

## **ENA Gas Innovation and Governance Group** **Provision of Temporary Gas Supplies – Invitation to Tender**

### **Introduction**

ENA - Energy Networks Association - is the industry body for UK energy transmission and distribution license holders. As the voice of the energy networks sector, ENA acts as a strategic focus and channel of communication for the industry. ENA aims to promote the interests, growth, good standing and competitiveness of the industry, and provide a forum of discussion among company members, and so facilitate communication and shared experience across the energy networks sector.

The ENA Gas Innovation and Governance Group (GIGG) represents the Gas Distribution Networks (National Grid Gas, Scotia Gas Networks, Northern Gas Networks, Wales and West Utilities),. GIGG seeks to identify areas that welcome innovation into the gas market. GIGG's role is to develop and maintain robust processes covering collaboration, identifying issues that require innovative solutions, sharing learning and concerning project management. The purpose of the group is to ensure Networks comply with the requirements of the licence condition by working closely to explore what technological, operational and commercial projects which best suit the future needs of the gas networks.

### **Project Goals and Objectives**

This proposed innovation project is intended enable provision of temporary gas supplies to alleviate localised interruption. The project is being proposed as part of the RIIO Innovation arrangements and will be an all networks project, led by NGN as proposer. An overview of the initially scoped project shows a wide range of issues to be considered fully as part of the overall project, however this paper will focus mainly on the regulatory and commercial framework issues.

### **Problem Statement**

It is acknowledged that vulnerable customers may be considered at risk due to lack of gas supplies when there is either a planned interruption or as a result of emergency activities. GDNs have obligations to provide alternative heating and cooking in such circumstances and this in itself may cause the electricity network to be placed at risk due to significant additional and unexpected load being placed on it when the alternative heating and cooking provided is electric fan heaters and hotplates.

The process of providing such alternatives may be hampered by difficulty in obtaining suitable supplies of alternative equipment, especially where it is as a result of a localised emergency. Where work is as a result of planned interruption, this may only be required in limited circumstances as work is often carried out when people are at work. For pensioners or people with young families, alternatives during the day may be essential, but can be managed more easily than in an emergency situation.

In both cases, where there has been a need to isolate properties on a temporary basis to carry out work, all supplies must be purged and relit to meet safety standards. This work can be disruptive to customers and is a source of frequent complaints.

### **Purpose of this Expression of Interest**

ENA's GIGG is launching a tender process for a service provider to carry out all or parts of a project that will carry out an investigation into the regulatory & commercial framework, safety standards and technical issues that need to be considered fully to develop a suitable solution to the issues above by using bottled gas as a temporary substitute for mains gas. Due to the nature of this project, ENA may require service providers to work collaboratively on distinct parts of the project, and would like to see a willingness to do this demonstrated in the written offers.

### **Form of Expression of Interest**

The bidder will have to submit their written offer by email to:

Clare Cantle-Jones

Gas Regulation and Futures Executive

Energy Networks Associations

6th Floor, Dean Bradley House

52 Horseferry Road, London SW1P 2AF

Email: [clare.cantle-jones@energynetworks.org](mailto:clare.cantle-jones@energynetworks.org)

Telephone: 020 7706 5150

Mobile: 07792 220068

### **Procurement Timetable**

**23<sup>rd</sup> April 2014** - Closing dates for bids

**9<sup>th</sup> May 2014** - Announcement of shortlisted bidders

**15<sup>th</sup> May 2014** - Presentations of shortlisted bidders to the GIGG

**19<sup>th</sup> May 2014** – Announcement of selected bidder

**1<sup>st</sup> June 2014** - Commencement of Project

**September 2014** –Interim conclusion to be presented to the GIGG

**End of December 2014** – Conclusion of work and Final Report.

### **Evaluation of Bids**

All bids and accompanying presentations will be evaluated based on the below criteria and weighting (%):

- Reputation/Credibility (15%)
- Understanding of Requirements (20%)
- Access to Relevant Resources (20%)
- Experience (15%)
- Confidence in Delivery (15%)
- Cost (15%)

## **Format of Proposal Submission**

The proposal should be submitted as a Word/PDF document and outline in broad terms the approach to be taken to address the issues outlined in the scope and the nature and scale of resources required to deliver the work based on the approximate number of days effort in the pricing schedule.

## **Scope of Project**

The project has been split into three main stages, some of which may be possible to consider concurrently, but it was agreed that without a suitable legal, regulatory and commercial regime, the technical investigation should not proceed.

Stage 1: to undertake a research project on the legal, regulatory and commercial issues restricting networks supplying small quantities of gas during its operations. Investigate if changes can be accommodated within the change to existing restrictions.

Stage 2: to undertake a due diligence investigation on safety requirements involved in networks temporarily supplying small number of consumers with bottled gas

Stage 3: to develop a technical solution that meets the regulatory, commercial and safety restrictions

## **SMART Objectives**

The objectives of all Innovation projects need to be considered to be Specific, Measurable, Achievable, Relevant and Timebound (SMART). Three main objectives have been identified initially for the project:-

1. Changes to Uniform Network Code, GT Licence and/or commercial arrangements that would allow networks to supply small numbers of customers without the current restrictions,
2. Robust safety management procedures and processes that ensure any technical solution places no additional risk o customers or the network, and
3. A technical solution that uses gas to supply existing appliances and minimizes the need for purge and relight.

