



Making a positive difference  
for energy consumers

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Date: 1 March 2016

Dear David

### **Ofgem response to ENA Consultation - Reducing Costs and Removing Barriers for Low Flow Entry Sites**

Thank you for your letter dated 23 September 2015 regarding the Energy Networks Association (ENA) consultation on Reducing Costs and Removing Barriers for Low Flow Entry Sites<sup>1</sup>.

Please accept my apologies for the delay in responding to your letter.

We have read the consultation document and associated responses. There are a wide range of opinions offered with considerable general support for change. We note there is industry desire to see reform to the existing calorific value ("CV") determination regime for low flow biomethane sites and that the current regime for such sites is seen by the industry as disproportionate.

Of the two 'change' choices proposed in the consultation document, namely:

- **Option Two** – Modified Ofgem Letter of Direction
- **Option Three** – The Removal of the Requirement for Ofgem to "Direct" Low-flow Biomethane sites.

whilst the majority of the responses received indeed showed a preference for Option Three, with some support for further exploration of Option Two, we do not consider the consultation alone provides sufficient justification for change. In particular it does not provide sufficient evidence of the impacts, costs and benefits of change.

Given the requirement for Ofgem to protect customers from the financial impact of receiving gas that is of a lower CV than they are charged for, we would require any alternative regime to have suitable proportionate control mechanisms and governance. We do not consider sufficient attention has been given to assimilating the consultation responses and constructing and proposing a specific, robust and sustainable alternative regime with clear and suitable governance.

Therefore in summary, Ofgem considers this consultation document does not provide a suitable clear alternative regime that demonstrably and adequately protects customers.

However, as you are aware RIIO-GD1 actively seeks to encourage biomethane connections to the network and Ofgem is therefore very mindful and supportive of the need for appropriate initiatives that may lower the barriers to and associated costs of biomethane grid injection.

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<sup>1</sup> <http://www.energynetworks.org/assets/files/news/consultation-responses/Reducing%20Costs%20and%20Removing%20Barriers%20Consultation%20PDF.pdf>

Currently, the only instruments able to provide the required levels of accuracy of CV measurement appear to be gas chromatographs. Such instruments are also capable of very accurate and comprehensive analysis of the composition of the constituent gases, and thus include the ability to monitor gases for ensuring compliance with the Gas Safety (Management) Regulations 1996, Schedule III requirements. Gas chromatographs and the associated necessary ancillary equipment are therefore costly. In the sole context of CV determination, this enhanced capability is not necessary, particularly if other flow metering, sample rate and speed of response factors are considered when assessing overall accuracy.

The more limited requirements for monitoring the CV of gases to ensure compliance with the provisions of the Gas (Calculation of Thermal Energy) Regulations 1996 means cheaper and simpler Calorific Value Determination Devices ("CVDD"s) may be more appropriate and proportionate devices, while still providing adequate fiscal protection to customers.

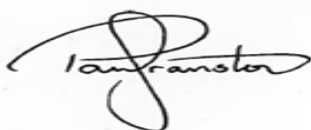
Ofgem therefore believes there may be a case for relaxing the currently accepted accuracy requirement of approved CVDDs if this enables more appropriate CVDDs to be approved by Ofgem for full CV determination of gas, both at entry and within the gas system.

During the period of our consideration of your consultation document, Ofgem has been discussing a proposal with a third party to relax the currently accepted accuracy requirements for Ofgem approved CVDDs.

If a full proposal to revise the currently accepted accuracy requirements of CVDDs is received and it is robust, of sufficient quality, transparent and quantitatively argued, Ofgem intends to consult on it by issuing an open letter and publishing the proposal as a formal consultation document for change.

Ofgem believes that if such devices can be approved, this development has the potential to significantly reduce the costs of CV monitoring at low flow entry sites and may negate the need for any substantive alteration of the current Flow Weighted Average Calorific Value regime.

Yours sincerely

A handwritten signature in black ink, appearing to read "Paul Branston". The signature is stylized with a large, looping initial 'P' and a long horizontal stroke extending to the right.

Paul Branston  
**Associate Partner, RIIO Networks**  
Networks Division