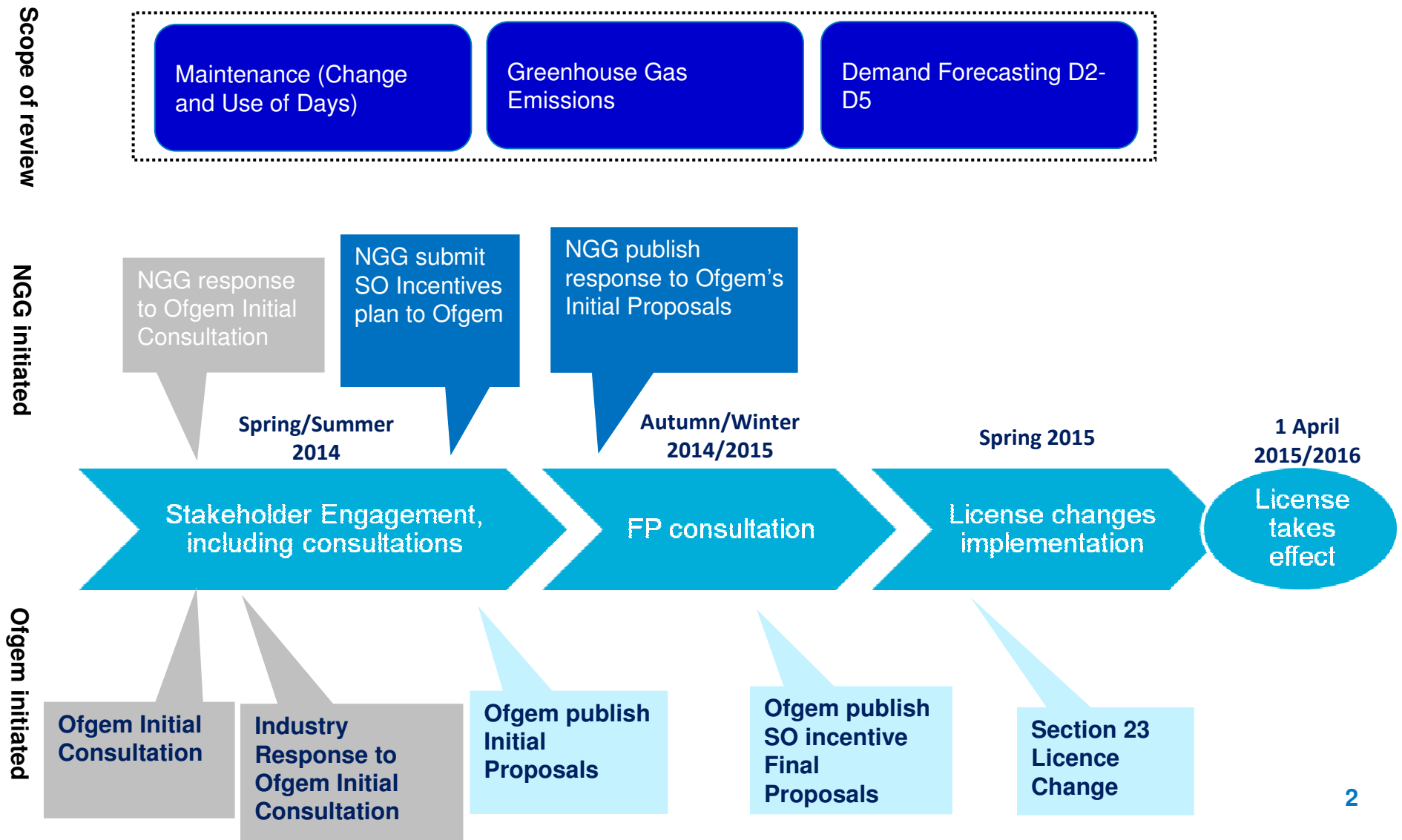


Incentives Review Update

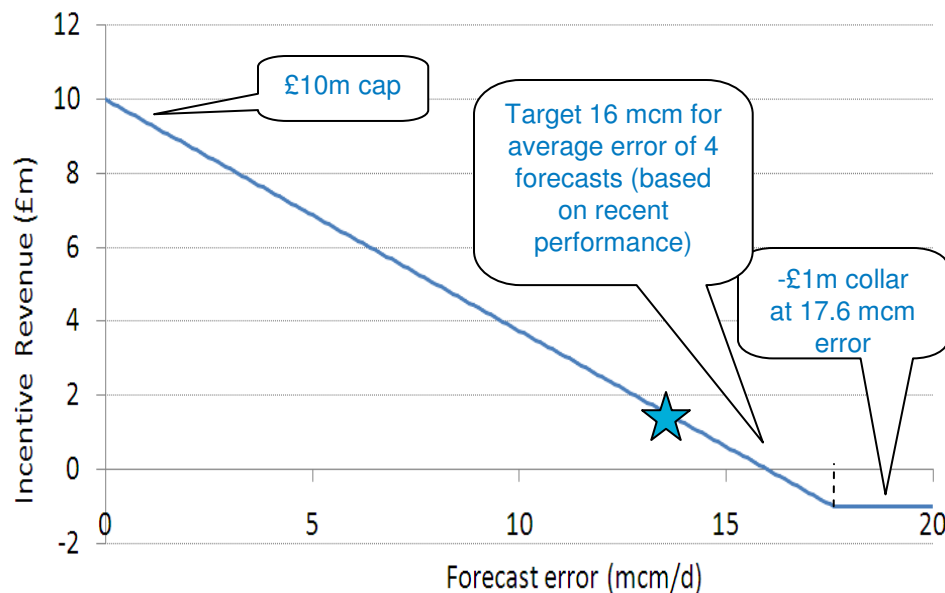


Gas SO Incentive review timeline



Demand Forecasting (D-5 to D-2 scheme)

- Two year financial incentive on accuracy of demand forecasts 2, 3, 4 and 5 days ahead. Equal weighting put on each days forecast. Published on NG website
- Absolute mcm target
- Performance weighted towards enhanced accuracy over higher demand days



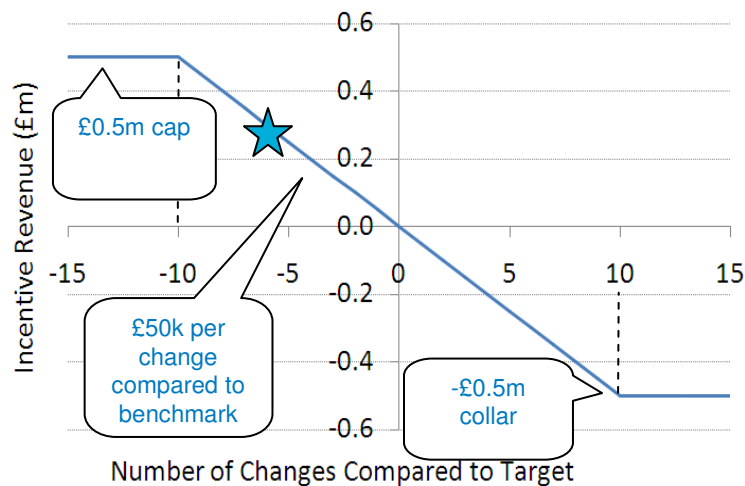
Questions

1. Does your organisation actively use our demand forecasts in managing your energy exposure?
2. What value would you place on improving accuracy of these forecasts?
