NGG Consultation on methodology to determine incremental constraint management costs and incremental compressor costs related to removal of an NTS pipeline
AEP[1] Comments

The Association welcomes the opportunity to comment on this consultation, we provide comments against the specific questions below.

Part A: General

1. Do you agree that future changes to the methodology should be restricted as envisaged in the proposal?

Yes in principle, but changes necessary because of major regime change should not be limited to changes to the capacity regime. It is possible that changes to other aspects of the regime could lead to increased cost to customers as a consequence of pipeline disposal.

We welcome clarification as to whether any proposed changes to the methodology will be subject to industry consultation or only those arising from major regime change. (Para 10)

2. Do you agree that charges calculated according to the methodology should be open to challenge by the pipeline owner?

Yes

We would welcome clarification in para 12 and 15 whether the costs borne by NGG are actually borne by NGG or recovered from shippers / customers

3. Notwithstanding your answer to 2, are the cut-off values used to prevent spurious challenges set at a fair and reasonable level?

Yes

[1]The Association of Electricity Producers (AEP) represents large, medium and small companies accounting for more than 95 per cent of the UK generating capacity, together with a number of businesses that provide equipment and services to the generating industry. Between them, the members embrace all of the generating technologies used commercially in the UK, from coal, gas and nuclear power, to a wide range of renewable energies.

4. Do you agree that administrative / processing charges incurred by xoserve should be included within the scope of the methodology?

Yes

5. Do you agree that the application of the methodology to any specific pipeline disposal should be time limited?

We agree the application of the methodology should be time limited, but would welcome further detail on how the date in Annex 3 has been determined in this instance and whether this approach is consistent for the decommissioning of pipelines in general. For example would the pipeline actually have been decommissioned in 2020 if there had been no disposal or would it have been retained as part of the transmission system for a further period. How are decisions made to decommission pipelines?

We are less convinced about the linkage to baselines and consider this requires some quantification so that if the baseline is reduced by a certain amount then the application of the methodology ceases whereas if the baseline is reduced by a lesser amount then it does not.

6. Notwithstanding your answer to 5, do you agree with the proposed criteria for determining the duration of the methodology for specific projects?

See answer to Qn 5

Part B: Constraint Management Actions

7. Do you agree that Users should not be compensated for any costs incurred as a result of the curtailment of interruptible capacity rights where the curtailment is triggered by a pipeline disposal and hence that NGG should not seek any payment from the pipeline owner?

Yes. However it would be useful if the increased probability of interruption could be assessed and published.

8. If you disagree with the proposal in question 7, what costs should be recovered, and how should these be determined?

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9. Do you agree with an approach that models both the “with pipeline”, and “without pipeline”, scenarios to determine theoretical constraint management action quantities, and hence a theoretical incremental quantity?

Yes this seems a reasonable approach to model the actual network and that which would have prevailed without pipeline disposal. The downside being it is complex and opaque to the industry but is likely to give a reasonable outcome. We do have concerns that network analyst time, which seems to be a limited resource within NG, could be diverted to this activity and away from other work related to connection or investment for example.

10. Do you agree with the approach to scenario modelling that uses actual operational data? Are there any other criteria that should be considered?

We agree with this approach, but would seek assurances that this will lead to the modelled constraint quantity matching the actual constraint quantity (subject to a tolerance) and an explanation of what happens if the modelling cannot reproduce the actual quantities for whatever reason.

11. Do you agree that the methodology should attempt to align the cost of those specific constraint management actions that result from incremental constraints or should an average of all constraint management actions at the relevant point be used, i.e. do you prefer “specific incremental” or WAP prices?

Where the constraint quantity in the absence of pipeline disposal is zero, these two prices are equal. Where some constraint action is necessary even if the pipeline had not been removed from service it is appropriate to use the specific incremental cost of the later actions as these are the actions that may otherwise have been avoided and therefore costs not passed onto shipper / consumers.

