Gas System Operator

Review of the charging methodology to avoid the inefficient bypass of the NTS

Objectives and Core Principles

NTSCMF 0670R Workgroup
6th November 2018

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Timeline

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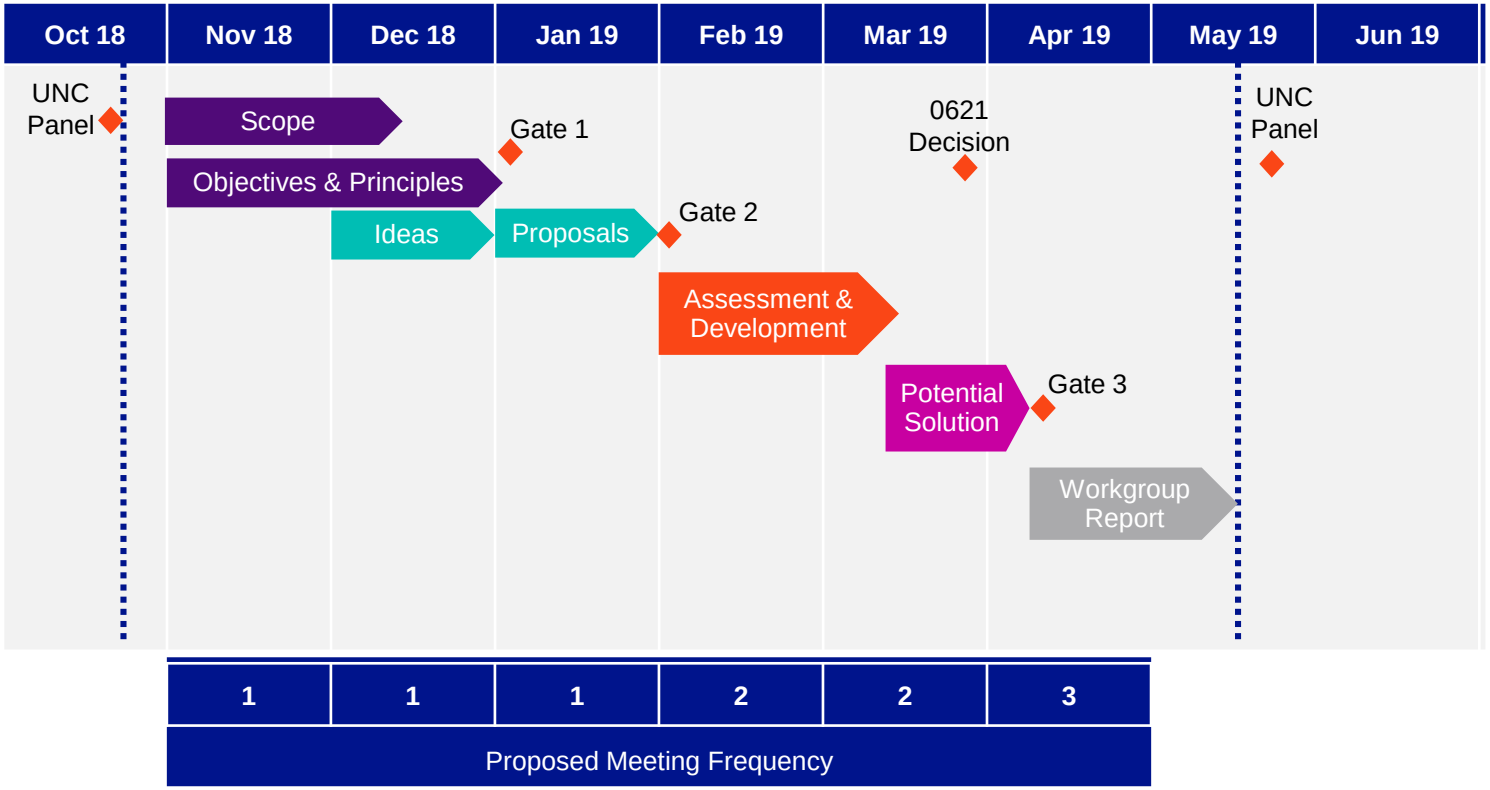
High Level Timeline



