



Long Term Development Statement 2014

Wales & West Utilities Limited

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Foreword

The 2014 Long Term Development Statement is published in accordance with Standard Special Condition D3 of our Gas Transporters Licence and Section O4.1 of the Uniform Network Code (UNC) Transportation Principal Document (TPD). These require that a Long Term Development Statement is published annually. The Statement provides an indication of the usage for our pipeline system and likely developments. Companies that are contemplating connecting to our system or entering into transportation arrangements can use the statement to help identify and evaluate opportunities. It has been published at the end of the 2014 planning process following a reappraisal of our analysis of the market and demands on our Network within the South West (SW), Wales North (WN) and Wales South (WS) Local Distribution Zones (LDZs).

The Statement contains information on actual volumes, the process for planning the development of the system, including demand and supply forecasts, system reinforcement projects and associated investment.

Chris Clarke

Director of Asset Management, Health, Safety & Environment

Wales & West Utilities Limited



Disclaimer

This Long Term Development Statement is produced for the purpose of and in accordance with Wales & West Utilities' obligations under the Standard Special Condition D3 of the Gas Transporters Licence and Section O 4.1 of the Uniform Network Code in reliance on information provided pursuant to Section O of the Uniform Network Code. Section O 1.3 applies to any estimate, forecast or other information contained in this Statement. Wales & West Utilities' Long Term Development Statement is not intended to have any legal force or to imply any legal obligations as regards capacity planning, future investment and the resulting capacity.

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1 Executive Summary

The purpose of this document is to outline our assessment of the future use of our gas distribution network and highlight any investment requirements. The assessment is based on our annual and peak supply and demand forecasts for gas usage in Wales and the South West of England.

Data and analysis is provided for the three local distribution zones (LDZs) that constitute the Wales & West Distribution Network (WWU). The three LDZs are:

- South West
- Wales South
- Wales North

The Wales & West gas distribution network is supplied by seventeen National Transmission System (NTS) Offtakes with two non-NTS feeds into the South West LDZ.

1.1 Context

This document contains the Wales & West Utilities annual and peak demand and supply forecasts which have been developed in conjunction with National Grid UK Transmission (UKT), Delta EE and WWU local knowledge.

1.2 Demand and Supply Outlook

Our current annual demand forecast indicates that after 2014 there will be a steady decrease in total annual gas demand for the whole network resulting in a 3.1% decrease by 2023. This decrease is influenced by factors such as an increase in general fuel prices, coupled with increased energy efficiency measures.

South West LDZ is predicted to decrease in annual demand by 4.2% from 2014 to 2023, compared with last year's forecast of 4.3%.

Wales South LDZ is predicted to decrease in annual demand by 5.0% from 2014 to 2023, compared with last year's forecast of 4.7%.

Wales North LDZ is predicted to decrease in annual demand by 6.6% from 2014 to 2023, compared with last year's forecast of 7.3%.

Despite this forecast reduction in Annual demand, Peak demand for WWU is considered to remain flat for the 10 year horizon and is at a similar level to that predicted last year.

1.3 Investment Implications

When demands have been seen to decrease overall, we often see some localised growth in some areas across the network and we do have a number of Power Station and Biomethane enquiries in progress. However, as it stands, no new load growth investment has been confirmed for this forecast period.

1.4 Industry Development

The UK is now committed to legally binding environmental targets to deliver a sustainable future. We have environmental targets to achieve at 2020 and 2050. We must achieve these targets but we must also recognise the requirements to ensure security of supply within an uncertain economic climate and rising fuel poverty.

There are a number of key industry developments to note:

- A new eight year price control period (RIIO GD1) began in April 2013. This includes some significant changes to networks allowances and network requirements such as:
 - Networks to engage more with stakeholders
 - Networks to be rewarded for delivery of Outputs
 - Networks to deliver innovative solutions to promote a sustainable energy sector

- There is a growing requirement to facilitate Renewable and other forms of gas into the Gas Network.

- The increase in renewable generation on the electricity system is leading to more variable flows at embedded, Gas Fired Power Stations

Our work to develop the network and to support development of industry arrangements must therefore incorporate these important developments. More information on these key developments, can be found on the [WWU](#), [Joint Office](#) and [Ofgem](#) websites

1.5 Next Steps

This Long Term Development Statement will be published on the WWU website ([WWU - Long Term Development Statement](#)). WWU actively solicit views and comments from interested parties.

2 Document Scope

2.1 Summary

The three LDZs in the Distribution Network (DN) are supplied by NG's NTS through seventeen Offtakes:

- WN LDZ is supplied through one Offtake (Maelor).
- WS LDZ is supplied through three Offtakes (Dowlais, Dyffryn Clydach and Gilwern).
- SW LDZ is divided into three distinct systems;
 - Northern system – Seven Offtakes (Cirencester, Easton Grey, Evesham, Fiddington, Littleton Drew, Ross and Seabank).
 - Central system – Two Offtakes (Ilchester and Pucklechurch).
 - Southern system – Four Offtakes (Aylesbeare, Kenn, Choakford & Coffinswell).

Details of the above Offtakes and their respective capacities are summarised in Figure 2.1 below.

Figure 2.1 WWU Offtakes Summary

Offtake Name	Capacity		
	kscm/h	GWh/d	mcm/d
LDZ:- SW			
Aylesbeare	121.67	31.83	2.92
Cirencester	45.00	11.77	1.08
Easton Grey	122.08	31.94	2.93
Evesham	37.92	9.92	0.91
Fiddington	115.83	30.30	2.78
Ilchester	175.00	45.78	4.20
Kenn	62.50	16.35	1.50
Littleton Drew	21.29	6.00	0.51
Pucklechurch	150.00	39.24	3.60
Ross SW	25.00	6.54	0.60
Seabank	242.92	63.55	5.83
Choakford	300.00	78.48	7.20
Coffinswell	40.00	10.46	0.96
LDZ:- WS			
Dowlais	434.17	113.66	10.42
Dyffryn Clydach	235.00	61.52	5.64
Gilwern	315.83	82.68	7.58
LDZ:- WN			
Maelor	250.00	65.84	6.00

Assumed CV = 39 MJ/m³

Gas supplies, and the supply to our GDN through these Offtakes, are generally affected by the changes in gas production. We have seen a decline of gas production from the UK Continental Shelf Supplies (UKCS) and in order to compensate for the decline, NG has developed the NTS to support a number of projects to enhance interaction with mainland Europe and the Liquefied Natural Gas (LNG) markets. These include, for example: the Langed Pipeline linking the offshore Norwegian gas network and the Ormen Lange gas field to the NTS, increased facilities for LNG imports into Isle of Grain, and a pipeline to connect the LNG facilities at Milford Haven, Wales to the NTS. The Dragon LNG and the South Hook terminal at Milford Haven are also fully operational.

In addition to the gas supplied from the National Transmission System a small volume of gas is available from third party supplies. This is a developing area and supplies are not currently sufficiently secure to be relied on to meet our peak demand. As such these volumes are not considered when we consider our flat capacity booking requirements with the NTS.

2.2 Structure of the Document

The main body of this Statement (Chapters 3 to 6) sets out the key drivers and uncertainties affecting demand, supply and the provision of capacity on our pipeline system.

- Chapter 3 provides an overview of our latest demand forecasts and
- Chapter 4 gives a synopsis of our supply forecasts.
- Chapter 5 summarises our development plans on the Local Transmission System (LTS).
- Chapter 6 discusses the latest Industry developments affecting our Network.

Appendix 1 details the methodologies that have been used to produce our demand forecasts.

The remaining appendices provide details on actual gas flow data, system maps, connection specifications and commercial incentives. A glossary and conversion matrix is included at the end of the document.

3 Demand

3.1 Summary

This chapter describes the key forecast assumptions and drivers that generate the ten year forecast demand for each of the three LDZs within our Distribution Network.

This chapter also includes the headline outcomes as well as a discussion on how current forecasts relate to previously published (Section 3.3)

Further information, including the detailed numerical tables is provided in Appendix 2.

3.2 Demand Forecast overview

WWU's gas demand forecast levels in the current price control period from 2013 to 2021, are underpinned by our belief that Natural Gas will continue to play a significant role in the UK energy market beyond 2030. This is consistent with current statements made by the Department of Energy and Climate Change and underpinned by previous detailed analysis commissioned by WWU and other GDNS (The Redpoint study).

In overview, the key headlines are:

- Annual demand is expected to decrease gradually by a total reduction of 3.1% over the 10 year horizon as stated in section 1.2.
- During the next ten years, we have taken the prudent view that peak day demand in our network will remain flat from 2014/15 out to 2023/24 for all LDZ's because there is insufficient evidence at this stage to suggest that the general efficiencies and downturn in gas usage would lead to demand reductions during periods of severe cold weather. This does not lead to any investment requirements.

The forecasts referred to within this document take account of national data and assumptions sourced from National Grid. A range of forecast scenarios are produced and WWU consider this information in conjunction with local knowledge and analysis to develop the final forecasts used to plan the network. New for this year, WWU commissioned energy consultants Delta-EE to carry out a review on peaks in the domestic load band. We have used the results from this project to develop this area of the forecasts.

For more information please see the “Gas Demand Forecasting Methodology” document which is published on the Joint Office website ([Joint Office](#))

3.2.1 Demand and Weather Modelling

Due to the temperature sensitivity of the domestic load band, LDZ forecasts of annual demand are based upon an assumed average weather condition. The demand models adjust from actual to average weather conditions using factors known as Composite Weather Variables (CWVs). The CWVs are derived from temperature and wind speed data to optimise the correlation between demand and weather.

The Uniform Network Code obliges us to review, at least every 5 years, the definition and seasonal normal basis of all CWVs.

In September 2009 the Transporters collectively proposed a methodology for calculating the Seasonal Normal CWV which used forecast weather data from the Met Office, known as EP2, which also takes into account an element of forward looking weather forecasts (e.g. the predicted effect of climate change). After adjustments to the governance procedures in the UNC the SNCWV has been calculated using this methodology since 1st October 2010.

The annual demand forecasts produced in 2014 have been calculated using the EP2 SNCWV. The change in methodology from 2010 has had no impact on the 1 in 20 peak day demands or the 1 in 50 severe demands. Load duration curves continue to be calculated, as required by the relevant statutory and licence obligations, from a longer period of weather data; in this case 1928/1929 through to present.

For more detail on the change to the EP2 method and its effects on the demand forecasting process please refer to Appendix 3 - section A3.1 of this document.

3.2.2 Summary Econometric Assumptions

The agreed demand forecasts are an outcome of an annual demand process that estimates future demand from historical weather corrected data using a range of forecasted economic indicators.

In overview the key economic and other variables utilised in production of these forecasts by load band are:

0-73 MWh

Household numbers
Domestic gas price real terms
Real term household disposable income

73-732 MWh

Household numbers
Real non-manufacturing output

>732 MWh Firm

Non-manufacturing output
Manufacturing output
Industrial gas price

Further market drivers have been included covering Climate Change Levy, generation of electricity through renewable sources, combined heat and power capacity and the EU emissions trading scheme. Domestic energy efficiency and affordable warmth programmes contribute to a reduction in growth within the Domestic sector.

3.2.3 Interruptible Capacity

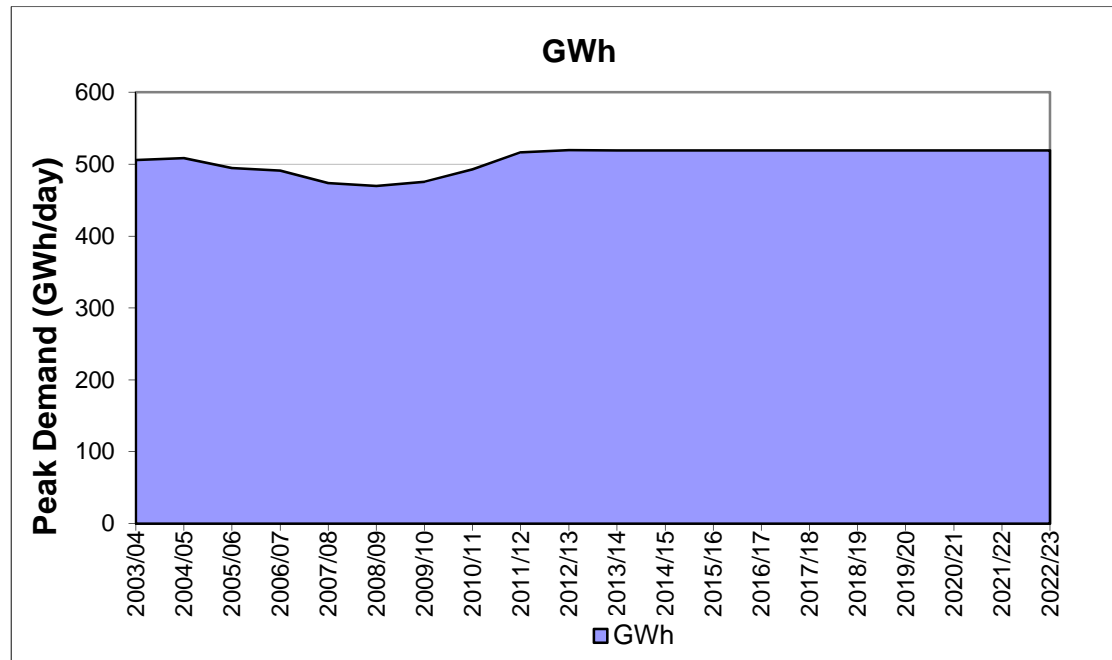
WWU annually assess the level of capacity required to operate the Network in a safe and secure manner and to comply with the obligation to meet 1 in 20 demand conditions. Interruptible capacity was put out to tender in 2014 and in all areas, however no interest was shown in this. Therefore, since the 1st October 2011, there has only been one interruptible customer connected to WWU DN; this site will be firm from 30th September 2016. Section A6.2 details the potential impacts of Interruption Reform.

