Joint Office of Gas Transporters

UNC 0621F:

Amendments to Gas Transmission Charging Regime (including the same specific capacity discounts for physically bi-directional IPs as applied to storage points)

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Why change?

- Physically bi-directional interconnection points enable interconnectors to work in partnership with continental storage to provide the same season flexibility benefits to the GB market as GB storage (see background slides 6 and 7).
- However the current double charging of bi-directional flows at physically bi-directional interconnection points versus bi-directional flows at storage points creates a competitive distortion.
- With the closure of the Rough storage site it is timely to address this distortion to competition. Effective competition in the provision of seasonal flexibility whether via bidirectional interconnection points, or GB storage points benefits GB consumers.

Options

- The NTS charging review provides a unique window at a critical time to make necessary changes via the UNC modification process.

- IUK's UNC alternative 621 proposal is necessary as National Grid's Mod 621 proposal does not address the market distortion and actually exacerbates this distortion by proposing a double discount for storage (from both capacity reserve price and the top up charge) and no discount for physically bi-directional points.

(NB: IUK was designated a MAP in relation to Mod 621 in July 2017)

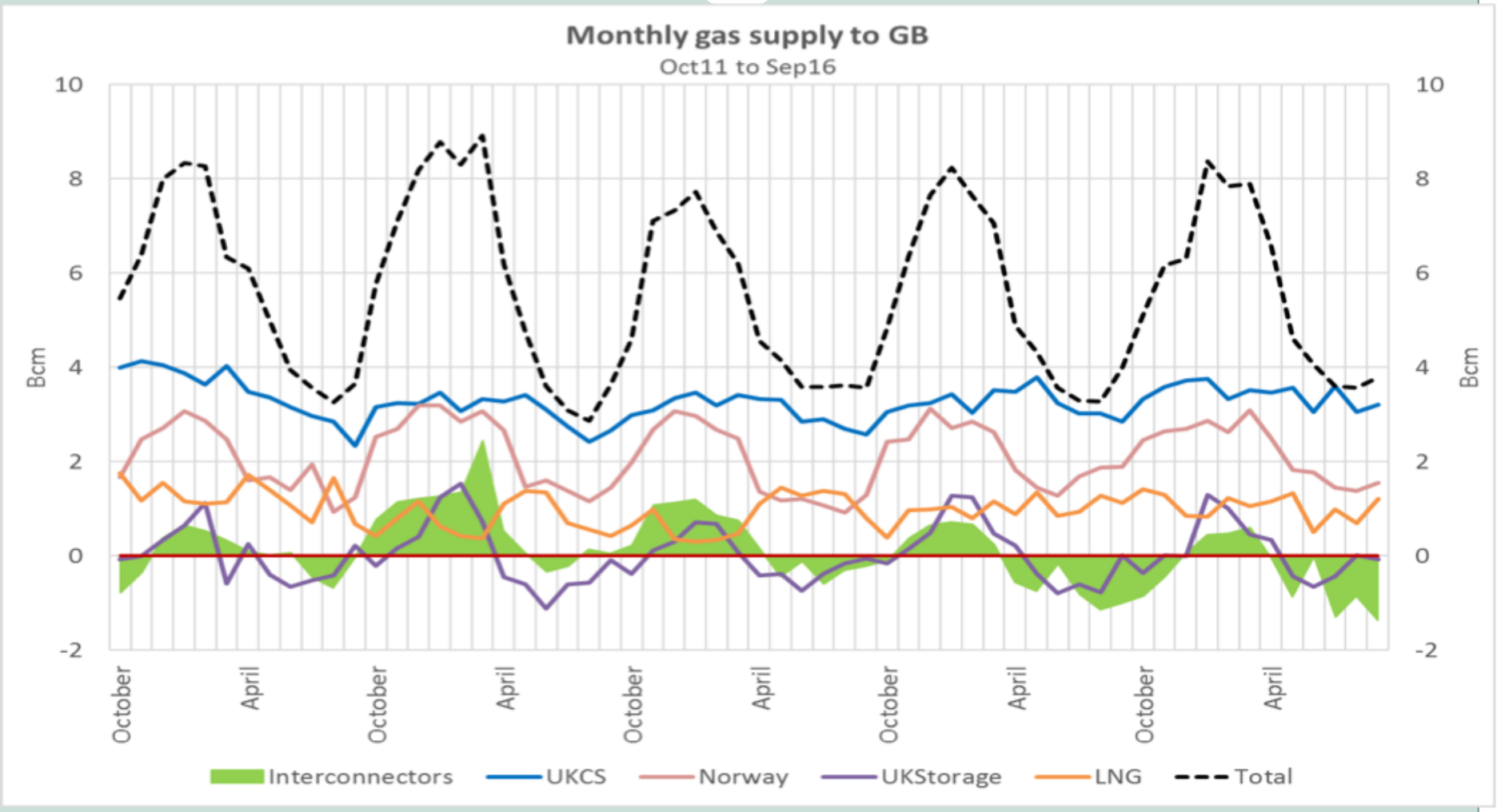
Solution

- Equal charging treatment for physically bi-directional interconnection points as applied to GB storage
  - Same discount as applied to storage points will be applied to the proportion of anticipated bookings entry = exit at physically bi-directional IPs.
  - 0% discount for any anticipated net entry or exit bookings at a physically bi-directional interconnection point.
  - The two discount levels will be combined to determine a weighted capacity reserve price.
  - Calculation of the top up charge in the transitional period will deduct anticipated entry flows = exit flows at the physically bi-directional IPs to ensure consistent treatment with storage.

