FUTURE BILLING METHODOLOGY

UNLOCKING A LOW CARBON GAS FUTURE

CONSULTATION RESPONSE

Company name	CNG Services
Date	3rd May 17
Contact name	John Baldwin
Job title	MD

Please e-mail your completed response document to david.chalmers2@nationalgrid.com and louisa.broad@nationalgrid.com.

Future Billing Methodology

Consultation question responses

For each of the questions below, please explain:-

- **why you agree or disagree and;**
- **your views on what, if any, alternative changes you would consider to be appropriate.**

Use as much space as required on the below tables.

1.	**Do you agree that the existing LDZ FWACV methodology presents a barrier to a low carbon gas future and that alternative methodologies should be explored?**			
	Agree	**Yes**		
			Please treat answer as confidential (delete as appropriate)	**No**
Reasoning There are 2 parts – one is adding the propane which is a project cost, The 2nd issue is the FWACV/Letter of Direction regime that applies to biomethane which adds cost and risk. If propane has to be added (which we accept it does at present) then better achieved in the NEA.				

Future Billing Methodology

Indicative cost impact (if applicable) typically 30 – 40% of total opex by adding propane (eg, costs £200k for propane but its worth £120k in the grid no net cost is £80k/annum) Capital cost for propane storage and injection in the £100 – £150k range			
2.	**Do you agree that the Future Billing Methodology Project could provide the basis to deliver an economical and sustainable pathway to decarbonising heat for 2030 and 2050?**		
Agree	**Yes**		
		Please treat answer as confidential (delete as appropriate)	**No**
Reasoning If it reduces need for propane is is a saving as above It is possible that shale gas will have a CV like Southern North Sea gas which may also require propane			

Future Billing Methodology

Indicative cost impact (if applicable) As above

3.	**Do you agree that the proposed Measurement and Validation Field Trials could provide an understanding of the modelled zones of influence of LDZ-embedded gas entry points?**		
Agree	**Yes**		
Please treat answer as confidential (delete as appropriate)			**No**
Reasoning There are significant differences between biomethane and natural gas – absence of ethane and presence of o2 being significant ones. Note - it will not be possible to tell the difference between shale gas and UKCS			

Future Billing Methodology

Indicative cost impact (if applicable) [ ]

4.	**If your answer to Q2 and or Q3 was "Disagree", what alternative or modified approach would you like to see considered?**		
Agree		**Disagree**	
Please treat answer as confidential (delete as appropriate)			**Yes/No**
Response [ ]			

Future Billing Methodology

Indicative cost impact (if applicable) [ ]

5.	**What factors and impacts would you like to see considered through the Future Billing Methodology Project?**	
	Please treat answer as confidential (delete as appropriate)	**No**
Impact of any change to GSMR which would allow higher wobbe LNG to be injected into the NTS without adding N2. This will increase the CV of the UK grid and so will cause MORE propane to be added for biomethane and (possibly) shale gas Also, change to the FWACV/Letter of Direction regime to reduce the capex and associated risk of CV measurement		

Future Billing Methodology

6.	**If implemented, how would the suggested changes to the existing LDZ FWACV billing regime benefit your company/organisation, e.g. what savings would the changes bring?**	
	Please treat answer as confidential (delete as appropriate)	**No**
Reasoning Reduced opex means reduced subsidy required so likely that more projects		

would go ahead for a given level of UK Govt support

For shale gas may allow injection into LTS, if propane is required then significant propane into LTS is highly unlikely (too much propane, too many road movements etc)

Note – injecting shale gas into LTS is a good idea as typically 20 – 30 bar compared to NTS which is 50 – 70 bar. This represents a saving in the capex and opex of compression as over time there will need to be compression as the pressure from the shale gas well reduces.

The compression saving has a GHG saving associated with it.

Indicative cost impact (if applicable)

Could be a big number from shale gas reduced compression, not a 5 minute job to calculate it

Future Billing Methodology

7.	Do you envisage any legal or regulatory issues arising if any of the Future Billing Methodology options were to be implemented?
Please treat answer as confidential (delete as appropriate)	**No**
Reasoning There will be Ofgem issues but can be sorted	
Indicative cost impact (if applicable) [ ]	

Future Billing Methodology

8.	**Do you have any other comments on the Future Billing Methodology Project? (e.g. issues not covered in this document)**
Please treat answer as confidential (delete as appropriate)	**No**

Impact of GSMR change for LNG to save N2 on CV

FWACV/Letter of Direction

Compression saving for shale gas into LTS

Future Billing Methodology