

UKOPA

United Kingdom Onshore Pipeline Operators' Association

Pipeline Rates 2021 Revaluation

OCTOBER 2019



Pipeline Rates

- Pipeline Rates
 - Construction cost basis
- Currently working within the 2017 Revaluation
- Next Revaluation basis – 2021
- Operators may have received questionnaires

Pipeline Rating Forum

- Process adopted previously to agreed the 2000, 2005, 2010 and 2017 National Pipeline Valuation schemes.
- Applies to England and Wales – Scotland VO has “listened in”
- Shell Real estate, Gerald Eve and UKOPA
- “By encouraging participation and promoting the benefits of transparency in information exchange, the VOA has been endeavouring to achieve more accurate and reliable values, which will be beneficial to ratepayers as well as the agency.”

2021 Revaluation

- Based on 2019 data
- Previous valuation was 2017 thus review changes from 2015
- No evidence provided by Industry – projects
 - Limited data
 - Construction projects – short lengths
- Use construction and commodity Indices

Total Construction Cost of New Pipelines

- Basic Pipe Costs
- Protective Coating Costs (internal and external)
- Cathodic Protection Costs
- Basic Construction Pipe Build Costs
- Special build costs
- Cost of Road, River and Railway crossings
- Land / Easement costs
- Legal costs
- Design & contract costs
- Pig trap connection costs and Block Valve costs

2021 Recommendation

- Line pipe - +15%
- Coatings and CP - +15%
- Lands – No change
- Design and Administration – No change (% on cost)
- Easements – No change
- Multitrack allowances – No change
- Crossings - +15%
- Pipeline length allowance – No change
- Construction - +15%
- Age allowance - No change

Age Allowance

- Ongoing UKOPA debates on AC Corrosion and impact by changes in electrical infrastructure
- Statement agreed - “Potential impact on cathodic protection due to the near-by presence of electrical infrastructure is noted and will be considered on a case by case basis, and as any evidence presents itself.”

Approval

- The scales will be used as basis for 2021 rating assessment
- Operators have right to challenge
 - Economics
 - Usage
 - Special cases
- No information on UBR or Transition
- UKOPA Recommend “acceptance” of the Memorandum of Agreement