3.2.4 Forecast Demand charts

This section provides an overview of the latest gas demand forecasts through to 2023/24. A more detailed view can be found in Appendix 2, which includes forecasts for both peak and annual demand on a year-by-year basis. Peak Demand is expected to remain the same for the forecast period. However during the next ten years, annual gas demand is forecast to decrease by 3.1% between 2013/14 and 2022/23.

All loads have been modelled as firm since October 2011 unless specific contracts have been awarded and are in place.

Figure 3.1 Historical and Forecast Peak Day Gas Demand for WWU

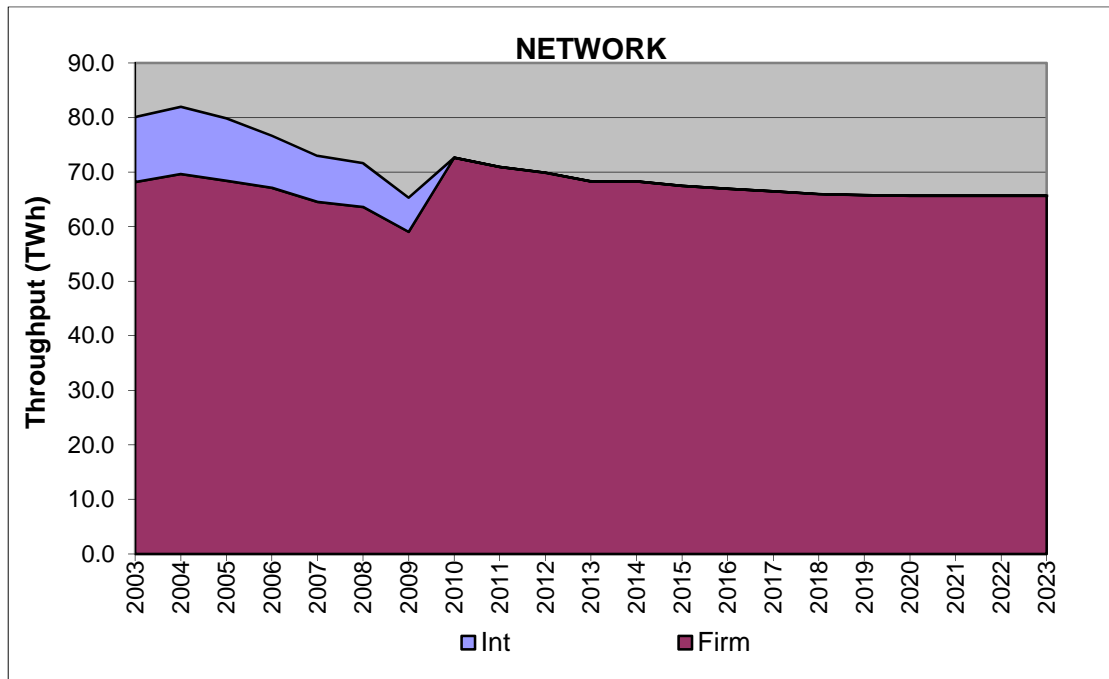


The flat profile that is forecast for peak demand is due to the view held by WWU that demand will become “peakier” when considered alongside expected reductions in annual demand. Annual demand is falling driven by the following factors:

- Rising gas prices
- Installation of new gas boilers
- Increasing use of insulation
- Customers reducing thermostat settings to conserve energy

There is evidence however, that customers change their behaviour during times of extreme weather conditions. There is a strong increase in demand when the weather turns cold. The peak in demand this creates must be factored in to calculations to avoid an underestimation.

Figure 3.2 Total Historical and Forecast Annual Gas Demand for WWU



In South West and North Wales LDZs the majority of the demand is from domestic energy users, whereas in Wales South the demand is more evenly spread between domestic and large industrial users. Throughput in Wales North is significantly less than in South West and Wales South.

Figure 3.3 Historical and Forecast Annual Gas Demand for South West LDZ

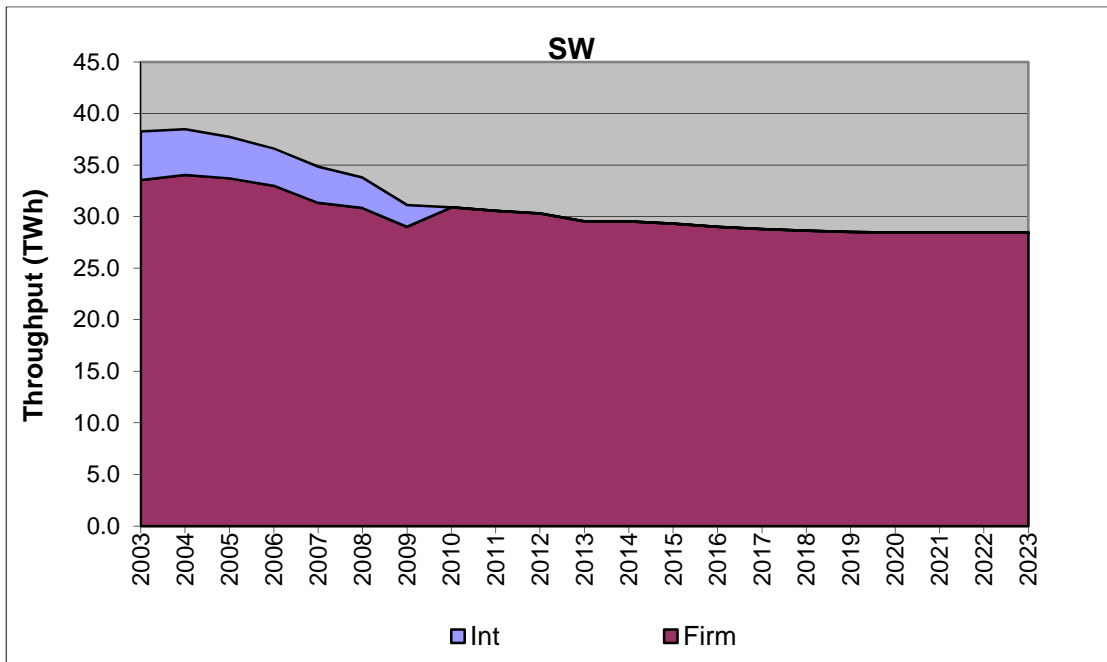


Figure 3.4 Historical and Forecast Annual Gas Demand for Wales South LDZ

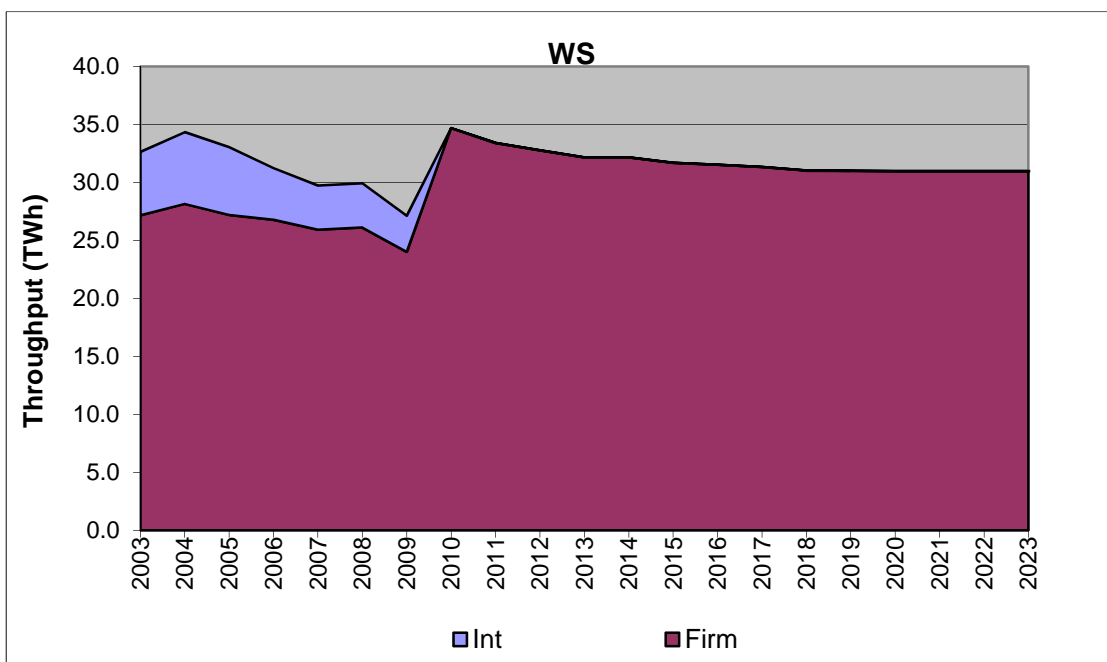


Figure 3.5 Historical and Forecast Annual Gas Demand for Wales North LDZ

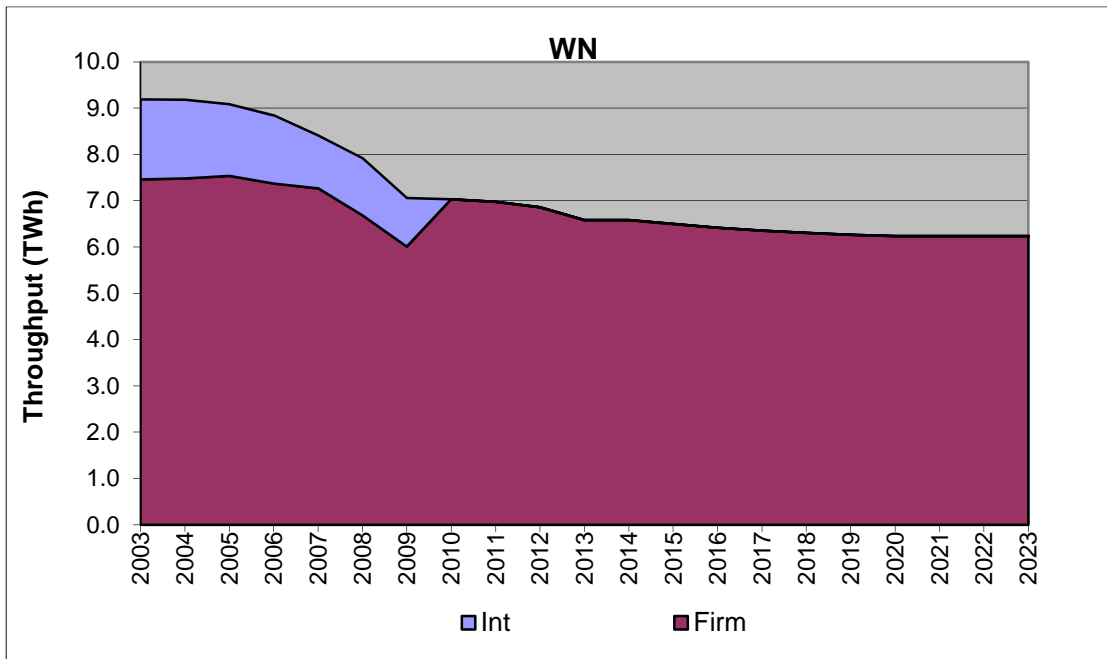
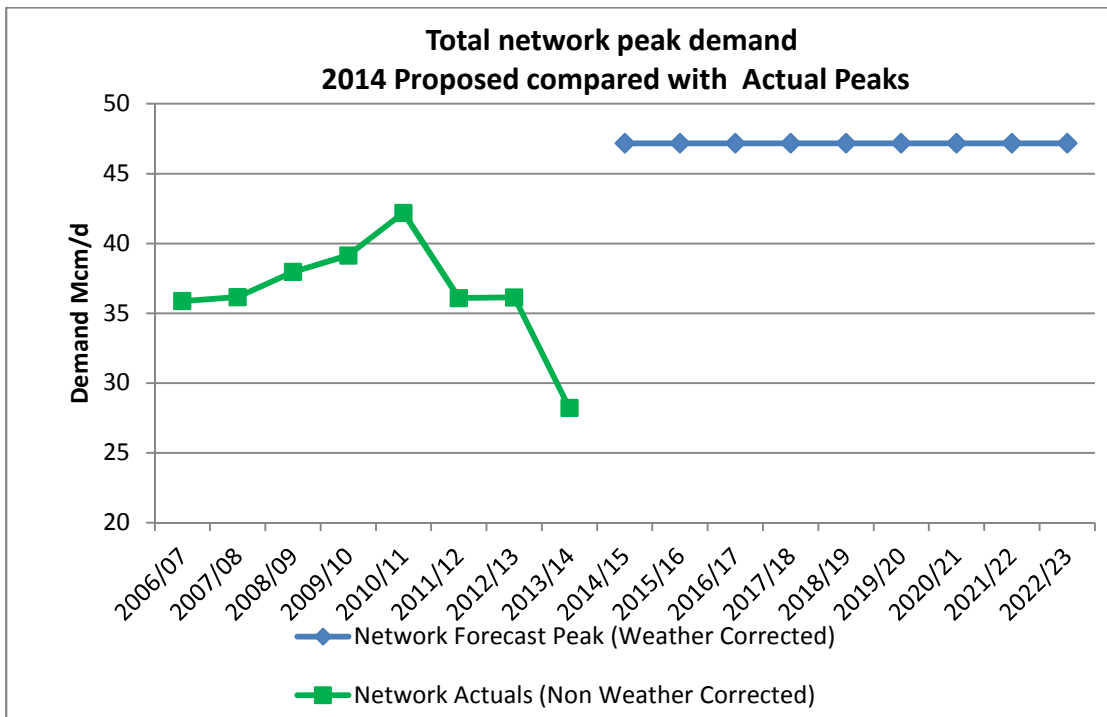


Figure 3.6: Forecast Peak Day Demand – 2013 Proposed compared to Actual Maximum Demand



Information on the demand forecasting process is available in Appendix 1.

