the Intermediate Pressure pipelines (excluding Omagh) commissioned at the same time. This enforced programme change was directly related to delayed progress and commissioning of the High Pressure and Intermediate Pressure feeder pipelines, part of the Gas to the West project. Omagh Intermediate Pressure was later commissioned in December 2019. Gas is now available in each of the towns excluding Coalisland, which is awaiting a river crossing which is scheduled for August 2021.





The commissioning of the majority of the Intermediate Pressure pipelines in July 2019 permitted Evolve to connect four additional Industrial and Commercial customers - Encirc (Derrylin), Dale Farm (Cookstown), Moy Park and Linergy (Dungannon). The impact of the delay is reflected in the results set out below in terms of connections to the network and therefore gas volumes and income achieved against the GD17 targets.

### 2.3 Evolve progress delivered in GD17

During GD17 Evolve looked to provide an ambitious business plan that at its core proposed an accelerated network development. At the end of April 2021 Evolve has invested almost £30 million laying approximately 240km of mains making gas available to more than 17,000 homes and businesses in the licence area. By the end of GD17 (December 2022) Evolve expects to have invested £41m to lay approximately 327km of mains and to make gas available to more than 27,000 homes and businesses. This exceeds the target of 281km that was anticipated in the GD17 Final Determination.

Evolve expected to lay approximately 450km of Distribution mains in the core development towns identified in the original licence development plan. With an updated design this was increased to 487km of distribution mains to be delivered over GD17 and GD23. This leaves less than 160km of the

revised plan to be delivered in the GD23 price control period.

In addition to those mains set out during the GD17 process, Evolve have presented further towns which are 'readily accessible', (these are towns that are alongside or very close to the existing Intermediate Pressure mains) within our GD23 plan. This would involve laying an additional 62km of Medium Pressure and Low Pressure mains within the licence area during GD23.

When the GD17 business plan was submitted in September 2015 it was predicated on the commissioning of the High Pressure and Intermediate Pressure pipelines being completed from Q4 2016 through to the end of 2017.

Subsequent delays on discharging planning permission requiring agreement on the traffic management plan<sup>2</sup> meant that construction

<sup>2</sup> Gas to the West SPEDs and Delay CE Submission, March 2018

was not able to commence until the end of September 2017, missing a significant part of the summer construction window. This combined with particularly poor weather in the winter of 2018 meant the High Pressure and Intermediate Pressure project delivery was delayed until mid-2019.

The exception to this was the delivery of the first leg to Strabane, which proceeded as per the business plan submission to have gas available at the start of 2017 and the first Industrial and Commercial customer was connected in January 2017 in the northern side of Strabane. Difficulties presented by the Mourne Rover crossing impacted our ability to offer connections to premises on the southern side of Strabane town until this crossing was completed in December 2017.

Despite the delay to the Gas to the West project, Evolve remained focused on building the network in preparation of High Pressure and Intermediate Pressure commissioning. The delay with the High Pressure and Intermediate Pressure pipelines did not impact on the ability of Evolve to lay mains and continue with the development programme as we remain on target to achieve the overall mains length by the end of the GD17 period.

As shown in the table below Evolve focused on laying mains in the first years of the price control. By the end of 2020 we had exceeded main laying targets by 24km. Even with the impact of COVID-19 in 2020 we still achieved our targets for network length laid and by the end of GD17 we are expected to exceed our targets by 47km.

**Table 2.2: GD17 network length laid (metres)**

Calendar year	Actuals				Forecast		
	2017	2018	2019	2020	2021	2022	Total
<b>GD17 Target</b>	12,549	27,268	69,336	64,875	53,775	52,808	280,611
<b>Actual/Forecast<sup>3</sup></b>	12,607	21,242	99,097	65,093	71,655	57,431	327,125
<b>Variance</b>	58	(6,026)	29,761	218	17,880	4,623	46,514



<sup>3</sup>Mains laid during a calendar may not have been commissioned in the same calendar year