Gate 1: Sign off Scope and Objectives & Principles
Gate 2: Select proposal(s) for further assessment & Development
Gate 3: Review Potential Solutions following 621 for inclusion in Workgroup Report

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Objective

Past and Future

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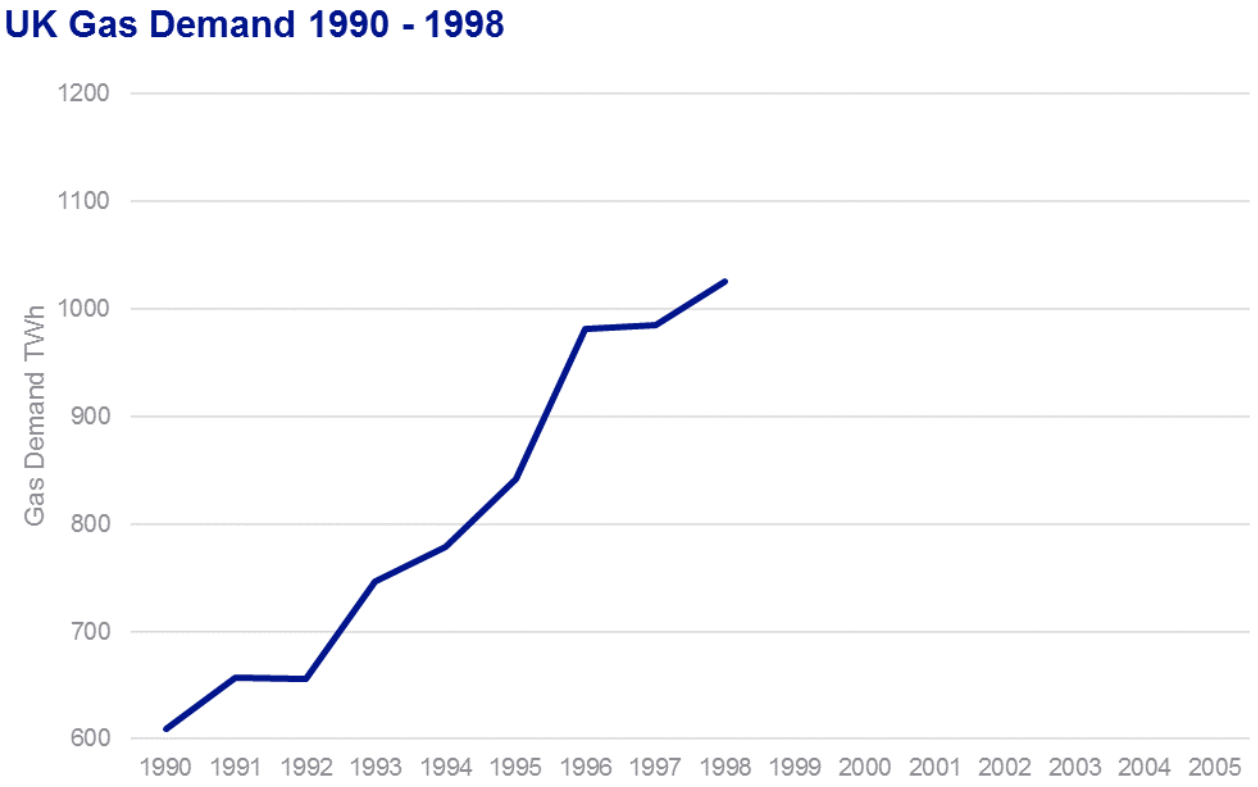
Objective

The following slides present a reminder of the market conditions that led to the current arrangements and some key considerations for future development