## **Success Criteria**

For the project to be fully successful, a broad criteria has been established:

- A workable legal and commercial framework that would allow networks to supply gas through existing metering arrangements,
- A safety management procedure that all networks could adopt that would safely maintain customers gas appliances for a minimum time period during an emergency and planned disruptions, and
- A cost effective method of providing a temporary gas supply to customers with minimal disruption.

## **Regulatory and Commercial Framework**

The project intends to input gas from small bottled source close to single, or small groups of properties which are fed from a single service. As it is intended to have multiple network entry points at any time to specific properties it is not considered that the arrangements used by SGN for Tankered gas are suitable. In order to assess the regulatory regime fully there are a number of areas which need to be considered:

- Gas Act
- Gas Transporter Licence
- Uniform Network Code
- Other regulations

### Gas Act

The Gas Act sets out the necessary arrangements which require supply gas to be made by various licensed bodies, e.g. Gas Transporter and Registered Supplier. All gas supplies are required to be made through a meter and therefore all temporary supplies must be made by injecting the gas into the network prior to the Emergency Control Valve (ECV) and meter. (Schedule 2: The Gas Code, para 1(2)).

All aspects of the Gas Act need to be considered to ensure that supply of bottled gas by the Transporter meets the necessary standards.

### GT Licence

Standard Special Condition D4: Prohibited Procurement Activities – Licensee shall not purchase, enter into agreements for or otherwise acquire capacity rights, gas or gas derivative with the intention of subsequently selling, assigning or otherwise disposing of such assets to third parties

By supplying bottled gas for temporary arrangements it could be considered that the Transporters would be undertaking the prohibited activities as noted above. Full consideration of this and other licence conditions need to be assessed to ensure that compliance with the Licence can be maintained. Should the arrangements not meet the Licence then application to the Authority for derogation for certain circumstances, or appeal to make change to the Licence itself will need to be made.

### Uniform Network Code (UNC)

Allocation of energy must be kept whole at all times. Gas injected into the network, regardless of how small, needs to be recorded for entry and allocated to a shipper for exit based on profiled Annual Quantity (AQ) for Smaller Supply Points (SSPs) or metered reads for reconciliation purposes at Larger Supply Points (LSPs).

It is essential that arrangements to record and allocate the energy used through the bottled gas scheme are developed to integrate into the existing settlement arrangements. Full consideration of the as-is and future Project Nexus arrangements will need to be considered in developing suitable UNC arrangements for recording the bottled gas.

## Other

Many of the other regulations are related more to the safety and technical issues rather than the regulatory and commercial regime. It is important, however, that early consideration of these regulations is considered to ensure that no showstoppers turn up later in the project. Regulations that should be reviewed include (but not limited to):

- Gas Safety (Installation & Use) Regulations
- Gas Safety (Management) Regulations
- Pipeline Safety Regulations
- Pressure Systems Safety Regulations (PSSR)

## **Systems Impacts**

A number of systems are likely to be impacted by new arrangements, both centrally, and within individual GDNs. GDN systems will need to be assessed individually based on solutions considered and developed. Central systems are held by Xoserve and deliver the Supply Point Administration and Settlement arrangements. As part of the initial phase of development of this project an assessment of potential impacts on central systems can be carried out by commissioning a Rough Order of Magnitude (ROM) from Xoserve using the Agency Services Agreement (ASA) change process. This can request consideration of alternatives, which may help to drive the final chosen solution for the project. Projects that will need to be considered are:

- Gemini
- UK Link
- Transporter Systems

This assessment should be carried out in a coordinated manner with the assessment of the regulatory framework as these will influence each other. The Xoserve change process allows a proposing GDN to nominate an expert to discuss potential change with Xoserve and it is proposed that this is within the scope of the regulatory assessment.

## Gemini

Gemini is a National Grid Transmission system that is managed by Xoserve. This system is used for the national balancing arrangements and any gas input into the system (e.g. bottled gas) will need to be recorded.

## UK Link

The UK Link suite of systems are used by Xoserve to carry out the allocation, reconciliation and billing arrangements. Implications from injecting new sources of gas into the system may need to be reflected in various aspects of the UK Link systems. It should be noted that the existing suite of systems is currently being replaced, and considerable changes to the existing settlement regime are also likely to be implemented as part of this replacement programme. Any change to the UNC arrangements resulting from this project will need to be considered in light of these changes and the timescales that would be required to develop any new arrangements for using bottled gas under defined circumstances.

## Transporter Systems

Each Transporter will have systems that are used for planning and completing any planned replacement works and responding to emergency situations. Where the use of bottled gas is expected to be implemented, there may be impacts on the transporter systems. These will need to be assessed by each GDN as part of the overall project.

### **Next Steps**

A more in-depth consideration of the solution needs to be developed in order to fully assess the regulatory and commercial impacts. This is not expected to require technical assessment at this stage, but enough to allow more in depth exploration of the regulations that prevent Gas Transporters from supplying gas to consumers.

A full review of all regulations and impacts or options within the central Xoserve systems is required to ensure that changes that may be required to the regulatory and commercial framework can be made before proceeding with technical considerations.