

Decision

NGT's Methane emissions reduction and monitoring projects: Net Zero Pre-Construction Work and Small Projects Re-opener (NZASP)

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In October 2023 we¹ consulted on our minded-to position on five projects proposed for funding by National Gas Transmission (NGT)² in their re-opener application submission under the Special Licence Condition 3.9 of their Gas Transporter Licence, for the purpose of improving management of and reducing methane emissions from the National Transmission System (NTS).

Following the consultation and our consideration of all responses, we decided to maintain our consultation position to fund Mobile Recompression, Compression Machinery trial and the expansion of NGT's periodic fugitive monitoring programme in scope and frequency.

This document sets out the reasons for this decision.

This document also sets out our proposed directions to give effect to this decision.

¹ The terms 'we', 'us', 'our' refers to the Gas and Electricity Markets Authority (the Authority). Ofgem operates under the direction and governance of the Authority.

² Formally known as National Grid Gas Transmission (NGGT). On 1st Feb 2023 the National Gas Transmission & Gas Metering business separated from National Grid and became an independent company. National Gas is the new name, sold to a consortium led by asset manager, Macquarie. Announcement can be found here:

<https://extranet.nationalgrid.com/GasArchive/privatisation3.htm> From National Grid to National Gas

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1. Introduction

- 1.1 In October 2022 NGT submitted to Ofgem a request to fund five projects under a single re-opener submission – Net Zero Pre-Construction Work and Small Net Zero Projects Re-opener (the NZASP reopener) found in Special Condition (SpC) 3.9 of NGT's Gas Transporter License.
- 1.2 The projects had a common overall objective to reduce methane emissions from the National Transmission System (NTS). Methane is a Green House Gas (GHG) which, in 2021 accounted for 13% Of UK GHG emissions.³
- 1.3 The projects proposed by NGT have been grouped into three themes and aim to reduce up to 15% of methane emissions from operating the NTS in RIIO-2 and significantly impact compressor venting in the next price control (subject to trials in theme 2 being successful). The themes are summarised below:
- **Mobile Recompression (MR)** – Additional mobile pipeline recompression capability and new mobile recompression units to capture methane emissions arising from pipeline inspection works and compressor station depressurisations.
 - **Compressor Machinery Train (CMT)** - Trials of combined gas recompression and zero loss compressor seal technology to reduce methane emissions from compressor venting which is the largest contributor to whole NTS methane emissions.
 - **Detection and Analytics (D&A)** – An expansion of NGT's periodic fugitive monitoring programme in scope and frequency, and an implementation of new continuous fugitive monitoring systems at selected above ground installations.
- 1.4 At the same time NGT submitted their formal application, they also published a redacted version of their NZASP re-opener application on their website.⁴
- 1.5 This document sets out our decision to maintain our consultation position, as well as some amendments to the approved costs and delivery timeline following updated information from NGT. We also provide responses to stakeholders' feedback.

³ [2021 UK Greenhouse Gas Emissions, Final Figures \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/115444/2021-UK-Greenhouse-Gas-Emissions-Final-Figures.pdf)

⁴ [Our RIIO-2 re-opener applications \(2021-2026\) | National Gas](#)

- 1.6 The decision also sets our view to socialise 100% of the approved costs to reflect the benefits of the investment to all GB consumers.
- 1.7 This document also contains our proposed directions which we are consulting on to give effect to this decision, in accordance with SpC 3.9 and 6.1 of NGT's Gas Transporter Licence.
- 1.8 All figures are in 18/19 real values except where otherwise stated.
- 1.9 Following the close of consultation on the proposed directions, we will carefully consider all responses we receive, and make our final decision on the direction.
- 1.10 The consultation on the proposed directions is for four weeks and will close on 12 April 2024.
- 1.11 Additional information on the NZASP Re-opener can be found in our RIIO-2 Gas Distribution and Gas Transmission ('GD&T') Final Determinations ('FDs') document,⁵ the NZASP Governance document⁶ and in SpC 3.9 of NGT's Gas Transporter Licence.⁷

How to respond to the proposed directions

- 1.12 We want to hear from anyone interested in this consultation. Please send your views on the proposed direction to the person or team named on this document's front page.
- 1.13 We will publish non-confidential responses on our website at [Consultations | Ofgem](#)

Your response, data and confidentiality

- 1.14 You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

⁵ [RIIO-2 Final Determinations for Transmission and Gas Distribution network companies and the Electricity System Operator | Ofgem](#)

⁶ [Net Zero Pre-construction and Small Projects Re-opener Guidance \(ofgem.gov.uk\)](#)

⁷ Licences available on the Electronic Public Register: <https://epr.ofgem.gov.uk/>

- 1.15 If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.
- 1.16 If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 2.
- 1.17 If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

General feedback

1.16. We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:

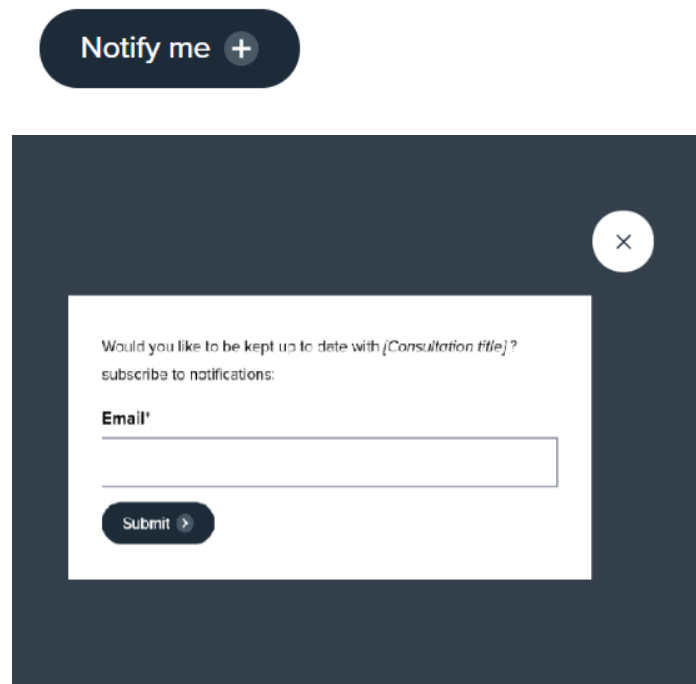
1. Do you have any comments about the overall process of this consultation?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Were its conclusions balanced?
5. Did it make reasoned recommendations for improvement?
6. Any further comments?

Please send any general feedback comments to stakeholders@ofgem.gov.uk

How to track the progress of the consultation

You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website.

Ofgem.gov.uk/consultations



The image shows a dark blue button labeled 'Notify me' with a white plus sign. Below it is a dark blue modal box with a white close button (X) in the top right corner. Inside the modal is a white form with the text: 'Would you like to be kept up to date with [Consultation title]? subscribe to notifications:'. Below this is a label 'Email*' followed by a text input field. At the bottom of the form is a dark blue button labeled 'Submit' with a white right arrow.

