



Gas Incentive Performance Quarterly Report

October – December 2022



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.

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

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

[Special Condition 5.6 System operator external incentives, revenues and costs \(SOIRct\)](#)

Financial Incentives – Performance Scorecard

2022/23 Performance based upon actuals to 31ST December 2022 and may increase or decrease as the financial year progresses.

Incentive	Purpose	Cap & 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.
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.	A daily average error of 9.21mcm/day was seen during Q3. The storage adjuster remains at 0 due to level of injection capability seen to date. As a result the current daily weighted average error for the 22/23 incentive year is 8.39mcm/day.
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 overall average linepack change achieved throughout Q3 was 3.0mcm compared to the 2.8mcm target and reached a maximum value of 7.6mcm on the 19th October 2022. Year to date average linepack change is 2.5mcm. PPM: The average price spread for residual balancing trades during the quarter was 4.8% of SAP compared to the 1.5% target and reached a maximum value of 55.8% on the 25th October 2022. Year to date average SAP is 6.9p/kWh.
Maintenance	Deliver benchmark performance for summer maintenance outage days, including and excluding Valve Operations (VO). Minimise 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 2022 Summer Maintenance Scheme runs from 1st April 22 – 31st October 22, and is therefore currently concluded for the year.
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 £2097/tonne.	A total of 678 tonnes of natural gas were vented during Q3, bringing the total so far in this incentive year to 1,651 tonnes. This represents approximately 57% of the annual venting allowance used to date.

Thank you

