

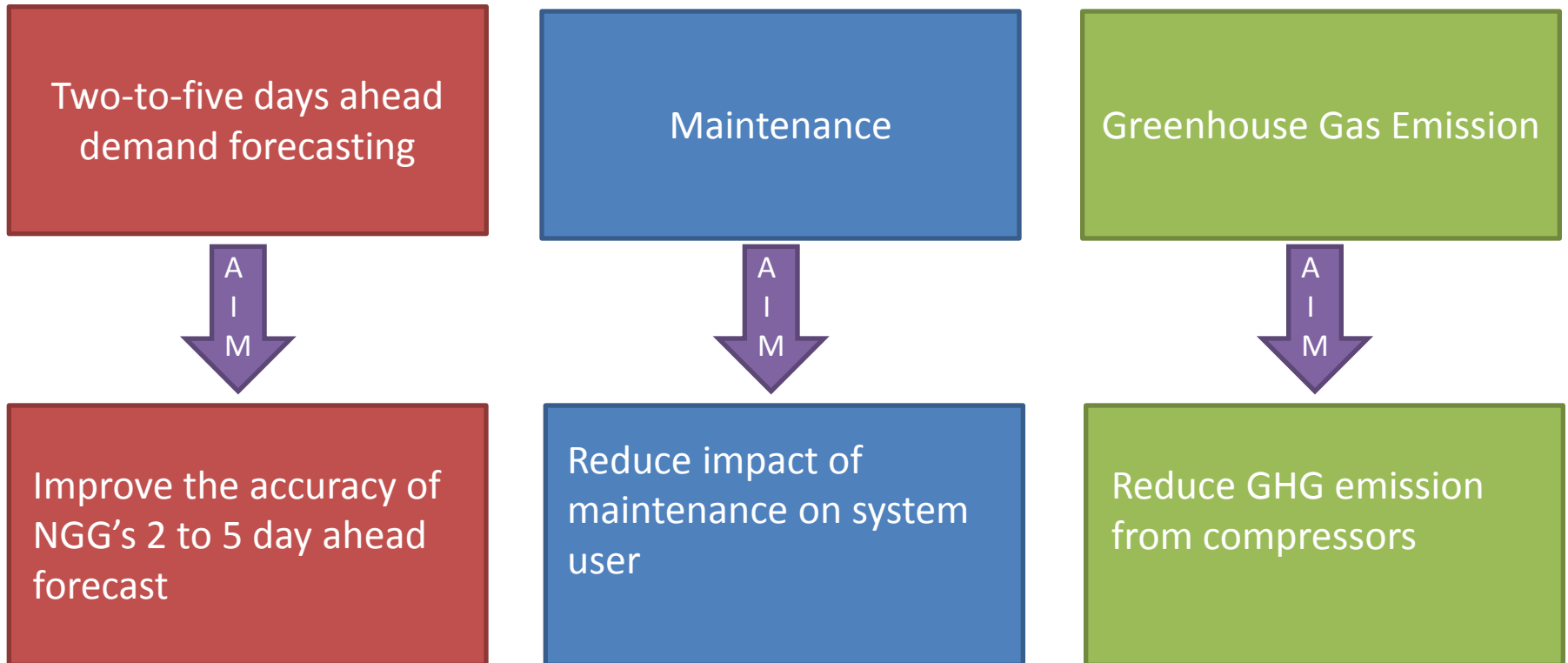
## **Gas System Operator Incentives Review 2015-18**