Once subscribed to the notifications for a particular consultation, you will receive an email to notify you when it has changed status. Our consultation stages are:

Upcoming > **Open** > **Closed** (awaiting decision) > **Closed** (with decision)

2. Consultation on minded-to position and responses

- 2.1 In October 2023, we consulted on our minded-to position on the five projects contained within NGT's re-opener application.⁸
- 2.2 The consultation was published on 4 October 2023 and closed on 9 November 2023. We received three responses in total to this consultation, one of which was flagged as confidential.
- 2.3 In large the respondents were content with our minded to position to fund projects relating to Mobile Recompression, Compressor Machinery Train (CMT) trials and the expansion of the existing NTS fugitive leak monitoring programme.
- 2.4 All three respondents were concerned about our minded-to position not to fund repairs and additional periodic monitoring until repairs are carried out.
- 2.5 Two of the respondents did not agree with our minded-to position not to fund continuous monitoring.
- 2.6 NGT suggested some alternative funding mechanisms with the aim to resolve some of the concerns we raised in the consultation.
- 2.7 NGT also flagged that due to the time passed since their original submission in October 2022, an updated delivery programme is needed.
- 2.8 Following close of the consultation, NGT provided us with updated cost data for pipeline recompression (+0.10), Mobile Recompression (+£1.02mn above earlier submission) and Compressor Machinery Train (+£0.87mn above earlier submission). There was no change in the cost estimates for expansion of methane monitoring programme and continuous monitoring.

⁸ [Consultation on National Gas Transmission's methane emissions reduction and monitoring projects | Ofgem](#)

3. Mobile recompression theme

Section summary

The chapter summarises our consultation position, consultation responses, and updated project costs of mobile pipeline recompression, compressor depressurisation and PIG trap recompression. It also sets out our view of the responses and our final position considering the responses and cost changes.

Mobile pipeline recompression proposal

Ofgem's consultation position

- 3.1 We were of the view that there is benefit in funding a second pair of pipeline recompression units (on top of the pair already approved as part of RIIO-2 GD&T FDs), as these machines will reduce the pipeline pressure and thus will ensure less gas will be released to the atmosphere when pipeline is depressurised.
- 3.2 Specifically, we noted that the Cost-Benefit Analysis (CBA) carried out by NGT showed that a second pair of pipeline recompression units will deliver the highest net present value in comparison to the other options that were considered.
- 3.3 We proposed to **approve funding of a total of £4.25m**, as requested: £4.03m for purchasing the machinery and £0.223m to operate the new machines in 2025.
- 3.4 We flagged that NGT may submit updated information regarding the costs, and that if the change to the cost will materially impact the result of the CBA, we will consider whether a new consultation will be required.
- 3.5 We were content with the delivery plan that was proposed by NGT as part of their submission.

Summary of responses

- 3.6 We received three responses to this consultation: one from NGT, one from a supplier in the gas industry, and one from the Environment Agency.
- 3.7 All three respondents supported our consultation position.
- 3.8 NGT flagged that due to the time passed since the original submission in October 2022, an updated delivery plan is needed. Specifically, they mentioned that ordering of pipeline recompression units has limited opportunities to be expedited

as they are linked to procurement events. They provided an alternative delivery plan in their response. We note that the final delivery date has not changed, and NGT are still aiming to commission one pipeline recompression by the end of FY 2025/26.

Updated cost estimates

- 3.9 Following our consultation, NGT worked closely with their supply chain to receive updated costs estimates. There was a change in cost from 4.25 to 4.35, a total change of £0.1mn (2% rise) as a result of updated quotes.

Our view of the responses and change to cost estimates.

- 3.10 We are content that all three respondents agreed with our minded to position.
- 3.11 Delivery timeline: We reviewed the new timeline proposed by NGT and agree that the original timeline may be challenging given the time that has passed since original submission was first made. We appreciate that NGT will still aim to deliver to the same deadline as in their original submission, 2025/2026.
- 3.12 Updated costs: Our view is that the changes in costs are justified and not material.

Our decision

- 3.13 We maintain our consultation position to fund NGT's proposed Mobile Pipeline Recompression project.
- 3.14 Our proposed allowance and delivery plan is set out in chapter 6 of this decision and in our proposed directions which are consulted on alongside this decision.

Compressor depressurisation and PIG trap recompression

Ofgem's consultation position

- 3.15 We were of the view that there is benefit in funding four recompression units for PIG trap recompression as the CBA that was carried out showed a positive Net Present Value (NPV).
- 3.16 We were of the view that there is benefit in funding three recompression units for planned depressurisations of compressor stations as the CBA that was carried out showed a positive Net Present Value (NPV). We were of the view that although the CBA showed the most benefit in purchasing two units, there was operational benefit in purchasing three units.

- 3.17 We proposed to fund the investments for compression depressurisation and PIG trap recompression and to allow funding of a total of £3.77m (£3.53m to purchase the units and 0.24m to operate the new machines in 2025) for seven units.
- 3.18 We flagged that NGT may submit updated information regarding the costs, and that if the change to the cost will materially impact the result of the CBA, we will consider whether a new consultation will be required.
- 3.19 We were content with the delivery plan that was proposed by NGT as part of their submission.

Summary of responses

- 3.20 We received three responses to this consultation: one from NGT, one from a supplier in the gas industry, and one from the Environment Agency.
- 3.21 All three respondents supported our consultation position.
- 3.22 NGT flagged that due to the time passed since original submission was first made in 2022, an updated delivery plan is needed. Specifically, they mentioned that order of recompression units has limited opportunities to be expedited as they are linked to procurement events. They provided an alternative delivery plan in their response. We note that the final delivery date has not changed, and NGT are still aiming to commission seven small recompression units by the end of FY 2025/26 for both Compressor depressurisation and PIG trap recompression.

Updated cost estimates

- 3.23 Following our consultation, NGT worked closely with their supply chain and received updated costs estimates. We note that there is a total rise of £1.02mn from £3.77mn to £4.79mn (27%) in cost for both Pig trap and compressor station units.
- 3.24 An updated CBA for compressor depressurisation, shows that purchasing 2 units still provides the highest NPV relative to other options, like the original CBA submitted in 2022.
- 3.25 For the PIG trap recompression, an updated CBA shows that purchasing two units provides the highest NPV, while the original submission showed that purchasing 4 units resulted in highest NPV.

Our view of the responses and change to cost estimates.

- 3.26 Delivery timeline: We reviewed the new timeline proposed by NGT and agree that the original timeline may be challenging given the time that has passed since

original submission was first made. We appreciate that NGT will still aim to deliver to the same deadline as in their original submission, 2025/2026.

