

iGT UNC / iGT INC Consultation Response

Date	17 th November 2011
Reference	iGT040 DMR Consultation (Delete as required)
Title	Amendment to AQ Values present within the CSEP NExA Table
Respondee	(Colette Baldwin - E.ON
Position on the Modification	Support Modification

Facilitation of the relevant objectives

How this proposal will, if implemented, better facilitate the “code relevant objectives”, as defined in Standard Condition 9 of the Gas Transporters Licence. For those answered Yes to, please provide a detailed explanation below the table.

<i>Relevant Objective</i>	<i>Yes/No</i>
a. the efficient and economic operation of the pipe-line system to which this licence relates	Yes
b. so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of the pipe-line system of one or more other relevant gas transporters	Yes
c. so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence	No
d. so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition between relevant shippers and between relevant suppliers	Yes
e. so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards are satisfied as respects the availability of gas to their domestic customers	No
f. so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code referred to in paragraphs 2 and 5 respectively of this condition	No

Relevant Objectives to be better facilitated:

The reduction in Consumption that we have seen over the past 6 years on iGT networks has not been reflected in the NExA Table AQ values and therefore these values are not representative of the anticipated demand properties currently being built can expect to need.

The effect of the overstated demand for these property types in the NExA table results in a number of consequences:

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1. Inaccurate energy forecasting and allocation. Suppliers are required to purchase sufficient gas to meet the needs of their customers; they are expected to buy to allocation. If the AQ value is overstated this commits the supplier to purchasing more gas than they need for customers on these network, which results in allocation error which feeds its way back to the supplier through the RbD mechanism but only after considerable reconciliation work has taken place. It would be more efficient if the AQ value reflected accurately the anticipated demand which would reduce the smearing of energy allocation error. Improved accuracy in demand forecasting results in better cost management by not exposing the supplier to price fluctuations which are consequently more expensive.
2. The overstating of capacity based on higher AQs than actual demand demonstrates is necessary. Capacity charges from the Large Transporters are based on the AQ value calculated by the iGT which successive AQ reviews have demonstrated are too large. As well as requiring suppliers to purchase more gas than customers actually need, this value results in the over-sizing of the network capacity at the CSEP which in turn is reflected back to suppliers in higher capacity charges levied by the Large Transporters. New sites going live inevitably have a period of time before the AQ can be challenged or reviewed through the AQ Review procedures which leads to higher capacity costs which cannot be recovered.
3. Impacts on Transporter Planning Statements. The Large transporters use information such as the property AQ values to predict the networks long term planning requirements. If demand is over-stated by inaccurate AQs, this will result in the Large Transporters network plans being over stated too.
4. Network Capacity for future developments. New housing developments on iGT networks are exclusively built to modern building regulations and the drive for energy efficiency on these networks is much greater than the more mature housing stock that makes up a larger proportion of the Large Transporter Networks. By not reducing the AQ values in the NExA Table we are over-engineering the design of networks for new housing by requiring a larger capacity than our experience shows us, via the AQ Reviews on iGT networks, is actually necessary. It could be argued that network capacity on new iGT housing developments should be lower proportionally than that of the Large Transporters who are supporting greater diversity of housing stock with different energy efficiency capabilities. Going forward as there are increased efforts made to improve housing energy efficiency we may need a different model to forecast network capacity and potentially to look at different charging methodologies to recover network operator's costs which are more fixed in terms of the network infrastructure costs than a consumption based model provides.

Likely impact on environment?

How this proposal will, if implemented, impact on greenhouse gas emissions?

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In as much as improvements in demand accuracy will result in more accurate energy production calculations to meet that demand, it could be argued that by reducing gas demand in the future it will have a beneficial impact on the environment too.

Implementation issues including impact on your systems

Accurate AQ values should result in fewer sites having to go through the AQ Review process, which will be more efficient for Pipeline Users and Operators.

Additional Information and Comments

Completed forms should be returned to the iGT UNC Representative, Gemserv Ltd at iGT-UNC@gemserv.com or faxed to 020 7090 1001