2021 Exit Capacity Planning Outcomes Report

Wales & West Utilities Ltd

REPORTS

WALES&WEST
UTILITIES

Contents

Introduction

In December 2020 OFGEM published their RIIO-2 Final Determinations1 for the transmission and gas distribution price controls. These set out the key elements of the price control from 1 April 2021 to 31 March 2026. This included a new licence obligation for the gas transporter licence holders to comply with an enhanced obligations framework in relation to the exit capacity booking process.

Standard Special Licence Condition ("SSC") A57 (Exit Capacity Planning) of the gas transporter licences requires the licence holder ("licensee") to comply with the Exit Capacity Planning Guidance ("the Guidance") which is available here: Exit Capacity Planning Guidance | Ofgem

The Guidance comprises a set of requirements relating to the following areas of capacity booking activity. However, in this initial year specific transition arrangements are in place to confirm a reduced set of requirements.

- **Methodology:** GDNs must provide information on the structure of their networks known as Network Topology, and both GDNs and NGGT must provide information on their forecasts of demand and the details of the processes in place to calculate these forecasts.
- **Engagement:** The GDNs and NGGT must collaboratively work with each other and with other stakeholders to maximise booking efficiency across the gas transportation network as a whole.
- **Reporting:** licensees must report annually to the Authority on capacity booking methodology, stakeholder engagement, decision-making and data to demonstrate efficient booking outcomes.

The purpose of this document is to satisfy the requirement comprised within the Exit Capacity Planning Guidance (ECPG) document to publish a report, which details the outcomes of the application of the methodologies used.

The transitional arrangements set out the following requirements:

- Description of any significant changes in booking patterns compared to the previous year.
- Explanation of how these changes and bookings deliver an efficient outcome.

If you have any queries or would like any further information, please contact our planning team: LTSAnalysisRequests_NMU@wwutilities.co.uk

Analysis

Demand Forecast Summary

To meet our license obligations, the NTS Exit Capacity that we book needs to be sufficient to ensure we can meet demand on a peak 1:20 winter day. Every Gas Year (1st October to 30th September), we are required to book exit capacity and pressure for each of our 17 Offtakes.

As per the Exit Capacity Planning Guidance document (ECPG), which forms part of a new licence condition introduced under RIIO2 (Standard Special Condition A57: Exit Capacity Planning), Wales & West Utilities are obliged to closely align the capacity bookings to the 1-in-20 Peak Day demand forecast. This ensures we remain compliant with this licence obligation and that our customers gas supply is not put at risk. We have used our own internal High Growth forecast scenario as a basis for our peak day flat, flex and pressure bookings which is consistent with last year's approach.

Every year we also receive a forecast from NG-ESO based on four different future of energy scenarios, as well as a central forecast which is their view of a more accurate representation of what NTS expect demand to be over the next 5 years for the DNs. As stated in our methodology document, we consider the information provided by NG-ESO for annual projections but for peak demand have used our own internal demand forecast since 2010.

The four internal Wales & West Scenarios considered this year are as follows:

- High Growth
- Non- Domestic Growth
- Domestic Growth
- Low Growth

The Wales & West Network Management Committee approved the High Growth forecast for use in this year's process. This scenario included a conservative view on continued flexible generation and vehicle fuelling growth over the forecast period. As a result, the overall trend on each network area is as follows:

- Wales South

Peak forecasts are below the highest recent observed peak demand of the 1st March 2018, 1% below for Gas Year (GY) 2021/22. The peak demand forecast has dropped by 19% compared to last year's forecast for GY 2021/22 due [redacted]

- Wales North

Peak forecasts are higher than the recently observed peak demand of 1st March 2018, 9% higher for GY 2021/22. However, the forecast for GY 2021/22 has remained at a similar level compared to last year's forecast, just 2% lower in this year's forecast. We are expecting a 7.7% increase out to 2025, again due to projected growth in flexible generation and vehicle fuelling connections.

- South West

Peak forecasts are higher than the recently observed peak demand of 1st March 2018, 7% higher for GY 2021/22. The peak forecast has increased slightly compared to last year's with a 2% increase for 2021/22. This is largely to do with flexible generation and vehicle fuelling sites expected to connect, growth in these areas also account for the further 2.7% increase out to 2025.

