

Gas Network Innovation Competition Full Submission
Supplementary Answer Form

Project: Real-Time Networks

Tick if this answer has been provided verbally: ☐

Project code	SGN_GN_03	Question Number	7
Question date	27/08/2015	Answer date	02/09/2015
Submission section question relates to	General		
Topic			
Question	<p>This project could potentially reduce future operational and capex costs which is noted in section 3.2. The current price control provides several incentivises to do this:</p> <ul style="list-style-type: none">• Totex incentive, GDNs retain 64% of any underspend• Discretionary reward scheme (DRS) - takes into account the extent to which GDNs have facilitated the connection of distributed gas, including efforts to develop voluntary standards. These are part of the evaluation of DRS submissions.• Environmental emissions incentive (EEI) – incentive to outperform leakage targets (15-20% over GD1) e.g. this can be achieved through better management of av. system pressures.• NTS exit capacity – incentivised to minimise the impact on NTS• Stakeholder engagement as part of the broad measure of customer service. <p>Does SGN consider that the suite of incentives in place during RIIO-GD1 (or potentially for RIIO-GD2) are insufficient to encourage the activities set out in this project?</p>		
Notes on question			

Answer	<p>We consider that the incentive and innovation packages put forward in RIIO-GD1 are appropriate and relevant for the networks at present. We cannot form a conclusion on incentive packages for RIIO-GD2 and beyond without considering the full price control packages and how the landscape of the GB energy sector may look at that time.</p> <p>The development of a real-time network is a step change which challenges current processes and industry orthodoxy and as a result carries a significant uncertainty of success. A research and development project of this type has not been allowed for as part of our RIIO-GD1 allowance therefore would not be considered a business as usual activity. We believe that the NIC is the ideal funding mechanism for this project.</p> <p>Potential cost outperformance from the project is included in our benefit analysis.</p>
Attachments	None