

Rationale for Transco NTS seeking extended investment lead times

This note provides guidance on some of the potential reasons as to why Transco NTS may seek the approval of the Authority to not release incremental capacity or unsold capacity for specific terminals, were Modification Proposals 0036 and 0043 to be implemented.

Summary

As the consenting process, required by the 1999 Environmental Impact Assessment Regulations, has “bedded in”, the 36-month investment lead time assumed at the 2002 Price Control Review has come under strain. Experience of consent delays on 2002 to 2004 projects indicates that the best expectation of the investment lead time for a notional 40 km x 1050 pipeline will increase to 42 months for applications made during 2005 onwards.

The key factors leading to this increase in timescale are:

- The lack of a guillotine mechanism or statutory timescale in the legislative process;
- Case law following successful challenge via the Judicial Review process of developments under allied legislation;
- The need to conduct a full 12-month environmental survey program prior to submission of a consent application;
- Potential for extension of the Dti administration process associated with Consents from 4/6 months to 6/12 months.

Compressor reinforcements are subject to a different consents process, requiring local authority approval. This approval can be challenging to obtain, especially where there is a requirement to construct on a 'greenfield' site. This consents process has not significantly changed, however where significant local objection is experienced the consents process can entail full public enquiry.

Compressors require a substantial design period in addition to extensive lead times for building and then installing complex rotating machinery. Taken together with the consents process, Transco NTS believes that it will take in excess of 36 months from conception to commissioning of a greenfield Compressor station.

In addition, general construction challenges may result in more than one construction season being required for specific projects, which may lead to the requirement for more than the typical 36 months investment lead time for provision of capacity at specific terminals.