



NTS Charging Review Proposed Objectives/ToR

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TCMF – Original Objectives/Terms of reference

Issue	What does this mean to people? (examples to aid discussion)
Volatility	Changes year to year or within year, sensitivity of inputs in the overall reference price methodology and overall framework (inclusive of all adjustments, alternative products)
Predictability	Use of charges in their own charging frameworks, timing of changes
Stability of prices	Changes year to year or within year, sensitivity of inputs in the overall framework
Fairness	Same treatment for users, how the design and application of discounts, exemptions and alternative products is done
Relevant objectives	How the overall framework or constituent parts align with understanding of relevant objectives

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Volatility	Changes year to year or within year , sensitivity of inputs in the overall reference price methodology and overall framework (inclusive of all adjustments, alternative products)
Predictability	Use of charges in their own charging frameworks, timing of changes and transparency . Including ability to understand methodology and reproduce/forecast charges
Stability of prices	Changes year to year or within year , sensitivity of inputs in the overall framework
Fairness	Same treatment for users where appropriate , how the design and application of discounts, exemptions and alternative products is done
Relevant objectives	How the overall framework or constituent parts align with understanding of relevant objectives
Security	Facilitate cross border trade and offshore/onshore/LNG supplies and gas storage. Charges should facilitate delivery of flexible supplies and demand side response.
Network efficiency	Charges should encourage efficient use and operation of the system. In a future of falling demand, the charging framework should facilitate optimal utilisation of the network (and signal redundancy)

Themes

- Objectives should be high level and capture overarching principles to be adhered to
- The stated objectives are consistent with the relevant objectives and incorporate elements of them
- The real challenge for a future charging regime is to reflect the changing supply and dynamics
 - Annual gas demand is expected to decline
 - Peak demand may decline but not at the same rate
 - Direction of flows will be less predictable, beyond a shift towards from North to West/East predominance
 - Demand will become more “sporadic” with shorter term, within day peaks reflecting, in particular the rapid growth in embedded gas generation
 - Capital Investment in the NTS is likely to decline with greater focus on improved utilisation of the existing assets

Primary challenge

- **move away from an investment based methodology to one which will engender efficient use of the existing network at all times of the year (not just peak days)**