- 3.27 Updated costs: We note that the cost estimates are now £4.79mn instead of £3.77mn, 27% raise in cost. We recognise that the time passed since the first quote was provided is more than a year, and that in recent years market conditions are leading to higher costs throughout the industry.
- 3.28 We are therefore of the view that the rise in costs is reasonable as it reflects market conditions.
- 3.29 CBA results: for compressor depressurisation, we maintain our view that there is operational benefit in purchasing three units.
- 3.30 We note that for the PIG trap, purchasing two machines resulted in higher NPV than four machines. However, the difference was marginal (1.75 NPV for two units, vs 1.61 NPV for four units), and there is a clear operational advantage and potentially wider costs implication benefits in purchasing four units. Purchasing two units will most likely require the 12-hours PIG operation to be split into two days, as it will add a total four hours to the process. Purchasing four units will enable two machines to run in parallel and thus reduce additional time to two hours.

Our decision

- 3.31 We maintain our consultation position to fund NGT's proposed compressor depressurisation and PIG trap recompression project, with the updated cost estimates provided by NGT.
- 3.32 We are of the view that from an operational point of view, four machines should be purchased for the **PIG trap recompression**.
- 3.33 As per our minded-to position, **for compressor station depressurisation**, we are of the view that three machines will allow additional reduction in methane emissions with little difference in cost, and there is scope for additional benefits in the future once staff become familiar with the operation of the machines.
- 3.34 We are not proposing any deductions to the updated costs.
- 3.35 Our proposed allowance profile and delivery plan is set out in chapter 6 of this consultation and our proposed directions which are consulted on alongside this decision.

4. Compressor Machinery Train theme (CMT)

Section summary

The chapter summarises our consultation position, consultation responses, and updated project costs of gas recompression and zero loss compressor seal. It also sets out our view of the responses and our final position considering the responses and cost changes.

Gas recompression and zero loss compressor seal

Ofgem's consultation position

- 4.1 We agreed that there is a need to reduce methane emissions from CMT, and we agreed to fund trials utilising the proposed technologies of combined gas recompression and zero loss seal.
- 4.2 We were of the view that the sites selected by NGT have been chosen using the most relevant criteria.
- 4.3 We proposed to reduce the requested funding from 8.38 to 8.03. We did not think that general support should be funded via the project, but rather via NGT's baseline allowance. We also adjusted the risk allowance from ~13% to 10%, in line with similar projects.
- 4.4 We flagged that NGT may submit updated information regarding the costs, and that we will consider whether a new consultation will be required based on the level of change in cost.
- 4.5 We were content with the delivery plan that was proposed by NGT as part of their submission.

Summary of responses

- 4.6 We received three responses to this consultation: one from NGT, one from a supplier in the gas industry, and one from the Environment Agency.
- 4.7 All three respondents supported our consultation position. NGT accepted the proposed funding levels and flagged the proposed reductions will not prevent the trials delivering the outputs NGT has committed to.
- 4.8 NGT flagged that due to the time passed since original submission was first made in 2022, a change in delivery plan is needed. Specifically, they mentioned that order of items has limited opportunities to be expedited as they are linked to procurement events. They provided an alternative delivery plan in their response.

Updated cost estimates

- 4.9 Following our consultation, NGT worked closely with their supply chain and received updated costs estimates. Costs for installation were reviewed with updated quotes from suppliers, some items were re-estimated using more recent unit costs. Cost of equipment was also reviewed with updated quotes from suppliers.
- 4.10 In total the cost estimation changed from £8.38mn to £9.25mn (£0.87mn) for Zero loss seal and combined gas recompression, a 10% rise in cost.

Our view of the responses and change to cost estimates.

- 4.11 Delivery timeline: We reviewed the new timeline proposed by NGT and agree that the original timeline may be challenging given the time that has passed since original submission was first made. Our approved delivery plan is summarised in chapter 6 of this document.
- 4.12 Updated costs: We recognise that the time passed since the first quote was provided is more than a year, and that in recent years market conditions are leading to higher costs throughout the industry.
- 4.13 Deductions: the new submission included £102,248 (18/19 price base) for NGT's non-specific staff for general support. We are still of the view that non-specific supporting stuff should be funded via NGT's baseline rather than from the specific project.
- 4.14 Risk allowance: we notice that the cost of the project has risen, and thus 10% for contingency will now be higher than originally allowed, as the total cost is higher. However, current level of requested contingency in the updated submission equates to 12% of the cost. In line with our approach in our consultation we will be deducting £164,973 to maintain 10% contingency.

Our decision

- 4.15 We maintain our consultation position to fund NGT's proposed Gas recompression and zero loss compressor seal project, with the updated cost estimates provided by NGT.
- 4.16 In total we will be deducting £267,997.00 in 18/19 price base from the requested £9,252,310.00 (£9.25mn), allowing a total of £8,985,089 (£8.99mn).
- 4.17 Our proposed allowance profile and delivery plan is set out in chapter 6 of this document and our proposed directions which are consulted on alongside this decision.

5. Detection and analysis theme

Section summary

The chapter summarises our consultation position, consultation responses, and updated project costs of periodic emission monitoring and small repairs and continues monitoring. It also sets out our view of the responses and our final position considering the responses and cost changes.

Periodic emission monitoring and small repairs

Ofgem's consultation position

- 5.1 We agreed that there is benefit in expanding the existing monitoring programme to improve visibility of the NTS and proposed to approve £1.296mn. This was a deduction of £0.034mn from the original request of £1.33mn, reflecting the deduction of the existing allowance for the existing monitoring programme, which will be replaced by the new expanded programme.
- 5.2 However, we disagreed with NGT's proposed solution. Our minded-to position proposed to disallow a total of £4.88mn for repairs, and £5.83mn for additional monitoring of assets where repairs can't be carried out immediately.
- 5.3 The main reasons we did not agree with NGT were:
- NGT is already funded to maintain its assets via its RIIO-2 Opex allowance, and fluctuations in volume, which may be due to expansion of monitoring activity should be managed by NGT.
 - We also noted that estimates may change considerably.
 - We considered that if monitoring allowance were used for repairs on a "first come first serve" basis it will risk the objective of the programme which is to first and foremost understand the full picture of the NTS in terms of fugitive emissions.
 - We said that if significant additional repairs will be identified compared to the existing repair levels, we will engage further with NGT to find the best way forward in a way that will represent value for money for consumers.

Summary of responses

- 5.4 All three respondents supported our minded to position to expand the current monitoring programme.

