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WWU response to Ofgem consultation Getting more out of our electricity networks by reforming access and forward-looking charging arrangements

Dear Jon,

Thank you for the opportunity to respond to the consultation. Wales & West Utilities is a gas transporter serving 2.5 million supply points in Wales and south west England. This includes 30 flexible electricity generators ranging from outputs of 20 to 800MW electricity, 19 biomethane injection plants which inject approximately 500GWh each year and 3 Compressed Natural Gas (CNG) refueling stations.

Many of the questions relate to quite detailed issues and we do not wish to comment on those, therefore we are only replying to questions 1 and 16.

Question 1. Do you agree with the case for change as set out in this chapter 2? Please give reasons for your response, and include evidence to support where possible.

There is increasing interaction between electricity and gas networks, for example the increase of renewable electricity generation has increased the requirement for flexible electricity generation which is generally gas powered. In consequence there are common issues for electricity and gas distribution networks, although driven by different issues. Overall we are disappointed that the consultation has not taken a whole networks approach and looked at these interactions. There is a well understood need to decarbonize heat and transport. The consultation looks at the implications should this be done by electrifying heat and transport. There are other ways of addressing these issues and a whole systems approach would consider these, the impacts on electricity and gas networks and the interaction between them. For example if electricity demand increases due to increased use of electric vehicles then in the short and medium term it is likely that this will require more flexible gas generation with consequent impacts on the gas distribution system. A whole systems approach would consider whether it was better to support more vehicles using CNG in internal combustion engines rather than having more electric vehicles powered by electricity generated by gas internal combustion engines.

We are also surprised that the consultation does not consider a specific licence objective to support decarbonisation. This is an issue in gas as well. The Climate Change Act imposes an obligation on the Secretary of State but not on any other person. Neither the Gas Act, nor Gas

Transporters' licence oblige the licencee to consider decarbonisation or climate change targets. This means that investment decisions and charges have to be set in accordance with the obligations that exist. The result is that investments or changes to charges that would facilitate achievement of UK climate change targets may not be made if they cannot be justified based on existing obligations and objectives. We believe a similar situation exists in electricity.

We discuss below three general issues in the consultation that apply equally to gas distribution

Time of day capacity and charging

Time of day issues are becoming increasingly important for gas distribution as the number of flexible generation plants increases. For gas distribution networks the issue is having the storage capacity required to store the gas until it is needed. Gas distribution networks take gas on a more or less flat profile from the gas transmission system but demand is not flat and has much larger within day swings than electricity demand. They therefore put gas into high pressure storage (typically the over 7Bar Local Transmission System) overnight and release gas from storage to meet morning and evening peaks. If a flexible generator only takes gas in the evening then the network needs to store gas during the day to meet this demand. biomethane plants pose the opposite challenge in that they wish to inject on a flat profile into the below 7Bar system which has no storage capability and where there may be no demand at particular times of the day especially in summer.

Seasonal capacity and charging

The commercial arrangements in gas currently allow for some large customers to make use of capacity that is available in the summer but not the winter. Provision of entry capacity in the gas distribution system at times of low demand to match the flat injection profiles of biomethane plants is a current live issue.

Connection charging

This is also an issue for gas distribution. In gas the test is a financial test (called the Economic Test) which compares the upfront and ongoing costs of the shared use assets required for a connection, including capex and opex, with the estimated future transportation revenue.

In gas this means that exit connections often do not pay for reinforcement. For entry there are currently no transportation charges for entry on distribution networks. This means that entry connections would have to pay for any reinforcement required, for example to provide facilities to compress gas up the pressure tiers. We are currently looking at how we can introduce an Economic Test for gas entry on distribution networks. It would be sensible to make the electricity and gas connection charging models to be more consistent. It would also be sensible for them to take account of any decarbonisation benefits that society would benefit from as currently the only costs and revenues that can be considered are those related to the network company.

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Question 16: What are your views on our proposals for coordinating and engaging stakeholders in this work?

We note that Ofgem intend to launch a significant code review later in 2018. We support this as the lack of one for the recent Gas Transmission Charging changes led to many late changes being put forward which led in turn to a very demanding work schedule.

We have developed a whole systems pathfinder model and would be happy to demonstrate this to you if you are interested.

Yours sincerely,

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