Recommended Steps

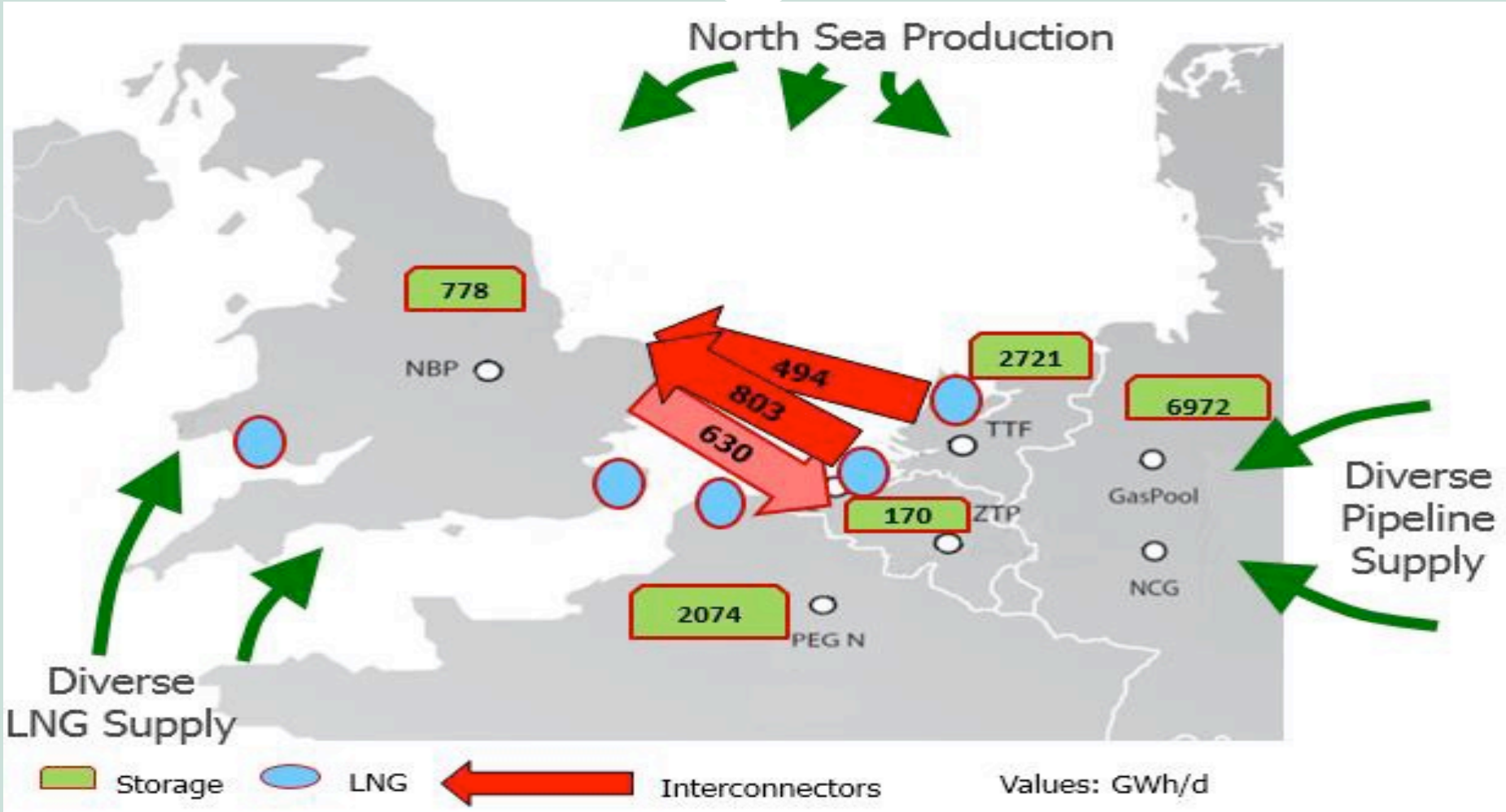
- The Proposer recommends that this modification should be:
  - Assessed by the Workgroup in line with the timetable outlined for UNC mod 621.

Background: Interconnectors provide seasonal flexibility just like Storage



Graph from National Grid “Our energy insights” July 2017 with monthly data from Energy Trends

Background: GB has access to considerable amount of Storage via physically bi-directional interconnection



Source: Source: IUK - with storage withdrawal capacity from GSE storage map Dec 2016 (values rounded up). Rough has been removed from the total GB withdrawal capacity.