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National Gas Transmission (NGT) response to St Fergus Compressor Emissions – Final Preferred Option

Dear Graham

This letter is NGT's response to the Ofgem consultation on St Fergus Compressor Emissions – Final Preferred Option, dated 2 June 2023. NGT own and operate the gas transmission assets in Great Britain (GB), which are defined as Critical National Infrastructure by the UK Government. We meet the needs of our customers and GB consumers, enabling gas to be transported around GB safely and efficiently. We operate our network to meet both our customers' demands and entry and exit obligations.

We support the Ofgem minded-to position to approve the St Fergus final preferred option of three new Gas Turbine units to be installed across the existing plant locations and one of the existing Avon units to be retained with significant asset health investment to improve unit availability.

We acknowledge that four unrestricted units remains the optimum solution for achieving emissions compliance, ensuring the necessary capability and resilience to meet long-term UK Security of Supply and delivering value for consumers. Pending the outcome of the proposed trial of DLE technology it is envisaged there will be a reassessment of the investment required on the 4th unit.

Whilst firmly supporting Ofgem's minded-to position there are two clarificatory points we would like to raise:

- 1. Although the preferred option does contain some cost for decommissioning this, along with unit location, will be subject to the detailed delivery plan, commissioning requirements and the need to understand site condition & operational constraints as part of the pre-FEED and FEED studies ahead of cost submission in June 2025. St Fergus is a highly complex site due to the constant flow of gas through the terminal.
- 2. In terms of DLE retrofit we consider the trial of this technology to be part of the pathway to enabling four unrestricted compliant units at St Fergus and believe there is merit in pursuing this technology as an effective means to reduce emissions and comply with legislation providing the additional network resilience we require, at a lower capex cost. Based on the currently available information applying DLE to the 4th unit at St Fergus



provides the right balance of risk to the benefit of lower capex. We will therefore continue to work with our partners to further develop this technology and undertake real-world testing on the transmission network. We maintain that St Fergus is an ideal candidate site to trial the technology due to the high run hours allowing for substantial testing with reduced risk if failure occurs and we will continue to engage with Ofgem on the details of the proposed trial and the associated funding arrangements.

We would also like to take this opportunity to respond to and provide further clarity on the following questions put forward in the consultation:

Question 4.1: Do respondents agree with our assessment of the evidence presented in the Final Option Selection Report?

We agree with Ofgem's assessments regarding the need case, options considered, CBA key parameters, Best Available Techniques, options selection and their analysis of our risk register and project programmes. Ofgem's assessment has been robust and comprehensive and has been supported by a close Ofgem engagement programme involving over 30 bilateral meetings, multiple site visits and two NGT consultations since the UM process started in earnest in 2021.

Question 4.2: Do respondents agree with our decision that compressor fuel and carbon credit costs should be included in the Cost Benefit Analysis?

We agree that compressor fuel and carbon credit costs should be included in the Cost Benefit Analysis as this is the appropriate way to reflect the environmental benefits of the preferred option.

Question 4.3: Do respondents agree with our assessment that the Cost Benefit Analysis might be conservative in the estimation of Constraint Management Costs and that the Sensitivity Analysis should be given substantive weight in the selection of the Final Preferred Option?

We agree with Ofgem's assessment that the sensitivity of Constraint Management Costs should be given weight in the Cost Benefit Analysis as borne out in the constraint costs seen at St Fergus during the 2006 constraint event. Wherever possible we believe real-world market information should be used and where necessary applied across the network to give a more realistic view of the benefits that availability of compression gives to consumers.

Question 4.4: Do respondents have any views on National Gas Transmission's proposal to trial Dry Low Emissions technology on one of the existing Avon compressor units at St Fergus Gas Terminal during the RIIO-2 price control period?

We agree with Ofgem that the DLE technology has the potential to lower NOx emissions to meet MCPD. However, there are still significant hurdles before this technology is both technologically and commercially viable. These include proving the long-term suitability of retrofit technology, timely progress of the technology to meet the 2030 deadline of installing on compressors, proving of the NOx reductions to regulatory body standards and commercial supply chain availability that provides competitive and full support requirements. Failure or delay in any one of these factors would put substantial risk upon key sites providing operational capability to meet gas demand.

As part of proving the technology we are proposing that an existing Avon unit identified for retention post 2030 should be retrofitted with Dry Low Emission technology during the RIIO-2



price control period. This would allow the technology to be trialled under operational conditions and by locating the trial at St Fergus there is potential for significant running hours each year. A successful trial would facilitate acceptance and application of the technology to other Avon units on the National Transmission System.

We acknowledge that Ofgem recognises the potential value of an operational trial of this technology and will therefore continue to engage with Ofgem on the details of the proposed trial and the associated funding arrangements.

Question 5.1: Do respondents agree with our proposed Final Preferred Option?

Notwithstanding the clarificatory points made in this response we support the Ofgem minded-to position to approve the St Fergus final preferred option of three new Gas Turbine units to be installed across the existing plant locations and one of the existing Avon units to be retained with significant asset health investment to improve unit availability.

Further Engagement and Next Steps

We appreciate the continued engagement with Ofgem regarding this project. A timely final decision on the final preferred option will enable us to ensure we successfully deliver the emissions compliance and resilience required at St Fergus.

If you have any queries, please do not hesitate to contact myself or Neil Rowley, Head of Regulatory Performance (neil.rowley@nationalgas.com, 07785 381424).

Yours sincerely

Tony Nixon – By Email

Regulation Director, Commercial - On behalf of NGT