- 5.5 The Environment Agency (EA) flagged that current arrangements are no longer reflective of Best Available Techniques.
- 5.6 The EA expressed concerns that the expanded leak detection programme will only be effective if there is a fully supported repair programme running alongside it.
- 5.7 One respondent didn't agree with Ofgem's view not to fund additional monitoring of planned repairs. They flagged that losses in the gas system ultimately falls on the UK public. They also mentioned that upcoming EU legislation proposes to monitor detected leaks in the order of 500ppm in a frequency of no less than four times per annum, and that they believe that UK legislation will eventually follow suit.
- 5.8 More broadly they said that providing funding for detection without funding for monitoring and/or repair leaves the asset owner in an untenable position that they've identified more leaks (that they have a responsibility to resolve) than they can practically monitor and/or repair. They flagged that not funding the repairs and additional monitoring (until such repairs are carried out) risks the abortion of the implementation of the funded detection programme, to avoid potential liability as an outcome. They proposed to set up a mechanism to allow drawing of additional funds to de-risk this liability.
- 5.9 NGT didn't agree with our disallowances for repairs and periodic monitoring of planned repairs. NGT flagged that they are not funded to take up the projected additional leak repairs and monitoring. NGT acknowledged Ofgem's view that Opex spend due to volume changes is a risk to be managed by NGT but stated that this should be applied to the current programme of work, and not the wider new programme.
- 5.10 NGT further submitted that their gas escape management procedures require the company to monitor gas escapes once detected to the point of repair, and where possible to repair immediately. NGT flagged that this procedure is part of their safety management system and thus must be followed.
- 5.11 NGT mentioned that during Ofgem's review of the original submission, NGT provided information based on its own data which showed that cost of repairs in large are offset by the environmental benefit of reduced carbon emission.
- 5.12 NGT recognised the difficulty of assessing the level of repairs and additional detection that will be needed, and provided several suggestions to resolve the risks identified by Ofgem:
- Repurposing the £1.3mn from "expanding monitoring programme" to repairs and periodic monitoring where repairs can't be immediately carried out. NGT

suggest that instead of expanding the monitoring programme they will use sampling. NGT flagged that further work needs to be done to determine the sampling programme. NGT flagged however there is a risk that detection of leakage and following this leakage repair will take longer.

- Using a unit cost allowance for repairs and setting and monitoring Price Control Deliverable (PCD): This option proposes the use of the £1.3m allowance for detection and would introduce a fixed cost per repair and monitoring which should then be assessed at the end of a certain period (either tied to a price control period or other) against the actual leaks managed. This mechanism would have the benefit of only providing allowance for leaks which are managed and would allow for the full programme of detection to take place. This proposal is not without risk to NGT as the actual Opex to undertake the variety of leaks detected would be a forecast and the outturn could be higher than forecast. However, NGT would be interested to explore such a mechanism further.
- £1.3m detection and ex post Opex request: This option proposes that NGT accept Ofgem's minded to-position on detection and records the Opex directly spent on monitoring and repair activities for ex post submission of allowance. Although all options included are with the intention of pass-through costs, this option has the benefit of accurately reflecting the true cost of resolving the leaks detected. This option does however, come with risks. If this option was to be developed further, NGT would like to explore the reopener mechanism rules to ensure there is a balance of risk for NGT.

Updated cost estimates

5.13 There were no changes in costs estimates.

Our view of the responses and change to cost estimates.

5.14 Ofgem engaged with the EA directly following response submission, and further to this engagement it has been agreed that the proposed monitoring technology falls within the existing legislation and guidance, and that any future changes to monitoring requirements, which may already be underway, should be reflected in guidance provided by the EA in the future.

5.15 Repairs: we recognise the concerns raised by all respondents on the repair program. We agree that repairs should be carried out when certain leaks are detected.

- 5.16 However, as set out in our consultation, prior to repairs NGT should use the additional monitoring to set up a baseline and analyse of emissions from the above ground assets across the network. We agree that robust monitoring will allow NGT to incorporate improved understanding of its methane emissions performance into its asset health replacement program and prioritisation tools. A "Repair as you go" programme will not allow a meaningful prioritisation and assessment of the gas system leakage profile and/or characteristics, and hence may lead to inefficient "first come" repairs.
- 5.17 We recognise that legislation in this area is being progressed in the EU. However, similar legislation has, to our knowledge, not yet been proposed for consideration in the UK. We will consider any cost implications to licensees as a result of legislative changes if and when such legislation is considered in the UK, passed by Parliament and comes into force.
- 5.18 We agree with the respondent that not being able to repair leaks may put the asset owners in an untenable position, however, we don't agree with the implied interpretation of our minded-to position: In our consultation we said that NGT is already funded to maintain its assets via its RIIO-2 Opex allowance, rather than not funded at all, and that changes to volume should be a risk to be managed by NGT.
- 5.19 We noticed that NGT provided an example which showed that cost of repair in that example were offset by the environmental benefit of reduced carbon emission. We agree that there will be cases where this will be true, however, there could also be cases where repairs will not follow that example. To ensure that repairs are done in a way that represent value for money for consumers, gathering evidence via monitoring will allow NGT to carry out assessment and prioritise those repairs with most value rather than on a first come basis. This will ensure appropriate prioritisation on the NTS.
- 5.20 Regarding the options put forward by NGT for alternative funding routes:
- Repurposing the £1.3mn from expanding the programme to repairs will lead to the exact opposite of what we are seeking to achieve: NGT will, on one hand, not be able to build any database or get a good understanding of the leakage profile on the NTS, and on the other hand, will treat random leakages based on sampling only. We don't think this option provides any mitigation to the risks and issues we have identified in the consultation.
 - Unit cost allowance: This option could potentially manage some of the risks that we flagged in our consultation, specifically in relation to the cost of repairs – as

it will cap the exposure consumers have to excessive cost. However, there is an inherent risk that it may incentivise the wrong behaviour, as there will be a natural leaning towards carrying out the more cost-effective repairs rather than the repairs that are needed which will bring overall benefits to consumers. We also agree that there is a risk for NGT if the costs overall turn out to be higher than their own estimates.

- Ex post assessment: like the above, this offer provides some comfort that consumers only pay for what is delivered, albeit this time it manages the volume rather than the cost. This however does not resolve fully the risks mentioned in our consultation. It de facto provides an "open check" to NGT to deliver repairs as and when, with little oversight from Ofgem, including any prioritisation or CBA. It will not include an incentive to consider efficiencies because this is a pass-through item, which is in contrast to the principles of the RIIO price control. In further engagement NGT flagged that they recognise that additional safeguards may be needed to protect consumers.

Our decision

- 5.21 We remain our consultation position and approve funding of a total amount of £1.296mn for the expansion of the existing monitoring programme.
- 5.22 We encourage NGT to use the funding provided for additional monitoring to collect data on the NTS which was not regularly monitored in the past. The data should be analysed to identify trends, costs of repairs and volumes of repairs compared to past performance.
- 5.23 As we flagged in our consultation, if significant additional repairs will be identified as a result of this monitoring and as compared to the existing repair levels, we will engage further with NGT to find the best way forward in a way that will represent value for money for consumers and is in consumer's interests.
- 5.24 We consider that the evidence should include, among other things, at least one detailed report on findings, a CBA and supporting evidence, including NGT's view of prioritisation of repairs, expected costs and volumes based on at least one year of AGI's monitoring.
- 5.25 Once information is collated, analysed and assessed, Ofgem invites NGT to engage on the best route to seek additional funding for repairs and/or additional monitoring where such repairs can not be delivered immediately.