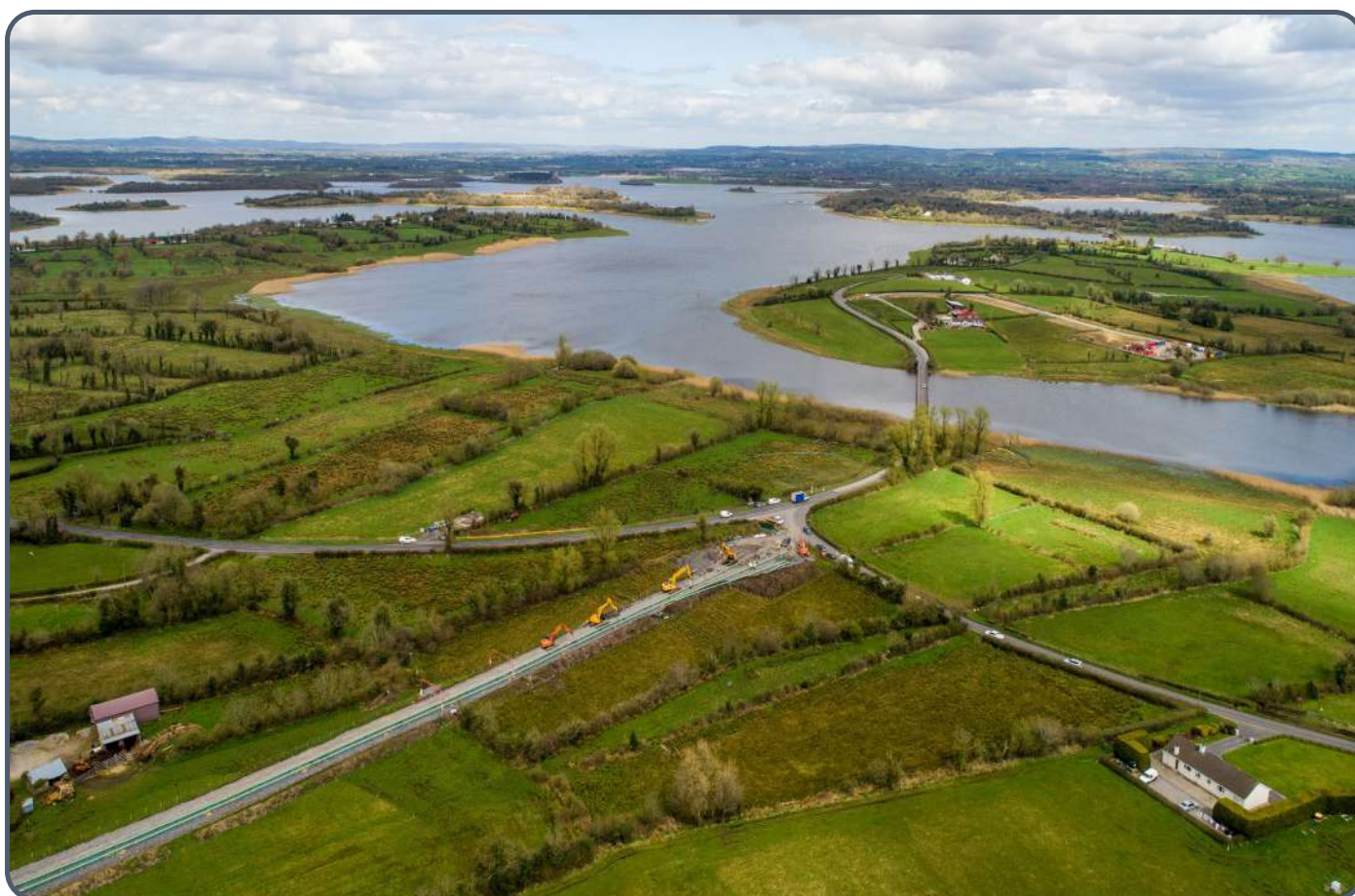


This higher rate of main laying is then reflected in the properties passed figures set out in the table below. This shows the properties passed achieved between 2017 and 2020 and provides a forecast for the number of expected properties passed for 2021 and 2022. This demonstrates that we expect to exceed the GD17 target for properties passed by 1,710 despite the challenges of reaching our targets in the earlier years.

**Table 2.3: GD17 properties passed**

Calendar year	Actuals				Forecast		Total
	2017	2018	2019	2020	2021	2022	
<b>GD17 Target</b>	1,047	2,487	6,101	6,556	4,663	4,566	25,420
<b>Actual/Forecast<sup>4</sup></b>	365	2,624	6,389	6,205	6,161	5,386	27,130
<b>Variance</b>	(682)	137	288	(351)	1,498	820	1,710

As Evolve were unable to commission many of the mains laid until the High Pressure and Intermediate Pressure commissioning had been completed, there was limited opportunity to have live gas in many areas. A key milestone was therefore reached in July 2019 when Large Industrial and Commercial customers in Cookstown, Derrylin and Dungannon were connected to the network. Since then, connections to the network have continued to increase. At the end of April 2021, a total of 49 industrial and commercial customers and 1,601 domestic customers were connected to the network.



<sup>4</sup>Actual properties passed include New Build properties



The table below details the dates of the first property passed in each of the towns and the date of the first customer connections.

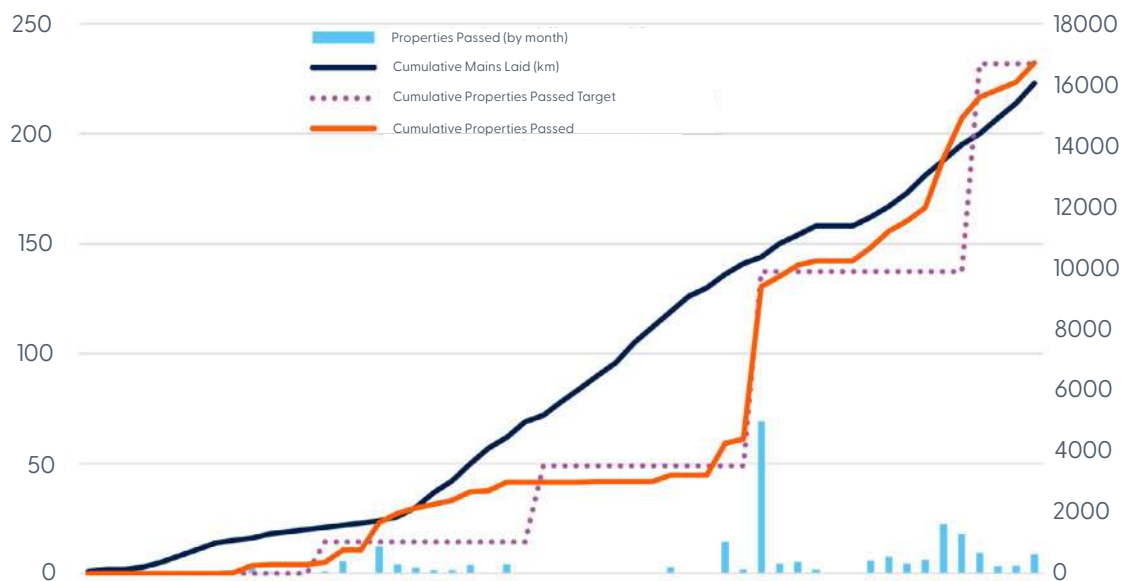
**Table 2.4: First customer connection dates**

