Non-Transmission Charging Reforms

NTSCMF Discussions

April 2024

Non-Transmission Charging reforms

- At March NTSCMF we highlighted some questions and themes that would benefit from industry views to help the discussions and potential thinking around development options for Non-Transmission charging.
  - These were raised to help focus some discussion at April NTSCMF

- Notably this is around charging for Shrinkage costs and how/if could be done differently and explore the rationale for leaving the status quo versus potential updates.

- This presents the materials from March and some thoughts / questions to help around the discussions.

- Ultimately this helps bring out the challenges, issues or benefits of the status quo versus any updates (e.g. using options presented) and can inform if any options may get taken further (i.e. to a modification to current arrangements).

Non-Transmission Charging reforms (Copy from March NTSCMF)

- At January NTSCMF we highlighted some options on Non-Transmission charging reforms. Some of the options discussed were on more frequent updates to Non-Transmission charges or separating out Shrinkage costs to charge independently of the less volatile elements of Non-Transmission Revenues.

- All of the options kept charging for Non-Transmission, in totality, on a commodity or flow basis.

- In order to help the discussion on this, we thought it useful to discuss some items around this in coming Workgroups. In order to help this we would like to hear views on the benefits or challenges of commodity charges in the overall context of Transportation charges.

- The following questions are framing questions we would like to discuss at April NTSCMF and would like to share now to help give time for Stakeholders to consider any views or inputs

Non-Transmission Charging Changes: Some questions (copy from March NTSCMF)

There are some questions we feel would be helpful to discuss at April's NTSCMF

In order to facilitate this we thought it useful to provide some advance notice to give time for Stakeholders to think on this topic for any views, inputs and anything they would like to raise or ask.

- Given any changes, if taken forward, would be commodity based does this present any different challenges or issues or benefits compared to Capacity?

- For any separation or different treatment it would be focused on Non-Transmission charges and specifically Shrinkage costs. Given the link to gas prices, and that Shippers will also have exposure to costs linked to Gas prices in addition to Transportation charges, would having market related or linked costs separated provide more or less of a challenge?

Non-Transmission Charging Changes: Some questions (1/2)

Given any changes, if taken forward, would be commodity based does this present any different challenges or issues or benefits compared to Capacity?

Some sub questions / thoughts to support discussion

1. Is it the case that commodity and capacity face similar challenges in terms of updating onwards in the charging chain from Shippers?
   a) Are there different characteristics of how commodity charges are effectively passed on compared to commodity that it would helpful to be aware of to be considered?

2. Does the timing of when charges get updated present different challenges comparing capacity to commodity charges.
   a) Thinking back to pre-Oct 2020 commodity charges were updated two to three times a year compared to capacity not only issued once per year.
   b) Commodity used to be the dominant charge pre-Oct 2020

3. If charges were updated more frequently than now (i.e. more than once per year) does this make any substantial difference for commodity compared to capacity?

Non-Transmission Charging Changes: Some questions (2/2)

Given the link to gas prices, and that Shippers will also have exposure to costs linked to Gas prices in addition to Transportation charges, would having market related or linked costs separated provide more or less of a challenge?

Some sub questions / thoughts to support discussion

1. Here the focus is on Shrinkage costs, heavily linked to Gas prices.
2. Shippers and market participants will likely have exposure to Gas prices in addition to this component of Non-Transmission charges.
3. Non-Transmission charges, making up mostly System Operator costs can be separated to the more stable component (allowances/incentives) and the less stable component (external costs/Shrinkage). Shrinkage, certainly recently, has shown volatility and some issues for when cost updates impact revenues / charges.
4. Is it more of an issue for Customers & Stakeholders that charges related to one year may not be levied in the same year (i.e. due to revenue reconciliations and timing of charging updates)?
   a) If charging volatility (i.e. swings year to year as a result of substantial reconciliations to costs and timing of when revenues/charges can currently be updated) can be mitigated, does this change the view?
   b) Would it make any further difference if it means charges could be adjusted up or down within a Gas Year?

Non-Transmission Charging reforms
Next Steps

- We will take the time to reflect on views shared in this workgroup and any future workgroup should more time be needed to provide views.

- We will share any further views on progression of this area of potential charging reform

- We may look to bring forward additional analysis on some of the aspects to help facilitate the discussion and exploring the potential impacts of some of the options considered for change.

Thank you

Contact: Ash Adams
Ashley.adams@nationalgas.com

Colin Williams
Colin.Williams@nationalgas.com

national gas transmission