Continuous Emission Monitoring

Ofgem's consultation position

- 5.26 We didn't agree that investing in continuous monitoring would bring significant benefits to consumers, as it would not reduce methane emissions or identify the exact location of leaks to enable repair, above the traditional walk over leak detection.
- 5.27 We were of the view that the continuous monitoring will reflect what is already known, which is that operation of the system impacts methane emissions, and that methane emissions are high whenever there is operational venting (emergency venting, shut down/open up etc). Fugitive or unintentional leakages from compressor stations and terminals however are unlikely to be related to short duration emissions and will be captured by the periodic detection programme which we agreed to fund.
- 5.28 We have not seen any supporting CBA that would justify this investment.
- 5.29 We noted that continuous monitoring was approved and funded as part of the RIIO-2 GD&T FD⁹, however, NGT approached Ofgem and asked to repurpose the allowance stating that "there are better value options available, for example, procuring periodic detection equipment that will allow expansion of emission detection". We agreed with NGT's own view that there were better value options available.

Summary of responses

- 5.30 Two respondents didn't agree with our minded-to position not to fund continues monitoring.
- 5.31 NGT flagged that the value in continuous fugitive monitoring is in the speed of detection of fugitive emissions which can occur in between periodic fugitive surveys and the ability of these systems to identify 'hot spots' of fugitive emissions within the site being monitored. They were of the view that the combination of periodic and continuous monitoring complement each other and will allow for a robust business case put forward in RIIO-GT3 combining both methods.
- 5.32 NGT flagged that a system which potentially automates monitoring is less resource and time consuming relative to the periodic monitoring programme.

⁹ See paragraph 3.72, 3.73 in our RIIO-2 Final Determination – NGGT annex: [RIIO-2 Final Determinations for Transmission and Gas Distribution network companies and the Electricity System Operator | Ofgem](#)

- 5.33 Another respondent said that the monitoring of real-time fugitive emissions (MoRFE) presented only limited evidence that continuous monitoring is the most effective means of truly understanding fugitive emissions in compressor stations. They mentioned that there are technologies and programmes that are now more advanced that could be utilised to understand and predict failure modes of compressors and other gas related equipment, predicting faults so preventative measures could be employed.

Updated costs estimates

- 5.34 There was no change to the cost estimates for continues monitoring.

Our view of the responses and change to cost estimates.

- 5.35 We are of the view that the ability to identify “hot spots” of fugitive emission will mainly reflect the operation of the system and will not allow any meaningful resolution. Leakages, rather than methane emissions due to operation such as venting, will still need to be identified using traditional (albeit time and resource consuming) walk over.
- 5.36 We are of the view that expanded leak detection programme, alongside the other approved investments within this decision, should be sufficient to both identify leakages early and to reduce methane emissions due to operation of the system, and reduce leaks from compressor machinery train.
- 5.37 Specifically, based on both NGTs own views and response we received to the consultation, we are of the view that the proposed system (MoRFE) is not the best available technology to be used, and that there may be more advanced systems that may provide additional benefits such as early identification of failures.

Our decision

- 5.38 We remain our view that investment in continues monitoring and specifically in MoRFE does not represent value for money for consumers.
- 5.39 We note one of the respondent’s points that there are technologies that will assist in predicting faults. Although this subject was not included in this submission, we would encourage NGT to explore such opportunities of innovative solutions and engage in open discussions with Ofgem on the matter.

6. Summary of minded-to position, reporting requirements and next steps

Section summary

This section summarises Ofgem's position on funding, reporting requirements and proposed deliverables for all approved projects. It also sets out the next steps following this consultation on the proposed directions.

Ofgem consultation position

- 6.1 In line with our minded-to position on individual projects, Ofgem was minded to approve a total funding of £17.35mn of the total requested £29.92mn, reflecting the reductions for CMT and monitoring programme.
- 6.2 We were of the view that NGT should report to Ofgem on progress of the approved projects using the annual Regulatory Reporting Pack (RRP)¹⁰ submissions. We asked to include as a minimum:
- Progress (e.g. – tender, purchase, operation), including any risks to the timely delivery of the project should be set out in the RRP submission commentary.
 - Actual spend and forecast spend for the coming years should be included in the respective table in the RRP excel template.
- 6.3 **For the CMT project:** We recognised that selected sites for the trial may change and that any such changes and reasons should be reported in the RRP commentary.
- 6.4 **For periodic monitoring project,** we said NGT should provide full report on monitoring results, including analysis and proposals for next steps as part of the RRP once programme is delivered.

Summary of responses

- 6.5 The EA was satisfied with the proposed reporting requirement but wanted to receive further reassurance of Ofgem's oversight of the operational effectiveness of

¹⁰ Guidance and templates concerning the annual reporting requirements can be found here: [Notice proposing modifications to the Regulatory Instructions and Guidance \(RIGs\) RIIO-2 Year 2 for GT, GD and Regulatory Finance | Ofgem](#)

the leak detection and repair (LDAR) funding to allow independent view of the Opex arrangement for the repair programme.

- 6.6 NGT flagged that delivery programme needs to be altered to account for the time that has passed since the original submission was put forward, and the original assumptions made by NGT that decision would be made earlier in 2023.

Updated proposed delivery plans

- 6.7 For the pipeline recompression, compressor station and PIG trap recompression projects, NGT suggested to change the start date of the investment from December 2023 to FY 2023/24. There was no change to the delivery deadline.
- 6.8 For the CMT and monitoring programme projects, NGT proposed to push back the detailed design and ordering of long lead materials from December 2023 to FY 2023/24, and while this delay reflects the delay in decision only by several months, this effectively leads to delivery overall being pushed back to the following financial year, from 2025/26 to 2026/27.

Our view of the responses and change to delivery programme.

- 6.9 Following the response received from the EA, Ofgem engaged directly with the agency to provide overview and additional detailed information on the tools Ofgem has to monitor performance of network companies against their allowances and license obligations, such as the annual reporting process.
- 6.10 We note that final decision on the funding for all projects is published later than originally envisaged and we are satisfied that the new programme is adjusted to this delay for all three themes.

Our decision

- 6.11 We accept NGT's amended delivery programme to allow the time needed for NGT to engage with the supply chain and order the machines and items that are required. Table 1 below summarises the updated delivery timeline of the approved projects:

Consultation NGT's Methane emissions reduction and monitoring projects: Net Zero Pre-Construction Work and Small Projects Re-opener (NZASP)