See Tables 1, 2 & 3 for specific details of the booking outcomes when comparing this year's to last:

Significant Changes to OCS Bookings

Table 1: This year versus last year - Flat Capacity

Offtake Name	2020/21 OCS Flat booking (GWh/d)	2021/22 OCS Flat booking (GWh/d)	Changes to Annual 21/22 (GWh/d)	Enduring Reduction from 2021/22 (GWh/d)	Reason for Change to last year
This Information has been redacted due to its sensitivity in line with BEIS and the CPNI general principles of security around its wider disclosure					

Table 2: This year versus last year – Assured Operating Pressure (AOP)

Offtake Name	2020/21 AOP, Start of Day (bar)	2021/22 AOP, Start of Day (bar)	2020/21 AOP, End of Day (bar)	2021/22 AOP, End of Day (bar)
This Information has been redacted due to its sensitivity in line with BEIS and the CPNI general principles of security around its wider disclosure				

Start of Day (SOD), End of Day (EOD)

Table 3: This year versus last year – Flex Capacity

Offtake Name	2020/21 Flex, (GWh/d)	2021/22 Flex, (GWh/d)
This Information has been redacted due to its sensitivity in line with BEIS and the CPNI general principles of security around its wider disclosure		

Summary

Flat Capacity

Table 1 shows the main differences between this and last year's bookings for GY 2021/22. The introduction of the ECPG as part of RIIO-2 arrangements along with the NTS Capacity Access Review - UNC Review 0705R are leading to discussions around future changes which could significantly impact User Commitment for DNs and the ability for us to swap capacities between offtakes. Whilst we wait for the outcome of those reviews, we have continued our approach of considering the future risk of User Commitment against the short-term benefit of making fine changes to our bookings. As a result, there are instances where we have not made small fine-

tuning reductions to our bookings that would otherwise be possible if these may result in User Commitment later.

[redacted] We have made some small increases to annual capacity at 3 Offtakes in the South West area in line with our model outputs; accepted flexible generation and vehicle fuelling sites are the main driver for flat increases. These numbers are orange for these 3 sites for clarity. We have not made any changes to our booked enduring flat capacity in any of the years when compared to last year's bookings other than those mentioned here. There are a few small changes to flat at other offtakes, but these are either as a result of not booking additional annual capacity or are reflective of our enduring booking figures. Where we have not booked additional annual Flat capacity in South Wales, we would make an ad-hoc increase to enduring capacity should sites come on before the expected peak period in January/February time. [redacted]

Pressures

Due to the reduction in demand for the Wales South LDZ, we have agreed a temporary reduction to SOD assured pressure at one offtake as illustrated in Table 2. We have also accepted a permanent reduction to the EOD pressure at another one of our Offtakes in South Wales. These reductions were requested by NGGT towards the start of the annual plan cycle.

We were unable to accept all requested pressure reductions due to the impact it has on our LTS storage volumes, but we do consider and accommodate reductions where we can albeit usually on a temporary basis.

Flex Capacity

Table 3 gives a summary of our flex bookings agreed for this year and compared to last year's figures. [redacted]

NGGT has not agreed to any of our incremental flex increase requests due to uncertainty in supply, particularly LNG imports which impact our offtake locations at the extremities of the NTS system. The small increases that we request each year are because of the growth in flexible generation sites which cause an increase in storage required. We are currently operating with small storage deficits at peak 1 in 20 in some extremity parts of the network. We rely on the daily capacity process carried out in the control room via OPNs and commercial arrangements with customers to mitigate the risk of not being able to meet 1 in 20 peak storage requirements.

The small differences that can be seen at a few of our sites between years are due to CV used at various parts of the process in converting our volume requested into energy allocated.

Interaction with other Networks

Internal to Wales & West Utilities

There are no inter LDZ transfer points.

External to Wales & West

[redacted]

Final Outcomes

Year 1

Our bookings for GY 2021/22 can be found in Table 1, 2 and 3 above along with any changes made to flat, pressure and flex capacity respectively. We have booked in line with the Wales & West Utilities High Growth forecast which is 3% higher than the Central Forecast supplied by NG-ESO.

Conclusion

Forecast Versus Bookings

For year 1, our bookings are in line with our agreed Peak Day forecast. For Years 2 to 7, we have kept our enduring levels of flat capacity at current levels and have chosen not to increase enduring capacity until the commercial arrangements have been agreed and the impacts are fully understood. However, these levels are reflected in our section H submission and protected against substitution under the new methodology. We believe that we have met the requirements of the ECPG by booking an efficient amount of capacity at each Offtake. Discrepancies between the forecast and booking are due to the reasons provided in the flat Capacity summary for not fine tuning. Due to the ECPG still being finalised and timing of the Section H population, we did not feel in a position to reduce all of our flat capacity for year 1 and potentially then have to increase in future years which would trigger user commitment.

The table below shows the Peak Day Forecast and our corresponding capacity booking:

Table 4: Peak Day Forecast versus Flat Capacity Booking

GWh/d	Yr 1 2021/22	Yr 2 2022/23	Yr 3 2023/24	Yr 4 2024/25	Yr 5 2025/26	Yr 6 2026/27	Yr 7 2027/28
This Information has been redacted due to its sensitivity in line with BEIS and the CPNI general principles of security around its wider disclosure							

Remember, if you smell gas, call us free on 0800 111 999

!

WALES&WEST UTILITIES