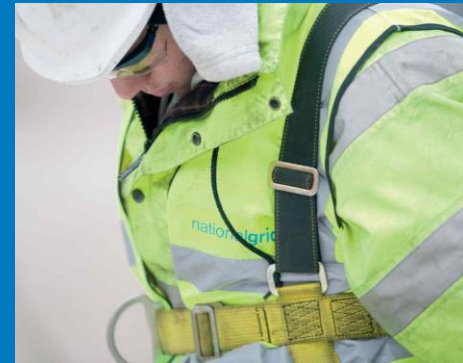


## Gas Charging Review

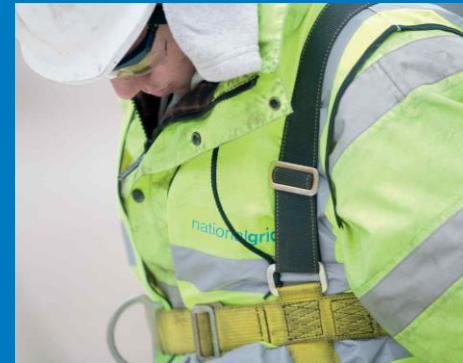


NTSCMF – 8 May 2017

# Agenda

Area	Detail
EU Tariffs Code – Current Outlook	<ul style="list-style-type: none"><li>• Key updates relevant to Gas Charging Review</li></ul>
Output from sub-workgroup	<ul style="list-style-type: none"><li>• Future sub groups, their focus and role</li></ul>
Charging Spreadsheets for Modelling	<ul style="list-style-type: none"><li>• Reminder of the spreadsheets and supporting documentation available</li><li>• Overview of the additional functionality in the spreadsheets and where available</li></ul>
Outstanding actions on key topics	<ul style="list-style-type: none"><li>• Revenue Reconciliation – Regulatory Account and use of Sub accounts</li><li>• Existing Contracts and potential impacts for any charging methodology</li></ul>
Plan and change process	<ul style="list-style-type: none"><li>• Update on UNC Modification Development, change process and timescales</li><li>• Discussion on UNC Modification Structure and initial proposals on specific areas</li></ul>
Next Steps	<ul style="list-style-type: none"><li>• Further development at NTSCMF and future NTSCMF sub workgroups for the timeline for UNC Modification</li></ul>

## Gas Charging Review



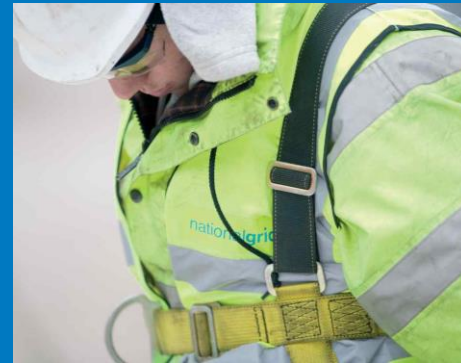
EU Tariff Code – Current Outlook  
Colin Hamilton

## TAR NC: GB Implementation

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- General update on the EU Tariffs Code, implementation and relevant updates on UNC 0611

## Gas Charging Review



Output from sub workgroups  
Colin Williams

## Output from sub workgroup

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- No sub groups since 24<sup>th</sup> April NTSCMF
- There are four sub group T-Con/WebEx meetings scheduled for:
  - 16 May, 30 May
  - 14 June, 29 June
- All documentation and outputs from the meetings will be available

<http://www.gasgovernance.co.uk/ntscmf> and

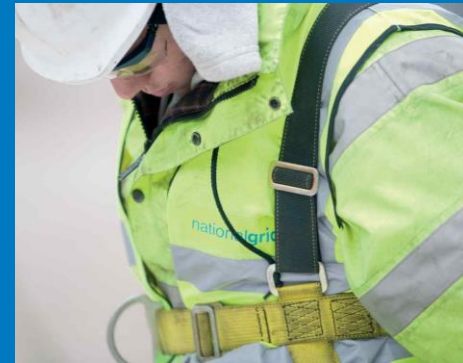
<http://www.gasgovernance.co.uk/ntscmf/subg>