Table 1: Ofgem final view of the delivery plan for approved projects

Project/FY ¹¹	December 2023	2023/24	2024/25	2025/26	2026/27
Pipeline recompression	Part payment of one high/low pressure pipeline recompression set.	Part payment of one high/low pressure pipeline recompression set.	Part payment of one high/low pressure pipeline recompression set.	Commissioned one high/low pressure pipeline recompression set.	N/A
Compressor station and PIG trap recompression	Procurement of seven small recompression units for compressor station depressurisations and PIG trap venting.	Procurement and part payment of seven small recompression units for compressor station depressurisations and PIG trap venting.	Part payment of seven small recompression units for compressor station depressurisations and PIG trap venting.	Commissioned seven small recompression units for compressor station depressurisations and PIG trap venting.	N/A
CMT (site 1) [REDACTED] Combined Gas Recompression	Develop (Detailed design, order long lead materials, FEA, FPSA)	Develop (Detailed design, order long lead materials, FEA ¹² , FPSA ¹³)	Develop (Detailed design, FEA, FPSA)	Execute programme.	Close project/ Analysis and Report Findings
CMT (site 2) [REDACTED] Combined Gas Recompression	Develop (Detailed design, order long lead materials, FEA, FPSA)	Develop (Detailed design, order long lead materials, FEA, FPSA)	Develop (Detailed design, FEA, FPSA)	Execute programme.	Close project/ Analysis and Report Findings
CMT (site 3) [REDACTED] Zero Loss Seal	Develop (Detailed design, order long lead materials, FEA, FPSA)	Develop (Detailed design, order long lead materials, FEA, FPSA)	Develop (Detailed design, FEA, FPSA)	Execute programme.	Close project/ Analysis and Report Findings
CMT (site 4) [REDACTED] Zero Loss Seal	Develop (Detailed design, order long lead materials, FEA, FPSA)	Develop (Detailed design, order long lead materials, FEA, FPSA)	Develop (Detailed design, FEA, FPSA)	Execute programme.	Close project/ Analysis and Report Findings
Expanded monitoring programme	Procurement of periodic fugitive emissions monitoring equipment ¹⁴ and desktop/site-based training for the team. Shadowing of third-party contractor	Procurement of periodic fugitive emissions monitoring equipment ¹⁵ and desktop/site-based training for the team. Shadowing of third-party contractor	Periodic fugitive surveys in-house of all compressor stations, terminals and multi-junctions using developed procedures. Survey 1/3 of other AGIs. Participate in	Periodic fugitive survey at all compressor stations, terminals and multi-junctions. Survey 1/3 of AGIs not yet tested. Obtain accreditation for periodic fugitive	Periodic fugitive survey at all compressor stations and terminals and multi-junctions. Survey remaining 1/3 of AGIs not

¹¹ Any financial year ends on the 31st of the last year. 2022/23 ends on the 31st of March 2023.

¹² Formal Environmental Assessment

¹³ Formal Process Safety Assessment

¹⁴ This equipment was already funded.

¹⁵ This equipment was already funded.

Consultation NGT's Methane emissions reduction and monitoring projects: Net Zero Pre-Construction Work and Small Projects Re-opener (NZASP)

	carrying out existing periodic fugitive surveys for 2022/23. Development of monitoring procedures using own equipment.	carrying out existing periodic fugitive surveys for 2022/23. Development of monitoring procedures using own equipment.	proficiency testing as a provider of periodic fugitive monitoring services and apply for accreditation	monitoring methods to bring within scope of ISO17025 accredited laboratory.	tested so all assets have been fully monitored at least once.
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6.12 We maintain our reporting requirements as described in our consultation.

6.13 Table 2 below summarises NGT's funding request and Ofgem's position on the level of funding for each project submitted under this NZASP re-opener application.

Table 2: Ofgem minded-to position on funding for this reopener in £m (18/19 price base)¹⁶

Theme	Project	NGT funding request (original submission)	Ofgem proposed reduction (Original deduction)	Ofgem proposed allowance (original allowance)
Mobile recompression theme – total	Pipeline recompression	4.35 (4.25)	0 (0)	4.35 (4.25)
	Compressor station and PIG trap recompression	4.79 (3.77)	0 (0)	4.79 (3.77)
	Mobile recompression theme total	9.14 (8.02)	0 (0)	9.14 (8.02)
	zero loss seal and combined gas recompression	9.25 (8.38)	0.27 (0.35)	8.99 (8.03)
CMT	CMT total	9.25 (8.38)	0.27 (0.35)	8.99 (8.03)
Detection and Analysis 9D&A)	Monitoring programme Opex	1.33 (1.33)	0.03	1.3
	Monitoring program – repairs	4.88 (4.88)	4.88	0
	Monitoring program – additional monitoring (opex repairs)	3.98 (3.98)	3.98	0
	Monitoring program – additional monitoring (capex repairs)	1.85 (1.85)	1.85	0
	Continues fugitive monitoring	1.47(1.47)	1.47	0
	D&A theme – total	13.5 (13.51)	12.21 (12.21)	1.3 (1.3)
NZASP	Total NZASP – all themes	31.9 (29.91)	12.48 (12.56)	19.42 (17.35)

6.14 Table 3 below summarises funding profile for each of the approved projects.

¹⁶ There may be very small differences between this table and the more detailed allowance profile due to rounding of numbers.

Table 3: Allowance profile

Project	22/23	23/24	24/25	25/26	26/27	Total
Pipeline Recompression	-	-	2.174	2.174	0.000	4.348
Machinery staged payments	-	-	2.397	2.397	0.000	4.795
CMT (inclusive of risk)	0.290	1.804	3.544	1.934	1.412	8.985
Periodic survey programme	-	-	0.443	0.443	0.409	1.295
Total allowance	0.290	1.804	8.559	6.949	1.821	19.423

Proposed directions and next steps

- 6.15 As part of this decision, we are publishing a proposed directions and proposed changes to Special License **conditions 3.9**: Net Zero Pre-construction Work and Small Net Zero Projects Re-opener (NZASP re-opener) and **6.1: Transportation owner pass-through items and** to give effect to our decision. The proposed directions are included in Appendix 1 and Appendix 2 of this decision respectively.
- 6.16 Under the NZASP re-opener, directions are issued by Ofgem to NGT to set out any adjustments to the value of NZPt as well as conditions to be followed by the licensee in relation to projects awarded funding. This includes how approved funding should be socialised across consumers, under Special Condition 6.1 of the National Gas (NGT) Gas Transporter Licence.
- 6.17 We are minded to funding 100% of the project approved costs through a charge on all GB gas consumers via NGT (as opposed to only the network licensee's customers taking the initial work forward). This is because the reduction in methane emissions is in the interests of all GB gas customers.
- 6.18 We are consulting on the proposed direction and changes to the Special Condition in line with part C of Special Condition 3.9: Net Zero Pre-construction Work and Small Net Zero Projects Re-opener (NZPt) and Special Condition 6.1. of NGT's Gas Transporter Licence, which will give effect to the funding decision.

Consultation NGT's Methane emissions reduction and monitoring projects: Net Zero Pre-Construction Work and Small Projects Re-opener (NZASP)

List of appendices

Appendix	Name of appendix
1	Proposed direction to change LC 3.9
2	Proposed direction to change LC 6.1
3	Privacy notice on consultation (direction and LC change)

Appendix 1 – proposed direction to change LC 3.9

This appendix sets out our proposed direction for NGT.