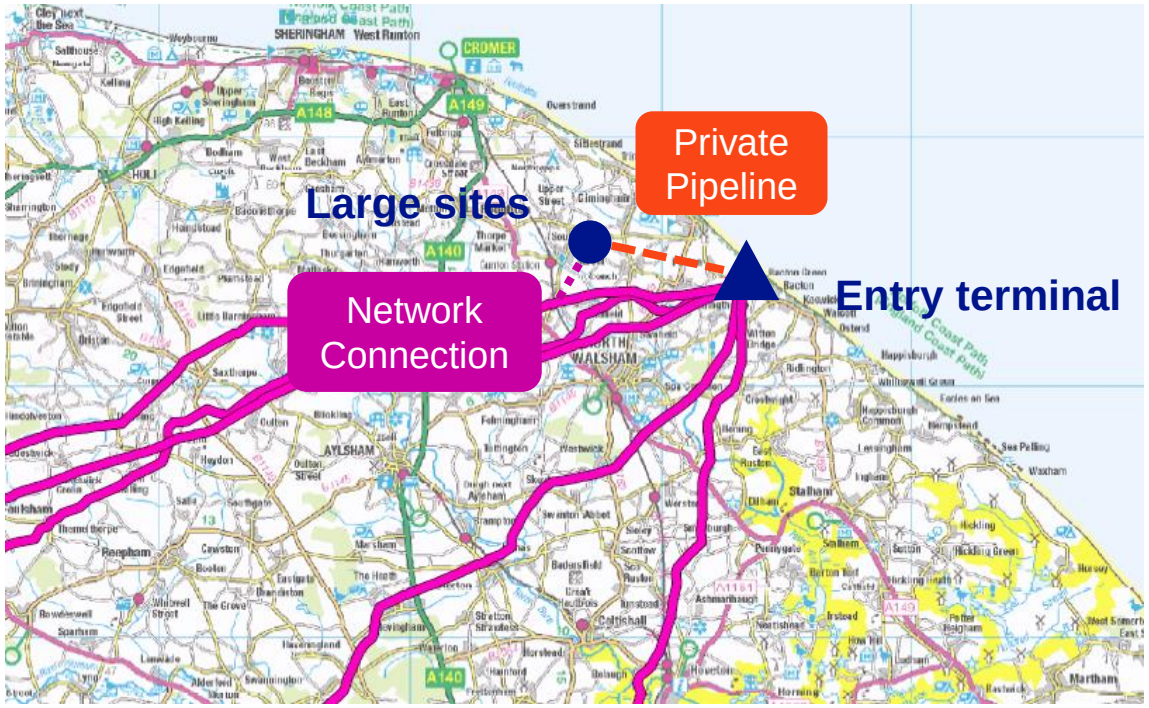
History



- The ‘dash for gas’ driven by an increase in gas for power generation and pushes towards peak of UKCS production
- Network expansion continues but there could be an economical case for private pipeline construction
- Introduction of NTS Optional Commodity Charge in 1998

