

UNC 0621J

Amendments to Gas Transmission Charging Regime



Proposer: Charles Ruffell, RWE Supply & Trading GmbH

Panel Date: 15th March

Why change?



- Modification Proposal 0621 proposes a fundamental change to the current charging arrangements set out in UNC TPD Section Y
- 0621 proposes replacing the current Long Run Marginal Cost (LRMC) model with Capacity Weighted Distance (CWD) as the Reference Price Methodology (RPM) to set capacity prices
- CWD allocates historical network costs to entry and exit points, using capacity and distance as cost drivers
- RWE believes that including distance-related costs to set capacity prices has not been justified and is not appropriate

Options



- Capacity prices calculated under CWD and presented to the 0621 Workgroup have shown significant volatility at entry and exit points at the extremities of the network
- Efficient signals about the relative cost of capacity at locations on the NTS have also been distorted
- To address these concerns about prices arising from CWD, an alternative RPM for setting prices should be assessed against CWD and the current UNC baseline (LRMC)
- This proposal has been raised to introduce an alternative RPM

Solution



- Implement Postage Stamp as the RPM from 2019
- Base the RPM only on Forecasted Contracted Capacity and Revenue to allocate costs uniformly
- A shipper's capacity booking level drives their costs rather than distance
- This is fair, proportionate and non-distortive and compliant with the EU Tariff Code and UNC charging objectives.

Recommended Steps



- The Proposer recommends that this modification should be referred to Workgroup 0621 for assessment