2024 Long Term Development Statement

Final
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WALES&WEST UTILITIES

Foreword

Neil Henson
Director of Finance

Welcome to our Long Term Development Statement for 2024. This document provides an indication of the usage of our pipeline system and likely developments. It is intended to help companies that are contemplating connecting to our system or entering transportation arrangements to identify and evaluate opportunities. The ongoing progress towards Net Zero readiness and our plans for a transition to hydrogen and other renewable gases have presented their own challenges as well as opening exciting opportunities for the gas network.

The statement reflects our 2024 planning process and incorporates a reappraisal of our analysis of the market and of the demands on our network. As such, it contains the latest information on transportation volumes, how we develop the system, whole energy system impacts and investment in the system.

Over the past twelve months we have responded to ongoing volatility and change, as we continue to deliver an ambitious RIIO-GD2 price control programme, against an ever-changing geopolitical and economic backdrop. This instability has increased the wholesale cost of energy over the last few years, including natural gas, in turn impacting demand across Great Britain. This has been an important consideration in our forecasting process.

A major change this year has been the election of a new Government, bringing potential changes to energy policy. This includes the Clean Power Mission which has a target to achieve a decarbonised power sector by 2030. We look forward to working with the newly established National Energy System Operator as they fulfil their whole system duties. Collaborating with the incoming Regional Energy Strategic Planner (RESP) is of particular interest to us, and the opportunity this presents for considering local sensitivities in our processes.

As we prepare to submit our plans for the RIIO-3 period, it is crucial for us to continue designing and developing our long-term strategies, considering input and feedback from our stakeholders and the needs of our customers. The energy sector remains in the spotlight, and we are dedicated to supporting the delivery of net zero by 2050. This means our network will need the ability to transport green gases like hydrogen and biomethane; and play its part in decarbonising heat, power, and transport.

We are doing more to help our customers move to a more sustainable, net zero future. Our long-term Sustainability Strategy, published in April 2023, sets out our vision with clear targets to reduce the impact of our own activity, and deliver what our customers need and expect. We continue to work

with the UK and Welsh governments and other key industry stakeholders; to inform the options, and to ensure a fair choice is available to all consumers.

Our focus on putting customers and colleagues first has brought significant success again in 2024.

Here are a few of our achievements from the last 12 months:

- We continue to develop and use the Pathfinder 2050 model[1] that enables low carbon alternatives to be evaluated for regions within our network as well as at individual property level. In 2024 the tool has been used to support development of Local Area Energy Plans (LAEPs) across the network.
- Publication of the feasibility study for Hyline Cymru, a critical part of the South Wales Industrial Cluster Plan.
- We published our 2023-24 "Delivering Innovation" report, summarising the research we are leading and collaborating on to support the transition of the energy system.
- We published our 2023-24 Annual Environmental Report to share the progress we have made against our Environmental Action Plan ambitions, the report is produced as part of our regulatory requirements, but also highlights what we have achieved to make our business more sustainable for our customers, communities and colleagues.
- We received our twelfth consecutive award from Royal Society for the Prevention of Accidents (RoSPA) in 2024, once again recognised for our industry-leading health and safety performance and commitment and have retained the President's Award. We also received the Institution of Gas Engineers and Managers (IGEM) Safety Award for our work on Human Factors.
- We achieved reaccreditation to ISO 22458 Customer Vulnerability Standard and the associated Kitemark. We are one of nine companies to be the first to achieve the new standard and Kitemark.
- We continue to hold the ISO 14001 (environmental management) and ISO55001 (asset management) accreditations from the International Organisation for Standardization ("ISO") following audits of the relevant systems and processes.

We are proud of all these achievements as we continually seek to further improve the service we provide to today's customers and plan to deliver a net zero future.

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Director of Finance

[1] https://www.wwutilities.co.uk/about-us/future-of-energy/2050-energy-pathfinder/

1. Executive Summary

1.1 Context

This document contains our annual and peak demand and supply forecasts. These forecasts have been developed in conjunction with National Grid – Electricity System Operator (NG-ESO) and through our own modelling and analysis.

We are required to publish this annual statement in accordance with Standard Special Condition D3 of our Gas Transporters Licence and Section 4.1 of the Uniform Network Code (UNC) Transportation Principal Document[2].

We are continually improving our forecasting techniques using the latest information available and this year our forecasts are presented in scenarios relating to the impact of the cost of energy on temperature-sensitive load bands.

1.2 Our Long-Term Strategy

Our ambition is to be trusted to expertly serve customers and communities with safe, reliable and affordable energy services today, while investing wisely to create a sustainable, greener future.

In 2023, we published our first Sustainability Strategy which sets out our vision and targets, including our aim to develop a Net Zero-ready gas network, and to support innovation and research to develop and deliver lower carbon options for our customers.

Our activity to deliver against our strategy in the past year is summarised in Section 3. Where applicable these impacts have again been accounted for in the forecasting models and research that we have undertaken.

1.3 Demand Outlook

Our approved peak demand forecast scenario anticipates a partial recovery of domestic demand to levels seen before the cost of energy crisis, compounded by newly connected large non-domestic sites over the five years out to 2029/30. The subsequent five years of the forecast is characterised by steady reduction due to a combination of improved efficiencies and adoption of low carbon heat technologies.

Peak demands are forecast to increase by 5% out to 2029/30, before decreasing by 4% out to 2033/34.