3.3 Forecast Comparisons

The following charts show the comparison of the 2013 and 2014 forecasts and highlight the impact of the various assumptions on the different types of demand.

Figure 3.8: A Comparison of Total DN Annual Demand Forecasts

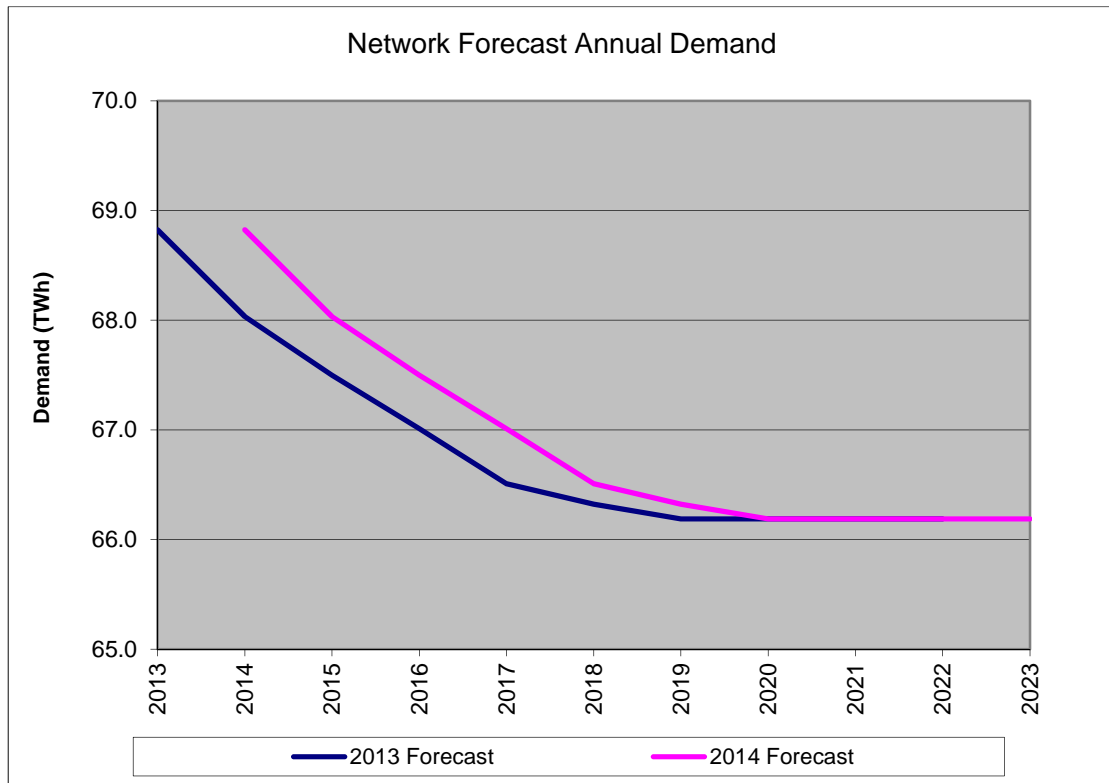


Figure 3.9: A Comparison of Peak Demand Forecasts for WWU

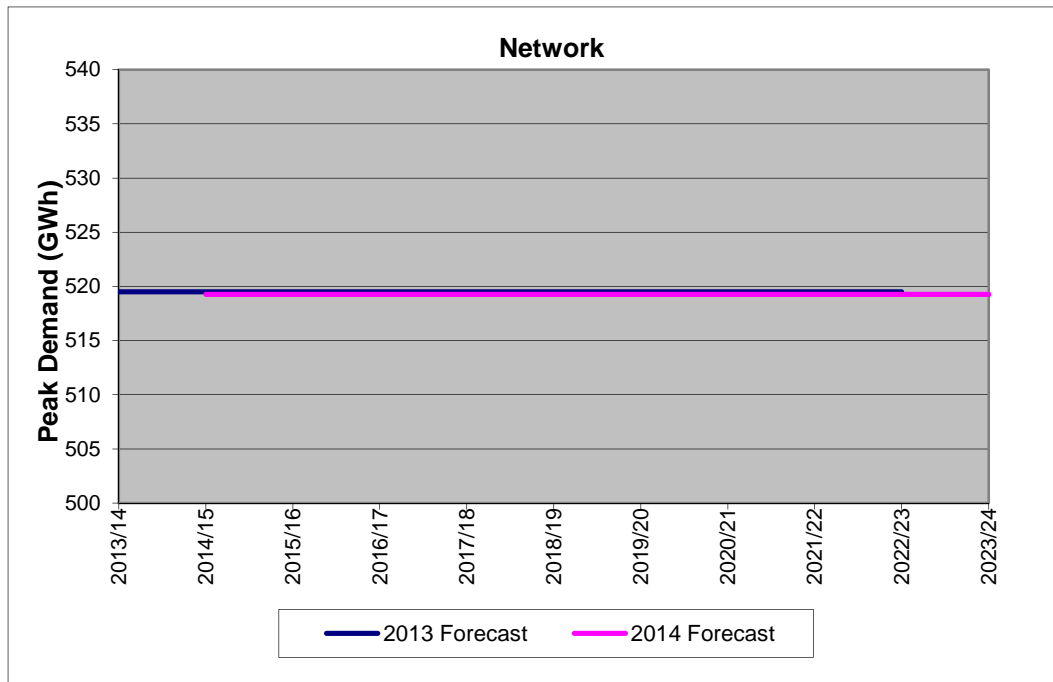


Figure 3.10: A Comparison of Peak Demand Forecasts for South West LDZ

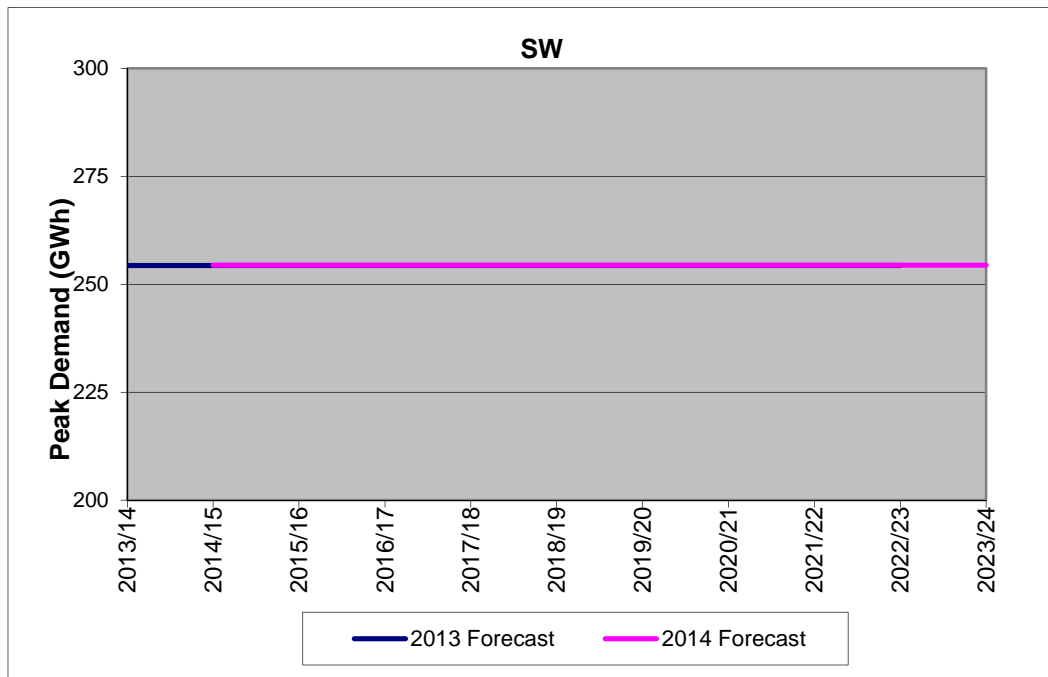


Figure 3.11: A Comparison of Peak Demand Forecasts for Wales South LDZ

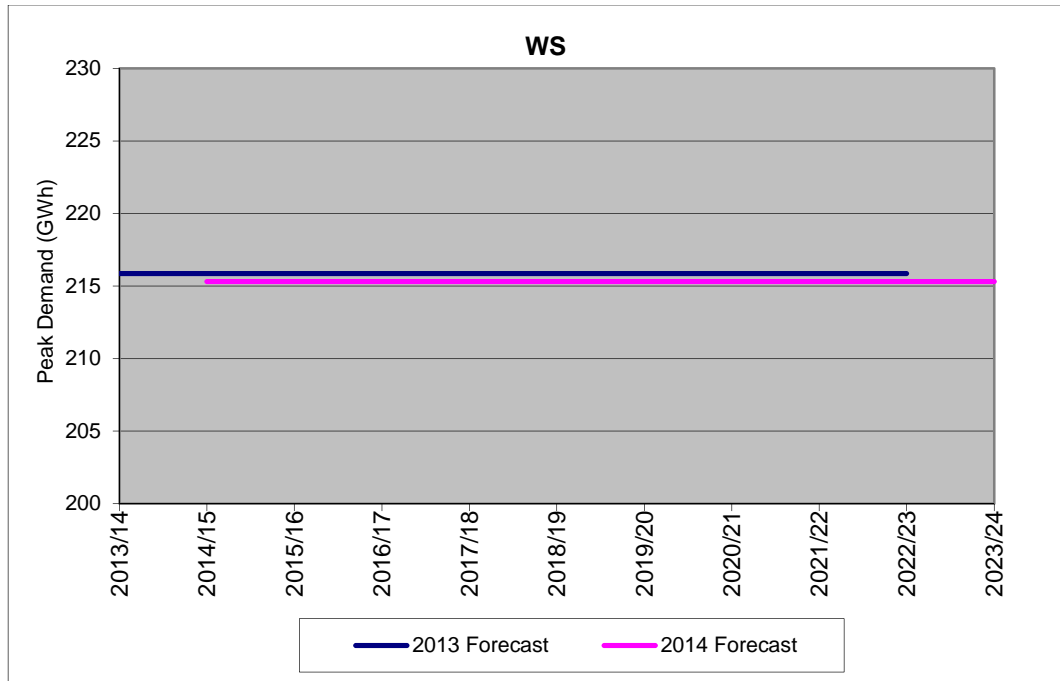
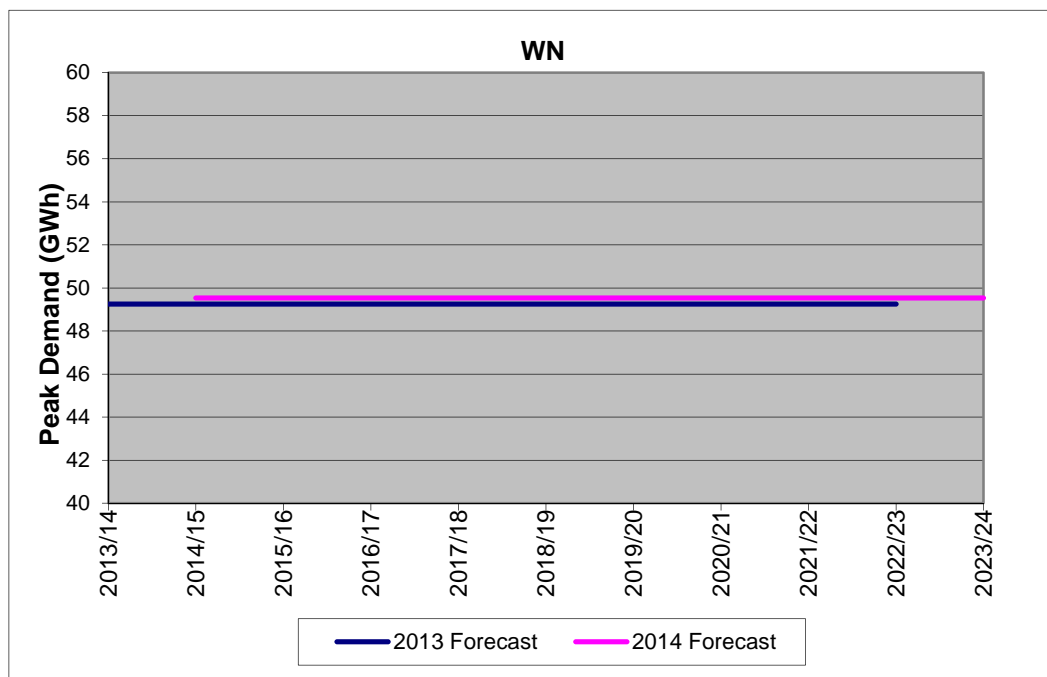


Figure 3.12: A Comparison of Peak Demand Forecasts for Wales North LDZ



4 Supply

4.1 Overview

We develop the local transmission and distribution systems to meet the requirements of the demand forecasts. In turn, National Grid Transmission (NGT) will develop the national system in line with supply and demand forecasts and this will be detailed within their development statement. [NG Gas Ten Year Statement](#)

Our supply is mainly brought into the Network from the NTS via the 17 Offtake sites; in addition we have two much smaller feeds from customers in the South West LDZ. However, as these feeds are subject to the customers' requirements, we do not assume they will be flowing at peak and book sufficient NTS capacity to meet peak day demand requirements. The gas enters the LTS and is stored within the network of pipes in the form of "linepack" and also in High Pressure Storage Vessels.

