

Gas Charging Review UNC0621



UNC0621 Workgroup – 28 March 2018
(Including alternates UNC0621A – J)

Agenda

Area	Detail
Actions	<ul style="list-style-type: none"><li data-bbox="633 404 981 446">• Action 621-707
Features Comparison of Modifications	<ul style="list-style-type: none"><li data-bbox="633 482 1619 568">• Comparison of all elements of UNC0621 and the alternates that have been raised
Cost Allocation Assessment	<ul style="list-style-type: none"><li data-bbox="633 604 1522 646">• Developing the Cost Allocation Assessment<li data-bbox="633 654 962 696">• CAA proposal
Analysis update	<ul style="list-style-type: none"><li data-bbox="633 725 1445 768">• Overview of analysis requests received<li data-bbox="633 775 1445 818">• How and when this could be addressed

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Action ref: 621-707

Action Ref: 0621 – 707

- Previous analysis shows the impact of including and excluding Existing Contracts as part of the Forecasted Contracted Capacity (FCC) on entry prices
 - Circa 28% lower when including Existing Contracts as part of the FCC
 - Previous analysis can be found from [6th February NTSCMF](#), slide 23 – slide 28
 - There is no impact on exit charges due to the uniform change in entry charges

1	Exit Point	Transition Excluding EC	Transition Including EC	Transition Difference	Enduring Excluding EC	Enduring Including EC	Enduring Difference
2	Aberdeen	0.0163	0.0163	0%	0.0212	0.0212	0%
3	Abson (Seabank Power Station phase I)	0.0125	0.0125	0%	0.0252	0.0252	0%
4	Alrewas (EM)	0.0094	0.0094	0%	0.0197	0.0197	0%
5	Alrewas (WM)	0.0094	0.0094	0%	0.0197	0.0197	0%
6	Apache (Sage Black Start)	0.0175	0.0175	0%	0.0222	0.0222	0%
7	Armadale	0.0135	0.0135	0%	0.0202	0.0202	0%
8	Aspley	0.0097	0.0097	0%	0.0200	0.0200	0%
9	Asselby	0.0084	0.0084	0%	0.0151	0.0151	0%
10	Audley (NW)	0.0098	0.0098	0%	0.0201	0.0201	0%
11	Audley (WM)	0.0098	0.0098	0%	0.0201	0.0201	0%
12	Austrey	0.0094	0.0094	0%	0.0197	0.0197	0%
13	Avonmouth Max Refill	0.0066	0.0066	0%	0.0132	0.0132	0%
14	Aylesbeare	0.0158	0.0158	0%	0.0307	0.0307	0%
15	Bacton	0.0100	0.0100	0%	0.0193	0.0193	0%
16	Bacton (Baird)	0.0050	0.0050	0%	0.0097	0.0097	0%
17	Bacton (BBL)	0.0100	0.0100	0%	0.0193	0.0193	0%
18	Bacton (Great Yarmouth)	0.0100	0.0100	0%	0.0193	0.0193	0%
19	Bacton (IUK)	0.0100	0.0100	0%	0.0193	0.0193	0%
20	Baldersby	0.0093	0.0093	0%	0.0157	0.0157	0%
21	Balgray	0.0156	0.0156	0%	0.0216	0.0216	0%
22	Barking (Horndon)	0.0121	0.0121	0%	0.0239	0.0239	0%
23	Barrow (Bains)	0.0055	0.0055	0%	0.0089	0.0089	0%

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Modification(s) features comparison

Features Comparison of UNC0621 nationalgrid and alternative modifications UNC0621A - J

- A table has been prepared to show the comparison between UNC0621 and the Alternates that have been raised (A-J)
- Available on the Joint Office pages
<https://www.gasgovernance.co.uk/0621/280318>
- This shows the key components of UNC0621 and if different, how each alternate is addressing these topics
- Essential that this is correct to help inform the Legal text drafting for each modification
- This table will be reviewed at workgroup and any changes needed confirmed by proposers

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Cost Allocation Assessment

Cost Allocation Assessment :

Earlier views (from Feb 2018) - reminder

Capacity Cost Driver	Average				Summed			
	Distance	Capacity Weighted Distance	Technical Capacity	Forecasted Contracted Capacity*	Distance	Capacity Weighted Distance	Technical Capacity	Forecasted Contracted Capacity*
Capacity Revenue	IP and Non-IP revenue aimed to be recovered from capacity charges. Alternatively, revenue recovered from booking scenario in transition period (booking scenario would be different from FCC)							
IP and Non-IP capacity ratios are calculated (GWh/day)								
Capacity cost allocation comparison index is calculated (%)								
Commodity Cost Driver	Flows	Flows	Flows	Flows	Flows	Flows	Flows	Flows
Commodity Revenue	Commodity revenue forecast to be recovered from IP and Non-IP, dependent on capacity FCC and booking scenario							
IP and Non-IP commodity ratios are calculated (GWh)								
Commodity cost allocation comparison index is calculated (%)								
Combined Capacity and Commodity index (%)								

The combined index shows the degree of cross-subsidisation between IP and Non-IP system network usage based on the proposed reference price methodology. Where the cost allocation comparison indexes exceed 10%, the National Regulatory Authority shall provide the justification for such results within their decision.

* Only applicable under the enduring solution in the current proposals (i.e. FCC = Technical Capacity in transition solution)

Cost Allocation Assessment: Proposal in the CWD Model

- In landing on the most appropriate method:
- Focus of the CAA:
 - The purpose of setting the charges, therefore the CAA is about measuring the method used in setting the charges, not the recovery of revenues based on a booking scenario
- Selecting the capacity cost driver
 - Sum of Capacity has been chosen therefore being the total capacity for each of Interconnection and Non Interconnection, which fits with the sum of target revenue for each and also equivalent to flows that is based on a sum of flows at Interconnection and Non Interconnection.

