

Presentation to Energy Market Issues for Bio-methane group 15th November 2011

Richard Pomroy Chair of ENA Distributed
Gas group

Contents

- Transporter Obligations
- Ownership
- Standards of Service
- Liabilities
- Next Steps

Transporter Obligations

- **Gas Act is largely silent on Distributed Entry**
 - Obligation to develop economic and efficient system rest of section 9 relates to exit
- **Gas Calculation of Thermal Energy Regulations**
 - Obligations on measuring CV and regulations on FWACV
- **Gas Safety Management Regulations**
 - 8.—(1) No person shall, subject to paragraphs (2) to (4), convey gas in a network unless the gas conforms with the requirements specified in Part I of Schedule 3
 - Part 1 of Schedule 3 Defines gas quality parameters and requirement to odourise
- **Licence - D12 is key condition**
 - 3b terms that offer up to the maximum flow rate available from time to time on the pipe-line system to which this licence relates at the time of the offer, unless the applicant requests a lesser flow rate than the maximum available;
 - 4 Requirement to offer terms as soon as reasonable practicable and in any event no more that 6 months after application containing all information reasonably required is received
 - 6 Requirement not to discriminate unduly

1) Minimum connection

Valve that DN has right to shut and sole right re-open and communication system to enable it to receive data on gas quality.

Minimum Connection to be constructed and owned by transporter as this is essential equipment that prevents the entry of non-compliant gas into the transporter's system

2) Rest of DN Entry facility (hereafter called Entry facility)

Transporters support a competitive market in the ownership and operation of the Entry facility excluding the minimum connection. Entry facility can be procured by owner of production facility and owned & operated by owner of production facility or third party.

- Entry Equipment needs to contain, GSMR compliant monitoring equipment, CV monitoring, ROV and protection against under and over pressurisation
- Odourisation is a complex area and requires monitoring and testing both at Entry Facility and the system, odourisation imposes additional costs to the network.
- ***Do entrants want to take responsibility for odourisation or should it be DN responsibility?***

- 3) The Network Entry Agreement (NEA) would contain clauses relating to the operation of the Entry facility and the provision of information to the transporter to enable them to be satisfied that its operation would not compromise the safety of the transporter's system

Each transporter would be responsible for its own NEA

- Quality schedules will be common and reflect output of EMIB expert group
- Metering to meet ME/1
- Commercial terms may differ, experience with NExAs is that other parties frequently want changes made resulting in differences between NExAs

Standards of Service

- Currently all entry connections are defined as Sufficiently Complex Jobs in 4B statements
- Transporters will develop SoS for entry connections where the transporter is monopoly provider of services for example information provision and construction of Minimum Connection
 - Unlikely to be fixed price in short term
 - ***Is this approach appropriate?***
- Competitive market for construction of Entry facility means that developer can stipulate KPIs and liquidated damages as part of procurement process. They will also be able to design in back up systems if required.
- SoS will need to take into account possibility that entry connection is made to IGT network which then needs to speak to upstream network regarding capacity

Liabilities for failure to take gas

There are two potential reasons for failure to take gas

1. Equipment failure
2. Capacity constraints
 - a. Change in exit demand for a single or very small number of exit customers
 - b. Change in exit demand from a larger number of exit customers where a single exit customer is not directly responsible

Liabilities – equipment failure

- Equipment owned by the DN (minimum connection) - In the highly unlikely event of failure of the Minimum Connection which would be repaired as soon as possible. Since transporters do not earn additional revenue from entry connections there is no intention to pay liabilities.

Is this a reasonable approach?

- Entry Equipment - in a competitive model these would be determined as part of the commercial terms of the competitive procurement event and should not be prescribed externally

a. Change in exit demand for a single or very small number of exit customers

GDNs believe that it would not be possible to offer entry capacity to distributed gas producers on the basis of the demand of a single or a very small number of exit customers, as there can be no assurance that the customer(s) will be taking gas off the local network on a 24/7/365 basis. In this case either reinforcement / compression will need to be specified and paid for up front (or in an entry charge), or the GDN will not be able to offer capacity over and above diversified demand. This is a reasonable interpretation of D12 3b.

b. Change in exit demand from a larger number of exit customers where a single exit customer is not directly responsible

Transporter would need to reinforce system (if possible), if this is funded by transporter would this be regarded as efficient expenditure by Ofgem?

When does (a) turn into (b)?

Further work needed on

- Consultation on Ownership, Liabilities and Standards of Service
 - ENA badged on behalf of transporters
 - Expect in early 2012
- Reinforcement policy for entry connections
 - Changing capacity issue
 - Multiple entrants on same part of network