To: National Gas Transmission plc ('NGT' or 'Licensee')

Direction under Part C of Special Condition 3.9. (Net Zero Pre-construction Work and Small Net Zero Projects Re-opener (NZPt))

General

1. NGT is the holder of a licence granted or treated as granted under section 7 of the Gas Act ('the Act').
2. In November 2022, NGT (as the gas owner) submitted a Net Zero Pre-construction Work and Small Net Zero Projects Re-opener (NZASP) application¹⁷ in respect of the needs case, option selection and forecast costs of a cluster of projects with the aim to improve the management of and reducing methane emissions from the National Transmission system. On 4 October 2023 we consulted on the needs case and efficient costs for this project¹⁸. Having considered the consultation responses, on 14 March 2024, we published our decision, where we approved £[19.423]m in funding for the proposed Projects. Further details on the funding value are set out in our decision published on 14 March 2024¹⁹.
3. This direction is issued pursuant to Part C of Special Condition 3.9. (Net Zero Pre-Construction Work and Small Net Zero Projects Re-opener (NZPt)). It sets out the approved funding, the adjustment to the value of NGT's NZPSt term and the Regulatory Years to which that adjustment relates, as well as the conditions to be met by NGT (owner) in relation to the Projects. It is issued alongside a direction to NGT (operator), setting out the necessary amendment to the value of the NZPSt term in Appendix 2 of Special Condition 6.1 Part F of NGT's licence.
4. In accordance with Part C of Special Condition 3.9, the Gas and Electricity Markets Authority ("the Authority") published on its website the text of the proposed direction and stated that representations must be made on or before 12 April 2024

¹⁷ [Annex - SGN NZASP Application - Redacted.pdf \(ofgem.gov.uk\)](#)

¹⁸ [Consultation on National Gas Transmission's methane emissions reduction and monitoring projects | Ofgem](#)

¹⁹ Add link to decision document (not existing yet)

5. We received [number] responses and have placed all non-confidential responses on our website. Having considered those responses, we have decided to proceed with making this direction.
6. *[Address responses or refer to where that detail can be found. Explain any changes we have made to the proposed direction as a result of the responses.] - TBC*

Approved funding for the Project

7. The approved amount is £[19.423]mn, in 2018/19 price base, based on the forecasts for inflation set out in the GT2 Price Control Financial Model (PCFM) published on 4 February 2022²⁰. This total of £19.423mn will be recovered by NGT, through NTS Transportation Owner Charges²¹, and transferred to NGT. Annex 1 sets out the amounts to be recovered in each Regulatory Year and attributed to the Licensee.
8. The timing of the revenue transfer between NGT (as the operator) and the NGT (as the owner) must occur in accordance with Special Condition 6.1.13 of NGT's Licence. NGT (the owner) is responsible for notifying NGT (the operator) of the bank account details to which transfers must be made, using the template provided in Annex 3 to this direction.
9. Following the end of the projects, NGT (operator) must confirm to NGT (owner) the cumulative nominal value of consumer funding, based on outturn inflation to the end of financial year 2026/27. NGT (as the operator) and NGT (as the owner) must then carry out a reconciliation of this value against the amounts distributed to NGT (the owner) by NGT (the operator) throughout the project, with any difference settled as an additional funding distribution from NGT (operator), or a funding return from NGT (the owner) accordingly.

Project Funding Conditions

10. The Licensee must abide by the following conditions in undertaking the Project. It must: (i) undertake the Project in accordance with the description set out in their Re-opener application²²; and;(ii) complete all the deliverables set out in Annex 2 of this Direction;

Notifications and other project deliverables

²⁰ Available at <https://www.ofgem.gov.uk/publications/gt2-price-control-financial-model>

²¹ As defined in Special Condition 1.1.15 of National Grid Gas' Gas Transporter Licence

²² [Our RIIO-2 re-opener applications \(2021-2026\) | National Gas](#)

11. NGT must inform the Authority promptly in writing of any material event or circumstance likely to affect its ability to deliver the Project as set out in its submission.
12. Throughout the delivery of the respective projects, NGT must provide evidence of the deliverables as stated in the table below as part of the annual reporting: Regulatory Reporting Pack (RRP)²³ covering the respective financial year. The information should include as a minimum:
 - Progress (eg – tender, purchase, operation), including any risks to the timely delivery of the project should be set out in the RRP submission commentary.
 - Actual spend and forecast spend for the coming years should be included in the respective table in the RRP excel template.
13. At the end of the Project, NGT must submit a close-down report to the Authority setting out how it has completed the deliverables set out in Annex 2 of this direction.
14. If the Licensee fails to comply with a condition imposed by this Direction, the Authority will make use of this report in considering whether any funding should be returned to consumers, pursuant to Special Condition 3.9.7 of NGT's licence.

NOW THEREFORE,

15. The Authority, pursuant to the provisions of Special Condition 3.9 and the NZASP Re-opener Governance Document, issues this Direction to NGT.
16. This Direction constitutes notice of reasons for the Authority's decision pursuant to section 38A (Reasons for decisions) of the Gas Act 1986.

Jourdan Edwards

Duly authorised on behalf of the Gas and Electricity Markets Authority

[date]

Annex 1: Funding value

This annex sets out the amendments to be made to NGT's licence. The figures below are expressed in 18/19 values.

²³ Guidance and templates concerning the annual reporting requirements can be found here: [Notice proposing modifications to the Regulatory Instructions and Guidance \(RIGs\) RIIO-2 Year 2 for GT, GD and Regulatory Finance | Ofgem](#)

Special Condition 6.1 Part F Appendix 1

Net Licensee Funding and Payments to Distribution Networks for Net Zero Pre-construction Work and Small Net Zero Projects (£m)

Distribution Network/Regulatory year	2021/22	2022/23	2023/24	2024/25	2025/26
Network/Regulatory year	2021/22	2022/23	2023/24	2024/25	2025/26
National Grid Gas Limited	0.00	0.00	0.00	0.00	0.00
National Gas Transmission plc²⁴	0.290	1.804	8.559	6.949	1.821

Annex 2: deliverables

17. Throughout the delivery of the respective projects, NGT must provide evidence of the deliverables stated in the table below as part of the annual reporting to the Authority covering the respective financial year.

Project/FY ²⁵	2023/24	2024/25	2025/26	2026/27
Pipeline recompression	Part payment of one high/low pressure pipeline recompression set.	Part payment of one high/low pressure pipeline recompression set.	Commissioned one high/low pipeline recompression set.	N/A
Compressor station and PIG trap recompression	Procurement and part payment of seven small recompression units for compressor station depressurisations and PIG trap venting.	Part payment of seven small recompression units for compressor station depressurisations and PIG trap venting.	Commissioned seven small recompression units for compressor station depressurisations and PIG trap venting.	N/A
CMT (site 1) Combined	Develop (Detailed design, order long lead materials, FEA ²⁶ , FPSA ²⁷)	Develop (Detailed design, FEA, FPSA)	Execute programme.	Close project/ Analysis and Report Findings

²⁴ Formally known as National Grid Gas Transmission (NGGT). On 1st Feb 2023 the National Gas Transmission & Gas Metering business separated from National Grid and became an independent company. National Gas is the new name, sold to a consortium led by asset manager, Macquarie. Announcement can be found here: <https://extranet.nationalgrid.com/GasArchive/privatisation3.htm> From National Grid to National Gas

²⁵ Any financial year ends on the 31st of the last year. 2022/23 ends on the 31st of March 2023.