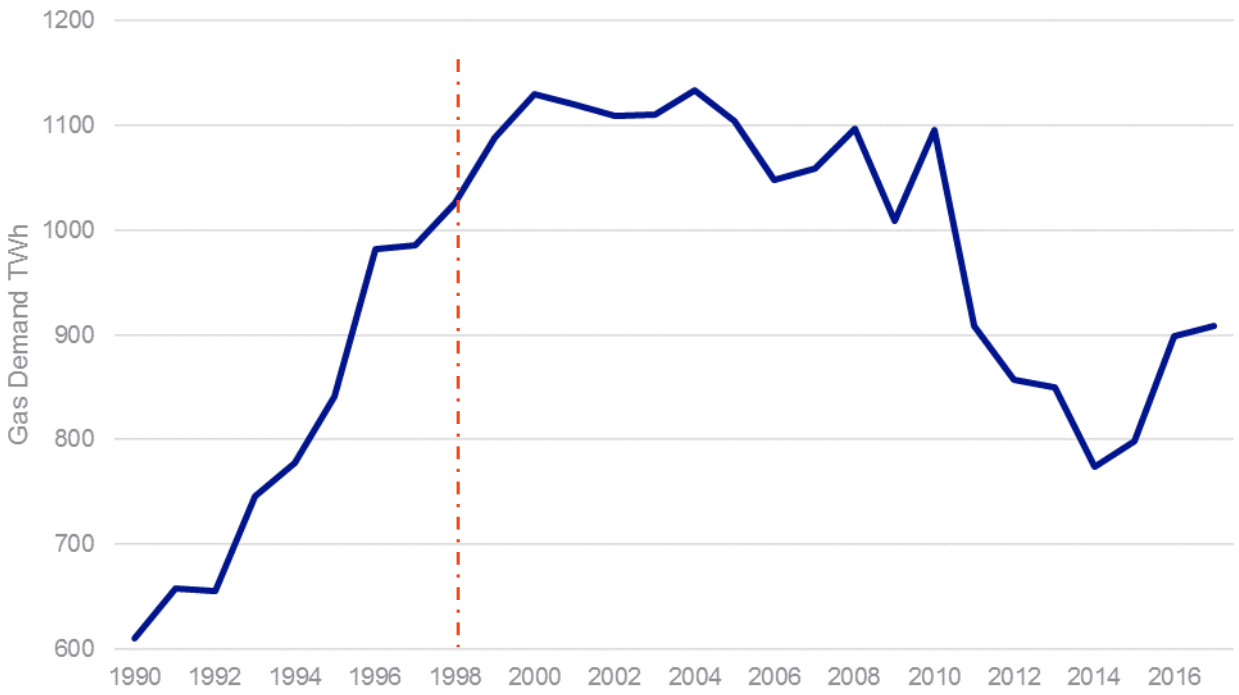
Historic Objective

Avoid inefficient by-pass of the NTS by large sites located near to entry terminals



History

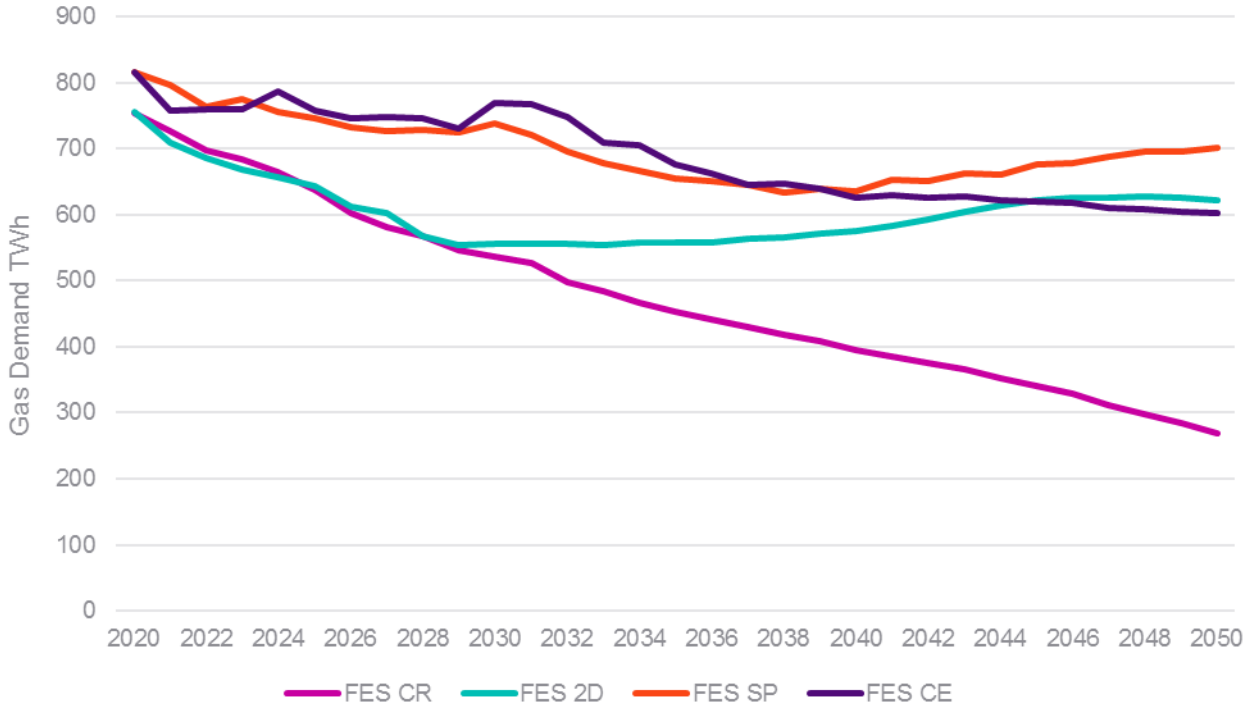
UK Gas Demand 1990 - 2017



- Gas demand peaked between 2001 - 2004
- Many developments to the UK gas market, including increase imports from diversified supplies, exit reform and EU code implementation
- Various political, environmental and financial global events have had an impact on gas demands

Future?

