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respect > commitment > teamwork

UNC FGO Workgroup 30.6.16

Investment Funding

Recap - Principles

- Presented at Charging Workgroup 27 May
- In respect of CDSP Charges that recover investment expenditure, the CDSP Charging Methodology should define rules for:
 - The users of CDSP Services who are to fund the investments; and
 - The levying of CDSP Charges over the same time period as which the CDSP incurs investment expenditure.

Recap - Application

- 1) Investments that deliver change to CDSP systems functionality to meet the service requests of one or more Customer Classes are funded by all Core Customers in the requesting Customer Class(es)
 - 2) Investments that maintain, refresh or replace CDSP systems infrastructure are funded:
 - a) For investments in Gemini, by NGGT
 - b) For investments in other systems:
 - i. [N%] by NGGT
 - ii. [100-N%] by one or more of the GDN, iGT and Shipper Customer Classes
 - 3) Within a CDSP Budget Year, the CDSP will set its Charges so as to recover the investment expenditure that is budgeted to be incurred within that Year.
 - 4) Charges will normally be invoiced in equal monthly amounts over the period of the CDSP Budget Year.
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Funding Infrastructure Investments - Options

- Assume that investments in Gemini are funded wholly by NGGT
- Investments in other central systems:
 - A. CDSP funded wholly by GTs [N% by NGGT, 100-N% by GDNs]
 - Recovered by GTs through future years' transportation charges
 - B. CDSP funded wholly by Shippers
 - Eliminates GT intermediary handling of costs
 - C. CDSP funded by all users of CDSP Services
 - Recover from constituencies in same proportion as recovery of budgeted service delivery costs in CDSP Budget Year, or apply other predetermined allocation rule

Funding Options - Considerations

- Investment should be funded by all those who benefit
 - Option C appears to be best fit
- Investment planning needs certainty of investment funding
- It is in the interest of all users (and consumers) that investments are financed efficiently
- Investment is expected to be for the benefit of consumers both today and in the future
- CDSP recovery of investment costs from GTs (Option A) would
 - Provide greater certainty of revenue for CDSP – benefits all users
 - Provide access to efficient cost of capital
 - Enable longer term recovery through transportation charges (funded by all who benefit, but ‘slower money’ for Shippers and consumers; reflects benefits to future consumers)
 - Provide greater predictability of charges for funding parties (market share less variable)
- Investment funding should be appropriate to GT price control