## Sub workgroup – future development

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- Future Sub Groups
  - Continue to focus on discussion topics with relevant analysis
  - Charging spreadsheet development and testing for future releases (in addition to NTSCMF sharing) to support the UNC Modification process
- Support the Gas Charging Review, reporting back to NTSCMF for any discussions, analysis or appropriate recommendations on areas related to the Gas Charging Review
  - Work in conjunction with the NTSCMF Terms of Reference being developed

## Gas Charging Review



Charging Spreadsheets for Modelling  
Colin Williams



# Gas Charging Review: Charging Spreadsheets for Modelling

Date	Detail
5 April 2017	<ul style="list-style-type: none"> <li>Demonstration of the Transmission Capacity Weighted Distance (CWD) spreadsheet and Non Transmission Services (unit price calculation) spreadsheets at NTSCMF</li> <li>Initial comments gathered with some actions taken to make updates</li> </ul>
6 April 2017	<ul style="list-style-type: none"> <li>Transmission Services CWD and Non Transmission Spreadsheets made available on Joint Office website <a href="http://www.gasgovernance.co.uk/ntscmf">http://www.gasgovernance.co.uk/ntscmf</a></li> </ul>
7 April 2017	<ul style="list-style-type: none"> <li>WebEx session held by National Grid on using the Spreadsheets</li> </ul>
11 April 2017	<ul style="list-style-type: none"> <li>Discussion at the NTSCMF Sub Workgroup for Charging review on additional functionality beyond that agreed at 5 April NTSCMF</li> </ul>
20 April	<ul style="list-style-type: none"> <li>Updated suite of spreadsheets and user guides made available on the Joint Office website <a href="http://www.gasgovernance.co.uk/ntscmf">http://www.gasgovernance.co.uk/ntscmf</a></li> <li>Updates linked to changes agreed at 5 April NTSCMF</li> <li>Notice issued via Joint Office to make industry aware of publications</li> </ul>
24 April 2017	<ul style="list-style-type: none"> <li>NTSCMF – Discussion on further development of spreadsheets and the future publications</li> </ul>
w/c 1 May 2017	<ul style="list-style-type: none"> <li><b>Update to the model following the updates discussed at the 11 April Sub Workgroup (as per following slide)</b></li> <li><b>Made available 5 May 2017</b></li> </ul>

# Output from sub workgroup: Additional Functionality for the Spreadsheets

Item	Detail on changes to make in the next release / Assumptions made
1	Add in functionality to be added into the anticipated revenue recovery tab to give the ability to use a the range of capacity booking scenarios offered in the original FCC options. These will be used (by multiplying the calculated reserve prices generated using the FCC and any adjustments) to determine a forecast revenue shortfall/excess. This will allow users of the spreadsheets to enter a different booking profile to the FCC values that were used in setting the reserve prices. The five options here will be as per those for the FCC plus the ability to enter your own.
2	To calculate unit price adjustment values for the anticipated shortfall (or credit in the event of an excess) and have a range of options to use as the denominator <ol style="list-style-type: none"> <li>The Booking profile selected (as per item 1);</li> <li>Historical Bookings;</li> <li>Historical Flows;</li> <li>Forecast Flows.</li> </ol>
3	For the scenarios given under (2) the option will be there to include or exclude IP values and existing contracts.
4	All these work on setting annual charges on an ex ante basis – looking forwards with an assumption during the charge setting process that there will be a view on these values.
5	These do not assume the ability to change within year at this stage – any potential for changing any prices mid-year will be part of additional discussion and assessment related to the TAR NC.

*Changes listed here have been incorporated into a release published 5 May 2017*

# Gas Charging Review: Charging Spreadsheets for Modelling

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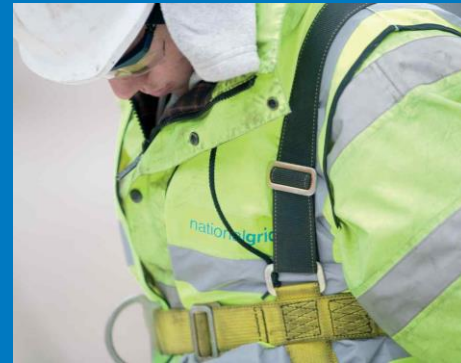
- Reminder of what is available:
  - Updated Transmission Services CWD spreadsheet plus User Guide
  - Updated Transmission Services Postage Stamp spreadsheet plus User Guide
  - Non Transmission Services – Unit price calculation spreadsheet