We are seeing significant interest in distribution network connections from larger demands, including industry, power generation, compressed natural gas vehicle fuelling and data centres.

1.4 Supply Outlook

Each year having reviewed peak demand, we ensure that we have sufficient capacity booked with National Gas Transmission (NGT) at our seventeen Offtake sites to meet peak demand in our network for the coming year and over the booking period. In addition to natural gas supply, there are twenty-one biomethane sites

[2] https://www.ofgem.gov.uk/energy-policy-and-regulation/industry-licensing/licences-and-licence-conditions

connected to our network which have capacity to meet the heating needs of over 150,000 customer homes, equivalent to supplying a city the size of Cardiff. There are a further 7 biomethane sites with booked capacity on our network that would increase the customers supplied to the equivalent of nearly 200,000 homes. The count of enquiries for biomethane injection has doubled over the last twelve months, indicating increased interest from prospective customers.

We continue to support significant industry work to update regulatory standards around gas quality so that networks can transport a wider range of gases safely and in doing so support decarbonisation. We are proactively encouraging further green gas connections and are progressing innovative, pragmatic solutions to enable increased transportation of renewable gases including hydrogen, such as compression, blending tees and smart pressure control.

1.5 Investment Implications

Our stakeholders have told us that maintaining a safe, reliable gas supply is a key priority. We adopt innovative techniques to ensure efficient investment in network health through use of monetised risk models and have fed this analysis into our RIIO-GD3 business planning processes.

We are experiencing increased requirements for: network capacity, compression, storage - and smart control in the future - to accommodate increasing demands for flexible gas usage and green gas injection from our customers.

We anticipate that hydrogen uptake will be accelerated in response to the Government's net zero announcement. Our Mains Replacement Programme means that our networks are largely hydrogen ready in our low-pressure distribution networks. There will be some additional investment needed to repurpose other parts of network for hydrogen but reusing the existing network is essential if we are to deliver net zero in the UK by 2050.

That said, the volumes of hydrogen required to maintain energy demand will be greater when compared to natural gas. This, and the transition approach itself, will drive some level of investment in the network.

Links to Supporting Data

Gas Transporter Licence

Link	Description
https://www.ofgem.gov.uk/energy-policy-and-regulation/industry-licensing/licences-and-licence-conditions	We are required to publish this annual statement in accordance with Standard Special Condition D3 of our Gas Transporters Licence

Long Term Strategy

Link	Description
https://www.wwutilities.co.uk/media/5673/2513-wwu-nia-report-2024_fnl_0208_sml.pdf	Wales and West Utilities 2023/24 Delivering Innovation Report
https://www.wwutilities.co.uk/media/5722/wwu-2023-24-annual-environmental-report.pdf	Wales and West Utilities 2023/24 Annual Environmental Report
https://www.wwutilities.co.uk/media/5323/wwu-hyline-public-report.pdf	HyLine Project Final Report

Demand & Supply Data

For data workbook please visit:
https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.wwutilities.co.uk%2Fmedia%2F5773%2Fwwu-long-term-development-statement-workbook.xlsx&wdOrigin=BROWSELINK

Sheet Name	Description
01. CWV's & Coldest Weather Day	12 months of recorded actual Composite Weather Variables. Tables showing the demand from the statistical "Coldest Day" and the "Highest Demand Day". Taken from National Gas - "Data Item Explorer". https://data.nationalgas.com/find-gas-data
02. Forecast Peak Demand	2024 10-year forecast of Peak Day Demand in GWh
03. Historic Max Day Demand	Highest historical actual demand days in GWh
04. Forecast Annual Demand	2024 10-year forecast of Annual Demand in GWh (Calendar Year)
05. Historical Annual Demand	Actual Historic Annual Demand in GWh (Calendar Year)
06. LT Summary Report	Long Term Summary Report showing available and secured capacities at WWU Offtakes. Taken from National Gas - "Data Item Explorer". https://data.nationalgas.com/reports/capacity
07. Offtake Capacities	Table of Offtake capacities compared to Forecast and Booked capacity for 2024/25
Link	**Description**
Joint Office OAD Section H	Transportation Principal Document section covering Demand Estimation and Demand Forecasting
Exit Capacity Planning Guidance | Ofgem	Ofgem's Exit Capacity Planning Guidance document
https://www.nationalgrid.com/uk/gas-transmission/document/132516/download	National Grid ESO's Gas Demand Forecasting Methodology

The Gas Transportation System

Link	Description
https://www.nationalgas.com/our-businesses/network-route	Mapping showing the layout of the NTS

Connections at WWU

Link	Description
https://www.wwutilities.co.uk/services/gas-connections/	General Information for exit and entry connections
https://www.wwutilities.co.uk/media/5305/connections-and-other-distribution-services-charges-march-2024.pdf	General Information for exit and entry connections
https://www.wwutilities.co.uk/media/5570/4b-principles-and-methods-statement-for-connection-charging-may-2024.pdf	General Information for exit and entry connections
https://www.wwutilities.co.uk/media/2254/your-energy-our-network-usingour-gas-network-for-your-biomethane-gas.pdf	Specific Information for entry connections
https://www.wwutilities.co.uk/media/1349/wwu-distributed-gas-information-strategy.pdf	Specific Information for entry connections
https://www.wwutilities.co.uk/media/1351/wwu-distributed-gas-connections-guide.pdf	Specific Information for entry connections
https://www.legislation.gov.uk/uksi/1996/551/contents/made	Specific Information for entry connections