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Update consultation on National Transmission System (NTS) flexibility capacity

Dear Lewis

Please see below WWU's response to the (NTS) flexibility capacity consultation. We look forward to building on the concepts within this document and providing additional detail to develop some of the thinking within the document.

Should you have any questions please do not hesitate to contact Robert Cameron-Higgs (robert.cameron-higgs@wwutilities.co.uk) or Bethan Winter (bethan.winter@wwutilities.co.uk).

Yours sincerely

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24 hour gas escape number
Rhif 24 awr os bydd nwy yn gollwng

0800 111 999*

*calls will be recorded and may be monitored
caiff galwadau eu recordio a gellir eu monitro

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CHAPTER: One

Question 1: Do you agree with our definition of system flexibility?

It is critical that any definition(s) of system flexibility are unambiguous. The consultation is not entirely clear in this regard. On the one hand it talks about the existing flex product and how GDNs and TCCs access this through Offtake Capacity Statement (OCS) and Offtake Profile Notices (OPNs) etc, and then goes on to talk about variation to linepack caused by unbalanced inputs and outputs (diagram 2, page 6), which can occur at any time in the gas day. Additionally, the definition(s) do not account for residual balancing / demand tracking which is a permanent feature of any system flexibility.

The subtle but distinct differences between these areas require a clear definition of what is in scope for any system flexibility measure or product. This may be best served by defining more than one to demonstrate any key differences.

Note – When system flexibility is referred to by WWU, it is in the context of the UNC definition.

Question 2: Do you agree with our view that the ability to vary gas flows on entry and exit is valued by Gas Distribution Networks (GDNs), Transmission Connected Customers (TCCs), Aggregated System Entry Point (ASEP) operators and gas shippers?

GDNs have always valued the right to vary gas flows at its exit points. The usefulness of this ability is not a new concept and has been an embedded process for many years.

CHAPTER: Two

Question 1: Do you agree with the system flexibility indicators developed by NGG?

WWU are broadly satisfied that the leading indicators are appropriate. The phase 1 lagging indicators and phase 2 indicators need to be well defined for the optimum value to be gained from reporting these categories.

Question 2: Do you consider that the system flexibility indicators are capable of identifying future system flexibility investment needs?

Indicators are not capable of identifying future system flexibility investment needs if considered in isolation. GDNs have to plan for 1 in 20 capacity requirements which may not necessarily be highlighted by any indicators.

Similarly, in any integrated system, it is not always straightforward to link cause and effect. Looking at indicators in isolation may not always be appropriate and could in fact provide a misleading picture for a localised GDN issue.

Additionally, events such as flow swapping may legitimately create a spike in one area of the Network, which would not be a good indicator of 'normal' flex utilisation, and could lead to a distorted view of GDN use on specific days.

Question 3: Do you agree with our high-level analysis of the factors likely to affect future gas flows on the NTS? Are there important trends which we have not considered?

Acknowledging the principle that demand may increase when the 'wind stops blowing', it is important to acknowledge if the reverse principle holds true, and whether the amount of available flexibility capacity increases when the wind is blowing.

Accepting this conceptual argument, it would be helpful to articulate the potential impacts in terms of volume etc, so as to properly assess the materiality of this issue.

CHAPTER: Three

Question 1: Do you agree with Ofgem's representation of how shippers and TCCs manage their NTS exit flow variation requirements?

The representation provided within the consultation, is specifically how GDNs manage flex with regards to the current UNC definition, which is not necessarily the definition being considered beyond 2012/13. One specific point to take account of is that Ofgem's representation does not allow for intake changes due to demand forecast changes (as these should have a corresponding change at entry, this element should be excluded).

Question 2: Do you have any views on the effectiveness of the existing UNC Offtake Capacity Statement (OCS) process applying to GDNs NTS exit (flex) capacity bookings and do you consider that the UNC adequately supports shippers flexibility capacity needs?

GDNs would be better placed to make informed OCS flex capacity bookings if NGG were able to provide a suggested level of flex that may be available. This would enhance the current process where any GDN request, not fully satisfied, leads to a condensed timeframe for GDNs and NGG to agree different flex levels and assured operating pressures (AOPs).

GDNs currently provide NGG with flex usage information (UNC OAD Section H provisions) across a variety of demand levels. It is unclear how much of this information is utilised by NGG to better inform decision making when considering GDN requests in the existing OCS window.

Question 3: Would it be appropriate for NGG to consider investment to provide GDNs with incremental exit flexibility capacity?

It would be appropriate for NGG to consider investment if it was a more economic and efficient option than the GDN investing in its own Network. It is important to recognise that NGG may not need to invest to provide incremental flexibility capacity. Theoretically, such capacity could be provided in part or whole by the increased use of NTS compressors or other changes to operational strategy, to increase the required pressure and/or provide the additional flex.

CHAPTER: Four

Question 1: Do you agree with our view of the principles and objectives which should apply to the further development of the system flexibility capacity arrangements on the NTS?

Any development in this area should take into account, the very different nature of those parties potentially looking to secure constrained system flexibility. The GDNs have an overarching Licence requirement to satisfy 1 in 20 capacity requirements. Given the criteria outlined in this chapter, the GDNs should be viewed as the parties who value it most. This in turn, should lead to a position whereby due discrimination is exercised to ensure customers receive flex capacity, and at the lowest price.

Question 2: Do you agree that it would be appropriate to introduce an obligation on NGG to report on system flexibility indicators under the RIIO-T1 framework?

As indicated in our response to Chapter 2 Q1, WWU believe the production of well defined indicators with commentary would prove a useful reporting tool. An obligation on NGG to report under the RIIO-T1 would be appropriate.

Question 3: Do you agree that it would be appropriate for NGG to justify any system flexibility investment proposals under RIIO-T1 with reference to flexibility capacity system indicators and specific RIIO-T1 output measures?

WWU would expect NGG to refer to such indicators and output measures when justifying any investment proposals. It may be that the indicators do not automatically lend themselves to justification; therefore the required commentary would assist in articulating any requirements.

Question 4: Do you agree that the commercial and use of system charging arrangements should reflect any costs imposed on the system by NTS users' needs to vary entry and exit flows?

This principle needs careful scrutiny. As already mentioned in this response, it is key that the definition of flex capacity is clearly articulated. The different components that can be generally called flex are likely to impose different issues, and costs, on NGG.

Once this is clear, it will be easier to articulate how any potential costs arise and whether there may be any other way of offsetting the problem / rebalancing the system. There is also a matter of perception that needs examining. Are we, as an industry, more aware now that flex is being used more than previously or has it just become more visible? This is an important point, as cost recovery should only be an issue if there are new costs being absorbed by NGG.

Linked to the concept of putting a price on flexibility capacity are a number of important issues

- Any organisation paying for flat investment should get associated flex (natural bi-product) prioritised for x period of time.
- Any organisation paying NGG for flex investment/expenditure (TO or SO) should be recompensed if there is additional flex utilised by a 3rd party attributable to this specific work