<http://www.gasgovernance.co.uk/ntscmf>

- Any questions / comments on the spreadsheets, please contact us:

[box.transmissioncapacityandcharging@nationalgrid.com](mailto:box.transmissioncapacityandcharging@nationalgrid.com)

## Gas Charging Review



Outstanding actions on key topics

# Gas Charging Review:

## Outstanding actions on key topics

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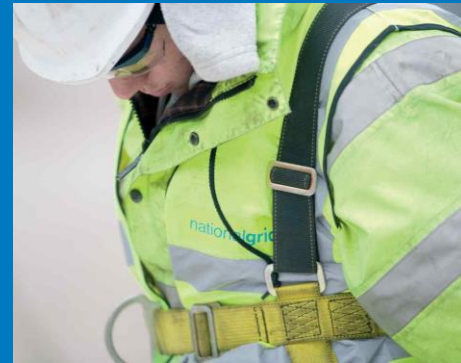
- As part of the Gas Charging Review some topics have needed further consideration and understanding of the EU TAR NC to further the discussion in related aspects of the review
  - Revenue Reconciliation – specifically reconciliation between “sub accounts” and if this may be permissible
  - Existing Contracts – what protection may be afforded to capacity that qualifies as such under EU TAR NC relative to the charging methodology / framework (links to NTSCMF Action ref: 1002)
- The following slide shows the questions National Grid has considered to help facilitate in these areas

# Gas Charging Review:

## Key topics for discussion

Area	Relevant EU TAR NC Article(s)	Question to Answer – for discussion
Revenue Reconciliation at Regulatory Account and use of Sub Accounts	<ul style="list-style-type: none"> <li>Articles 17, 18, 19, 20 and 30</li> </ul>	<ul style="list-style-type: none"> <li>Can sub accounts be reconciled and not just at the full Regulatory Account Level?               <ul style="list-style-type: none"> <li>E.g. Can Entry and Exit be reconciled separately?</li> </ul> </li> </ul>
Existing Contracts	<ul style="list-style-type: none"> <li>Article 35 primarily</li> <li>Articles 23 and 24 and 25 (related to fixed or floating payable price)</li> <li>Articles 4 and 6 that relate to the reference price methodology and recovery of transmission and non-transmission services</li> </ul>	<ul style="list-style-type: none"> <li>What protection is afforded to Capacity deemed to be an “Existing Contract” under Article 35?</li> <li>What price is to be paid for Existing contracts?               <ul style="list-style-type: none"> <li>Can the reserve price be changed?</li> </ul> </li> <li>What charges beyond the reserve price might be permissible to be levied on Existing contracts?</li> </ul>

## Gas Charging Review



Plan and change process  
Colin Williams

# Gas Charging Review:

## Change process – GB / EU Processes

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- Over the last few NTSCMFs we have discussed the process for the GB and EU Changes and how they may work together
- At 5 April and 23 April NTSCMF we discussed the method of incorporating the required EU processes, notably the consultation on the charging framework
  - In Series – run the EU Consultation based on one option decided as part of the UNC Change process
  - In Parallel – run the UNC / EU Consultations together (i.e. on all alternates proposed)
- From 24 April general preference was for the “in series” approach.



# Gas Charging Review:

## UNC Modification – Timeline update

Date	Meeting#	Detail
24 April 2017	NTSCMF	<ul style="list-style-type: none"> <li>Continue pre-modification discussions on scope of proposed UNC Modification</li> <li>Discuss overview of what it will and won't contain at this stage, links to the key topics under discussion</li> </ul>
<b>8 May 2017</b>	<b>NTSCMF</b>	<ul style="list-style-type: none"> <li><b>Pre-modification discussion on all topics to include draft proposals for each for inclusion into the UNC Modification</b></li> <li><b>Discuss overview of what it will and won't contain at this stage, links to the key topics under discussion</b></li> </ul>
23 May 2017	NTSCMF	<ul style="list-style-type: none"> <li>Discuss the draft for the UNC Modification ahead of any revisions before being submitted to June Panel</li> </ul>
2 June 2017	n/a	<ul style="list-style-type: none"> <li>Submission of UNC Modification to Joint Office</li> </ul>
5 June	NTSCMF	<ul style="list-style-type: none"> <li>UNC Modification review and development</li> </ul>
Post 5 June	n/a	<ul style="list-style-type: none"> <li>Make updates to UNC Modification and update version with Joint Office being reviewed at UNC Mod Panel</li> </ul>
15 June 2017	UNC Mod Panel	<ul style="list-style-type: none"> <li>Decision on UNC Modification(s) recommending referral to workgroup (at NTSCMF)</li> </ul>

