

RIOO3 Draft Determination Submission

Socialisation of network reinforcement costs

The Green Gas Taskforce is a campaign group. Taskforce Partners include the 13 largest biomethane generators, shippers and traders, all of the GB gas networks and key sector groups. We are campaigning to increase the profile of biomethane generation and improve the policy environment in order to deliver growth in the sector.

We welcome and are fully supportive of the ambition to support growth in biomethane, which is increasingly seen as a vital component of our least cost journey to net zero, whilst supporting economic growth and the associated benefits to UK plc.

New energy producers want to access their market via the energy network as efficiently and effectively as possible. For the gas networks that were built to take gas from ‘Beach to Meter’, gas injections in the middle of the system can create entry capacity issues, which require network action and in some cases investment to remove the constraint. In electricity for the equivalent issue of embedded generation, the need to deliver the required reinforcements efficiently and effectively is well understood. So are the benefits of socialising reinforcement costs, rather than charging the ‘first comer’. There is a strong taskforce consensus that dealing with entry reinforcement is one of the biggest challenges facing the growth in biomethane connections.

The current framework does not facilitate entry project coordination to share reinforcement costs, as entry gas developers are independent commercial organisations, each with their own drivers, priorities and strategies. Responding to ad-hoc connections is also not conducive to the identification of efficient strategic ‘touch the network once’ reinforcements.

We are fully supportive of proposals, such as Cadent’s High Cost Cap that are a sensible first step to address the known issues with entry reinforcement through a change to the connection charging methodology. Such changes which socialise an element of entry reinforcement costs, must however be supported by Ofgem with an effective funding mechanism, which allows the network to recover the efficient socialised costs on an enduring basis.

The Biomethane UIOLI proposed in the Draft Determinations does not fully address this funding gap as it is limited in size per connection, and has a cap with no mechanism to increase it, should it be exhausted. It also does not address enduring opex costs that some entry reinforcements will generate. Of most concern is the link to the Green Gas Support Scheme. The Biomethane UIOLI proposals suggest projects utilising the GGSS should not benefit from the proposed additional funding, as it is believed that this would be duplication of support.

The GGSS has made no provision for entry reinforcement costs in its construction and only includes a sensible cost allowance for typical local connection works. It is effectively assuming projects connect where there is existing spare capacity, or the project has



export constraints, so no reinforcement is carried out. Both these scenarios represent barriers to a step change in biomethane exports as it does not recognise the increasing need to expand the wider networks capacity to accommodate entry flows.

The Biomethane UIOLI as currently set out in the Draft Determinations needs refinement and clarification as it does not explicitly recognise or address the current issue of entry reinforcement. We are keen to work with Ofgem to develop an effective scheme to socialise the costs of entry reinforcement, which unlocks the benefits of biomethane whilst protecting gas consumers from excessive and inefficient costs.