Cost Allocation Assessment: Example

- Using the model that is available on the Joint Office website:

<https://www.gasgovernance.co.uk/ntscmf>

- The CAA has been included into v2.1 published 9th March.
- The CAA will use the options selected in the model, therefore if changing the inputs to the calculation, or if looking at Transition or Enduring the CAA will update.
- Requirements under TAR NC Article 5(6) – if the resulting % is greater than 10% it needs to be justified

Cost Allocation Assessment: Transition example from CWD Model

Exit			Entry		6
Capacity Cost Driver	Sum Capacity		Capacity Cost Driver	Sum Capacity	
IP	1,182		IP	1,209	
Non-IP	8,572		Non-IP	5,464	
Revenue from IP (£m)	£44		Revenue from IP (£m)	£45	
Revenue from Non-IP (£m)	£328		Revenue from Non-IP (£m)	£253	
Ratio IP (cross cap)	3.74%		Ratio IP (cross cap)	3.69%	
Ratio Non-IP (intra cap)	3.83%		Ratio Non-IP (intra cap)	4.64%	
<i>intra cap - cross cap</i>	0.09%		<i>intra cap - cross cap</i>	0.95%	
2 x (intra cap - cross cap)	0.17%		2 x (intra cap - cross cap)	1.90%	
intra cap + cross cap	7.57%		intra cap + cross cap	8.33%	
	2.26%		Answer	22.88%	
Commodity Cost Driver	Flows		Commodity Cost Driver	Flows	
IP (vol)	130		IP (vol)	130	
Non-IP (vol)	2,251		Non-IP (vol)	2,250	
Commodity Revenue from IP (£m)	£1		Commodity Revenue from IP (£m)	£1	
Commodity Revenue from Non-IP (£m)	£24		Commodity Revenue from Non-IP (£m)	£24	
Ratio IP (cross comm)	0.0105		Ratio IP (cross comm)	0.0105	
Ratio Non-IP (intra comm)	0.0105		Ratio Non-IP (intra comm)	0.0105	
<i>intra comm - cross comm</i>	0.0000		<i>intra comm - cross comm</i>	0.0000	
2 x (intra comm - cross comm)	0.0000		2 x (intra comm - cross comm)	0.0000	
intra comm + cross comm	0.0211		intra comm + cross comm	0.0211	
Answer	0.00%		Answer	0.00%	
CWD Cap Ratio	93.68%		CWD Cap Ratio	87.55%	
CWD Comm Ratio	6.32%		CWD Comm Ratio	12.45%	
Combined Exit Answer	2.12%		Combined Entry Answer	20.03%	
Combined Answer	11%				

Cost Allocation Assessment: Enduring example from CWD Model

Exit			Entry		6
Capacity Cost Driver	Sum Capacity		Capacity Cost Driver	Sum Capacity	
IP	286		IP	197	
Non-IP	5,145		Non-IP	1,723	
Revenue from IP (£m)	£19		Revenue from IP (£m)	£22	
Revenue from Non-IP (£m)	£396		Revenue from Non-IP (£m)	£340	
Ratio IP (cross cap)	6.60%		Ratio IP (cross cap)	11.02%	
Ratio Non-IP (intra cap)	7.70%		Ratio Non-IP (intra cap)	19.74%	
<i>intra cap - cross cap</i>	1.10%		<i>intra cap - cross cap</i>	8.72%	
<u>2 x (intra cap - cross cap)</u>	2.20%		<u>2 x (intra cap - cross cap)</u>	17.44%	
intra cap + cross cap	14.29%		intra cap + cross cap	30.76%	
	15.40%		Answer	56.70%	
Commodity Cost Driver	Flows		Commodity Cost Driver	Flows	
IP (vol)	0		IP (vol)	0	
Non-IP (vol)	0		Non-IP (vol)	0	
Commodity Revenue from IP (£m)	£0		Commodity Revenue from IP (£m)	£0	
Commodity Revenue from Non-IP (£m)	£0		Commodity Revenue from Non-IP (£m)	£0	
Ratio IP (cross comm)	0.0000		Ratio IP (cross comm)	0.0000	
Ratio Non-IP (intra comm)	0.0000		Ratio Non-IP (intra comm)	0.0000	
<i>intra comm - cross comm</i>	0.0000		<i>intra comm - cross comm</i>	0.0000	
<u>2 x (intra comm - cross comm)</u>	0.0000		<u>2 x (intra comm - cross comm)</u>	0.0000	
intra comm + cross comm	0.0000		intra comm + cross comm	0.0000	
Answer	0.00%		Answer	0.00%	
CWD Cap Ratio	97.85%		CWD Cap Ratio	96.34%	
CWD Comm Ratio	2.15%		CWD Comm Ratio	3.66%	
Combined Exit Answer	15.07%		Combined Entry Answer	54.62%	
Combined Answer	35%				

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Analysis structure update for discussion

Analysis Update (1/2)

- Delivery of appropriate analysis to deliver the workgroup report for UNC0621 (incl. A-J)
 - Not all analysis will be done by National Grid
 - Some analysis will be required from each of the proposers to help provide the justification and impacts of their modification proposals
 - National Grid will check analysis produced
- A draft of the analysis structure update is available on the Joint Office website for discussion

<https://www.gasgovernance.co.uk/0621/280318>

Analysis Update (2/2)

- In the spreadsheet we provide some views on whether this can be done by each proposer for each element we propose to be done for the workgroup report
- Other items that have been requested therefore fall into a number of categories
 - To be done in the Impact Assessment / Final EU TAR NC consultation
 - To form part of individual responses to either the UNC consultation on 621 and alternates or the Impact Assessment

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