



Ofgem Consultation Letter – Setting new revenue drivers, updating existing revenue drivers and adding new exit points to the Gas Transporter Licence AEP¹ Comments

The Association welcomes the opportunity to comment on this consultation letter. This issue is of interest since revenue drivers determine the revenue to be recovered from shippers and ultimately customers for a five year period from when incremental capacity is released. We are also interested in processes issue relating to the setting of revenue drivers and for new points being established in National Grid’s gas transporter licence since it is important for developers to understand the timescales involved so these can be incorporated into their own project plans. We note that it is likely to be little short of 12 months from when NG first requested revenue drivers for Tonna and Pembroke to when they are finally agreed and if NG refuses to release capacity without a revenue driver, consistent with its position in the ExCR, then this is a significant addition to the 38 month lead time for incremental capacity as stated in its licence. We therefore look forward to Ofgem’s anticipated consultation on the process for setting revenue drivers in the future to help reduce this timescale and uncertainty.

Revenue Driver Assumptions

The Association agrees with Ofgem’s provisionally preferred approach to assume 300GWh/d of flow at Milford Haven for modelling to identify the reinforcement requirements. This would seem to be a reasonable flow assumption based on the analysis undertaken by Ofgem and NG’s financial business plan questionnaire as part of the transmission price control rollover.

In the future, year round LNG imports will be an important and necessary feature of supplies into the UK to balance supply and demand, whilst also providing responsiveness to demand fluctuations. We would expect a certain volume of baseload flows to be a feature of this.

The Association noted that a previous consultation (Ref 106/09) demonstrated that the revenue driver for Abernethy (Tonna) was sensitive to capacity / flows at Fleetwood. Ofgem provided clarification that for the purposes of this analysis and proposal no capacity or flow was assumed at Fleetwood, we support this assumption.

¹The Association of Electricity Producers (AEP) represents large, medium and small companies accounting for more than 95 per cent of the UK generating capacity, together with a number of businesses that provide equipment and services to the generating industry. Between them, the members embrace all of the generating technologies used commercially in the UK, from coal, gas and nuclear power, to a wide range of renewable energies.

Licence Amendments

The proposed licence amendments to the trigger quantities for Marchwood and Pembroke (phase1) seem an appropriate may to 'tidy up' these issues where booked capacity was at variance to that included in the licence previously. The amendments would remove any ambiguity and allow NG to recover revenues having delivered exit capacity at intended.

We would anticipate setting revenue drivers as a £/GWh/d consistent with more recent revenue drivers would avoid this issue re-occurring. Providing for range of capacity levels against such revenue drivers would also seem to be a sensible way forward.

New Exit Points

The Association supports the inclusion of these exit points in NG's licence.

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