Town	Date first property passed	Date of first connection
Artigarvan	19/01/2017	20/01/2017
Strabane	05/07/2017	01/08/2017
Derrylin	03/07/2019	05/07/2019
Cookstown	18/07/2019	19/07/2019
Dungannon	19/07/2019	27/07/2019
Omagh	10/12/2019	16/12/2019
Enniskillen	17/12/2019	27/02/2020
Magherafelt	18/12/2019	29/02/2020
Coalisland	Mains under construction	

The delay in the commissioning of the pipeline has had a direct consequence on Evolve’s ability to deliver the connections as originally set out in the Evolve business plan with 2020 being the first full year of gas being available to properties in other towns - apart from Strabane. Distribution mains in Cookstown, Dungannon, Enniskillen, Magherafelt and Omagh were commissioned during 2019, making gas available to an additional 6,389 properties. However, as much of this commissioning could not be completed until the final quarter of 2019, the opportunities for connections were impaired and actual connections were dramatically lower than GD17 targets for the year i.e., actual connections 237 versus GD17 target of 2,959. The profile of properties passed by month alongside cumulative mains laid and cumulative properties passed target and actual figures is illustrated in Figure 2.2.



**Figure 2.2: Distribution of properties passed by month**



The table below outlines the connections achieved during calendar years 2017 to 2020 against the GD17 target as reported through the Annual Cost Reporting process. For 2021 and 2022 a forecast of expected connections has been provided. The table below shows how the delays set out above have created a lag in the customer connection numbers originally anticipated at the time of the GD17 submission.

**Table 2.5: GD17 connections (all customer groups)**

	Actuals				Forecast		
Calendar year	2017	2018	2019	2020	2021	2022	Total
GD17 Target	400	211	2,959	1,770	1,563	1,789	8,692
Actual/Forecast	7	324	237	759	1,018	1,080	3,425
Variance	(393)	113	(2,722)	(1,011)	(545)	(709)	(5,267)



In January 2017 the first customer connected to the Evolve network. This was a Large Industrial and Commercial customer on the Maydown to Strabane line and was the only property passed at that time. During the summer of 2017 further commissioning took place in Strabane which made gas available to 297 properties by the end of September. A further 66 properties were passed during 2017 which facilitated the connection of 6 domestic customers by the end of the year. The engineering difficulties presented by the Mourne River crossing significantly limited the number of properties passed during 2017.

The momentum with connections resumed in 2020 following the additional commissioning in late 2019. However, it should be noted that whilst we had a full year of gas being available in 2020, this could not be considered a normal year. The outbreak of the COVID-19 pandemic in March 2020 and subsequent lockdown necessitated a significant change to the way we reached out to customers and required us to be agile in our marketing strategy. Whilst this has presented challenges in terms of maintaining momentum in marketing and or ability to host events, there is insufficient history to identify the extent to which it has had an impact on customer uptake.

Adapting to the impact of COVID-19 has challenged us as we look to raise the customer awareness around gas as a new source of fuel for consumers in the west of Northern Ireland. There is therefore significant effort required to inform consumers on the availability and benefits of converting their homes and businesses. Building awareness through marketing, live demonstrations and community events has therefore been significantly curtailed. However there have also been new opportunities with potential customers spending more time at home and are more conscious of their immediate home environment. Combined with this has been the economic uncertainty given the disruption of both COVID-19 and Brexit.

The table below outlines how these connections have translated into volumes of gas delivered during calendar years 2017 to 2020 against the GD17 target. For 2021 and 2022 a forecast of expected volume has been provided.

**Table 2.6: GD17 volumes ('000 terms)**

	Actuals				Forecast		
Calendar year	2017	2018	2019	2020	2021	2022	Total
<b>GD17 Target</b>	2,775	5,055	21,811	28,333	31,391	32,804	122,169
<b>Actual/Forecast</b>	2,122	3,181	11,025	23,805	26,083	29,890	96,106
<b>Variance</b>	(653)	(1,874)	(10,786)	(4,528)	(5,308)	(2,914)	(26,063)





# PART 3: STRATEGIC OUTLOOK FOR GD23

## Headlines

We have a proven track record as a company of caring for the local communities we serve and delivering for our customers by understanding their needs. In GD23 we will deliver an additional 216km of mains across our licence area and to other additional 'readily accessible' towns and villages.

