National Grid Gas

Gas Incentive Performance

Quarterly Report
April – June 2022

nationalgrid

Introduction

This report is to provide a quarterly overview of the Gas Transmission 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, link below.

The Gas System Operator function of National Grid Gas 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 National Grid Gas Transmission can create value for the industry and consumers, the financial schemes allow National Grid Gas 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.nationalgrid.com/uk/gas-transmission/about-us/system-operator-incentives

Or contact chris.hewitt@nationalgrid.com or tonderai.munetsi@nationalgrid.com, Incentive Development Team.

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

Financial Incentives – Performance Scorecard

2022/23 Performance based upon actuals to 30th June 2022 and may increase or decrease as the financial year progresses.

Incentive	Purpose	Cap and Collar	2022/23 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. NGG retain 14% of non-obligated capacity (entry and exit) sales under the incentive.	To date no constraint management costs have been incurred, there has been a revenue into the scheme of £1.13m, which has been from the sale of Non-Obligated (Entry and Exit) capacity. (14% factor applied, in line with agreed Incentive parameters, then 39% sharing factor applied).
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 8.73mcm during this first quarter. Due to level of injection capability seen this year, the storage adjuster is currently at 0
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 non-shoulder months. For the shoulder months (October, November, February and March) there is an increase in the target where there is in effect a neutral position, this is 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 2.5mcm compared to the 2.8mcm target. LPM reached a maximum value of 6.9 mcm on the 21st April 2022. PPM: A volatile and challenging market has been experienced in the first quarter with a higher than average number of trading days The average price spread for residual balancing actions was 6.6% of SAP compared to the 1.5% target. PPM reached a maximum value of 72.2% of SAP on the 20th May 2022.
Maintenance	Deliver benchmark performance for summer maintenance outage days, including and excluding Valve Operations (VO). Minimise National Grid 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 National Grid - 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.	The Summer 22 maintenance outage plan is currently forecasting 131 days of customer impacting work of which 122 days are aligned. This includes use of days for both VOs and Non-VOs works. This level of maintenance has been reduced from the original plan of 173 days at the start of the maintenance period. Approximately 40% of aligned summer maintenance completed in 1st quarter, with no changes to the plan initiated by NGG.
Greenhouse Gas Emissions	To consider the environmental impact of our compressor operations when venting	+£1.5m to -£1.5m	Minimise emissions with a breakeven target of 2,897 tonnes. Emissions venting reference price for incentive year is £2097.	A total of 476 tonnes of natural gas were vented during the quarter, this represents approximately 16% of the annual target.