4.2 Network Facilities

4.2.1 Avonmouth LNG

There is a storage site at Avonmouth which is operated by NG. Boil-off gas is produced as a by-product of plant operation and is fed into the South West LDZ via a Network Entry Point on the LTS. The gas is blended after injection from the nearby Offtake at Seabank.

4.2.2 Bio Methane Sites

WWU currently have one biomethane plant connected to the network with a further three to be connected before the end of 2014. A further 4 are currently proposed in 2015.

4.3 Network Supplies

Figure 4.1 provides details of the current and future capacity and flows through our Offtake sites. The forecast flows are intended to meet the forecast demand requirements detailed in Chapter 3. Appendix 3 provides details of the annual flows during the 2013 calendar year.

Figure 4.1 WWU Offtakes

Offtake Name	Capacity		2014/15 peak 1 in 20 demand mcm/d	
	kscm/h	GWh/d		mcm/d
LDZ:- SW				
Aylesbeare	121.67	31.83	2.92	1.76
Cirencester	45.00	11.77	1.08	0.65
Easton Grey	122.08	31.94	2.93	2.44
Evesham	37.92	9.92	0.91	0.53
Fiddington	115.83	30.30	2.78	1.95
Ilchester	175.00	45.78	4.20	2.88
Kenn	62.50	16.35	1.50	1.28
Littleton Drew	21.29	6.00	0.51	0.24
Pucklechurch	150.00	39.24	3.60	2.06
Ross SW	25.00	6.54	0.60	0.40
Seabank	242.92	63.55	5.83	4.74
Choakford	300.00	78.48	7.20	3.70
Coffinswell	40.00	10.46	0.96	0.45
LDZ:- WS				
Dowlais	434.17	113.66	10.42	8.69
Dyffryn Clydach	235.00	61.52	5.64	3.68
Gilwern	315.83	82.68	7.58	7.19
LDZ:- WN				
Maelor	250.00	65.84	6.00	4.5

4.4 Security of Supply

We invest to ensure that the security of the Network's supply is maintained in line with the obligations detailed in our Licence to Operate. Our investment programme, discussed in Chapter 5 details a number of projects that have been identified to ensure that the security of supply is not compromised.

5 Investment in the Distribution Network

5.1 Distribution Network

We manage the operation and maintenance of the LTS and below 7 barg DN in three Local Distribution Zones:

- South West
- Wales South
- Wales North

We will continue to develop and invest in our DN in order to operate a safe and efficient network and to meet customers' requirements for any growth that is forecast.

We are certificated to asset management standard ISO55001 and we plan investment in line with the principles of the standard. At the highest level these are:

- Identification of performance requirements of physical assets using stakeholder analysis (including growth)
- Identify any risks that assets will cease to meet the required performance
- Put actions in place to address any change in requirements or close identified gaps.

5.2 Local Transmission System Development Plan

The LTS is designed for transmission and storage on the basis of ensuring security of supply at 1 in 20 peak day conditions. The system is developed, based on supply and demand forecasts, to ensure that this capability is maintained.

In order to better understand the reliability and condition of its assets and to understand how this will change over time with different investment scenarios, WWU has developed Condition Based Risk Management (CBRM) models. These decision support tools will assist WWU with planning, justifying and targeting future investment to maintain the current high level of safety and reliability of the gas supply network.

Construction of a CBRM model for above 7bar Pressure Reduction Installations has taken place and a similar approach was also applied to Local Transmission Pipelines.

5.3 Below 7barg System

The below 7barg distribution system is constrained to operate between levels of pressure defined by statute, regulation and safe working practices. It is designed and reinforced to meet a peak six-minute (pk6) demand level, which is the maximum demand level (averaged over a six minute period) that can be experienced in a network under cold winter conditions.

We will continue to invest in capital for reinforcement and new connections consistent with the peak day demand forecast in this document. We will continue to invest in the replacement of our transportation network assets, primarily for the renewal of mains and services within our Distribution System. This includes expenditure associated with the three tier approach initiated by the HSE For metallic mains replacement under the 30:30 programme.

Following a review for the requirement of local gas storage provided by Low Pressure Gas Holders, to satisfy daily peaks in demand, all of our holders have been retired from service. WWU's programme of holder demolition funded in RII0-GD1 is near completion, the remaining holder demolition will be funded in the next price control period. In some instances the works include environmental remediation and disposal of land.

5.4 Condition Based Capex

WWU own, operate and maintain almost 4000 above ground installations, over 35,000 kilometres of pipeline and supply over 2.5 million customers. Our asset policy is to balance the needs of supplying our customers and ensuring both public and employee safety are not compromised whilst minimising environmental impact and public nuisance.

The technical asset life varies across the whole range of our asset base. These of course are only a guide with the key drivers being: Condition, Serviceability, Security, Obsolescence, Legislation and Safety.

5.5 Project List

The table in Figure 5.3 details the projects planned for the WWU DN for the current price control period.

Figure 5.1 Planned Projects for 2014/15 - 2022

Project Name	Driver
2014/15	
Low Pressure Holder Demolition	Condition
HP Storage Water Deluge / Security Upgrades	Condition
CPNI Security Upgrades	Security
2015 to 2022	
Pipeline Sleeve Replacement x 28	Condition
PRS Condition Work x 129 sites	Condition
Short length pipeline diversions x 7	Condition
Above ground crossing refurbishment x 30	Condition
Short length pipeline diversions x 7	Enforced

This is a reflection of the current view on demands. Should future demand statements change the outlook on general growth or new large loads connect to the network then we will invest in our assets to meet the gas demand requirement.

There is a continued program of Condition based work for Pipelines and PRS's in the network beyond 2014/15, which has been identified at a high level as listed above, with detailed scoping on going throughout the price control period.

6 Industry Developments

6.1 Summary

The UK is now committed to legally binding environmental targets to deliver a sustainable future. We have environmental targets to achieve at 2020 and 2050. We must achieve these targets but we must also recognise the requirements to ensure security of supply within an uncertain economic climate and rising fuel poverty.

There are a number of key industry developments to note:

- A new eight year price control period (RIIO GD1) began in April 2013. This includes some significant changes to networks allowances and network requirements such as:
 - Networks to engage more with stakeholders
 - Networks to be rewarded for delivery of Outputs
 - Networks to deliver innovative solutions to promote a sustainable energy sector

- From October 2012, the industry moved into the “Enduring period of Exit Reforms” There is a growing requirement to facilitate Renewable and other forms of gas into the Gas Network. The increase in renewable generation on the electricity system is leading to more variable flows at embedded Power Stations and new requests to connect Power Stations to both above 7Bar and below 7Bar networks.

Our network planning and work to develop industry arrangements must therefore incorporate these important developments. More information on these key developments, can be found on the WWU and Ofgem websites

In addition to these three key industry developments, one should also note developments with regard to:

- Distribution Network Charges (DN Charges) and Charging Volatility
- Distribution Entry and Storage (DN Entry and Storage)
- Standardisation of notice periods for offtake rate changes for all NG NTS Exit Users

These areas are covered below.

6.2 The Distribution Network Charges (DN Charges) & Charging Volatility

The DNs have licence requirements to keep their Transportation Income charging methodology under review and maintain cost reflectivity. This has resulted in a number of changes to charging methodologies.

1. Rebasing of System charges to recover 95% of system related costs through capacity based charges.
2. Changing the percentage split between costs recovered through System charges and costs recovered through Customer charges to reflect the WWU cost structure.
3. Restructured the System charges to reflect the WWU cost structure as opposed to the previous System charges which were based on the national cost structure.
4. Implementing new charging arrangements for Shippers taking gas which has entered the Distribution network directly.
5. Changing from the current supply point charging to a single meter point charging arrangement. This is due for implementation in October 2015.

Following implementation of UNC Modification Proposal 186, DNs present quarterly Mod 186 reports to Shippers at the Distribution Charging Methodology Forum (DCMF) showing future movements in Allowed Revenue and the potential price changes resulting from those movements. The reports form an important part of the DCMF to which all Shippers are invited. The Modification 186 report is published by each DN on their website as well as the Joint Office website.

The new Price Control which runs for the period 2013/14 to 2020/21 improves the predictability of transportation charges. This is because the Distribution Networks cannot recover incentives from outperforming Ofgem targets until two years after the year in which they were earned. This means that there is certainty in the incentive value included in the Allowed Revenue for price setting. Similarly, any over or under recoveries of Allowed Revenue (k) are subject to a two year lag which again ensures certainty in the k value used in Allowed Revenue for price setting.

We did respond to an Ofgem consultation seeking views on how to minimise charging volatility. In this response we suggested a number of ways in which charging volatility could be minimised. Ofgem published a final decision on this issue and this can be found on the [Ofgem](#) website.

6.3 Distribution Network Entry and Storage

WWU recognise that there is increasing interest in DN entry and storage including gas from LNG, anaerobic digesters and coal bed methane and we are currently reviewing a number of enquiries for new connections in 2014. Gas from non-fossil sources contributes to achieving the UK Government's climate change targets. In 2013 Networks introduced a change to their transportation charging methodology to better reflect the use of the System by Shippers injecting gas at DN entry points. Connections for entry and storage to the WWU network will be provided in accordance with our licence obligations and our first biomethane DN Entry site went live in 2013.

Key issues for gas entry include gas quality, odourisation, flow weighted average CV and the capacity available on the system.

Further details on current gas quality specifications can be found in appendix A5.3.1 and further information on our connections process for DN Entry is available at the following location [Wales & West Utilities - Injecting Gas into Our Network](#)

6.4 Standardisation of notice periods for offtake rate changes for NG NTS Exit Users

In order to improve efficient operation and support the changing needs of DN Customers, particularly Combined Cycle Gas Turbine (CCGT) users, WWU has lead the development of arrangements at the NTS Offtakes; specifically through the raising of UNC Modification 407. Further information is available at www.gasgovernance.co.uk/0407.

7 Innovation

7.1 Innovation Summary

Innovation has been a key contributor to the successes delivered by WWU from day one of network sales in 2005. We outlined in our RIIO GD1 business plan our Innovation strategy for the eight year RIIO GD1 period to 2021 and we have made good progress in this first year.

The innovation stimulus within the RIIO framework encourages us to play a full role in the delivery of a sustainable energy sector and to do so in a way that delivers value for money to customers and to ensure that people living within Wales and the South West of England benefit from the latest advances in technology and understanding that ultimately will improve our outputs, consequently improving on service to them.

Wales & West Utilities appointed an Innovation Manager in June 2013 to actively manage innovation through our business led approach. This approach ensures that the business owns the innovation ideas from early conceptual stage through to project close and eases innovation adoption and organisational change.

We aim to foster a culture of innovation and have developed processes that provide the vehicle that harnesses innovation to deliver value to customers and improve the way we work.

2013/14 Key Achievements:

- During the regulatory year 2013/14, WWU took part in fourteen innovation projects and were the lead GDN on seven of these projects. All of these projects have been worked on collaboratively with one or more of the other Network Licensees.
- We submitted the first cross sector Network Innovation Competition (NIC) entry to the NIC panel which included the impacts of injecting renewably sourced hydrogen into the South West Network. The Panel did not approve the project but praised the intent of exploring future use of hydrogen as an energy source.
- A significant proportion of our innovation in 2013/14 was linked to the understanding of the actual condition of iron mains including the inherent strain, thus potentially allowing evaluation of the likelihood of failure to a degree of accuracy never previously possible. This will allow for informed, targeted interventions potentially using new innovative techniques only where necessary, or otherwise extending asset life thereby minimising both the cost and risk to the consumer.

- The Western Gas Alliance won an award at the National Innovation Awards in Manchester – Best Innovation Adopted by a Contractor. The award recognised a project that allows longer lengths of Pipe to be “Pushed” during Replacement projects, thus significantly reducing disruption to customers and local authorities.

Looking ahead, we plan further investment and research aligned to tackling today’s challenges and developing a sustainable future. Two examples of 2014/15 projects are:

- Further research into the properties of Iron Pipe that may open up improved inspection techniques or alternatives to replacement with PE pipe.
- A full scale demonstration project to treat sludge from multiple gasholder sites, this treated sludge will be re-used as backfill and will avoid disposal/incineration costs and will reduce the required volume of imported backfill material to create a cost efficient, sustainable solution for the management of gasholder sludge.

