

REA Questions to EMIB

22nd November 2011

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1 Introduction

This note sets out question that the REA believes should be answered in the Final EMIB Report.

It also includes additional information in relation to the issue of the specification for the Entry Facility (Appendix 1) and summary slides that relate to the regime for gas quality analysis and safeguarding the network from injection of out of specification gas.

One key issue remains the issues associated with odourisation – what should the system functionality be (eg should there be an odourant flow-meter which is standard in EU but not in UK) and who should own/operate/maintain it.

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2 GDN Connection Policy for Biomethane Projects

REA Questions for Consideration:

a) Can the EMIB sub group establish a set of core design principles that will apply to the Entry Facility designed, built, owned, operated by the Biomethane producer? REA has set out initial matrix that shows the key elements for each item of plant, Appendix 1. The boxes shaded yellow need a set of fundamental design principles to go in the NEA. There are 2 options shown, with the GDN adding the odourant and with the DFO adding the odourant (a 3rd option is continuation of existing model with GDNs providing a financed solution under Mod 0391, this is same as the Existing System).

We agree with appendix as far as it goes.

b) Gas analysis equipment would not be within the GDN network and so G17 (which is process used to control modifications to the GDN system) is not applicable, do GDNs agree?

Inasmuch as the GDN does not own the facility agree but the entrant would need a process in place to demonstrate a safe system of working or compliance for installation, commissioning operation and maintenance. Maybe a quality competency scheme should be established.

c) What is the process and cost associated with the GDN providing the Option 1 Service (ROV + telemetry) and also Option 2 (ROV + telemetry + Odourant)?#

We are not able to provide fixed price currently and would require individual feasibility studies., The specification of of the transporter owned system would reflect the liability regime in the UNC. A fixed price may be possible in the future once we have gained experience.

d) For Option 2 with addition of odorant, are GDNs prepared to provide any liabilities associated with performance of this system (over and above those associated with ROV + telemetry)

We would pay liabilities and accept the flow non-compliant gas as laid out in the UNC Transportation Principle Document Section I.

e) For a 'Financed Option' (Mod 0391), can the GDNs indicate how this would operate in practice – does the producer fund the Feasibility/Conceptual Design and then if project goes ahead they are refunded such payments? Can the GDN indicate the approximate level of such payments based on similar projects?

We will treat such payments in the same way as we deal with exit connections under the existing Sufficiently Complex Job process. The extract from the relevant WWU policy document (SC004b Costing and Charging Policy Schedule 2)

Charges for design studies shall not be refunded, except subject to the following:

Where a charge is made for specific reinforcement and, subject to Economic Test, no customer contribution is required for the total reinforcement costs, a full-refund of the design charge shall be made;

Where a charge is made for specific reinforcement and, subject to Economic Test, a customer contribution is required to be made to the total reinforcement costs; the income already received shall be taken into consideration when calculating the amount to be contributed. Where the income already received is greater than that of the contribution amount, a part refund of the design charge shall be made

Therefore if mod 0391 comes in it would, at first sight, seem consistent that the cost of the studies relating to an entry asset that was constructed would be refunded to the customer included in the capital cost and the charge under mod 0391 would reflect this. This will need to be worked through in detail in due course.

f) What is a realistic timetable for the proposed charging change (Mod 0391)? Part of it is clearly attractive to the Biomethane producer (reduction in transportation charges), the finance option may also be attractive depending on the details of the service and timetable (e above)

Not earlier than summer 2012.

3 Capacity for Biomethane

REA Questions for consideration:

a) Can ENA agree a form of words re capacity that will apply in all NEAs? This covers where capacity is clearly available (due to nature of local gas grid and customer base) and also where there are risks associated with a small number of large I&C Customers

No, we are not able to do this at present currently we see the wording as needing to be site specific and subject to a feasibility study. We see firm capacity as equalling the diversified demand with any demand from large customers being interruptible.

b) Will Ofgem accept that if, after say 5 years, investment is required to provide capacity then it should be funded by GDNs and added to RAB? (makes an assumption that GDNs will be able to provide an engineering solution)

We would like clarity on this issue as well as it is central to what we offer as capacity in the NEA.

c) Can ENA start to develop a possible compression service ahead of completion of the pilot being developed (REA accepts that without such a service it is difficult for GDNs to provide the sort of capacity guarantee that the Biomethane Producer wants to have other than where there are clearly no capacity issues).

We think it is appropriate to prove that in network compression is feasible before progressing the commercial arrangements. Assuming mod 391 goes ahead we see the capex and ongoing opex being wrapped up in the entry capacity charge. If mod 391 does not go ahead then the capex would be chargeable to the entrant up front and the operating charge either rolled up as a one off charge or charged as an annual charge.

4 Technical standards associated with Calorific Value

REA Questions for consideration:

a) Is the principle that we have a normal standard of accuracy (ie today's 0.15 MJ/M3 error) where there is blending (and hence less or no need for propane) and a lower accuracy (say 0.38 MJ/M3) for examples with no blending and enrichment to actual real time FWACV?

This needs to be covered in the expert group report. We suggest CV of blended gas plus the error of instrument is within -1Mj/m3 of FWACV, though we realise that the error is subject to a confidence limit..

b) What is the process to have devices approved to new standard?

c) Can Ofgem accept certification from an approval body in Germany/Netherlands etc?

5 Gas Quality Analysis at Biomethane entry

REA Questions for consideration:

a) What is the latest position re Oxygen and possible change to 1%? This issue is now the key risk on many projects.

WWU have received an proposal from GL and are reviewing it.

b) For gas components that are important but do not create immediate risks (e.g. O2) will GDNs accept a margin just outside the appropriate GS(M)R limit coupled to a defined averaging period in which shutting off Biomethane flow would not be necessary?

The Safety Case does not allow any excursions from the GS(M)R limits so we do not see how an averaging approach could work at present.

6 Transmission of data to the GDN's agent

REA Questions for consideration:

a) Is the flow and CV data from a site that is enriched to FWACV part of the FWACV calculation?

If it is a directed site it is included in the FWACV calculation and is also subject to the cap as laid out in the Gas Calculation of Thermal Energy Regulations.

b) What alternative means of data transmission/receipt would GDNs accept for any sites that are not included in the FWA calculation?

We are investigating if there is an alternative process that could be used

c) How do the HPMIS and Dannit systems work and what role will they play if there is new approved energy measurement systems (as 4 above)? Are they needed? What are the costs? What would alternatives look like?

This is under investigation.