UK FES 2020 - 2050



- Future of gas is a hot topic with a number of potential future scenarios
- These scenarios have different trajectories for different sectors of demand and sources of supply

Some key questions…

Does the original objective still hold true?

"Avoid inefficient by-pass of the NTS by large sites located near to entry terminals"

Should this still be the objective?

How have market conditions changed and should this be accommodated?

Is this an enduring objective?

How flexible should any arrangement be?

What is inefficient by-pass of the NTS?

Is any potential by-pass of gas that could have used the NTS considered inefficient?

Objective: for review group discussion

0670R Workgroup definition of the objective is…

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Core Principles

Foundations to achieve the objective

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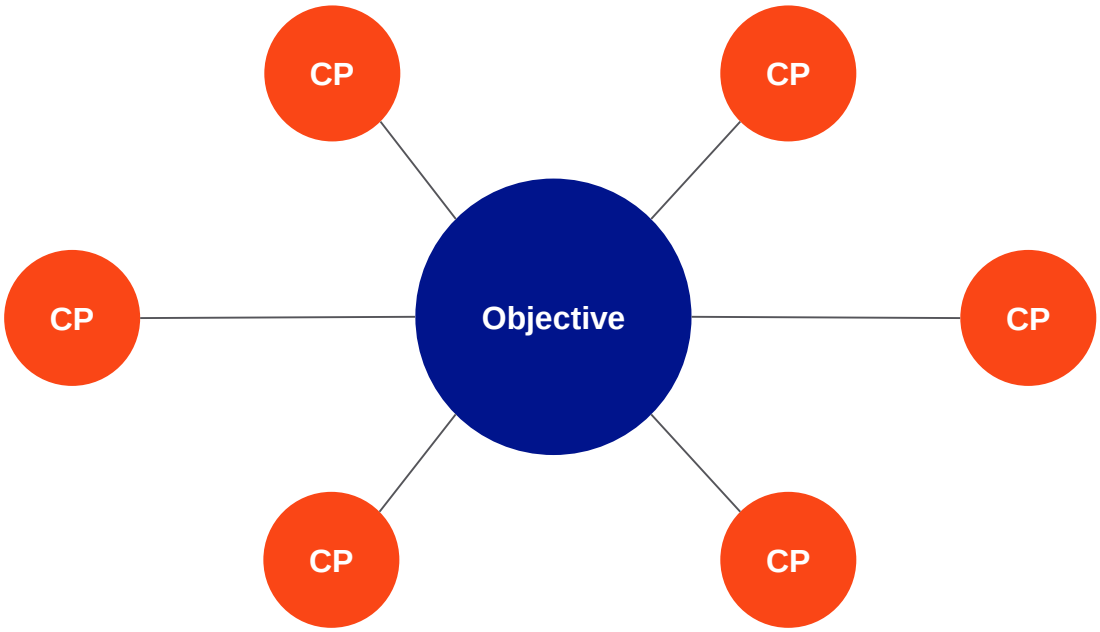
Core Principles

What principles must be observed in pursuit of the objective?



Core Principles

What principles must be observed in pursuit of the objective?

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Topics for discussion:

- Compliance with relevant legislation
- UNC Charging Relevant Objectives
  - UNC Relevant Objectives
- Access
- Stable & predictable
- Timing?
- Stand alone?
- Enduring?
- Balance of charges recovered from different Users?
- Historic decisions?

Ideas for developing proposals

Based on the core principles to achieve the objective…

- What ideas do members of the workgroup have for any potential arrangements for managing inefficient bypass as a feature of the charging framework?
- National Grid and Workgroup members to develop more ideas after further consideration of objectives and principles, to help move forward into proposals

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Next Steps

Aims for December

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Next steps, actions for December NTSCMF

Answer any **questions** or **issues** raised

Sign off **scoping document**

Sign off **objective** and **principles** that proposals should satisfy

Initial **ideas** from workgroup members

Ideas can be shared with National Grid ahead of the next meeting and can be incorporated into December's material

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