Appendix 1: Process Methodology

A1.1 Introduction

Demand forecasts have been developed using the methodology defined within Uniform Network Code General Terms (GT) Section C 2.6.6. This states that the methodology to be used in the derivation of the ten-year statement should match that originally defined in the Transco Ten-Year Statement 1995/6. This is detailed in NG “Gas Demand Forecasting Methodology” published in December 2007. UNC GT C 2.6.6 allows for changes in the methodology after agreement with Users and publication within a ten-year statement.

Demand is split into four market sectors according to site annual quantity (AQ) and supply type. The load bands are:

0 - 73 MWh

73 MWh - 732 MWh

> 732 MWh Firm supply points

Interruptible supply points

A1.2 Demand Forecasts for Wales & West Utilities planning

Models have been built for each load band that relates weather correct demand to economic variables using established Econometric techniques. For large loads local information is used where available, for example information on new loads or known future reductions in demand.

Forecasts are produced for annual demand and peak day demand. Different models and techniques are used for these two purposes. The forecasts of peak day demand is a forecast of demand under extreme conditions and therefore uses statistical distributions designed to model extreme values. Peak day modelling uses the full historical weather from 1928/29 through to present. The weather data is used in conjunction with seasonal normal demand and a simulation technique to produce a 1 in 20 peak demand for each LDZ. This can then be applied to the previously forecast annual demands to produce peak daily demand across the ten-year forecast period.

A1.3 NDM profiling and Composite Weather Variable

Demand Estimation parameters are calculated based on SNCWV. Details of the modelling approach and definitions of the variables were issued to the industry by Xoserve in June 2009 in the document “NDM Profiling and Capacity Estimation Algorithms 2009/10”. These values are updated each year and published on the UKLink website. Demand Estimation parameters effective from 1st October 2010 will be calculated using the new EP2 SNCWV methodology.

Previous CWV definitions were based on data from 1996/97 to 2003/04 which was the data available the last time a Seasonal Normal review was carried out. The revised CWV definitions for all LDZs were published in late 2009 and all the elements of CWV (such as Effective Temperature weighting, summer cut offs, pseudo Seasonal Normal Effective Temperature) will be defined using all the available data from 1996/7 to 2009/10. The concept of a ‘seasonal’ profile within the CWV formula was introduced in the SN review in October 2005 and is known as the ‘pseudo’ SNET.

Now that the current seasonal normal review is complete and the new CWV definitions have become effective they will not change, unless a weather station changes, or until the next SN review which is planned to take place during 2014 and will become effective from 1st October 2015.

A1.4 Supply

NG own and maintain the NTS, which supplies our network through a number of offtakes. Exit Capacity bookings at these offtakes are made by WWU as per the arrangements in Uniform Network Code and further information regarding the release of capacity by NTS is described at the following location; [NTS Exit Zones and Exit Capacity Constraint Actions](#) Where available DN Entry sites are also providing small volumes of gas to the South West LDZ. Whilst the number of sites are few and in the absence of historic data, WWU do not consider that these volumes can be assumed to be available at peak and as such bookings for equivalent NTS capacity are also made to ensure security of supply. However, as the number of sites increases this will be reviewed.

A1.5 LTS Planning

We use a forecast of demand to model system flow patterns and produce capacity plans that take account of anticipated changes in system load and within-day demand profiles.

The options available to relieve LTS capacity constraints include:

- Upgrading pipeline operating pressures.
- Constructing new pipelines or storage.
- Constructing new supplies (offtakes from the NTS), regulators and control systems.
- DN Entry when available and secure.

As well as planning to ensure that LTS pipelines are designed to the correct size to meet peak flows, there is a requirement to plan to meet the variation in demand over a 24-hour period. Diurnal storage is used to satisfy these variations and consists of gas held in linepack and high-pressure vessels.

A1.5.1 Below 7barg Distribution Planning

The lower pressure tier distribution system is designed to meet expected gas flows in any six-minute period assuming reasonable diversity of demand. Lower tier reinforcement planning is based on LDZ peak demand forecasts, adjusted to take account of the characteristics of specific networks.

Network analysis is carried out using a suite of planning tools with the results being validated against a comprehensive set of actual pressure recordings. The planned networks are then used to assess future system performance to predict reinforcement requirements and the effects of additional loads. Reinforcement options are then identified, priced and programmed for completion before any potential constraint causes difficulties within the Network. Reinforcement is usually carried out by installing a new main or by taking a new offtake point from a higher-pressure tier. In general, the reinforcement project is of such a size that the work can be completed and operational before the following winter.

A1.6 Investment Procedures and Project Management

All investment projects must comply with WWU's Investment Procedures, which set out the broad principles that should be followed when evaluating high value investment or divestment projects. Governance is carried out by WWU Committee structure.

The investment procedures define the methodology to be followed for undertaking individual investments and cover the following stages:

- Project Planning
- Financial Appraisal
- Project Approval
- Project Monitoring
- Project Completion

Primarily the purpose of investment is to maintain the safe supply of gas to the customer. Projects are either mandatory or discretionary investments and are considered on the basis of:

- i) Maintenance of security of supply,
- ii) Financial & commercial impact, and
- iii) Mandatory requirements such as legal or HSE obligations.

All investment proposals fully account for the technical, safety, environmental and financial aspects.

The successful management of major investment projects is central to our business objectives. Our project management strategy involves:

- Determining the level of financial commitment.
- Monitoring and controlling the progress of the project to ensure that financial and technical performance targets are achieved.
- Post Completion Reviews and Post Investment Appraisals to ensure compliance and capture lessons learnt.

Our management of investment projects is designed to ensure that they are delivered on time, to the appropriate quality standards at minimum cost. The project management process in particular makes use of professional consultants and specialist contractors, all of whom are appointed subject to competitive tender.

Appendix 2: Gas Demand & Supply Volume Forecasts

A2.1 Demand

NB: Volumes are estimated using CWV derived on the EP2 basis implemented in 2010.

Figures may not sum due to rounding.

Figure A2.1 – Forecast 1 in 20 Peak Day Firm Demand (GWh per day).

LDZ	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
South West	254	254	254	254	254	254	254	254	254	254
Wales North	50	50	50	50	50	50	50	50	50	50
Wales South	215	215	215	215	215	215	215	215	215	215
Network Total	519	519	519	519	519	519	519	519	519	519

Figure A2.2 – South West LDZ Forecast Annual Demand Table – Split by Load Categories (TWh).

Calendar Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
0 - 73.2 MWh	20.02	19.94	19.78	19.70	19.67	19.66	19.70	19.70	19.70	19.70
73.2 - 732 MWh	2.56	2.51	2.48	2.45	2.42	2.39	2.37	2.37	2.37	2.37
>732 MWh	3.73	3.71	3.69	3.67	3.65	3.62	3.60	3.60	3.60	3.60
NDM Consumption	26.31	26.17	25.96	25.82	25.74	25.67	25.68	25.68	25.68	25.68
DM Firm Consumption	3.21	3.13	3.05	2.98	2.91	2.84	2.77	2.77	2.77	2.77
DM Interruptible Consumption										
DM Consumption	3.21	3.13	3.05	2.98	2.91	2.84	2.77	2.77	2.77	2.77
Total LDZ Consumption	29.52	29.30	29.01	28.80	28.64	28.51	28.45	28.45	28.45	28.45
Total Shrinkage	0.28	0.28	0.28	0.27	0.27	0.27	0.27	0.27	0.27	0.27
Total Throughput	29.80	29.58	29.29	29.07	28.91	28.78	28.72	28.72	28.72	28.72

Gas Supply Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Total Throughput	29.86	29.67	29.41	29.07	28.96	28.81	28.77	28.66	28.66	28.66

Figure A2.3 – South West LDZ Forecast Annual Demand Graph – Split by Load Categories (TWh).

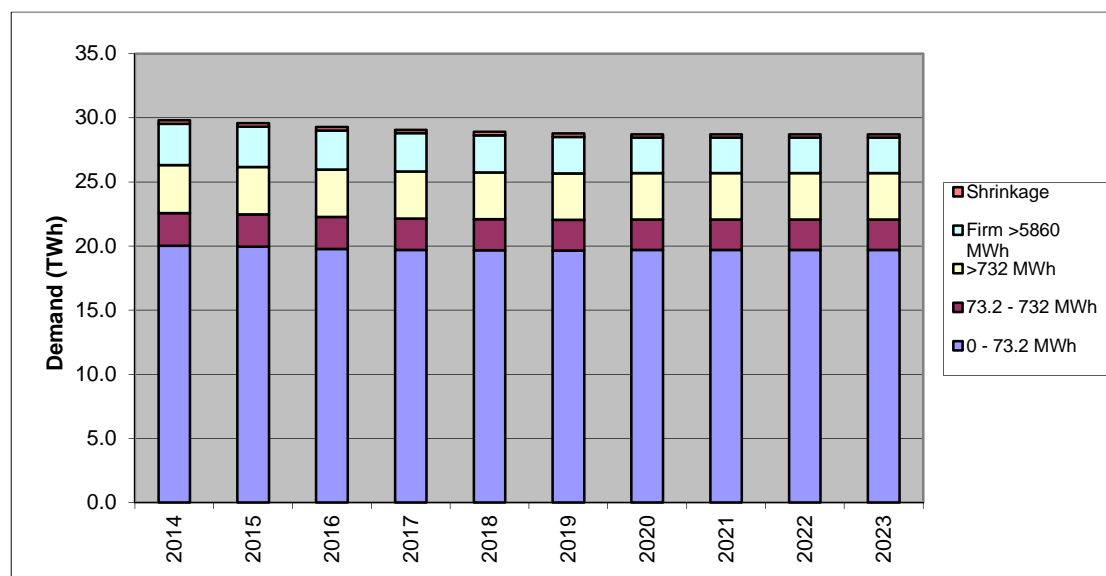


Figure A2.4 – Wales South LDZ Forecast Annual Demand Table – Split by Load Categories (TWh).

Calendar Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
(a) 0 - 73.2 MWh	12.77	12.67	12.57	12.52	12.51	12.51	12.55	12.55	12.55	12.55
(b) 73.2 - 732 MWh	1.20	1.17	1.14	1.12	1.10	1.08	1.06	1.06	1.06	1.06
>732 MWh	1.88	1.81	1.78	1.75	1.72	1.69	1.67	1.67	1.67	1.67
NDM Consumption	15.85	15.65	15.49	15.39	15.33	15.28	15.28	15.28	15.28	15.28
DM Firm Consumption	16.33	16.05	16.04	15.94	15.71	15.74	15.69	15.69	15.69	15.69
DM Interruptible Consumption										
DM Consumption	16.33	16.05	16.04	15.94	15.71	15.74	15.69	15.69	15.69	15.69
Total LDZ Consumption	32.18	31.69	31.53	31.33	31.03	31.02	30.97	30.97	30.97	30.97
Total Shrinkage	0.19	0.19	0.19	0.19	0.19	0.19	0.18	0.18	0.18	0.18
Total Throughput	32.37	31.88	31.72	31.52	31.22	31.21	31.16	31.16	31.16	31.16

Gas Supply Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Total Throughput	32.46	31.99	31.81	31.54	31.28	31.21	31.22	30.91	30.91	30.91

Figure A2.5 – Wales South LDZ Forecast Annual Demand Graph – Split by Load Categories (TWh).

