

Presentation to Energy Market Issues for Bio-methane group 31st October 2011

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Convenient to divide DN entry facility into two parts

- 1) Minimum connection – Remotely Operable Valve and associated telemetry
 - 2) Rest of DN Entry facility (hereafter called Entry facility)
- View is that Minimum Connection should be constructed and owned by transporter as this is essential equipment that prevents the entry of non-compliant gas into the transporter's system
 - Entry facility can be procured by owner of production facility and owned & operated by owner of production facility or third party. Transporters could bid into this process if they wished but would not be obligated to do

- Transporters therefore support a competitive market in the ownership and operation of the Entry facility excluding the minimum connection
- 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

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
- 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. Error by transporter
 - b. Incident on system
 - c. Change in exit demand for a single or very small number of exit customers
 - d. Change in exit demand from a larger number of exit customers where a single exit customer is not directly responsible

Liabilities – equipment failure

- The most likely point of equipment failure is part of the Entry facility, in a competitive model this would not be owned by the DN
- Since transporters do not earn additional revenue from entry connections there is no current intention to pay liabilities in the highly unlikely event of failure of the Minimum Connection

Liabilities – capacity constraints

a. Error by transporter in providing information on available capacity

Transporter would be liable to provide minimum capacity stated in NEA

b. Incident on system

As transporter does not earn extra revenue from entry connection it is difficult to see justification for paying liabilities although we recognise that this is not satisfactory from entrant's point of view

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

This could be handled in NEA, entrant would be aware of risk at time of connection. Could transporter refuse to offer capacity? Who funds reinforcement (if possible) and how long it would take to deliver? Cost of reinforcement could appear in possible entry capacity charge under Mod 0391

d. 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?

Further work needed on

- Standards of Service
- Reinforcement policy for entry connections