We are also in the unique position of being able to leverage the experience of the broader SGN group to establish the potential for new sources of green gas supply such as biomethane and hydrogen.

## Summary of chapter

Our GD23 business plan recognises our role and our responsibility to build the Evolve network within, and as a part of, the community. Our business plan is, at its core, about engaging with our local community. This will be delivered through our core values.

- Safety first - our objective is that everyone returns safely to a warm home, heated by our network, every day.
- Delivering excellent performance - our efficiency, flexibility, innovation and continuous improvement will help us deliver engineering excellence and commercial success.
- Putting people at the heart of what we do - We listen to our customers to understand their needs and we keep our promises. These are essential attributes of a trustworthy brand.
- Delivering a sustainable network - We recognise the impact that we have, and we look to make every effort to increase the positive impacts and minimise the negative impacts.
- Creating the pathway to decarbonisation - We recognise that our customers will only make the investments necessary to convert their homes to gas if they recognise it as a part of the long-term solution to the climate crisis and decarbonising energy supplies.

We have developed our GD23 business plan following a review of our performance in GD17, engagement with our customers to understand their requirements, and working with stakeholders across the community to understand the full extent of the opportunities available to us.

In GD23 we will deliver an additional 216km of mains across our licence area and the proposed 'readily accessible' towns. This will provide almost 17,000 additional properties with access to gas in our licence area, meaning that by the end of GD23 gas will be available to over 44,000 properties, which is 34% of the total properties in our licence area.

The provision of Connection Incentives for domestic owner occupiers and small Industrial and Commercial connections will support us to deliver over 6,000 connections to the network during GD23 supporting the pathway to net zero for Northern Ireland.

### 3.1 vision

The SGN group aims to be the leading gas network operator in the UK. To help achieve this group objective we will focus on developing a safe, affordable, and timely gas distribution network in the west of Northern Ireland. In establishing our business plan for GD23 we aimed to align with the Utility Regulator's objective to promote the development and maintenance of an efficient, economic, and coordinated gas industry.

Our GD23 development plan will ensure the necessary infrastructure is available to 34% of all properties in the Evolve licence area. Our strong marketing programme, operational efficiency and affordable tariffs will ensure that the widest range of customers have the opportunity to benefit from gas. Our GD23 network plan will support the reduction in fuel poverty in our network area by maximising the accessibility to a low cost, more efficient heating solution.

We will achieve this by minimising the barriers and supporting our customers as they transition to gas. We will maintain our costs as low as possible, maximising the efficiency of our operations, and we will do this by focusing network extensions on those areas most in need and maximising the benefit of Government support programmes to assist with conversion costs.

Our business plan is, at its core, about engaging with our local community. Through sustained engagement we will build consumer knowledge of gas in our network area, as well as building compelling advocacy through an engaged customer base. We will support the local community through our employment and contracting practices, providing new opportunities for local businesses including installers, manufacturers and gas suppliers.



In delivering our vision we will apply the following values:

### 3.2.1 Safety first

Safety is at the heart of everything that we do. To help deliver this objective we operate to the highest standards of safety across all our operations. We take responsibility for the safety of our customers, the safety of the public who may be close to our operations, the safety of our staff, and the safety of our suppliers. Our objective is that everyone returns safely to a warm home, heated by our networks, every day. We will deliver this by having safety central to everything we do - effectively assessing the risks, ensuring our staff and contractors have the right skills to deliver, providing a responsive emergency service to our customers and supporting all Evolve staff and contractors to operate with situational awareness to spot and remove potential risks and hazards.

### 3.2.2 Delivering excellent performance

We aim to be recognised as the most efficient and cost-effective network in delivering the exacting outputs and performance standards that we have put forward within our business plan. Efficiency, flexibility, innovation, and continuous improvement will help us deliver engineering excellence and commercial success. We will ensure our staff are flexible to the changing needs of a startup business in Northern Ireland through maintaining strong local accountability for delivery, whilst fully utilising the benefits of operating within a larger group structure. Implementation of best practice and a culture of innovation will help us keep costs down and deliver excellent service.

### 3.2.3 Putting people at the heart of what we do

We are a company who cares for the communities we serve. We listen to our customers, understanding their needs and we keep our promises. These attributes are essential to us building the Evolve brand as a trustworthy partner that our customers are comfortable

to invite into their homes and can rely on to provide them with heat on the coldest of winter days.

We will deliver excellent customer service and satisfaction by being responsive to customers' needs and concerns and to do this we recognise that we need to work with others to build partnerships in Northern Ireland. We will be open and honest with all stakeholders to build a workforce that is engaged and flexible to changing needs. We will be inclusive and treat everyone with respect.

### 3.2.4 Delivering a sustainable network

As a group SGN are committed to aligning our sustainability strategy with the United Nations Sustainable Development Goals where we have identified eight of the seventeen goals that are particularly relevant to our business<sup>5</sup>. The SGN group have recently been awarded five stars from global initiative Support the Goals<sup>6</sup> for our support of the United Nations Sustainable Development Goals. These stars recognise the achievements we have made to date and our ongoing approach to sustainability. KPIs associated with these United Nations Sustainable Development Goals are deployed across our business and we will continue to develop them during GD23.

