



Duncan Innes  
10 South Colonnade,  
Canary Wharf,  
London,  
E14 4PU

2<sup>nd</sup> February 2022

Dear Duncan Innes,

## Re: Consultation on SGN Local Transmission System (LTS) Futures Project

Thank you for the opportunity to respond to your consultation regarding SGN's proposed LTS (Local Transmission System) Futures Project. This response represents the views of Northern Gas Networks (NGN) to the questions specific to this proposal and should not be seen as a position or precedent by NGN on any other consultations progressed under the Net Zero and Small Projects (NZASP) Reopener.

NGN is supportive of the decarbonisation of heat in homes and recognises that a range of technologies and energy sources will be needed to achieve this across the UK. The LTS futures project will help inform government policy decisions on the use of Hydrogen for heat.

## Consultation questions

### Question 1: Do you agree that this project should be approved, and at the value proposed?

Yes. Providing evidence of the levels of linepack capacity and energy delivery that can be achieved in LTS pipes is crucial and is of particular interest to control rooms and network planning teams. The approach of utilising an older asset will help demonstrate capabilities, degradation, and pipeline stress for these types of transmission systems within NGNs portfolio. The results of the trial should be easy to apply to the asset base and similarly mixed routing of other GDN (gas distribution networks) LTS pipelines.

This consultation has limited information on which NGN can provide technical comments, however we are aware that SGN has presented more detail to Network Safety Impact



Board (NSIB), and NGN has been made aware of this technical content. NGN considers that the project includes an extensive research and testing programme for LTS Futures.

From the information, NGN considers that the project costs are comparable to the replacement rates used for the LTS in the cost of conversion Gas Goes Green (GGG) project which was delivered collaboratively by Network companies via the Energy Networks Association (ENA). We appreciate that the focus of this project is to repurpose / uprate rather than replace, however our working assumption is that the costs include one-off controls, and research, and analysis to gather enough data for the trial to be useful – reflected in the six elements proposed in the submission.

Overall, NGN considers that SGN's proposal is reasonable to answer a key evidence gap that could significantly increase or decrease costs of conversion.

**Question 2. Do you agree with our assessment of and additional requirements for SGN's project plan?**

Yes. NGN agrees that clarity and more detail on the 31 knowledge gaps would be useful to see in more detail, this will ensure it is understood whether the deliverables fully address these.

**Question 3. Do you agree with our proposals on how we will hold SGN to account for the project deliverables?**

Yes. The project deliverables should be easy to monitor, evidence and report on, therefore the request for updates during and after the project seems fair. However, the frequency these updates should be set out clearly by Ofgem as early as possible in the project and should not require too much effort and detail that it takes the focus away from the actual project delivery plan. Ofgem should also be explicit regarding the form of the confirmation and approval of project deliverables that is required from the HSE (Health and Safety Executive).

**Question 4. Do you have any views on the appropriate funding approach for this project?**

NGN consider that the funding approach is appropriate.

**Question 5. Do you agree with our assessment of SGN's proposed level of contribution and treatment of benefits in kind?**

No. We consider that the method proposed by SGN is appropriate. Whilst we agree that elements of this project are consistent with previous NIC projects, not all elements are, and SGN has made a clear distinction between the research and development and implementation aspects of its proposal. We agree that it is not appropriate to apply contributions to asset implementation aspects of this proposal as asset intervention spending within the totex programme does not involve a network contribution and it is appropriate that the same logic applies to the reopeners.

NGN welcomes the extension of contributions to include benefits in kind as a part of the network contribution as this will deliver on going value to consumers. NGN also notes the

proposed further consideration of RPEs and advocates those similar protections that are currently applied to totex should similarly apply to RPEs for this project. SGN has made this clear within their submission and through consultation with Ofgem and it is appropriate that these protections are afforded in addition to the contingency proposed.

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,

Bina Dixon

Regulatory Reporting Manager  
Northern Gas Networks