

2023 Long Term Development Statement Summary

Wales & West Utilities Ltd



REPORTS



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Foreword



Sarah Williams

Director of Regulation, Asset Strategy
& HS&E

Welcome to our Long Term Development Statement for 2023. This document provides an indication of the usage for our pipeline system and likely developments. It is intended to help companies that are contemplating connecting to our system or entering transportation arrangements to identify and evaluate opportunities. The ongoing progress towards Net Zero readiness and our planning for a transition to hydrogen networks have presented their own challenges as well as opening exciting opportunities for the gas network.

The statement reflects our 2023 planning process and incorporates a reappraisal of our analysis of the market and of the demands on our network. As such it contains the latest information on volumes, the processes we use to plan the development of the system including demand and supply forecasts, the impact of greater integration of electricity and gas networks, and system reinforcement projects with associated investment.

Over the past twelve months we have responded to instability and change, as we continue to deliver an ambitious RIIO-GD2 price control programme, against an ever-changing geopolitical and economic backdrop. The after-effects of the global pandemic, Brexit and the Russian invasion of Ukraine, have resulted in volatility in the commodity and supply markets around the world. The resulting increase in the wholesale cost of energy, including natural gas, has impacted demand across Great Britain, so this has been an important consideration in our forecasting process. There is a possibility that the emerging conflict in the middle east could further compound this instability.

With this in mind, it is crucial for us to continue designing and developing of our long-term plans, as well as listening and responding to the needs of our customers. As the energy sector remains in the spotlight, we are dedicated to delivering net zero by 2050, which means that our network will be able to transport green gases like hydrogen and biomethane and to play our part in decarbonising heat, power, and transport.

We are doing more to help our customers move to a more sustainable, net zero future. Our first long term Sustainability Strategy, published in April 2023, sets out our vision with clear targets to reduce the impact of our own activity, and deliver what our customers need and expect. We continue to work with the UK and Welsh government and other key industry stakeholders to inform the options and to ensure a fair choice is available to all consumers.

Our focus on putting customers and colleagues first has brought significant success again in 2023. Here are a few of our achievements from the last 12 months:

- WWU continues to develop the Pathfinder 2050 model that enables low carbon alternatives to be evaluated for regions within our network as well as at individual property level. In 2023 the tool has been used to support development of Local Area Energy Plans (LAEPs) across the network.
- Publication of the South Wales Industrial Cluster Plan, which recognises WWU's Hyline Cymru project as key infrastructure for industrial decarbonisation in Wales.
- Published our 2023 "Delivering Innovation" report, summarising the research we are leading and collaborating on to support the transition of the energy system.
- Published our 2023 Annual Environmental Report to share the progress we have made against our Environmental Action Plan ambitions, the report is produced as part of our

regulatory requirements, but also highlights what we have achieved to make our business more sustainable for our customers, communities and colleagues.

- We received our tenth “Gold Award” from RoSPA in 2023, once again recognised for our industry-leading health and safety performance and commitment. Resulting in the receipt of the President’s Award, a gas industry first.
- We achieved accreditation to ISO 22458 Customer Vulnerability Standard and the associated Kitemark in December 2022. We are one of nine companies to be the first to achieve the new standard and Kitemark.
- We continue to hold the ISO 14001 (environmental management), ISO45001 (health and safety management) and ISO55001 (asset management) accreditations from the International Organisation for Standardization (“ISO”) following audits of the relevant systems and processes.
- We received accreditation for Achilles Health & Safety achieving 100% for the ninth successive year.

We are proud of all these achievements as we continually seek to further improve the service we provide to today’s customers and plan to deliver a net zero future.



Sarah Williams
Director of Regulation, Asset Strategy & HS&E

1. Executive Summary

1.1 Context

This document contains our annual and peak demand and supply forecasts. These forecasts have been developed in conjunction with National Grid – Electricity System Operator (NG-ESO) and through our own modelling and analysis.

We are required to publish this annual statement in accordance with Standard Special Condition D3 of our Gas Transporters Licence and Section 4.1 of the Uniform Network Code (UNC) Transportation Principal Document.

We are continually improving our forecasting techniques using the latest information available and this year our forecasts are presented in scenarios relating to the impact of the cost of energy on temperature-sensitive load bands.