### 3.2.5 Creating the pathway to decarbonisation

The SGN Scottish and SGN Southern networks have now connected sufficient biomethane plants with the contracted capacity to deliver green gas to the equivalent of 250,000 households. The SGN Scotland network is leading the delivery of hydrogen with the H100 project expected to be the first complete demonstration of delivering 100% hydrogen from a renewable wind turbine to a domestic customer. Evolve is currently leveraging the experience of the wider SGN group to support the development of a biomethane solution for Northern Ireland. In GD23 we will continue to bring this knowledge and will apply it to the Northern Ireland market.

<sup>5</sup> These are Goal 3 - Good Health and Well Being; 7- Affordable and clean energy; 8 - decent work and economic growth, 9 - industry innovation and infrastructure, 11- sustainable cities and communities, 12 - responsible consumption and production, 13 - Climate action and 15 - life on land

<sup>6</sup> <https://sgn.co.uk/news/weve-gained-five-stars-support-of-un-sustainable-development-goals>

### 3.3 Delivery

Our GD23 business plan is fully focused on the sustained delivery of our network and connections to our customers, moving our business from the early startup and launch stages that characterised the GD17 period through to the early stage acceleration and growth that will characterise our GD23 business plan period.



Table 3.1: GD23 objectives

Outcome	Objective	Reasoning
<b>Safe and reliable network</b>	24-hour emergency service	<p>We maintain a 24/7 emergency number and employ sufficient ‘on-duty’ resource to ensure that we can respond to any emergency call within an hour.</p> <p>During the GD17 price control period we have exceeded our Guaranteed Standards response times. A culture of continuous improvement is embedded within the organisation and for GD23 we will strive to improve our results year on year.</p>
	Minimising third party damage	<p>One of the main threats to the resilience of our network is accidental third-party damage associated with construction work or other activities. Given the risk, particularly for a new network, in GD23 we will continue to drive the route of the Intermediate Pressure feeder mains on a daily basis, identifying threats and engaging with the relevant stakeholders. We will also continue to install and maintain marker posts to alert the public of the presence of gas pipelines.</p>
	Safe days	<p>Ensuring that the public, contractors, and our staff go home safe every day is an ongoing focus for the business.</p>



Outcome	Objective	Reasoning
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	Cyber resilience	The threat of cybercrime has increased substantially over the last couple of years with ransomware attacks on major companies and institutions being regularly reported. We will continue to invest to ensure that cyber resilience practices are central to both the operational technology and information technology used to maintain the resilience of our network in GD23.
	Carbon Monoxide	Carbon monoxide can be produced by burning any fossil fuel including oil and coal, as well as gas. We continue to work across the industry and forums to raise awareness to the threats it creates. We focus on three key areas to raise awareness and reduce risk associated with CO – driving behaviour change, grassroots awareness and partnership working. This will be continued and enhanced during GD23.
Industry leading customer service	Customer journey	We recognise that the switch to gas is an important change that customers will want to consider carefully and with the best information presented as clearly as possible. We will support customers on this journey to ensure that they are able to make the decision that is right for them. We always strive to get things right for our customers first time, but we recognise that sometimes things don't go according to plan. Where this is the case, we will aim to resolve customer complaints in accordance with our Guaranteed Standards of Service or better. In GD23 our target is to have no Consumer Council referred complaints.
	Customer connections	We will always strive to ensure that our customers are delighted by the work that we do, however we also recognise that it is challenging to carry out work in customers' homes and meet their expectations every time.
	Public works	A large amount of work that we have to carry out to deliver our services requires disruption in the road and other public space. Whilst we accept that this will be challenging for our local communities, we also recognise that by engaging effectively and appropriately we can work together to help reduce the disruption caused. In GD23 we will continue to work with our local communities, local authorities and with stakeholders to minimise the disruption of our works. Delivering this outcome requires a close working relationship with Department for Infrastructure (DfI), local community groups, our contractors, and members of the public.
An efficient network	Ongoing efficiency	As a new network at the start of its growth phase, resources are constrained and it would be easy to make false economies of reducing costs that may limit our ability to connect new customers. We recognise that we need to be ambitious in adopting new approaches and technologies.

