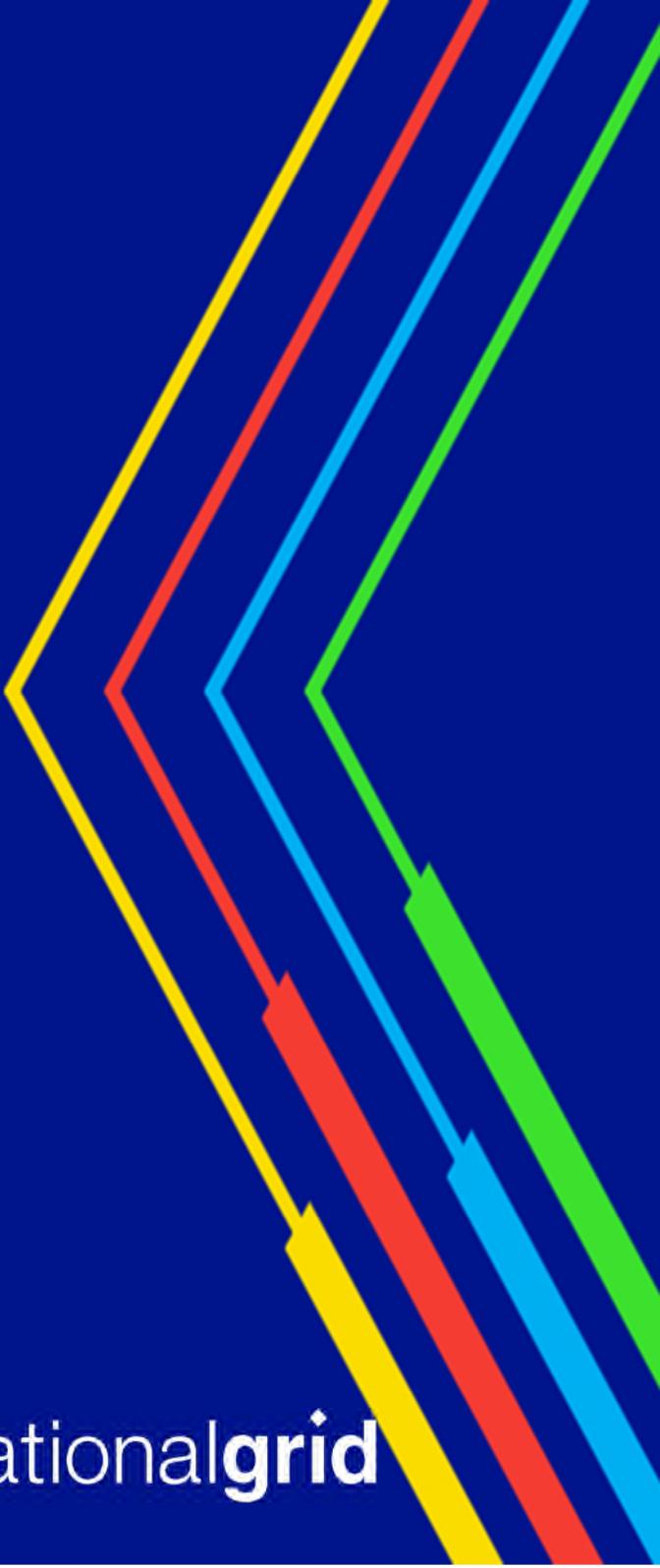


National Grid Gas

Gas Incentive Performance

**Quarterly Report
July - September 2022**

nationalgrid



Introduction

This report is to provide a quarterly overview of the Gas Transmission Incentives. It was produced following feedback received through responses to industry events. It should be read in conjunction with the annual RIIO-2 System Operator Incentives supporting information published on our website in October each year which provides a summary of our annual financial performance and further incentive scheme details.

The Gas System Operator function of National Grid Gas is subject to licence obligations and several financial and reputational incentive arrangements, which are measured in accordance with the licence following consultation¹.