A summary of the final proposals on the three gas SO  
incentives due to expire

**Leonardo Costa**  
22 April 2015

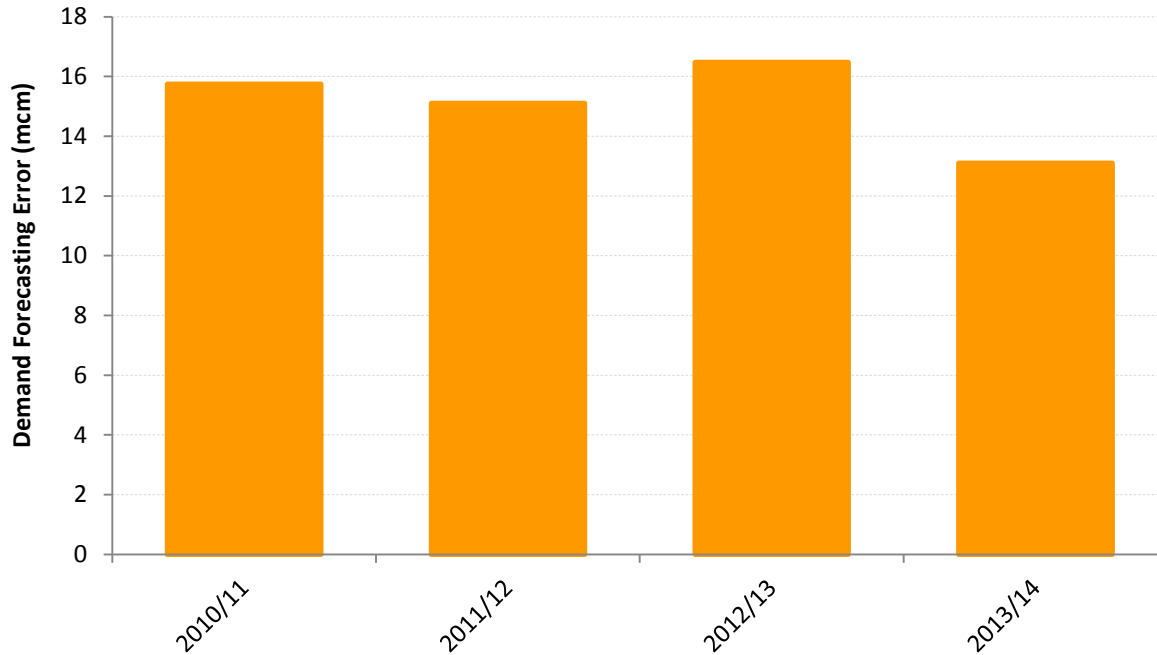
ofgem

# Three incentives have been renewed until Mar 2018



Link to **Gas System Operator incentives review 2015-18: Final proposals**: <https://www.ofgem.gov.uk/publications-and-updates/gas-system-operator-incentives-review-2015-18-final-proposals>

## Two-to-Five Days Ahead Forecasting Error



- Incentive introduced in 2013-14
- Objective: improve accuracy of information to market participants ahead of time
- Performance: Forecast accuracy increased to 13.1mcm against 16mcm target

- Tighten target to 13.7mcm (from 16mcm)
- Maintain cap of £10m & floor of -£1m

- Incentive introduced in 2013-14
- Two targets:
  - Change of maintenance days
  - Number of maintenance days
- NGG outperformed both maintenance targets (£1.14m incentive revenue earned)

## Change Days

Incentive on number of days NGG deviate from the maintenance plan

## Performance

0 Change Days → <sup>against</sup> Target: 6.23 days

## Changes to incentive:

- Halved target
- Advice Notices included

## Maintenance Days

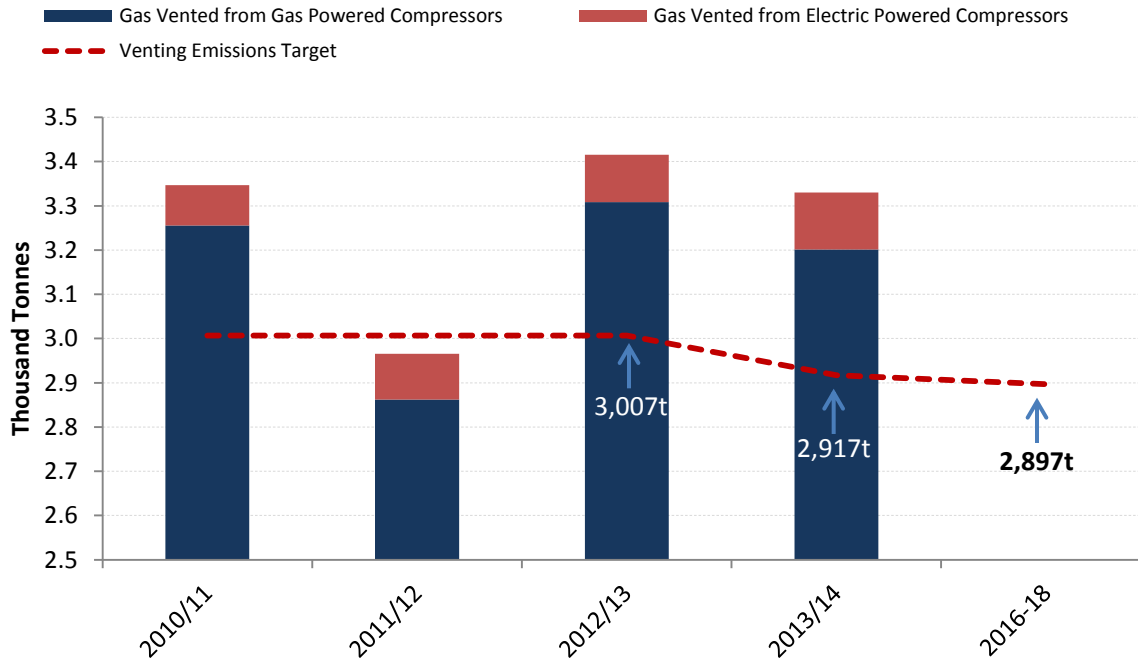
Incentive on number of days NGG does routine maintenance

## Performance

31 Maintenance Days → <sup>against</sup> Target: 72.3 days

- Changes to incentive:
- Tightened target on valve operations
- Removed financial incentive on In-line inspections (ILIs)
- Introduced report requirement on ILIs
- Increased floor and removed cap

## Greenhouse Gas Emissions



\*Data for 2014/15 incentive period has yet to be provided to Ofgem

- Introduce GHG Investigation Mechanism, to further venting research on
- causes / drivers
- measurement
- cost-effective mitigations
- one-off potential reward of £500,000, with 1 & 2 completed by 1 Dec 17
- NGG must justify why research hasn't been previously done

- Downside only incentive will be maintained
- A symmetrical incentive would need
- - better understanding of causes & drivers of venting
- - more accurate measurement of venting events