Outcome	Objective	Reasoning
	Efficient shared resource	Being part of a wider group with an established operational presence in the GB market there are clear advantages that enables our customers to benefit from a level of service and economies of scale that would not be available to a smaller network if we were operating in isolation. These shared resources include direct services such as Information Technology, Human Resources, and legal service provision; they also extend across to shared working practices and procedures. As Evolve grows it may eventually become more cost-effective to start providing these services from within Evolve. For GD23 we will continue to leverage these group services recognising that this provides the flexibility to make this decision at the right time, in a future price control.
Reaching our customers	Properties passed	In GD17 we are forecasting to exceed our targets and expect to deliver over 327km of mains laid, passing over 27,000 properties. In GD23 we will deliver a further 215km across our core towns and the proposed extension towns, which will allow us to pass approximately 17,000 more properties.
	New towns	In addition to the mains to be delivered based on our Licence we have also identified 9 new small towns that are easily accessible given the new design that we introduced for the Intermediate Pressure network. In GD23 we propose to make gas available to these towns.
	Connections	In GD17 we expect to deliver connections to 3,425 of our customers. In GD23 we expect to increase this by 175% to deliver 6,005 additional connections or the equivalent to 1,000 additional connections per annum.
	Effective marketing	Delivering our connections targets will depend at least in part on a strong and well targeted marketing campaign. Our consumer awareness targets are: <ul style="list-style-type: none"> <li>• Awareness of brand, from 34% in 2021 to &gt;80% by 2028.</li> <li>• Interest in connecting, from 21% in 2021 to &gt;45% by 2028 (dependent on energy strategy and new legislation)</li> </ul>
A sustainable network	Biomethane	Using our knowledge from the deployment of biomethane in the GB market, in GD23 we will continue to support the development of the biomethane resource in Northern Ireland and actively engage with producers to facilitate their connection to our network, maximising their biomethane production output.
	Hydrogen preparedness	As a new network, we are fortunate to have equipment that is considered as being capable of transporting hydrogen. There are incremental investments however that can be undertaken now to support the deployment of hydrogen across the network. These measures include hydrogen ready excess flow valves and fittings, hydrogen ready meters and hydrogen ready boilers. We will continue to monitor these technologies and look to engage with Utility Regulator, ensuring the path of least regret.
	Other sustainability	The SGN group's long-term target is to achieve net zero emissions by 2045. To achieve this an Environmental Action Plan has been established by the group to deliver a reduction in SGN's total carbon footprint. For Evolve this means focusing on reducing our business carbon footprint by setting science based targets and enabling more biomethane in our network. Evolve will also support opportunities to provide natural solutions to climate change which delivers value to our customers by having a positive impact on health and wellbeing, efficient use of resources and increased biodiversity. This is an integral part of a net zero future.



## 3.4 Developing our GD23 plan

To develop our GD23 business plan we have carried out a combination of top-down analysis reviewing, where possible, the achievements of comparable gas distribution networks and bottom-up analysis specific to the attributes of the Evolve network. We approached the development of our business plan in the following way:

- **Review of GD17 achievements.** We assessed our progress to date against the targets set out in the GD17 Final Determination. We sought to understand the differences between what was expected and what was delivered to understand what worked well for Evolve and where an alternative approach would be required.

- **Review of available information.** We collated all available information in relation to our licence area. To do this we made sure we had the most up to date information available from a wide range of sources, including Land and Property Services, Northern Ireland Housing Executive, Housing Associations, local councils, and consumer representative groups. We used this to inform our detailed bottom-up analysis.

- **Designing the network.** Following the bottom-up analysis, we developed network designs which focused on delivering the network to maximise connections during the price control period to achieve an optimum return on the investment and maintain the affordability of tariffs for consumers. We looked at various scenarios to further develop the network, including where economically, viable extending the network to additional towns within the licence area.

- **Gas availability and connections.** When we had developed the network designs, we then focused on prioritising the delivery of the network for each of the years within the price control period. We reviewed the network development proposals to ensure we could deliver the most efficient plans whilst maximising gas availability and therefore potential connections to the network. To determine the potential connections, we reviewed available information on penetration rates from comparable Gas Distribution Networks and assessed the penetration rates achieved during GD17. This presented challenges in determining applicable penetration rates due to the limited information available for both other gas

distribution networks, and also the limited historical information on the Evolve network. There were also a number of extenuating circumstances encountered during the price control period, such as gas availability limited to Strabane for the 2017 to mid-2019 and the impacts of the pandemic and Brexit.

- **Volumes.** We developed volume forecasts based on a combination of historic usage, intelligence gained from customer engagement and a review of available property information. For larger commercial connections we engaged on a one-to-one basis to understand their energy needs for the price control period. For small commercial and domestic connections, we used historic usage for the customer type adjusting to reflect specifics, such as property size and economic factors.

- **Opex and Capex.** We then looked at our Opex and Capex requirements to deliver the programme of proposed work and used this to develop our financial model. We reviewed this model against a number of scenarios to understand the impact on consumer tariffs for the full revenue recovery period, our ability to maintain a safe and efficient network and the impact on financeability.

- **Compliance.** At each stage of the process our methodologies and findings were reviewed firstly by the project team and then by the steering group. In addition to this, all our regulatory submissions are subject to rigorous review using our compliance system for formal sign off.