12. Do you agree that attributing the later constraint management actions to incremental constraints and hence to the pipeline owner is a reasonable approach? If not, what criteria should be used? Is this approach unreasonable in that it exposes the pipeline owner to the most costly buy-back actions?

See comment to question 12

13. Do you agree that the cost of any counter-balancing actions for locational sells/buys should be included in the determination of costs?

Yes

14. Do you agree that, in respect of locational actions where income exceeds costs, the surplus should not be paid to the pipeline owner?

Yes

Part C: Incremental Compressor Fuel Usage (CFU)
15. To enable modelling of electrically driven compressors, is it appropriate to use the conversion factor of 3:1 taken from the Licence?

Yes, but this should be updated if the value in the licence changes.
16. Do you agree with the look-up table approach to determination of incremental CFU quantity? Are there any practical alternatives?

Yes, we agree this is a pragmatic way forward unless and until an automated network modelling approach is developed. We would seek clarification on whether such an automated modelling approach will have other applications within NG or if would just be specific to determining incremental CFU since this should influence how such development is funded.

17. Do you agree that an automated approach is preferable and should be used when available?

See comment to question 16 above

18. Based on the look-up table, do you agree that the two modelled quantities should be used to determine the incremental quantity by ratio, rather than by difference?

We consider it is appropriate to incorporate the actual CFU on the day into the calculation of the incremental CFU using the ratio of modelled values seems a reasonable way to do this and captures any variance between modelled CFU and actual.

19. Should analysis be limited to specified compressors as determined by paragraph 3.54? If not, which compressors should be included and how should such analysis be undertaken?

Yes we agree that the analysis should be limited to those in the vicinity of the disposed pipeline, and that the method for determining which are relevant should be robust and consider the materiality.

20. Do you agree with the use of reference prices for the determination of incremental CFU price? Are there any practical alternatives that should be considered?

Yes

Part D: Incremental Compressor Emissions Costs
21. Do you agree that incremental compressor related costs that fall on Users should be included in the methodology statement? Have these been fully identified by NGG?

Yes

22. Do you agree with NGG's proposal that incremental costs not falling on Users should be excluded from the methodology?

Yes

23. Do you agree with NGG's conclusion that incremental venting losses are likely to be small and not justifying of the additional resource required for their determination?

Yes

24. If in disagreement with 23, how would you suggest that incremental venting losses might be determined?

25. Do you agree with the pass through of incremental shrinkage incentive costs as detailed?

Yes, whilst noting that incentives in this area are currently under review.

Part E: Incremental Compressor Maintenance Costs

26. Do you agree that unplanned maintenance and routine annual maintenance should be excluded from the methodology?

Yes

27. Do you agree with the proposed methodology to determine incremental compressor running hours? If not, what alternatives would you propose?

Yes

28. Do you agree that incremental compressor running hours should be re-assessed annually?

Yes

29. Do you agree with the indexation of overhaul costs? Should an alternative, e.g. cost pass through, be used? Would this create unnecessary uncertainty?

Indexation seems a reasonable approach

30. Should full analysis of incremental compressor running time be assessed in advance, using projected demand and flow levels, or should the methodology be backward looking and use actual demand and flow?

It would seem more appropriate to use actual data.

Annexes
31. Is the example useful and/or relevant?

Yes to both

32. Do you agree that the automated approach to determining incremental CFU should be introduced when available or should the look-up table be continued?

See comment to question 16

33. Is it appropriate to provide the information stated in Annex 3 in the methodology statement or should this be stated elsewhere? If not, where should it be stated?

This data is relevant to the methodology and should be published somewhere, an Annex to the methodology statement is as good a place as any. Certain other fixed data and published in methodology statements the IExCR for example

34. Is the data provided in Annex 3 accurate and complete?

Yes subject to the footnote and analysis being undertaken for Moffatt and Wooler compressors to determine materiality.

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