



2024/25 Gas Incentive Performance

Quarterly Report

April – June 2024

Introduction

This report is to provide a quarterly overview of the National Gas Transmission (NGT) incentives. It was produced following feedback received through responses to industry events. It should be read in conjunction with the annual RIIO-2 System Operator Incentives supporting information published on our website in October each year which provides a summary of our annual financial performance and further incentive scheme details.

The Gas System Operator (GSO) function of NGT is subject to licence obligations and several financial and reputational incentive arrangements, which are measured in accordance with the licence following consultation¹.

These incentive arrangements are designed to minimise the overall cost of system operation leading to benefit for consumers, they are designed to influence our behaviour to minimise the impact on the market, to consider environmental impacts and to support the efficient operation of the wholesale gas market.

The various incentive schemes provide a focus on key areas where NGT can create value for the industry and consumers, the financial schemes allow NGT to retain a share of any value created or be penalised should targets not be met.

For further details

Further details on each incentive see: <https://www.nationalgas.com/about-us/system-operator-incentives>

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¹ Special Condition 5.6 System operator external incentives, revenues, and costs (SOIRCt)

2024/25 Performance based upon actuals from 1st April 2024 to 30th June 2024.

Financial Incentives – Performance Scorecard

Incentive	Purpose	Cap and Collar	2024/25 Licence Benchmark	What has influenced performance this year
Capacity Constraint Management	To incentivise the maximum release of capacity (above our obligations) and minimise the costs of constraints against a set financial cost target.	+£5.2m to -£5.2m	A net cost target of £8.5m for entry and exit operational constraint management - incentive revenue or penalty is 39% of the over or under spend respectively with the remaining 61% being passed back to Shippers. NGT retain 14% of non-obligated capacity (entry and exit) sales under the incentive.	In Q1 no commercial actions taken to generate costs or revenues for the incentive - operational strategies and customer liaison have been used to effectively manage emerging constraint risks. Non-Obligated capacity revenue was significantly lower in Q1 24/25 than in Q1 23/24, primarily due to the lower levels of Non-Obligated Exit capacity sales at Bacton Exit IP (resulting from planned maintenance on-going this Summer).
Demand Forecasting D-1	Deliver accurate 13:00 day ahead demand forecast.	+£1.5m to -£1.5m	The scheme has a target forecast error of 8.35mcm per day adjusted up to a further 1mcm dependent upon the extent of additional short cycle storage injection capability connected to the NTS.	Average daily error of 6.90mcm during this first quarter. To date, DFSA is forecast to be 0.0419mcm as injection capability has been lower than last year and seven out of eight sites have met the requirement to be included by injecting and withdrawing on the same day. Underlying demand levels for Q1 24/25 are lower this year (202mcm/day) compared to the same period last year (243mcm/day) mainly due to the reduced EU exports during the quarter.
Residual Balancing	To balance supply and demand on the gas day minimising the impact our trading has on the market when we do take action to balance the network.	+£1.6m to -£2.8m	Linepack Performance Measure (LPM) Target: 2.8mcm/d change. For the shoulder months (October, November, February, and March) there is an increase in the target where there is in effect a neutral position between 2.8 and 5.6 mcm/d. Price Performance Measure (PPM) Target: 1.5% of System Average Price (SAP).	LPM: The average daily linepack change was 1.6mcm compared to the 2.8mcm target. PPM: The average price spread for residual balancing trades was 0.5% of SAP compared to the 1.5% target. Over the course of April and May the general trend in SAP was a slight increase from ~2p/kWh at the start of April to ~3p/kWh at the end of May and we saw the prices stayed around the same in June and finish the quarter around 3p/kWh.
Maintenance	Deliver benchmark performance for summer maintenance outage days, including and excluding Valve Operations (VO). Minimise NGT driven changes to maintenance planning to deliver network access for customers	+£0.5m to -£1.5m.	Maintenance Period covers 1 st Apr – 31 st October. 1. Changes – minimisation of changes initiated by NGT – Target 7.25% of the total maintenance plan days in the year. 2. Use of Days – (VO) – Target 11 days. 3. Use of Days – (ex VO) – Target align 75% of customer impacting.	At the end of Q1, the Summer 24 maintenance outage plan is currently forecasting 260 days of customer impacting work of which 250 days are aligned. For the use of days non-VOs, we are still forecasting 228 days, of which all 218 are aligned works. Approximately 36% of aligned summer maintenance completed in 1 st quarter, with 1 change day to the plan initiated by NGT.
Greenhouse Gas Emissions	To consider the environmental impact of our compressor operations when venting	+£1.5m to -£1.5m	Minimise emissions from compressors with a breakeven target of 2,897 tonnes. Emissions venting reference price for this incentive year is £2,635/tonne.	A total of 403 tonnes of natural gas were vented during the quarter; this represents approximately 14% of the annual target. Seven units (at Chelmsford, Aylesbury, and Diss) have been inhibited this year with units expected to remain off until end of October.