### 3.5 Long term view

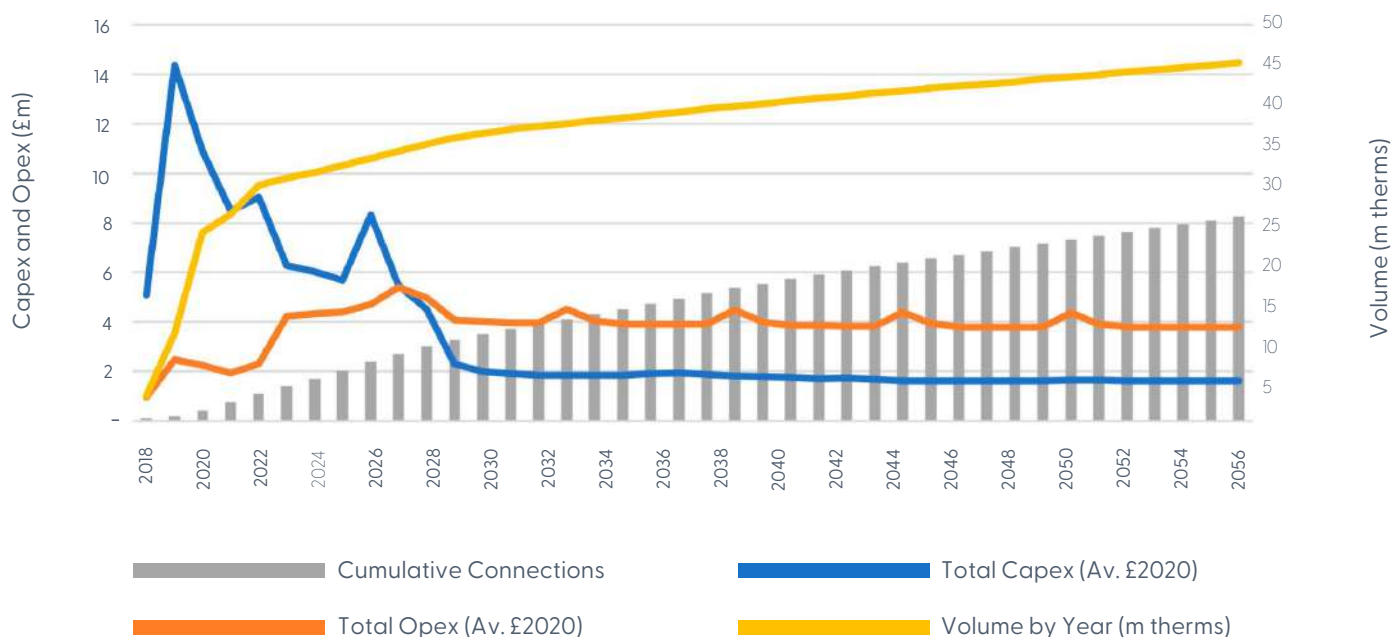
Developing a new network requires significant investment in the early years. The graph below illustrates the higher levels of Capex investment during the GD17 and GD23 periods, which then remains fairly constant at a much lower level for the remainder of the licence period. This is reflective of the initial investment in spine and peripheral mains in the early years to develop the network in advance of the infill and connections focused work as the network matures.

The longer term Opex forecast shows an initial rapid rise in costs as Evolve established its core functions. Similar to Capex, Opex remains fairly constant for the remainder of the licence period except for minor periodic fluctuations related to price control activity and maintenance for larger connections. We haven't included any forecast asset degradation post-GD23 - this will be kept under review as the asset ages.

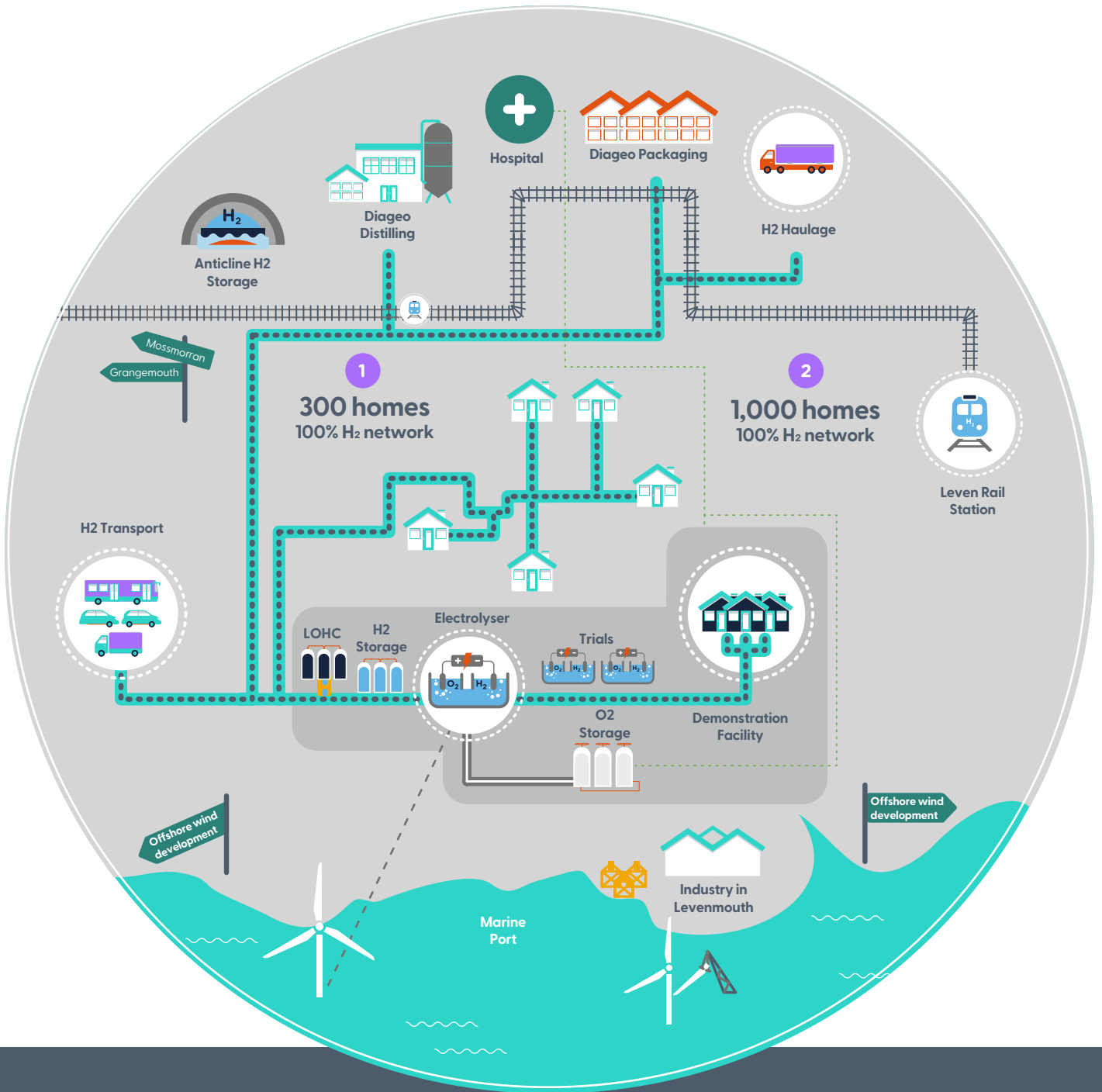
Our long-term forecast for connections to the network is approximately 26,000 connections, which represents an overall penetration rate of approximately 60% by the end of the licence revenue recovery period.