²⁶ Formal Environmental Assessment

²⁷ Formal Process Safety Assessment

Consultation NGT's Methane emissions reduction and monitoring projects: Net Zero Pre-Construction Work and Small Projects Re-opener (NZASP)

Gas Recompression				
CMT (site 2) [redacted] Combined Gas Recompression	Develop (Detailed design, order long lead materials, FEA, FPSA)	Develop (Detailed design, FEA, FPSA)	Execute programme.	Close project/ Analysis and Report Findings
CMT (site 3) [redacted] Zero Loss Seal	Develop (Detailed design, order long lead materials, FEA, FPSA)	Develop (Detailed design, FEA, FPSA)	Execute programme.	Close project/ Analysis and Report Findings
CMT (site 4) [redacted] Zero Loss Seal	Develop (Detailed design, order long lead materials, FEA, FPSA)	Develop (Detailed design, FEA, FPSA)	Execute programme.	Close project/ Analysis and Report Findings
Expanded monitoring programme	Procurement of periodic fugitive emissions monitoring equipment ²⁸ and desktop/site-based training for the team. Shadowing of third-party contractor carrying out existing periodic fugitive surveys for 2022/23. Development of monitoring procedures using own equipment.	Periodic fugitive surveys in-house of all compressor stations, terminals and multi-junctions using developed procedures. Survey 1/3 of other AGIs. Participate in proficiency testing as a provider of periodic fugitive monitoring services and apply for accreditation	Periodic fugitive survey at all compressor stations, terminals and multi-junctions. Survey 1/3 of AGIs not yet tested. Obtain accreditation for periodic fugitive monitoring methods to bring within scope of ISO17025 accredited laboratory.	Periodic fugitive survey at all compressor stations and terminals and multi-junctions. Survey remaining 1/3 of AGIs not tested so all assets have been fully monitored at least once. Full report on monitoring results. This should include analysis of the findings and proposal for next steps (if relevant).

Annex 3: template of bank account details to be provided to NGT (operator)

[redacted]

²⁸ This equipment was already funded.

Appendix 2 – proposed direction to change LC 6.1

To: National Gas Transmission plc ('NGT' or 'the Licensee')

Direction under Part F (Adjustment for the Distribution Networks' Net Zero Pre-Construction Work and Small Net Zero Projects Re-opener (NZPSt) of Special condition 6.1. (Transportation owner pass-through items (PTt))

General

1. NGT is the holder of a licence granted or treated as granted under section 7 of the Gas Act ('the Act').
2. In November 2022, NGT (as the gas owner) submitted a Net Zero Pre-construction Work and Small Net Zero Projects Re-opener (NZASP) application in respect of the needs case, option selection and forecast costs of five projects with the aim to improving the management of and reducing methane emissions from the National Transmission system (NTS). On 4 October 2023 we consulted on the needs case and efficient costs for these projects²⁹. Having considered the consultation responses, on 14 March 2024 we published our decision, where we approved total of £[19.423]mn (in 2018/19 price base) in funding for the proposed Projects. Further details on the funding value are set out in our decision published on 14 March 2024³⁰.
3. This direction is issued pursuant to Part F (Adjustment for the Distribution Networks' Net Zero Pre-Construction Work and Small Net Zero Projects Re-opener (NZPSt) of Special Condition 6.1 (Transportation owner pass-through items (PTt)) of NGT's licence. It sets out the adjustments to the value of NZPSt. In particular, it provides for the payments to be made by the Licensee (NGT as the operator) to NGT (as the owner of the transmission system) for the Project, as a result of the application made under Special Condition 3.9 of its licence. It is issued alongside a direction to NGT (as the owner of the gas transmission system) setting out the conditions to be met by them in relation to the Projects.

²⁹ [Consultation on National Gas Transmission's methane emissions reduction and monitoring projects | Ofgem](#)

³⁰ Add link to decision document (not existing yet)

4. The Gas and Electricity Markets Authority ("the Authority") published on its website the text of the proposed direction and stated that representations must be made on or before 12 April 2024.
5. We received [number] responses and have placed all non-confidential responses on our website. Having considered those responses, we have decided to proceed with making this direction.
6. *[Address responses or refer to where that detail can be found. Explain any changes we have made to the proposed direction as a result of the responses.] - TBC*

Payments to NGT under the Net Zero Pre-construction Work and Small Net Zero Projects

7. The approved amount of £[19.423]mn in 18-19 values for the Projects, will be recovered by NGT (as the operator of the gas transmission system), through NTS transportation Owner Charges³¹, and transferred to NGT (as the owner of the gas transmission system). Annex 1 sets out the amounts to be recovered in each Regulatory Year.
8. The timing of the revenue transfer between NGT (as the operator) and the NGT (as the owner) must occur in accordance with Special Condition 6.1.13 of NGT's Licence. NGT (owner) is responsible for notifying NGT (operator) of the bank account details to which transfers must be made.

NOW THEREFORE,

9. The Authority, pursuant to the provisions of Special Condition 6.1, issues this Direction to NGT (operator). Furthermore, the Authority directs that Appendix 1 of Special Condition 6.1 Part F is amended as set out in Annex 1.
10. This Direction constitutes notice of reasons for the Authority's decision pursuant to section 38A (Reasons for decisions) of the Gas Act 1986.

Jourdan Edwards

Duly authorised on behalf of the Gas and Electricity Markets Authority

[date]

³¹ As defined in Special Condition 1.1.15 of National Grid Gas' Gas Transporter Licence

Annex 1: Funding value

This annex sets out the amendments to be made to NGT's licence. The figures below are expressed in 18/19 values.

Special Condition 6.1 Part F Appendix 1

Net Licensee Funding and Payments to Distribution Networks for Net Zero Pre-construction Work and Small Net Zero Projects (£m)

	2021/22	2022/23	2023/24	2024/25	2025/26
Cadent Gas Limited	0.00	3.38	0.00	0.00	0.00
National Grid Gas Limited	0.00	0.00	0.00	0.00	0.00
National Gas Transmission plc³²	0.290	1.804	8.559	6.949	1.821
Northern Gas Networks Limited	0.00	5.74	0.00	0.00	0.00
Scotland Gas Networks plc	0.00	13.36	7.92	2.50	0.00
Southern Gas Networks plc	0.00	0.00	0.00	0.00	0.00
Wales and West Utilities Limited	0.00	0.00	0.00	0.00	0.00

³² Formally known as National Grid Gas Transmission (NGGT). On 1st Feb 2023 the National Gas Transmission & Gas Metering business separated from National Grid and became an independent company. National Gas is the new name, sold to a consortium led by asset manager, Macquarie. Announcement can be found here: <https://extranet.nationalgrid.com/GasArchive/privatisation3.htm> From National Grid to National Gas

Appendix 3 – Privacy notice on consultations

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

N/A

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for six months after the project is closed)

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data

- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system.

10. More information

For more information on how Ofgem processes your data, click on the link to our "[ofgem privacy promise](#)".