

# Views of Generators & Shippers on the Proposed RIIO-T1 & GD1 Outputs & Incentives

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# Overview

- Outputs that can apply to all price controls and fuels
- RIIO – T1 Outputs
  - Electricity
  - Gas
- RIIO – GD1 Outputs
- Uncertainty

# Outputs for RII0-T1 & GD1

- Environmental Impacts
  - Any incentives on direct network emissions should be in addition to corporate commitments
- Connections
  - Connections need to be provided in a timely and efficient manner – particular issue for gas
  - Co-ordination of planning & consenting processes
- Customer Satisfaction
  - Generators, Suppliers and Shippers are all customers
- Information Quality Incentive
  - Should be used to provide customers with views on likely costs & profits / rate of return – baseline plus range

# RIO-T1 Outputs - Electricity

## 1. Reliability & availability

- Number & duration of failures and faults should be reduced through incentives
- Average circuit unreliability reduced through incentives
- Security of supply important – especially for some generators
- Optimisation of constraints in a cost effective & efficient manner

# RIIO-T1 Outputs – Electricity (cont.)

## 2. Environmental Impacts

- Role of Government to set policy & objectives
- TOs role to connect generation & facilitate supply
- Any incentive should be technology neutral
- Possible to develop incentive to minimise constraints impacting on low carbon generation – co-ordination of TO & SO incentives

## 3. Strategic investment

- Must sit at heart of RIIO & output measures

# RIO-T1 Outputs – Gas

## 1. Reliability & Availability

- Time to review definition of 1 in 20 with climate change?
- Flexibility
  - Lots of history!
  - Need to differentiate between profile and supply flexibility
  - Need to understand interactions with NGG obligations and funding and supply flexibility
  - How do CCGTs actually operate?

## 2. Connections

- Timely gas connections an issue – lots of work currently
- Funding should ensure offers & connections can be provided in a timely manner – including licence changes
- Business plans & assumptions for generation connection should be consistent with electricity

# RIO-GD1 Outputs

## 1. Environment

- Connection standards should be technology neutral
- Need to review appropriateness of deep versus shallow connections & incentives this creates
- Gas quality & CV shrinkage is an issue that needs resolving
- Funding of Unaccounted for Gas an issue – should this be included in GD1?

## 2. Network Reliability

- Must include NTS to LDZ meters
  - 2010 saw 2 large errors costing more than £60m to Shippers
  - 4.5 TWh of gas still missing
  - Output incentive should ensure that NTS to LDZ meters are accurate
  - Large meter errors should have financial implications for asset owners

# RIO-GD1 Outputs (cont.)

## 3. Social Obligations

- Development & provision of central database for Suppliers to register priority customers

## 4. Customer Satisfaction (xoserve)

- Reform a necessity
- Review Group 334 identified GDNs do not view xoserve as a service provider
- Shippers view xoserve as a critical service provider
- As a minimum Governance of xoserve should reflect Shippers ultimately fund xoserve
- Potential to tender for xoserve services with interactions of RIO, Smart metering, DCC and system replacement
- Outputs should focus on costs, customer satisfaction, & ability to support industry lead change in a timely manner



# RIO-GD1 Outputs (cont.)

## 5. Information Quality Incentives

- Number of price changes within year – should be minimised
- Interaction between charges and revenue recovery incentive & obligations
- Should also include post RIO-GD1 process
  - forecasting of revenues

# Uncertainty

- Need to include unexpected reductions in costs as well – not just increases
- How do you cover for the unknown?
- Will Road Traffic Act costs continue to be allowed as pass through?

Questions?