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2023/24 Gas Incentive Performance

Quarterly Report

April – June 2023

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 consultation[1].

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

Or contact Darren.lond@nationalgas.com, Incentive Development Team.

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

national gas transmission

2023/24 Performance based upon actuals from 1st April 2023 to 30th June 2023.

Financial Incentives – Performance Scorecard

Incentive	Purpose	Cap and Collar	2023/24 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 May there were five instances where we enacted scaleback of interruptible NTS Entry Capacity or restricted release of Within-day Daily NTS Entry Capacity firm capacity. These were primarily caused by unplanned trips on key compressors.
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 7.99mcm during this first quarter. To date, DFSA is forecast to be 0.2457mcm as injection capability has been higher 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 23/24 are lower this year (202mcm/day) compared to the same period last year (243mcm/day) mainly due to the reduced EU exports.
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 1.7mcm compared to the 2.8mcm target. **PPM:** The average price spread for residual balancing trades was 1.1% of SAP compared to the 1.5% target. Over the course of April and May the general trend in SAP was a reduction falling from ~4p/kWh at the start of April to ~2p/kWh at the end of May, although we saw prices rebound 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 1st Apr – 31st Oct 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 23 maintenance outage plan is currently forecasting 246 days of customer impacting work of which 245 days are aligned. This includes use of days for both VOs and Non-VOs works. Approximately 39% of aligned summer maintenance completed in 1st quarter, with no changes 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 £2,420/tonne.	A total of 562 tonnes of natural gas were vented during the quarter, this represents approximately 19% of the annual target. Four units (at Chelmsford and Aylesbury) have been inhabited this year with units expected to remain off until end of October.