



Promoting choice and value
for all gas and electricity customers

OFGEM Update - Gas Operational Forum

13th October 2010

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Overview

- Price Controls
- Project TransmiT
- System Operator Incentives

The logo for RIIO, featuring the letters "RIIO" in a bold, white, sans-serif font inside a green rounded rectangle.The logo for TransmiT, featuring the word "TransmiT" in a bold, dark grey, sans-serif font. The letter "T" is highlighted in green and has a stylized green and grey graphic above it.

Price Controls

- Ofgem has now published the outcome of the RPI-X@20 review
- New model: RIIO (Revenue = Incentives + Innovation + Outputs)
- to set price controls to ensure consumers pay a fair price for vital investment, while providing a clear principled framework for capital markets
- Stakeholder events for TPCR5 and GDPCR2 have already started
- Consultation documents planned for December 2010

<http://www.ofgem.gov.uk/Networks/rpix20/ConsultDocs/Documents1/Decision%20doc.pdf>

Project TransmiT

- It's an independent and open review of transmission charging & associated connection arrangements – for both gas and electricity
- Ofgem is looking for evidence on:
 - strengths & weaknesses of current charging system
 - whether there is a case to reform either the charging system or the connection regime
 - and views on potential improvements to the existing systems
- Responses required by 17 November 2010
- Responses published in December 2010

<http://www.ofgem.gov.uk/Networks/Trans/PT/Pages/ProjectTransmiT.aspx>

Gas System Operator Incentive

- National Grid Gas as System Operator is subject to a number of incentive schemes - one of which is due to expire on 31 March 2011
- Shrinkage, Residual Balancing, Demand forecasting, Website – currently run until 2012 – currently considering options for alignment to TPCR5
- Environmental Incentive
 - Aim to ensure cost of venting natural gas is factored into NGG's operational decision of whether to vent gas
 - Historically compressor venting, consider NTS
 - NGG to consider cost-effective technologies for reducing emissions and duration of scheme

Gas System Operator Incentive

- Operating Margins
 - 2009/10 based on pass through of costs
 - NGG had been restricted to procuring OM gas only from storage facilities and LNG importation facilities with storage
 - However, NGG's safety case has been amended to allow it to procure OM from other sources
 - Develop framework for scheme
- NGG to publish initial proposals consultation documents in October
- OFGEM to publish final proposal in February 2011

<http://www.ofgem.gov.uk/Markets/WhlMkts/EffSystemOps/SystOpIncent/Documents1/Open%20Letter%20final.pdf>

Any questions?

If you have any questions please feel free to contact me anytime

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