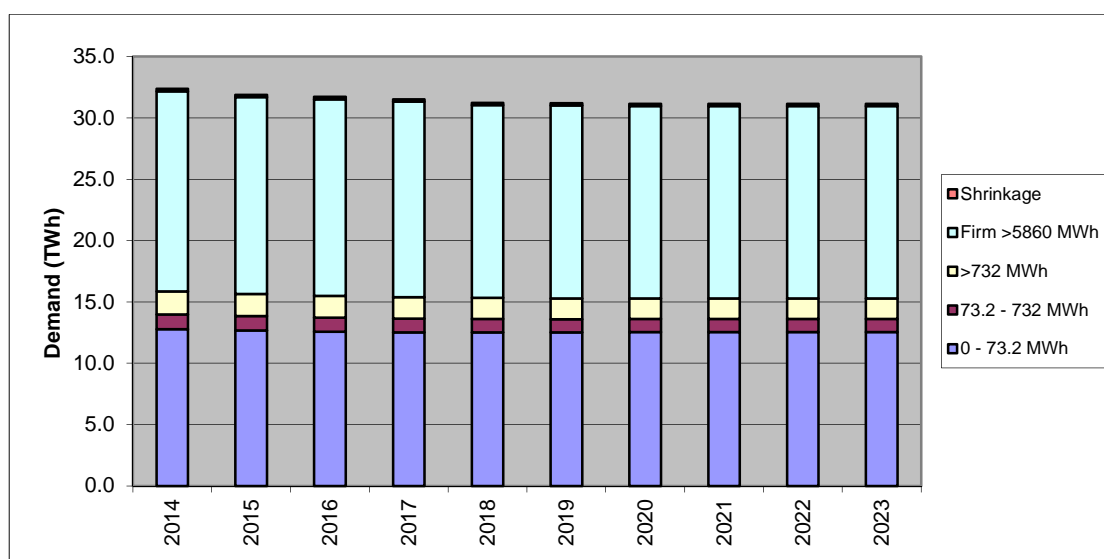
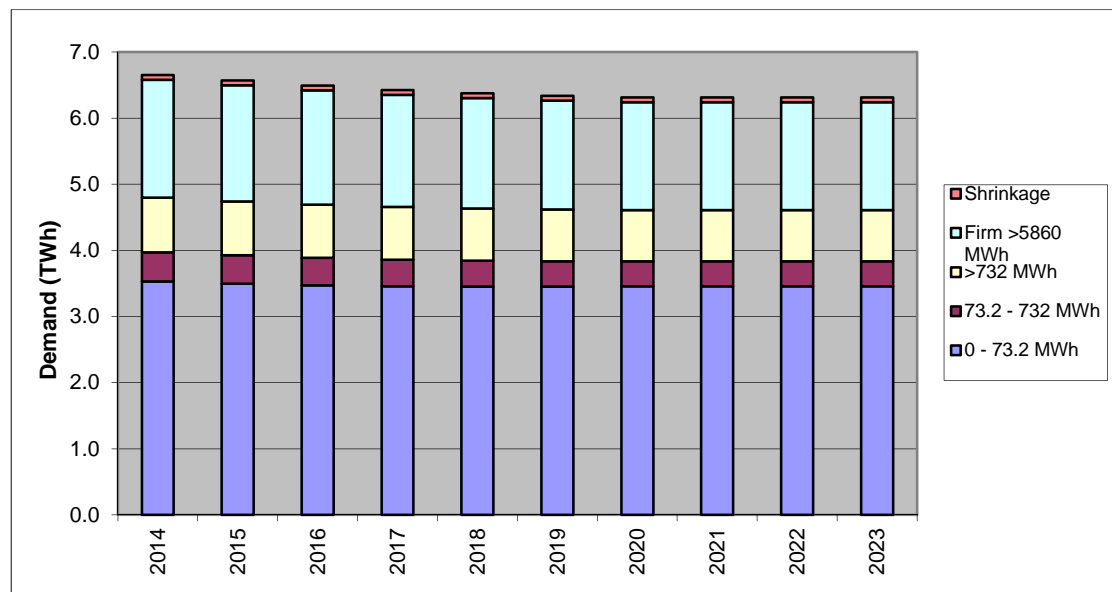


Figure A2.6 – Wales North LDZ Forecast Annual Demand Table – Split by Load Categories (TWh).

Calendar Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
(a) 0 - 73.2 MWh	3.53	3.50	3.47	3.46	3.45	3.45	3.46	3.46	3.46	3.46
(b) 73.2 - 732 MWh	0.44	0.43	0.42	0.40	0.39	0.38	0.37	0.37	0.37	0.37
>732 MWh	0.82	0.81	0.81	0.80	0.79	0.78	0.78	0.78	0.78	0.78
NDM Consumption	4.80	4.74	4.69	4.66	4.63	4.62	4.61	4.61	4.61	4.61
DM Firm Consumption	1.78	1.75	1.73	1.70	1.67	1.65	1.63	1.63	1.63	1.63
DM Interruptible Consumption										
DM Consumption	1.78	1.75	1.73	1.70	1.67	1.65	1.63	1.63	1.63	1.63
Total LDZ Consumption	6.58	6.50	6.42	6.35	6.30	6.26	6.24	6.24	6.24	6.24
Total Shrinkage	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07
Total Throughput	6.65	6.57	6.49	6.43	6.38	6.34	6.31	6.31	6.31	6.31
Gas Supply Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Total Throughput	6.68	6.59	6.52	6.43	6.39	6.35	6.33	6.27	6.27	6.27

Figure A2.7 – Wales North LDZ Forecast Annual Demand Graph – Split by Load Categories (TWh).



Appendix 3: Actual Flows 2013

A3.1 Annual Flows

As forecasts are made without knowledge of what weather conditions will prevail into the future they are made at seasonal normal temperatures. In order to compare actual throughput with forecast values the impact of weather needs to be removed from the figures. This is known as weather corrected demand.

The Network Code requires a revision to seasonal normal values every five years and as such the basic seasonal normal temperatures were revised during 2009/10 and implemented on the 1st October for gas year 2010/11.

As has been communicated previously, the annual average weather for the seasonal normal demand forecast has moved from the 17-year historic basis to the EP2 basis which incorporates an element of forward looking weather forecasts as well as historical weather. The impact on annual demand is a reduction of around 3.5% when compared with the previous basis. Peak day demand forecasts are not being adjusted for climate change, resulting in lower load factors.

A new set of composite weather parameters were used for these forecasts. These parameters are not hugely different to the previous set. A bigger change has been made to the shape of the seasonal normal composite weather with the new profile being less smooth allowing bumps in the profile to highlight common weather features known as Buchan spells. The most notable changes are a flatter profile through the winter and a faster warming in the spring. These changes are reflected in the profile of the seasonal normal demand.

Figure A3.1 – South West LDZ Annual Demand 2013 (TWh)

	2013 Actual Demand	Weather Corrected Demand	2013 Forecast Demand
0 – 73 MWh	21.21	19.33	20.24
73 – 732 MWh	2.98	2.75	2.72
> 732 MWh Firm	7.79	7.53	7.32
Interruptible	0.00	0.00	0.00
Total Consumption	31.98	29.62	30.28
Shrinkage	0.24	0.24	0.29
Total Throughput	32.22	29.86	30.57

Figure A3.2 – Wales South LDZ Annual Demand 2013 (TWh)

	2013 Actual Demand	Weather Corrected Demand	2013 Forecast Demand
0 – 73 MWh	13.07	12.08	13.00
73 – 732 MWh	1.45	1.35	1.33
> 732 MWh Firm	13.99	13.84	19.08
Interruptible	0.00	0.00	0.00
Total Consumption	28.51	27.27	33.41
Shrinkage	0.13	0.13	0.19
Total Throughput	28.63	27.39	33.60

Figure A3.3 – Wales North LDZ Annual Demand 2013 (TWh)

	2013 Actual Demand	Weather Corrected Demand	2013 Forecast Demand
0 – 73 MWh	3.76	3.46	3.62
73 – 732 MWh	0.55	0.52	0.50
> 732 MWh Firm	2.64	2.58	2.79
Interruptible	0.00	0.00	0.00
Total Consumption	6.95	6.56	6.90
Shrinkage	0.05	0.05	0.07
Total Throughput	7.00	6.61	6.97

The weather corrected demand gives the expected level of demand for 2013 had the weather been at its seasonal normal value. As can be seen in the tables above the Actual Demand in 2013 was higher than the Seasonal Normal in all areas but compared to the Forecasted Demand, they were only higher in Wales North and South West. The forecast for Wales South had a large industrial element included, that increases the forecast demand but may not necessarily increase the Actual demand.

A3.2 Maximum and Peak Flows

The coldest weather occurred on 30th January 2014 for South West and South Wales and 31st January 2014 for North Wales. However, these days did not coincide with the days of maximum firm demand for the three LDZs. The maximum firm demand for the whole network this gas year occurred on the 26th November 2013 and was 28.21mcm.

The maximum and minimum for the LDZs are shown in the following table

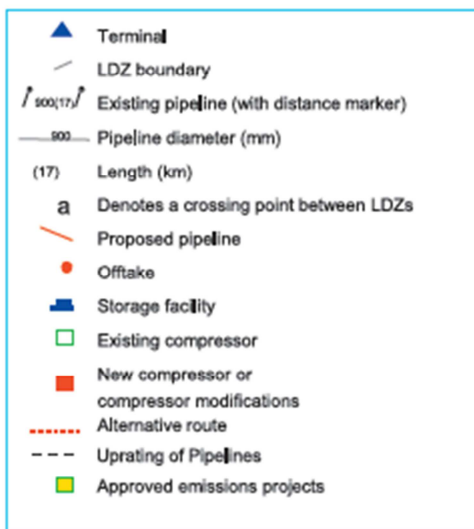
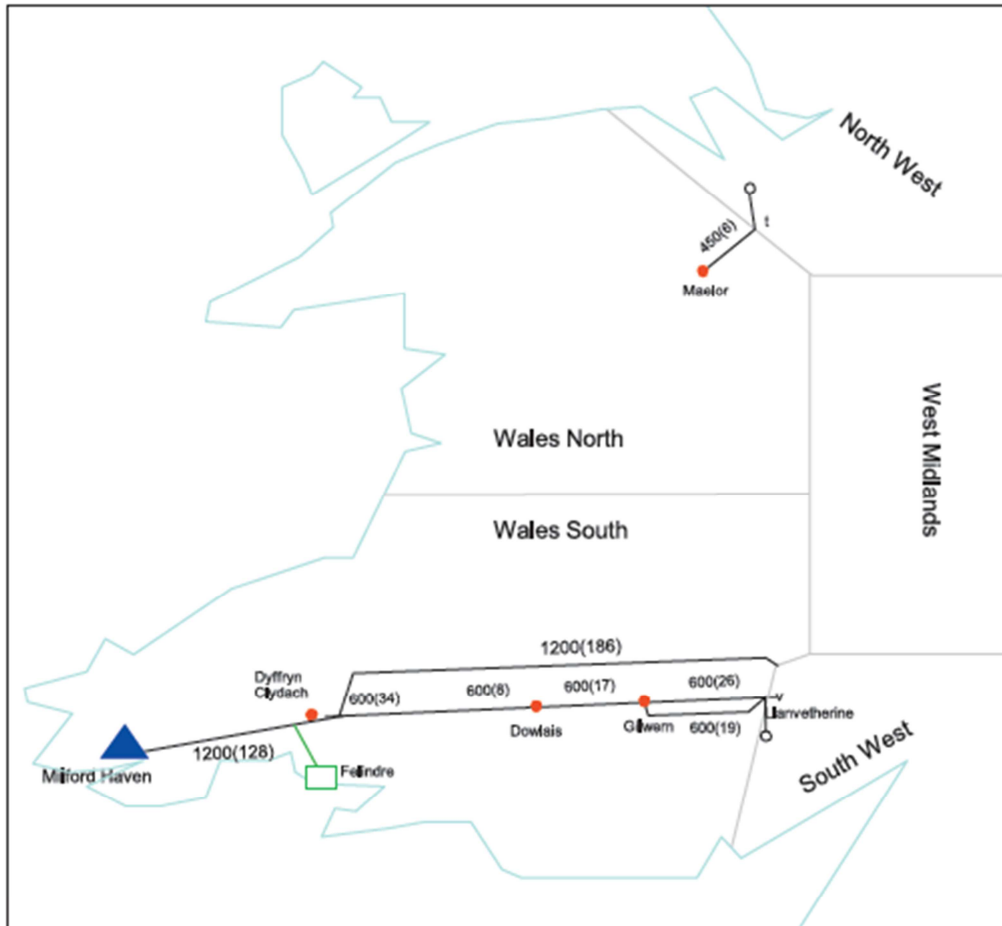
Figure A3.4 – LDZ Peak and Minimum Flows (mcm)

Max and Min Demand Days		
LDZ	Maximum Day 25/11/2013	1 in 20 Forecast peak 2013/14
WS	11.72	19.56
LDZ	Maximum Day 12/02/2014	1 in 20 Forecast peak 2013/14
WN	2.87	4.50
LDZ	Maximum Day 30/01/2014	1 in 20 Forecast peak 2013/14
SW	14.38	23.11
LDZ	Minimum Day 30/07/2014	
WS	2.4	
LDZ	Minimum Day 19/07/2013	
WN	0.6	
LDZ	Minimum Day 26/07/2014	
SW	2.26	