3. Does your organisation value D-2 forecasts above D-5, D-5 above D-2 or is each forecast of equal value?

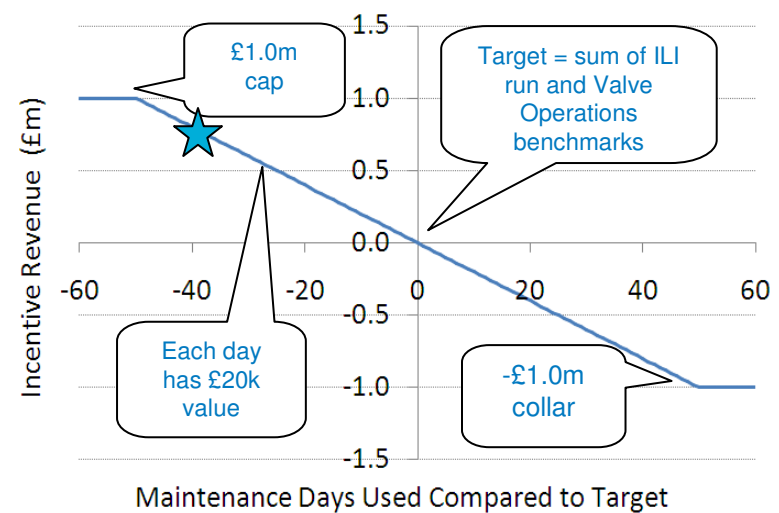
Maintenance Incentive

- A new licence obligation to enhance maintenance planning to a three year period.
- A two year financial incentive developed based on two elements;
 - The number of change initiated by National Grid to agreed formal Maintenance Days using a target % level of the total number of days called.
 - The number of days used for Routine Maintenance (In-line inspections and remote valve operations) against a baseline target.

