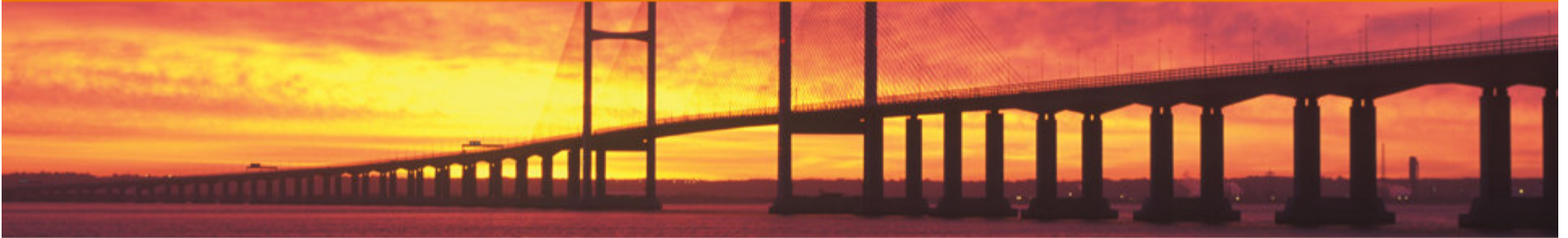




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# Wales & West Utilities

**DN Entry – Slides for discussion 6<sup>th</sup> August 2010**



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## General Principles for Entry Policy

- To be compliant with statutory, safety case, licence and UNC obligations and not have adverse impact on customers and WWU reputation
- Should not increase the likelihood of a Gas Emergency
- Should be consistent with Exit policy, arrangements for NTS exit where clear read over
- Should seek to learn lessons from electricity distributed generation
- Should minimise risk of WWU incurring unfunded Capex or Opex
- In the absence of changes to charging policy the DN Entrant should bear the costs of entry
- Consistent with current transportation charging methodology (this could change over time)
- Should not oblige WWU to take more gas than can be used in that discrete system



## **WWU initial position summary**

### **Network Entry Agreement**

There is a balance on many of these points between the obligations on the transporter to comply with legislation and the costs involved

- CV – only currently require CV to meet GS(M)R requirements
- Gas Quality – DN Entrant must fund risk assessment into elements that are different from that found in North Sea Gas. Recognise that there is issue over cost of equipment
- Odourisation – all gas must be odourised regardless of input pressure
- Pressure – gas to be input at pressure consistent with efficient operation of system and safety
- Equipment Ownership – WWU will own minimum connection, customer to own all gas cleanup, pressurisation equipment
- Gas Act exemptions – WWU will consider but entrant has to pay for costs of obtaining it and also ongoing costs associated with operating to it
- Entry Metering assumed required to same standard as for NTS Entry - to be owned by WWU. Recognise issue over cost of equipment
- Connection – follow Sufficiently Complex Job process
- Capacity – D12 only requires transporter to offer Non Firm Entry Capacity
- Product liability



## Funding Issues

- Will be need additional instrumentation and control to manage DN Entry, current approach is for entrant to pay for all of Capex but this will
  - Increase upfront costs of DN entry potentially reducing number of connections and volume input
  - Still lead to DNs having some Opex costs (for example maintenance of minimum connection and potentially gas monitoring equipment which would need to be charged to DN entrant on annually). This leads to issues if entrant ceases trading and in long term with funding of replacement of these assets
- One option would be for allowance for Capex and Opex to be provided in price control
  - Only if DNs can demonstrate customer benefit
  - What should it cover?
- Need to consider Electricity, DN Exit, NTS Entry also links with transportation charging and reinforcement policy and charging