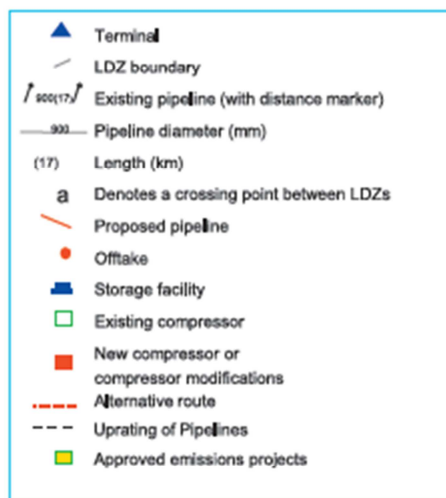
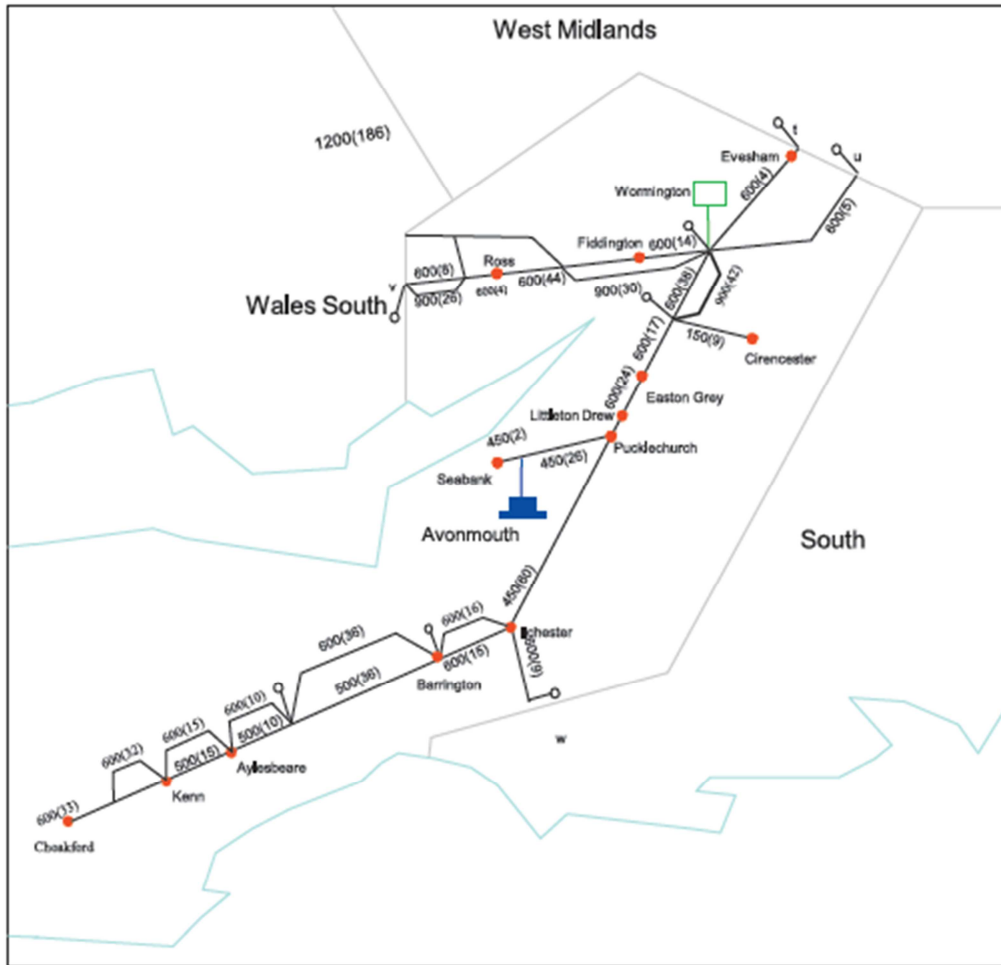
The 1 in 20 forecast peak shows the forecast peak day firm demand for 2012/13

Appendix 4: The Gas Transportation System

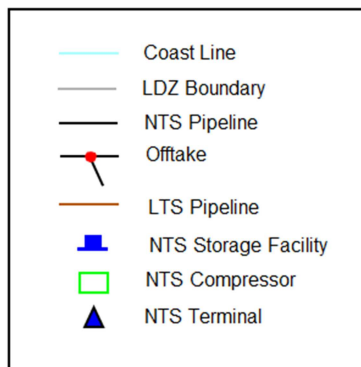
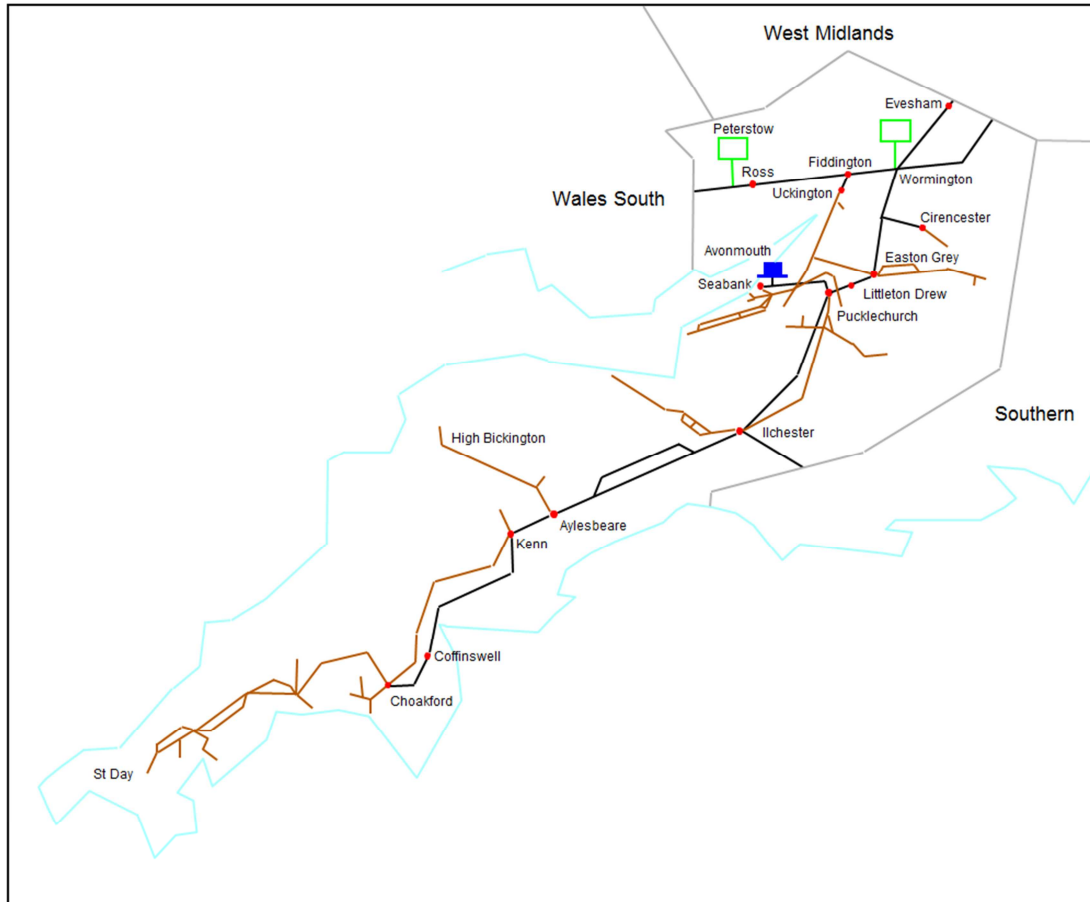
A4.1 Wales North and Wales South (WN & WS) NTS



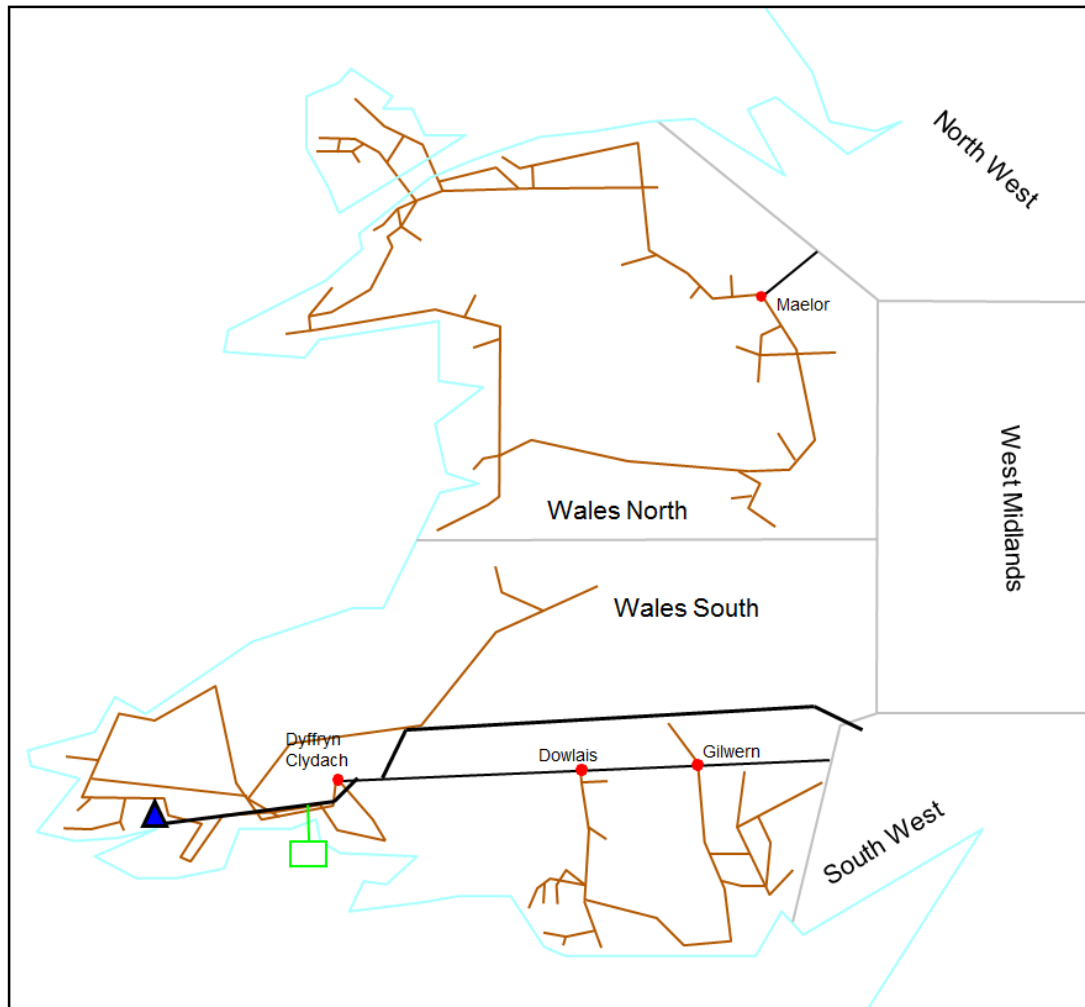
A4.2 South West (SW) NTS



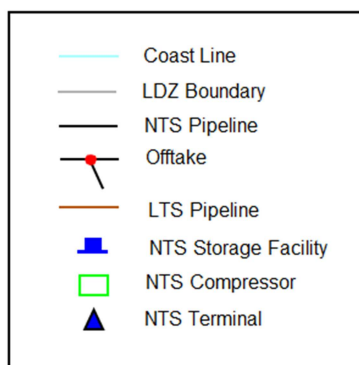
A4.3 South West (SW) LDZ - LTS



A4.4 Wales North and Wales South (WN & WS) LTS



A4.6 Code LDZ Maps



Appendix 5: Connections to WWU System

A5.1 Introduction

We offer connection services in line with our Gas Act obligations. System entry connections conditions are detailed in Section A5.3 below.

Our exit connections allow gas to be taken from our system to premises (a 'Supply Point') or to Connected System Exit Points (CSEPs). There are several types of connected system including:

- A pipeline system operated by another gas transporter.
- Any other non WWU pipeline transporting gas to premises consuming more than 2,196MWh per annum.

Please note that in addition to new pipes being termed connections, any requirement to increase the quantity of gas delivered to or taken from the system, is also treated as a new connection.

A5.2 General Information Regarding Connections

Our connection charging policy for all categories of connection is set out in the publication 'Standard Condition 4B of the Gas Transporter Licence – Statement of Principles and Methods to be used to determine charges for Gas Distribution Connections Services', which is supported by our Connections and Other Distribution Services Charges Document. Both documents can be downloaded from our web site (www.wwutilities.co.uk).

Additional information relating to the connection process, including contact details, can also be found on the website. It should be noted that any person wishing to connect to our system, or requiring increased flow should contact us as early as possible to ensure that requirements can be met on time, particularly if system reinforcement is required as outlined in A5.4.3.

A5.3 Information for System Entry Connections

We require a Network Entry Agreement or Connection Agreement with the respective operator to establish, among other things, the gas quality specification, the physical location of the delivery point and the standards to be used for both gas quality and the measurement of flow.

A5.3.1 Network Entry Quality Specification

For any new entry connection to our system, the connecting party should notify us as soon as possible as to the likely gas composition. We will then determine whether the gas can be accepted, taking into account our existing statutory and contractual obligations. Our ability to accept gas supplies into the system is affected by, among other things, the composition of the new gas, the location of the system entry point, volumes entered and the quality and volumes of gas already being transported within the system. In assessing the acceptability of any proposed new gas supply, we will take account of:

- Our ability to continue to meet statutory obligations (including, but not limited to, the Gas Safety (Management) Regulations 1996 (GS(M)R)).
- The implications of the proposed gas composition on system running costs.
- Our ability to continue to meet our contractual obligations.

For indicative purposes, the specification set out below is usually acceptable for most locations and encompasses but is not limited to the statutory requirements set out in the GS(M)R.

1. Hydrogen Sulphide

- Not more than 5mg/m³

2. Total Sulphur

- Not more than 50mg/m³

3. Hydrogen

- Not more than 0.1% (molar)

4. Oxygen

- Not more than 1% (molar) - HSE has now issued a class exemption to GS(M)R to allow network conveyance of gas with an oxygen content \leq 1% (molar) at pressures up to 38 barg.

5. Hydrocarbon Dewpoint

- Not more than -2°C at any pressure up to 85barg

6. Water Dewpoint

- Not more than -10°C at 85barg

7. Wobbe Number (real gross dry)

- The Wobbe Number shall be in the range 47.20 to 51.41MJ/m³

8. Incomplete Combustion Factor (ICF)

- Not more than 0.48

9. Soot Index (SI)

- Not more than 0.60

10. Gross Calorific Value (real gross dry)

- The Gross Calorific Value (real gross dry) shall be in the range 36.9 to 42.3MJ/m³, in compliance with the Wobbe Number, ICF and SI limits described above. Subject to gas entry location and volumes, we may set a target for the Calorific Value within this range.