*#There will be opportunities to use the Sub group over this period and beyond to help support and facilitate UNC Modification process, where appropriate*

# Gas Charging Review: UNC Modification Structure

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- At 5 April and 24 April NTSCMF feedback comments were received that favoured a consolidated (or “super mod”) approach bringing all topics / components in a single UNC Modification
- Method to split capacity at combined ASEPs to be separate, supported from 24 April NTSCMF feedback
- Taking this approach:
  - Easier management for the change process, including decision making, if there are alternates to any proposals
  - Easier management of the dependencies between components of the charging framework

# Gas Charging Review: Proposed UNC Modification structure

Modification Structure	Topics covered in Modifications	Comments
Gas Charging Review Modification	<ul style="list-style-type: none"> <li>Reference Price Methodology</li> <li>Revenue Reconciliation approach</li> <li>Multipliers and Specific Discounts (e.g. Article 9 discounts),</li> <li>Historic treatment of capacity</li> <li>Interruptible pricing</li> <li>Forecasted Contracted Capacity (FCC) methodology</li> <li>Avoiding Inefficient bypass – charging product</li> </ul>	<ul style="list-style-type: none"> <li>Covering topics that are closely linked and beneficial to keep together</li> <li>Placeholders / defaults for certain areas to begin with (e.g. Multipliers / Discounts, interruptible pricing, historic treatment, avoiding inefficient bypass, etc)</li> </ul>
Combined ASEP Splitting Method Modification	<ul style="list-style-type: none"> <li>Method of splitting capacity at combined ASEPs not the prices associated to that capacity</li> </ul>	<ul style="list-style-type: none"> <li>Method of splitting capacity at combined ASEPs</li> <li>Pricing methodology for this capacity will be in the main charging review modification</li> </ul>

# Gas Charging Review:

## UNC Structure and proposed Modification

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- Section Y (Part A) of the UNC - NTS CHARGING METHODOLOGIES contains the methodologies not the prices/charges:
  - Structure of NTS Transportation charges
  - Methodology for calculating capacity charges (including the Reference Price Methodology)
  - Methodology for calculating commodity charges
  - Other charges (DN pensions, avoiding inefficient bypass, St Fergus Compression, NTS Metering)
  - Method of reconciling revenues for Entry and Exit
- Modification would look to retain or enhance in these areas

# Gas Charging Review: Proposals for change

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- The Gas Charging Review modification, where relevant will also mention elements that are not changing in addition to the proposed changes
- In the following slides relevant areas for the charging review are covered in terms of whether change may be proposed, or if maintain the status quo
  - Any area that is not changing at this stage may be reviewed at a future date
  - Review of the charging framework does not stop in 2019, it will be an ongoing area for development, where beneficial to do so (e.g. running up to, from and beyond RIIO-T2 – April 2021)

# Gas Charging Review:

## Areas where changes are not being proposed

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Topic	Detail
Auctions	<ul style="list-style-type: none"><li>• No change proposed to the auctions or the capacity products available</li><li>• All timings for auctions will be as now or as per CAM changes</li></ul>
Gas Year / Formula Year	<ul style="list-style-type: none"><li>• Formula Year is April to March, Gas Year October to September.</li><li>• No proposal to review the misalignment of these at this time</li></ul>
Entry / Exit Split at 50/50	<ul style="list-style-type: none"><li>• Keep the 50/50 split</li></ul>
DN Pensions Deficit charge	<ul style="list-style-type: none"><li>• Keep the DN Pensions Deficit charge</li><li>• No change to calculation or application under this review</li></ul>
St Fergus Compression charge	<ul style="list-style-type: none"><li>• Keep the St Fergus Compression charge</li><li>• No change to calculation or application under this review</li></ul>
Categorisation of Entry and Exit Point (e.g. Storage, IP, etc)	<ul style="list-style-type: none"><li>• Maintain link to licence for categorisation (may require Licence change for splitting combined ASEPs)</li></ul>
Seasonal Factors	<ul style="list-style-type: none"><li>• We do not currently use seasonal factors – not proposed at this time.</li></ul>

