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# Transmission Capacity Incentives

20 October 2005

# Perspective

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## UK Dependency and Global Context

- UK and Europe increasing dependence on non-UK sources of natural gas
- Significant growth forecast in global demand for natural gas
- Important that UK maintains:
  - Effective open market
  - Attractive investment environment
  - Stable and predictable regulatory framework
  - Capable and reliable Transporter (National Grid Gas plc)

## Transporter Role In Gas Supply Chain

- Transporter pipeline projects critical to new infrastructure/supply projects
  - For both imports or new gas storage
- Transporter & Ofgem approach, priorities should reflect importance to consumers

# Project Lead Times

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- Recent UNC modifications provides Transporter procedure to:
  - Alter lead times on project delivery
  - Adjust quantities of incremental capacity offered for sale
- Modifications have created additional uncertainty for developers/shippers but
  - Recognises that not all pipeline projects are same
  - Flexibility is subject to consent process on case by case basis and
  - GEMA will have access to experts as appropriate to determine variations
- Developers must be allowed to fund Transporter preliminary work to reduce lead time
- Transporter to “perform” when developer/ shippers make financial commitments
  - Ofgem has key oversight role

# Regulatory Focus 2007+ Major Projects

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- Several projects/ associated pipeline connections due to be commissioned in next price control period
- Buy back scheme appropriate to manage capacity constraints on operating network
- Separate performance measures needed to ensure Transporter timely delivery of infrastructure associated with major new projects
- Nature of arrangements ?
  - Applicability, detailed structure developed on case by case basis
  - Reflects risk and complexity of major new project developments
  - Framework endorsed by Ofgem
- National Grid Gas “best in class” performance critical to major project success
  - Developers rely on delivery of new pipeline connections and/or reinforcement as key element in complex infrastructure/ supply projects
  - Ofgem and performance measures must promote Transporter project delivery