11. Inerts

- Not more than 7.0% (molar) subject to
- Carbon Dioxide: not more than 2.0% (molar). Please note that there is a proposal by NG to modify the UNC to a limit of 2.5% (as mentioned above the limit is indirectly limited by the GS(M)R).

12. Contaminants

- The gas shall not contain solid, liquid or gaseous material that may interfere with the integrity or operation of pipes or any gas appliance within the meaning of regulation 2(1) of the Gas Safety (Installation and Use) Regulations 1998 that a consumer could reasonably be expected to operate.

13. Organo Halides

- Not more than 1.5 mg/m³

14. Radioactivity

- Not more than 5 Becquerels/g

15. Odour

- Gas delivered shall have no odour that might contravene the statutory obligation not to transmit or distribute any gas at a pressure below 7 barg, which does not possess a distinctive and characteristic odour.

16. Pressure

- The delivery pressure shall be the pressure required to deliver natural gas at the Delivery Point into our Entry Facility at any time taking into account the back pressure of our System at the Delivery Point as the same shall vary from time to time.
- The entry pressure shall not exceed the Maximum Operating Pressure at the Delivery Point.

17. Delivery Temperature

- Between 1°C and 38°C

18 Siloxanes

- Tests for siloxanes and the determination of safe limits are subject to ongoing work. The limits and testing regime will be updated as industry best practice develops.

Please note that the Incomplete Combustion Factor (ICF) and Soot Index (SI) have the meanings assigned to them in Schedule 3 of the GS(M)R. In addition, where limits on gas quality parameters are equal to those stated in GS(M)R (Hydrogen Sulphide, Total Sulphur, Hydrogen, Wobbe Number, Soot Index and Incomplete Combustion Factor), we may require an operational tolerance to be included within an agreement to ensure compliance with the GS(M)R.

Due to continuous changes being made to the system, any undertaking made by us on gas quality prior to signing an agreement will normally only be indicative.

A5.4 Additional Information Specific to System Exit Connections

Any person can contact us to request a connection, whether they are a shipper, operator, developer or consumer. However, gas can only be taken where the Supply Point so created has been confirmed by a shipper, in accordance with the Uniform Network Code.

A5.4.1 Offtake Pressures - Distribution Network Connections

Gas will normally be made available to consumers at a pressure that is compatible with a regulated metering pressure of 21mbarg. Information on the design and operating pressures of distribution pipes can be obtained by contacting us.

A5.4.2 Self-Lay Pipes or Systems

In accordance with Section 10(6) of the Gas Act, and subject to the principles set out in the published Licence Condition 4B Statement, and the terms and conditions of the contract between us and the customer in respect of the proposed connection, where a party wishes to lay their own service pipe to premises expected to consume 2,196MWh per annum or less, ownership of the pipe will vest in us once the connection to the our system has been made.

Where the connection is for a self-laid pipe to premises with an expected consumption of more than 2,196MWh per annum or the connection is to a pipe in our system which is not a relevant main, these pipes do not automatically belong to us. However, subject to the principles set out in the published Licence Condition 4B Statement and the relevant contractual terms and conditions, we may take ownership of pipes to such premises.

Parties considering laying a pipe that will either vest in us or is intended to come into our ownership should refer to the published Licence Condition 4B Statement and make contact prior to the planning phase of any project.

A5.4.3 Reasonable Demands for Capacity

Operating under the Gas Act 1986 (as amended 1995), we have an obligation to develop and maintain an efficient and economical pipeline system and, subject to that, to comply with any reasonable request to connect premises, provided that it is economic to do so. However, in many instances, specific system reinforcement may be required to maintain system pressures for the winter period after connecting a new supply or demand. Details of how we charge for reinforcement and the basis on which contributions may be required can be found in the published Licence Condition 4B Statement. Please note that dependent on scale, reinforcement projects may have significant planning, resource and construction lead-times and that as much notice as possible should be given. In particular, we will typically require two to four years' notice of any project requiring the construction of high pressure pipelines or plant, although in certain circumstances, project lead-times may exceed this period.

Appendix 6: Gas Transporter Licence

A6.1 Overview

Our Gas Transporter (GT) Licence arrangements include a number of incentives, which are there to incentivise the networks to focus on specific outputs valued by Stakeholders. We have an Exit Capacity Incentive which is there to encourage us to minimise our Flat Capacity bookings with the NTS. In the longer term, if we can reduce our flat capacity requirements from the NTS, the NTS may be able to avoid additional investments and therefore minimise costs to gas users.

A6.2 Distribution Network Exit Incentive

Following a robust and transparent price control review process we have been given baseline volume capacity allowances. Each October we agree with the NTS our flat capacity requirements for the gas year ahead (Oct to Sept). Each year, our booking requirements then are compared to the upfront volume allowances and if we are able to book less than the allowances we can earn additional revenues but if we have to book more than the baseline upfront allowances we will have revenue deducted. The incentive is symmetrical and does not have any caps or collars. Any gains or losses are shared with gas consumers.

For further details on our incentives please refer to our Gas Transporter licence and the Ofgem website.

Appendix 7: Glossary

Annual Quantity (AQ)

The AQ of a supply point is its annual consumption over a 365-day year, under conditions of average weather.

Bar

The unit of pressure that is approximately equal to atmospheric pressure (0.987 standard atmospheres). Where bar is suffixed with the letter g, such as in barg or mbarg, the pressure being referred to is gauge pressure, i.e. relative to atmospheric pressure. One millibar (mbarg) equals 0.001 bar.

Calorific Value (CV)

The ratio of energy to volume measured in Mega Joules per cubic meter (MJ/m^3), which for a gas is measured and expressed under standard conditions of temperature and pressure.

Climate Change Levy (CCL)

Government tax on the use of energy within industry, commerce and the public sector in order to encourage energy efficient schemes and use of renewable energy sources. CCL is part of the government's Climate Change Programme (CCP).

Composite Weather Variable (CWV)

A single measure of weather for each LDZ, incorporating the effects of both temperature and wind speed. A separate composite weather variable is defined for each LDZ.

Combined Cycle Gas Turbine (CCGT)

A Combined Cycle Gas Turbine is a unit whereby electricity is generated by a gas powered turbine and also a second turbine. The hot exhaust gases expelled from the first turbine are fed into the heat exchanger to generate steam, which powers the second turbine.

Combined Heat and Power (CHP)

The simultaneous generation of electricity and heat for use within buildings or processes, by recovery of the heat produced in the power generation process.

Connected System Exit Point (CSEP)

This is a connection to a more complex facility than a single supply point. For example a connection to a pipeline system operated by another Gas Transporter.

Cubic Metre (m³)

The unit of volume, expressed under standard conditions of temperature and pressure, approximately equal to 35.37 cubic feet. One million cubic metres (mcm) are equal to 10⁶ cubic metres, one billion cubic metres (bcm) equals 10⁹ cubic metres.

Daily Metered Supply Point

A supply point fitted with equipment, for example a datalogger, which enables meter readings to be taken on a daily basis. Further classified as SDMC, DMA, DMC or VLDMC according to annual consumption.

Datalogger

An electronic device that automatically records, stores and transmits meter readings (such transmission usually being via PSTN lines).

Distribution Network or Independent Distribution Network (iDN)

An independent gas transporter responsible for the operation and maintenance of the LTS and <7barg DNs within a defined geographical boundary.

Distribution System

A Network of mains operating at three pressure tiers: intermediate (2 to 7barg), medium (75mbarg to 2barg) and low (less than 75mbarg).

Diurnal Storage

Gas stored for the purpose of meeting, among other things, within day variations in demand. Gas can be stored in special installations, such as bullets and gasholders, or in the form of Linepack within transmission, i.e. >7barg, pipeline systems.

Exit Zone

A geographical area (within an LDZ) that consists of one or more Offtakes that, on a peak day, receive gas from the same NTS pipeline.

Formula Year

A twelve-month period commencing 1st April, predominantly used for regulatory and financial purposes.

Gas Holder

A vessel used to store gas for the purposes of providing diurnal storage.

Gas Transporter (GT)

Formerly Public Gas Transporter (PGT). GTs, such as WWU, are licensed by the Gas and Electricity Markets Authority to transport gas to consumers.

Gas Supply Year

A twelve-month period commencing 1st October, also referred to as a Gas Year.

Interconnector

A pipeline transporting gas to another country. The Irish interconnector transports gas across the Irish Sea to both the Republic of Ireland and Northern Ireland. The Continental Interconnector transports gas between Bacton and Zeebrugge. The Continental Interconnector is capable of flowing gas in either direction.

Interruptible Service

A service where the transporter can interrupt the flow of gas to the supply point in return for lower transportation charges.

Kilowatt hour (kWh)

A unit of energy used by the gas industry. Approximately equal to 0.0341 therms. One Megawatt hour (MWh) equals 10^3 kWh, one Gigawatt hour (GWh) equals 10^6 kWh, and one Terawatt hour (TWh) equals 10^9 kWh.

Linepack

The volume of gas stored within the National or Local Transmission System at any time.

Liquefied Natural Gas (LNG)

Gas stored in liquid form.

Load Duration Curve (1 in 50 Severe)

The 1 in 50, or severe, load duration curve is that curve which, in a long series of years, with connected load held at the levels appropriate to the year in question, would be such that the volume of demand above any given demand threshold (represented by the area under the curve and above the threshold) would be exceeded in one out of fifty years.

Load Duration Curve (Average)

The average load duration curve is that curve which, in a long series of winters, with connected load held at the levels appropriate to the year in question, the average volume of demand above any given threshold, is represented by the area under the curve and above the threshold.

Local Distribution Zone (LDZ)

A geographic area supplied by one or more Offtakes from the NTS. Consists of LTS and distribution system pipelines.

Local Transmission System (LTS)

A pipeline system operating at >7 barg that transports gas from Offtakes to distribution systems. Some large users may take their gas direct from the LTS.

National Transmission System (NTS)

A high-pressure system consisting of terminals, compressor stations, pipeline systems and offtakes. Designed to operate at pressures up to 85 bar. NTS pipelines transport gas from terminals to Offtakes.

Non-Daily Metered (NDM)

A meter that is read monthly or at longer intervals. For the purposes of daily balancing, the consumption is apportioned, using an agreed formula, and for supply points consuming more than 73.2MWh pa, reconciled individually when the meter is read.

Odourisation

The process by which the distinctive odour is added to gas supplies to make it easier to detect leaks. WWU provide odourisation at Offtakes.

Office of Gas and Electricity Markets (Ofgem)

The regulatory agency responsible for regulating the UK's gas and electricity markets.

Offtake

An installation defining the boundary between NTS and WWU Network or a very large consumer. The offtake installation includes equipment for metering, pressure regulation, etc.

Own Use Gas (OUG)

Gas used by us to operate the transportation system. Includes gas used for heating and venting.

Price Control Review (PCR)

Ofgem's periodic review of our allowed returns, the next PCR will set returns for the period April 2008 to March 2013.

Peak Day Demand (1 in 20 Peak Demand)

The 1 in 20 peak day demand is the level of demand that, in a long series of winters, with connected load held at the levels appropriate to the winter in question, would be exceeded in one out of 20 winters, with each winter counted only once.

Seasonal Normal Composite Weather Variable (SNCWV)

The seasonal normal value of the CWV for a LDZ on a day is the smoothed average of the values of the applicable CWV for that day in a significant number of previous years.

Shipper or Uniform Network Code Registered User (System User)

A company with a Shipper Licence that is able to buy gas from a producer, sell it to a supplier and employ a GT to transport gas to consumers.

Shrinkage

Gas that is input to the system but is not delivered to consumers or injected into storage. It is either Own Use Gas or Unaccounted for Gas.

Supplier

A company with a Supplier's Licence contracts with a shipper to buy gas, which is then sold to consumers. A supplier may also be licensed as a shipper.

Supply Hourly Quantity (SHQ)

The maximum hourly consumption at a supply point.

Supply Offtake Quantity (SOQ)

The maximum daily consumption at a supply point.

Supply Point

A group of one or more meters at a site.

Therm

An imperial unit of energy. Largely replaced by the metric equivalent: the kilowatt hour (kWh).
1 therm equals 29.3071 kWh.

Transporting Britain's Energy (TBE)

NG's annual industry-wide consultation process encompassing their Ten Year Statement, targeted questionnaires, individual company and industry meetings, feedback on responses and investment scenarios.

Unaccounted for Gas (UAG)

Gas lost during transportation. Includes leakage, theft and losses due to the method of calculating the Calorific Value (Flow Weighted Average CV cap is set at 1 MJ/m³ above the lowest CV).

UKCS

United Kingdom Continental Shelf

Uniform Network Code (UNC)

The document that defines the arrangements between WWU, NG, the other DNs and System Users.

Appendix 8: Conversion Matrix

To convert from the units on the left hand side to the units across the top multiply by the values in the table.

Note

All volume to energy conversions assumes a CV of 39 MJ/m³.

To: Multiply	GWh	mcm	Million therms	Thousand toe
GWh	1	0.092	0.034	0.086
mcm	10.833	1	0.370	0.932
Million Therms	29.307	2.710	1	2.520
Thousand toe	11.630	1.073	0.397	1

GWh = GigaWatt Hours

mcm = Million Cubic Metres

Thousand toe = Thousand Tonne of Oil Equivalent

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