

National Grid Gas

Gas Incentive Performance

**Quarterly Report
Sept 2021**

nationalgrid



Introduction

This report is to provide the Gas Transmission Incentives Quarterly Performance.

The Gas System Operator function of National Grid Gas is subject to licence obligations and several financial and reputational incentive arrangements, measured through agreed methodologies following licence consultation.

These incentive arrangements are designed to minimise the overall cost of system operation to consumers, to consider environmental impacts and to support the efficient operation of the wholesale gas market, to deliver outputs which provide benefits to the industry and consumers.

These benefits include direct financial benefit from reductions in the costs associated with operating the gas transmission network and ensuring that we are adjusting key outputs with customer and consumer value.

The various incentive schemes provide a focus on key areas where National Grid Gas Transmission can create value for the industry and consumers, allowing National Grid to retain a share of any value created (or to be penalised should targets not be met).

Background

This document was produced following feedback received through responses to industry events. This document summarises the Gas Transmission Incentive Schemes and details their performance to date.

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, Incentive Development Team.

Financial Performance Incentives Scorecard

2021/22 Performance based upon actuals from 1st April to 30th Sept 2021 and may increase or decrease as the financial year progresses.

Incentive	Purpose	Cap and Collar	2021/22 Target	2021/22 Performance	How has Performance been determined?
Capacity Constraint Management	To incentivise the maximum release of capacity and minimise the costs of constraints against a set financial cost.	+£5.2m to -£5.2m	A net target cost of £8.5m for entry and exit operational constraint management - incentive revenue or penalty is 39% of the over or under spend respectively.	+£3.58m	Performance of £3.58m includes £0 costs incurred to date and £0.91m of Non-Obligated (Entry and Exit) revenue (this value includes a 14% factor applied, in line with agreed T2 Incentive parameters). The overall performance value of £3.58m is the result of a further 39% sharing factor being applied to costs and revenues.
Demand Forecasting D-1	Deliver accurate 13:00 day ahead demand forecasting.	+£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.	+£0.211m	Performance of £211k with a weighted average error of 7.58mcm and 0.48mcm additional short cycle storage injection capability against target.
Residual Balancing	To balance supply and demand on the gas day and to minimise the impact of our trading actions has on the market when it deems it necessary to trade gas to balance the network.	+£1.6m to -£2.8m	Linepack Performance Measure (LPM) Target: 2.8mcm/d daily change. for non-shoulder months. Between 2.8 and 5.6 mcm/d for shoulder months (October, November, February, and March). Price Performance Measure (PPM) Target: 1.5% of System Average Price (SAP) paid.	+£0.42m	LPM: 1.72mcm average daily linepack change. PPM: Average of 0.72%.
Maintenance	Deliver benchmark performance for maintenance outage days, including and excluding Valve Operations (VO). Minimise National Grid driven changes to maintenance planning.	+£0.5m to -£1.5m.	1. Use of Days - (VO) - Target 11 days. 2. Use of Days - (ex VO) - Target align 75% of customer impacting. 3. Changes - minimisation of changes initiated by National Grid - Target 7.25% of the total maintenance plan days in the year.	+£0.45m	1. Performance - used 1 day. 2. Performance - aligned 95% of days. 3. Performance - 0% days changed by National Grid. Total number of aligned customers impacting days in the Summer 21 outage plan is 161 days. Approximately 90% of aligned summer maintenance completed in 1st quarter.
Greenhouse Gas Emissions	To consider the environment when venting gas from NTS compressors.	+£1.5m to -£1.5m	Meet greenhouse gas emissions targets. 2,897 tonnes.	+£0.375m	A total of 726 tonnes of natural gas was vented by compressors in reporting period. Used 25% of allowance to date.