These incentive arrangements are designed to minimise the overall cost of system operation leading to benefit for consumers, they are designed to influence our behaviour to minimise the impact on the market, to consider environmental impacts and to support the efficient operation of the wholesale gas market.

The various incentive schemes provide a focus on key areas where National Grid Gas Transmission can create value for the industry and consumers, the financial schemes allow National Grid Gas to retain a share of any value created or be penalised should targets not be met.

For further details

Further details on each incentive see: <https://www.nationalgrid.com/uk/gas-transmission/about-us/system-operator-incentives>

Or contact chris.hewitt@nationalgrid.com or tonderai.munetsi@nationalgrid.com, Incentive Development Team.

¹ [Special Condition 5.6 System operator external incentives, revenues and costs \(SOIRCt\)](#)

Financial Incentives – Performance Scorecard

2022/23 Performance based upon actuals to 30th September 2022 and may increase or decrease as the financial year progresses.

Incentive	Purpose	Cap and Collar	2022/23 Licence Benchmark	What has influenced performance this year
Capacity Constraint Management	To incentivise the maximum release of capacity (above our obligations) and minimise the costs of constraints against a set financial cost target.	+£5.2m to -£5.2m	A net cost target of £8.5m for entry and exit operational constraint management - incentive revenue or penalty is 39% of the over or under spend respectively with the remaining 61% being passed back to Shippers. NGG retain 14% of non-obligated capacity (entry and exit) sales under the incentive.	To date no constraint management costs have been incurred.
Demand Forecasting D-1	Deliver accurate 13:00 day ahead demand forecast.	+£1.5m to -£1.5m	The scheme has a target forecast error of 8.35mcm per day adjusted up to a further 1mcm dependent upon the extent of additional short cycle storage injection capability connected to the NTS.	Average daily error of 7.01mcm/day during Q2. Due to level of injection capability seen this year, the storage adjuster is still currently at 0. As a result the current daily weighted average error for the 22/23 incentive year is 7.97mcm/day.
Residual Balancing	To balance supply and demand on the gas day minimising the impact our trading has on the market when we do take action to balance the network.	+£1.6m to -£2.8m	Linepack Performance Measure (LPM) Target: 2.8mcm/d change. for non-shoulder months. For the shoulder months (October, November, February and March) there is an increase in the target where there is in effect a neutral position, this is between 2.8 and 5.6 mcm/d. Price Performance Measure (PPM) Target: 1.5% of System Average Price (SAP).	LPM: The average daily linepack change was 2.1mcm compared to the 2.8mcm target. LPM reached a maximum value of 8.2mcm on the 21 st July 2022. Year to date average linepack is 2.3mcm. PPM: The average price spread for residual balancing trades was 2.6% of SAP compared to the 1.5% target reaching a maximum value of 30.8% on the 27 th September 2022. Year to date average SAP is 7.4p/kWh which represents 4.57% above the target.
Maintenance	Deliver benchmark performance for summer maintenance outage days, including and excluding Valve Operations (VO). Minimise National Grid driven changes to maintenance planning to deliver network access for customers	+£0.5m to -£1.5m.	Maintenance Period covers 1 st Apr – 31 st Oct 1. Changes - minimisation of changes initiated by National Grid - Target 7.25% of the total maintenance plan days in the year. 2. Use of Days - (VO) - Target 11 days. 3. Use of Days - (ex VO) - Target align 75% of customer impacting.	Incentive period now closed. 1. Target 7.25% (9.06 days). Performance of 0 changes initiated, so outcome was 0%. 2. Target 11 days. Performance 1 day. 3. Target align 75% of customer impacting work. Performance 92% of customer impacting work aligned.
Greenhouse Gas Emissions	To consider the environmental impact of our compressor operations when venting	+£1.5m to -£1.5m	Minimise emissions from compressors with a breakeven target of 2,897 tonnes. Emissions venting reference price for this incentive year is £2097/tonne.	A total of 497 tonnes of natural gas were vented during Q2, bringing the total so far in this incentive year to 972 tonnes. This represents approximately 34% of the annual target.