# Gas Charging Review:

## Areas for proposed change - overview

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- For the areas that will change these proposals are not final, they are proposals for discussion to bring together the relevant subject areas
  - Considering such things as relevant objectives, TAR NC compliance, wider application beyond TAR NC, relating to discussion topics and outcomes (as they stand) and taking a position from which it facilitates discussion to develop (and refine) in future workgroups
- These can be further developed in the run up to raising the UNC Modification, and its refinement for UNC Panel, and through future workgroup development
- For 23 May NTSCMF National Grid will prepare a draft Modification for discussion

# Gas Charging Review:

## Areas for proposed change (1/4)

Topic	Detail	Proposal for discussion
Capacity charge calculation	<ul style="list-style-type: none"> <li>Underlying Reference Price Methodology for calculating Capacity charges</li> </ul>	<ul style="list-style-type: none"> <li>Underlying Reference Price Methodology for calculating Capacity charges proposed to be Capacity Weighted Distance</li> </ul>
Adjustment methodology to charges	<ul style="list-style-type: none"> <li>Method of adjusting or levying charges to recover allowed revenue linked to any anticipated under or over recovery when setting capacity charges</li> <li>Could be referred to as the floating element of the methodology</li> <li>Range of methods by which this could be done</li> </ul>	<ul style="list-style-type: none"> <li>As there are a number of methods to do this prudent to keep this flexible at this stage</li> <li>Methodology to allow this to be outlined using the available “tools” under the methodology (not limiting which ones at this stage)               <ul style="list-style-type: none"> <li>Methodology to be the UNC</li> <li>Use of additional charges, RPM adjustments, multipliers and how to apply them</li> </ul> </li> <li>To be developed further during workgroups</li> <li>UNC modification would then be updated</li> </ul>
Non Transmission Services Charging	<ul style="list-style-type: none"> <li>Principal method of recovering Non Transmission Services</li> </ul>	<ul style="list-style-type: none"> <li>Recovery predominantly through a Commodity charge, flow based, unit price for all Entry / Exit flows</li> </ul>



# Gas Charging Review:

## Areas for proposed change (2/4)

Topic	Detail	Proposal for discussion
Revenue Reconciliation	<ul style="list-style-type: none"> <li>Transmission and Non Transmission Services</li> <li>Entry and Exit Reconciliation</li> </ul>	<ul style="list-style-type: none"> <li>Methodology of determining Transmission and Non Transmission charges part of Mod</li> <li>UNC Mod would outline the charges used to recover Transmission and Non Transmission including how Existing Contracts would be accommodated</li> <li>Methodology of Entry and Exit Reconciliation will be proposed</li> </ul>
Article 9	<ul style="list-style-type: none"> <li>Discounts for specific groups</li> <li>Mandated minimum for Storage of 50% discount from Capacity</li> </ul>	<ul style="list-style-type: none"> <li>Proposal links to minimum requirements (e.g. 50% for storage) at this stage</li> <li>Can be reviewed under the UNC Modification development and further discussions</li> <li>Link to compliance for initial value</li> <li>Options as to how to show the discounts (links with Multipliers) – e.g. could use a reference table outside of the UNC, with methodology in UNC</li> </ul>
Fixed Prices	<ul style="list-style-type: none"> <li>Use of Fixed or Floating prices</li> </ul>	<ul style="list-style-type: none"> <li>As per UNC 0611</li> </ul>