Maintenance Days Changes



Maintenance Days used



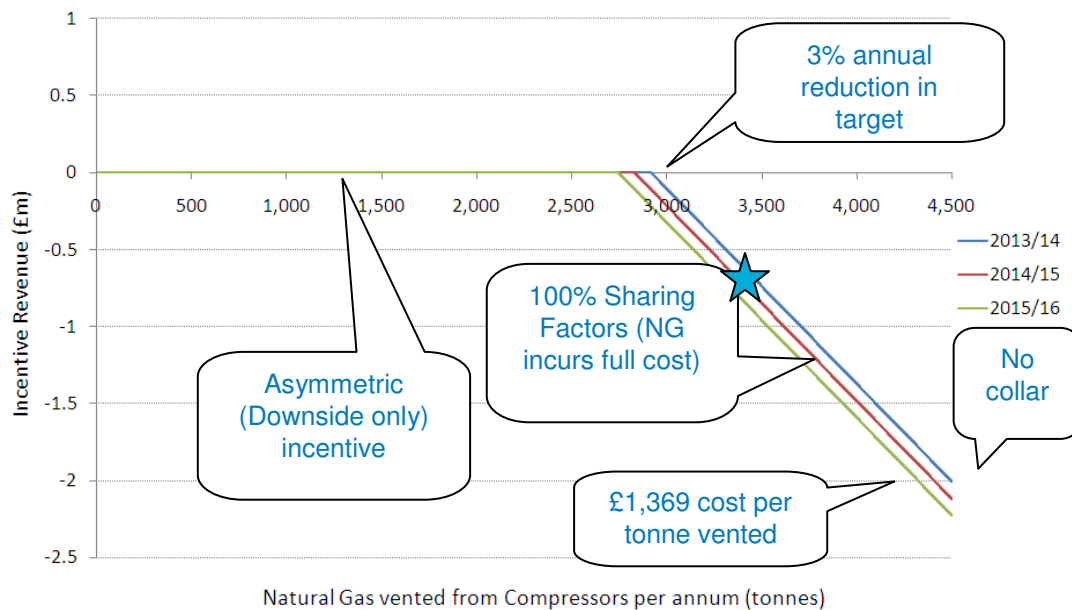
Maintenance Incentive

Questions

1. Have you experienced improvements in NGG's maintenance planning, communications and re-scheduling processes after the introduction of the incentive?
2. Are there ways in which you think the maintenance incentive could be improved?
3. What value would (further) improvements in NGG's maintenance planning and re-scheduling bring to you, and ultimately consumers?

Greenhouse Gas Emissions

- Incentive to minimise venting of Natural Gas from NTS Compressors
 - By minimising the number of times compressors are pressurised & de-pressurised & balance against how long compressors are pressurised
- Symmetrical scheme may be introduced after 3 years



Questions

1. Do you think it is appropriate for National Grid to be financially incentivised to reduce emissions?
2. If so, is it appropriate for this to have an upside element to it?

Contact Details for Gas SO incentives

We are committed to engage with all stakeholders to ensure structure of new schemes meets industry requirements

■ Ofgem Consultation on SO Incentives:

- Ofgem consultation on incentives (closed on 15th May);
<https://www.ofgem.gov.uk/publications-and-updates/gas-system-operator-incentives-review-initial-consultation>
- National Grid Gas Transmission responded on 9th May;
<http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=33163>

■ For any questions on the Gas SO incentives:

- Email: box.SOIncentives.Gas@nationalgrid.com
- Gas SO Incentives website: <http://www2.nationalgrid.com/UK/Industry-information/Gas-system-operator-incentives/Incentives/>

■ Contact: David Wildash (01926 65 4946) David.Wildash@nationalgrid.com

■ Contact: Richard Griffiths (01926 65 4756) Richard.Griffiths@nationalgrid.com