

# Network Flexibility Uncertainty Mechanism Process



## Stakeholder feedback

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“” *There was widespread agreement that National Grid must enable gas to get where it needs to go, but that development work is needed to justify further major expenditure*

“” *These issues demonstrate a need for further transparency and on-going engagement on uncertainty mechanisms*

“” *There was a sense among some stakeholders that some of these issues are matters for Ofgem and National Grid to decide and to make the decision in the UK's best interests.*

“” *It was generally agreed that there is a need for greater and more detailed information in order for stakeholders to support an investment need case. This includes information on rules and tools, clarity on costs and charging as well as more detail on the proposed investments.*

## Supply & demand uncertainty

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- Considerable uncertainty about the level, size and location of supply and demand on a daily basis
- NTS is not designed to accommodate rapidly changing flows
- There is currently no mechanism in place to provide funding for any option (commercial, operational or investment) to increase capability

**Act too early**

**Inefficient financing cost  
Risk of stranding**

**Act too late**

**Inefficient constraint  
costs**

# Making decisions

## Duty to be economic and efficient

### Information

Scenarios and product signals

Range of transmission solutions

Price & availability data

### Incentives & uncertainty mechanisms

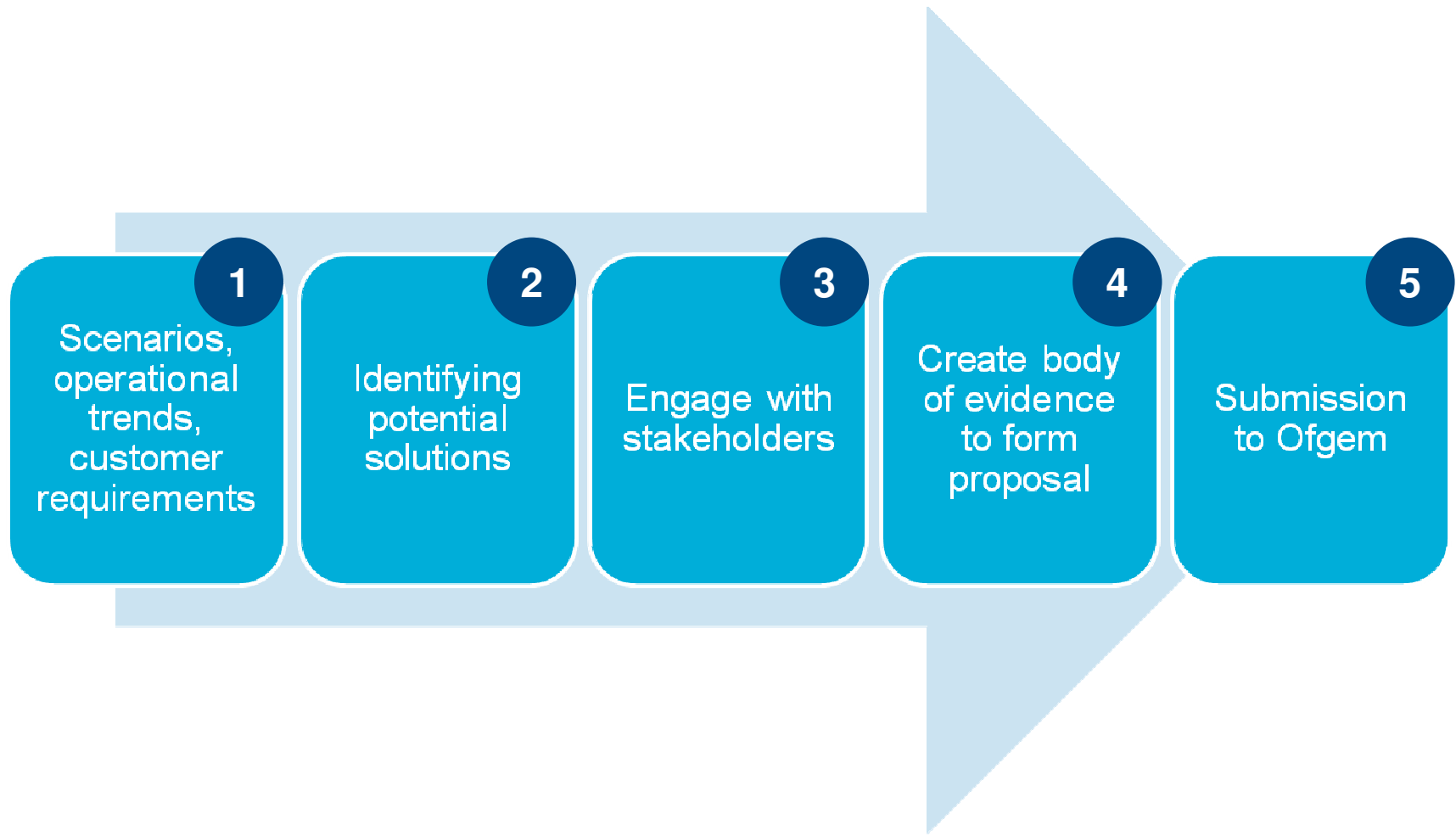
Efficiency incentive rate

Network flexibility uncertainty mechanism

Buy back incentive

- We are proposing a process within our uncertainty mechanism which is designed so the funding decision is transparent and timely

# Decision making process (5 step process)



## What would this 5 step process cover?

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- Those elements of the business plan where there is less certainty of the need case
- Future developments not included in our plan
  - Including, but not limited to wind intermittency
- Could be triggered by
  - Examination of scenarios
  - Operational trends
  - Customer requirements

# Scenarios, operational trends and customer requirements



## Future Scenarios

Wider Stakeholder Engagement

Transporting Britain's Energy consultation

## Operational Trends

Operational experience

## Customer Requirements

Enhanced Information

# Identifying potential solutions

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- Identify range of solutions to each of the scenarios and / or product signals
  - Commercial alternatives (e.g. forward/option contract) - Rules
  - Operational alternatives - Tools
  - Reinforcements - Assets
- For each potential solution, we will investigate such elements such as, but not limited to,
  - Cost
  - Lead-time
  - Availability
  - Deliverability, planning requirements and environmental consideration
  - System benefits (impact on security, constraints, losses, etc)
  - Etc.



## Engage with stakeholders

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- The work undertaken in identifying potential solutions will be discussed with stakeholders
  - Through transmission workgroup?
  - Through a written document?
  - Through a new 'gas networks strategy group'?

# Create body of evidence to form proposal

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- The evidence and analysis utilised in identifying and developing potential solutions, along with stakeholder feedback will be assessed to identify the preferred solution
- Preferred solution will be identified and the need case worked up identifying
  - Cost
  - Lead time
  - Optimum timing
  - Proposed funding arrangements
- This would then be submitted to Ofgem for decision

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## Conclusions

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- We propose that these five steps form the high level process of our uncertainty mechanism
- This will form part of our business plan submission to Ofgem in March
  - It will also cover developments in the future such as wind intermittency
- We are keen to seek your views on these high level process steps