# Gas Charging Review:

## Areas for proposed change (3/4)

Topic	Detail	Proposal for discussion
Multipliers	<ul style="list-style-type: none"><li>Multipliers (which can be less or greater than 1) to be applied to specific products</li></ul>	<ul style="list-style-type: none"><li>Single approach for all points</li><li>No zero prices (i.e. multiplier of zero)</li><li>Allow values greater than 1 (limited by rules under TAR NC (as may be an option for facilitating revenue recovery – flexibility needed at this stage)</li><li>Methodology for the UNC, values could be outside of UNC similar to Article 9 discounts</li><li>No firm values for these at this stage</li><li>Further development through workgroup needed to establish purpose of multipliers</li></ul>
Interruptible	<ul style="list-style-type: none"><li>Pricing for Interruptible (and off peak)</li><li>Does not change rules for availability of interruptible and off peak</li></ul>	<ul style="list-style-type: none"><li>Single approach for all points at this stage</li><li>Link to probability of interruption to be included</li><li>Further development work needed on this area for the methodology to be applied</li></ul>

# Gas Charging Review:

## Areas for proposed change (4/4)

Topic	Detail	Proposal for discussion
Forecasted Contracted Capacity (FCC)	<ul style="list-style-type: none"><li>Necessary capacity input to the RPM</li><li>FCC does not have definition under TAR NC</li></ul>	<ul style="list-style-type: none"><li>It will be used as per the RPM being proposed</li><li>UNC Mod will require a methodology for FCC but the specific RPM is to be determined</li><li>Further discussion required at workgroups to develop this</li></ul>
Avoiding inefficient bypass of the NTS	<ul style="list-style-type: none"><li>Replacement for the current Optional Commodity charge ("Shorthaul")</li><li>Due to changes to rest of methodology, such a charge will be reviewed from the ground up so it works with the overall principles and methodology for pricing</li></ul>	<ul style="list-style-type: none"><li>UNC Mod will propose that there is merit in having a product to discourage inefficient bypass of the NTS</li><li>Methodology (objectives, calculation and application) to be developed through workgroups</li></ul>
Timing	<ul style="list-style-type: none"><li>Timing incorporating specific elements to the calculation process and any potential impacts on publishing prices</li></ul>	<ul style="list-style-type: none"><li>To be discussed at future workgroups, no discussion has been had to date</li></ul>

# Gas Charging Review: Combined ASEP Splitting Modification

Topic	Detail	Proposal for discussion
Combined ASEP Splitting	<ul style="list-style-type: none"><li>• To be able to identify different capacity at what is currently a combined ASEP into any necessary categories</li><li>• Pricing of the capacity is not in this modification – this will be in the main Gas Charging Review modification</li></ul>	<ul style="list-style-type: none"><li>• Identify need to have a methodology to identify different capacity at combined ASEPS</li><li>• Methodology to be developed through workgroups</li><li>• This process would explore options of how to split, identify such any relevant capacity</li><li>• May require Licence changes to facilitate</li></ul>

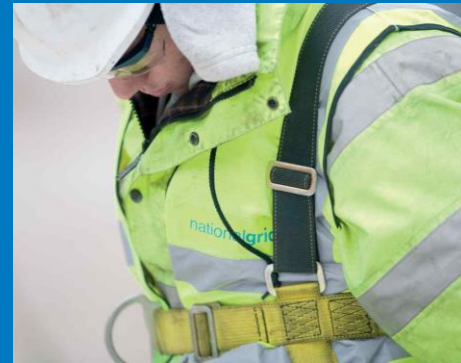
# Gas Charging Review:

## Areas for proposed change – Feedback

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- We welcome views on the initial proposals given here
- Opportunities to discuss at 23 May NTSCMF to help develop the UNC Modification
- Use of subgroups may help shape some topics to bring further thoughts back to NTSCMF for discussion

## Gas Charging Review



Next Steps

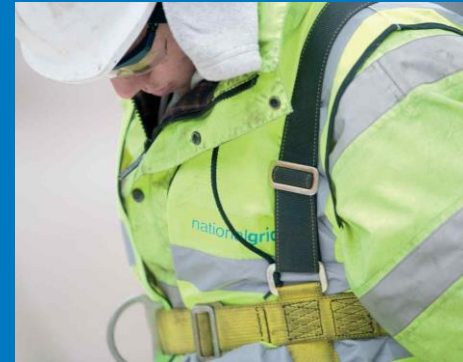
# Gas Charging Review: Next Steps

Date	Meeting#	Detail
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*#There will be opportunities to use the Sub group over this period and beyond to help support and facilitate UNC Modification process, where appropriate*

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