1.2 Demand and supply outlook

Our forecast suggests that peak demand is now set to initially reduce by 4% this year compared to last year's view, before recovering back to levels seen prior to the increase in wholesale energy costs by 2025. Demand is then forecast to increase by 2% over the next 8 years due to low level industrial and domestic growth.

We have continued to work with our biomethane customers who have sites that they wish to connect to our network. We have 21 biomethane sites delivering green gas into our network and have a further six with network capacity booked. In total, the 27 sites would provide heat to over 193,000 homes if fed into a traditional heating system.

We are experiencing entry capacity constraints in parts of our network and have seen a small number of sites being backed out at periods of low demand. We are doing what we can to allow biomethane sites to feed into our network including the progression of smarter solutions such as automated pressure control and within-grid compression.

1.3 Sustainability

We understand sustainability to be a dynamic, systems level approach in which the connections between the environment, society and the economy are developed to deliver multiple benefits.

As the world responds to a changing climate and moves away from fossil fuels, considerable changes will affect our colleagues, our customers, and our business. In 2023, we published our first Sustainability Strategy, which recognises that we will need to work closely with a range of stakeholders to deliver this change. We have a vital role to play in the transition to a low carbon economy, but we need partners to recognise the system-wide changes required.

We aim to go further than doing 'no environmental harm,' and instead we aim to deliver environmental net gain. We work to enhance the communities we are part of and contribute to the well-being of our customers. We want to move towards a state where sustainability considerations are so well integrated into our business processes that they become our Business as Usual, across everything we do.

We have a clear vision of the role our network will play to decarbonise heat, power, and transport in the areas we serve; what needs to happen to facilitate this; and how much investment is required. Our network will be able to support the required quantities of green gas, eliminating the need to use fossil fuels, as we develop a **Net Zero-ready gas network**, in line with legislation and the targets set out in our Sustainability Strategy. We will have the flexibility to support flexible generation and transport, which in turn, supports the decarbonisation of the electricity and transport sectors.

It is widely acknowledged that whole system solutions that optimise energy flows across gas and electricity transmission and distribution networks will play a major part in facilitating the delivery of a sustainable energy solution for the UK. Increased integration of gas and electricity networks will result in changes on one network having the potential to impact another.

These impacts have again been accounted for in the forecasting models and research that we have undertaken. A fuller summary of our research and development activity is provided in Appendix 4.

1.4 Investment implications

Our stakeholders have told us that maintaining a safe, reliable gas supply is a key priority. We adopt innovative techniques to ensure efficient investment in network health through use of monetised risk models and have fed this analysis into our business planning processes.

Going forward we anticipate new requirements for compression, storage, and smart control to accommodate increasing demands for flexible gas usage and supply from our customers.

We anticipate that hydrogen uptake will be accelerated in response to the Government's net zero announcement. The mains replacement programme means that our networks are largely hydrogen ready in our low pressure distribution networks. There will be some additional investment needed to repurpose other parts of network for hydrogen but reusing the existing network to support hydrogen is essential if we are to deliver net zero in the UK by 2050. That said, the volumes of hydrogen required to maintain energy demand will be greater when compared to natural gas and this and the transition approach itself will drive some level of investment in the network.

1.5 Innovation

Innovation is part of our DNA. It has helped us deliver benefits that go far beyond financial benefits to encompass safety, customer experience, value, and reliability. From our engagement we know that investing in innovation and working collaboratively with the wider industry to support national strategic energy challenges is an important priority to our stakeholders.

Our innovation focus areas for the 2020s build on the ENA's Gas Network Innovation Strategy. They are centred on the steps needed to deliver a net zero ready network to support decarbonisation, providing more from our current network to the homes and businesses that rely on us in their daily lives. Our network facilitates secure and resilient energy for heat, power and transport and enabling cleaner, greener energy is central to our ambition.

The continuation of the NIA funding mechanism will allow us to collaborate widely to create solutions to meet the challenging targets of Net Zero and address consumer vulnerability. Additionally, in supporting innovation Ofgem developed the Net Zero & Heat Policy re-openers and Net Zero and Reopener Development fund at the outset of the RIIO-GD2 price control period.



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