

Reference

Wormington Compressor Emissions – Final Preferred Option

Date

20 December 2022

Cadent Gas Limited

Pilot Way Ansty Park

Coventry CV7 9JU

United Kingdom

cadentgas.com

Graham Craig,

Senior Manager – Price Control Operations

Office of Gas and Electricity Markets,

10 South Colonnade,

Canary Wharf, London,

E14 4PU



Email: Graham.craig@ofgem.gov.uk

Dear Graham,

Wormington Compressor Emissions – Final Preferred Option

I am writing on behalf of Cadent, responding to Ofgem's consultation on the selection of a final preferred option for investment to support system resilience at National Grid Gas Transmission's (NGGT's) Wormington Compressor Station.

We are responding to this consultation as Ofgem's use of future energy scenarios in its assessment could have significant system-wide implications, both for ensuring network resilience in the energy transition and in meeting net zero.

There is significant uncertainty over the precise path the UK will take to achieve net zero. To support the energy transition, we recognise that there is a need to take a balanced view towards investment so that it is considered carefully to protect affordability for customers today and in the future. However, as we adapt the way we generate and use energy we must also ensure continuous, resilient and secure supply to our customers.

Under all scenarios methane gas will play a key role in supporting resilience and security of supply over the coming decade (or longer) so it is imperative we invest to keep our gas networks resilient alongside driving forward progress to net zero. We therefore do not agree with the decisions reached by Ofgem in its Wormington Compressor Station options assessment. Specifically rejection of NGGT's preferred option, largely due to assumptions made on future energy pathways.

Ofgem's approach to future energy scenarios

A key factor in Ofgem's rationale for the rejection of NGGT's preferred investment option in favour of an alternative is due to the approach they have taken to future energy scenarios. NGGT used the System Transformation scenario of National Grid ESOs Future Energy Scenarios (FES) to underpin their investment case. Ofgem argue that as "*no individual scenario is more probable than another*" adopting a 'base case' is inappropriate. Furthermore, Ofgem then put forward a different preferred option that potentially could not deliver sufficient resilience post 2040.

Cadent Gas Limited

Registered Office: Pilot Way Ansty Park

Coventry CV7 9JU United Kingdom

Registered in England and Wales No.10080864

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Implications for network resilience and meeting net zero

We believe Ofgem's approach is not optimal for customers for two reasons.

Firstly, it shows that there may be a willingness to trade-off system resilience in favour of low regret investment for net zero. Taking such an approach could be detrimental to customers today and in future as it could lead to supply issues and/or capacity restrictions for methane gas which will be needed as we transition to net zero. We believe it is essential that we reach net zero, but do so *only* subject to delivering appropriate network resilience for customers.

Secondly, as the approach taken to future scenarios, if applied more widely, could have implications for delivering net zero by 2050. In particular, as

- *it is inconsistent with recent electricity determinations* – in Ofgem's recently issued RIIO-ED2 Final Determinations, the System Transformation scenario was used as the base case to set Distribution Network Operator (DNO) ex-ante allowances for the coming regulatory period; and
- *inconsistent underpinning assumptions could jeopardise delivery of net zero* – an inconsistency in use of FES when assessing investments means that the actual pathway networks are supporting towards net zero at a whole-system level is unclear. Furthermore, if different scenarios are being used across energy vectors to reduce costs to customers today, this is likely to mean reduced progress towards net zero which could jeopardise delivery of policy goals on time.

We therefore believe it is important that in finalising its analysis of the preferred investment option for Wormington Compressor Station Ofgem should change the way it has used FES in its decision-making.

Next steps

We welcome the opportunity to comment on Ofgem's selection of a final preferred investment option for Wormington Compressor Station. We consent to our views being published and would be happy to discuss any points we have made in further detail.

Yours faithfully

Sam Hinds
Head of Regulatory Economics

By email