Alongside the growth in connections throughout the licence period, Evolve have also forecast a consistent rise in volume of gas. We forecast approximately 45m therms<sup>8</sup> of throughput by 2057.

Figure 3.1: Long-term view



<sup>8</sup> Before 30% decarbonisation reduction



# PART 4: INNOVATION

## Headlines

Innovation is at the heart of what we do as a network. Within our business plan we consider innovation in terms of operational innovation and in terms of system innovation necessary to support the decarbonisation of the energy sector.



## 4.1 Operational innovation

Given the early stage in the business cycle we are able to deploy the latest approaches to how we deliver and operate the network. We are building on new practices that have been established in GB and delivering them from the outset in Northern Ireland, in the design and deployment of the network. As a result, we have a full polyethylene network and we have used the latest directional drilling technologies in the deployment of our network.

We have also applied new technology and software approaches to the development of our customer services solution through the use of Customer Relationship Management software this provides readily scalable and flexible solution integrating asset management, transportation services and customer connections. This platform will then enable future developments such as mobile work management, website integration and customer switching.

## 4.2 Energy system transition innovation

The second category is innovation required to transform the energy system and natural gas networks to enable and facilitate net zero by the legally binding target of net zero by 2050. This needs to align with, and complement, the Northern Ireland Energy Strategy that is currently being finalised. We also recognise that strategies will need to be updated and that therefore innovation should inform future developments of the energy strategy.

We identify that there are two strands of particular focus to the gas networks - the potential of biomethane to provide green gas to our customers, and the role of hydrogen. For both, Northern Ireland has unique attributes that could enable it to rapidly progress towards decarbonisation of the gas networks.

### Biomethane

Evolve has built on the experience in GB where, in SGN Southern and Scotland alone, biomethane plants with the capacity to serve the equivalent of 250,000 homes are already connected to the SGN network. Given the extensive agricultural economy in the Evolve region and the associated

food processing businesses, we consider the potential for biomethane to be a significant opportunity for the region and an essential element in the decarbonisation of the agricultural sector.

Our focus therefore is on ensuring that the regulations are in place to enable biomethane to be connected as cost effectively as possible and ensuring that it is able to maximise the delivery of biomethane onto the network. Whilst it has not been included in the business plan, maximising biomethane on the network may require the introduction of biomethane hubs such as those operated by SGN Commercial Services at Portsdown Hill<sup>7</sup> where biomethane can be tankered into a central point on the network and then injected to serve the local community. Evolve will build on the expertise and experience gained by Evolve to bring these benefits to consumers in Northern Ireland.

### Hydrogen

Hydrogen is the second significant opportunity for decarbonising the gas network. In Scotland SGN is leading the development of the H100 project, a project that converts electricity from an offshore wind turbine through electrolysis to hydrogen where it will be stored and released to provide heating and cooking for 300 homes in the Fife area.

In addition to the H100 project that is focused on 100% hydrogen, other projects such as Cadent's HyDeploy is building the evidence to demonstrate that hydrogen – gas blends of up to 20% can be safely distributed and is used in 130 homes and faculty buildings around Keele University.

These projects are critical staging posts in determining the commercial viability and deployment pathway for hydrogen onto the gas network and both are working under a Health and Safety Executive exemption.

As the evidence base becomes more established then we anticipate that the Gas Safety (Management) NI Regulations will be adjusted to accommodate hydrogen however this is unlikely to be before the start of the GD23 price control period. We anticipated that the key recommendations from both projects will be available to help guide future investments.

<sup>7</sup> <https://www.sgncommercialservices.co.uk/case-study/portsdown-hill-injection-hub/1>





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