Stage 01: Modification

At what stage is this document in the process?

01 Modification
02 Workgroup Report
03 Draft Modification Report
04 Final Modification Report

0563:

Moving the NTS Optional Commodity Charge Formula into the UNC

The NTS Optional Commodity Charge (OCC) is a charge allowed under section Y of the UNC. However, the formula used to calculate the OCC is published in the NTS Transportation Statement. This means there is a lack of appropriate Governance for any changes to the formula.

✓	The Proposer recommends that this modification should be assessed by a Workgroup
!	High Impact:
!	Medium Impact:
!	Low Impact: National Grid Transmission, Gas Distribution Network Operators, Shippers and Suppliers

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About this document:

This modification will be presented by the Proposer to the Panel on 19 November 2015.

The Panel will consider the Proposer's recommendation and agree whether this modification should be:

- referred to a Workgroup for development.

The Proposer recommends the following timetable:

Initial consideration by Workgroup	29 September 2015 (NTSCMF)
Workgroup Report presented to Panel	18 February 2016
Draft Modification Report issued for consultation	18 February 2016
Consultation Close-out for representations	March 2016
Final Modification Report presented to Panel	17 March 2016
UNC Modification Panel decision	17 March 2016

Any questions?

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1 Summary

Is this a Self-Governance Modification?

The proposer believes that Self Governance procedures should apply because the change proposed is unlikely to have a material effect on competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes because the change involves a “lift and Shift “ of an existing formula from the Transportation Statement into the UNC.

Is this a Fast Track Self-Governance Modification?

Fast Track Self-Governance does not apply as it is not properly a house keeping modification.

Why Change?

The NTS Optional Commodity Charge (OCC) is a charge allowed under section Y of the UNC.

However, the formula used to calculate the OCC is published in the NTS Transportation Statement. This means that changes to the formula or the parameters of the formula can be changed by National Grid without appropriate consultation with the industry or oversight by the Regulator. SSE considers that this lacks appropriate Governance.

Solution

It is proposed to move the existing formula used to calculate the OCC from the NTS Transportation Statement and place it into the UNC TPD, Section Y.

Relevant Objectives

This modification will enable any party to propose a change to the formula and not just National Grid as is currently the case. The Proposer considers that implementation of this Modification will better facilitate achievement of the Relevant Charging Methodology Objective e) and the Relevant Objectives f) and g).

Implementation

Implementation by March 2016.

Does this modification affect the Nexus delivery, if so, how?

This does not affect the Nexus delivery.

2 Why Change?

The NTS Optional Commodity Charge (OCC) is a charge allowed under section Y of the UNC.

However, the formula used to calculate the OCC is published in the NTS Transportation Statement. The formula is shown below:

Pence per kWh
$1203 \times [(SOQ)^{-0.834}] \times D + 363 \times (SOQ)^{-0.654}$

Where D is distance in Km and the SOQ is the maximum NTS exit offtake rate in kWh/day.

This means that changes to the formula or the parameters of the formula can be changed by National Grid without appropriate consultation with the industry or oversight by the Regulator. SSE considers that this lacks appropriate governance.

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3 Solution

It is proposed that the existing OCC formula from the NTS Transportation Statement, described in section 2 above, is inserted into the UNC TPD, Section Y.

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	Not applicable
Proposed charge(s) for application of User Pays charges to Shippers.	Not applicable
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	Not applicable

4 Relevant Objectives

Impact of the modification on the Relevant Charging Methodology Objectives:	
Relevant Objective	Identified impact
a) Save in so far as paragraphs (aa) or (d) apply, that compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business;	None
aa) That, in so far as prices in respect of transportation arrangements are established by auction, either: (i) no reserve price is applied, or (ii) that reserve price is set at a level - (I) best calculated to promote efficiency and avoid undue preference in the supply of transportation services; and (II) best calculated to promote competition between gas suppliers and between gas shippers;	None
b) That, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business;	None
c) That, so far as is consistent with sub-paragraphs (a) and (b), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers; and	None
d) That the charging methodology reflects any alternative arrangements put in place in accordance with a determination made by the Secretary of State under paragraph 2A(a) of Standard Special Condition A27 (Disposal of Assets).	None
e) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	Positive

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e) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators

Article 13 of Regulation 715/2009 states:

"Tariffs, or the methodologies used to calculate them, applied by the transmission system operators and approved by the regulatory authorities pursuant to Article 41(6) of Directive 2009/73/EC, as well as tariffs published pursuant to Article 32(1) of that Directive, shall be transparent."

This modification will provide Ofgem a means of approving the OCC charge, which is currently denied, thereby improving compliance with Regulation 715/2009.

This modification does not conflict with:

(i) paragraphs 8, 9, 10 and 11 of Standard Condition 4B of the Transporter's Licence; or

(ii) paragraphs 2, 2A and 3 of Standard Special Condition A4 of the Transporter's Licence;

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	None
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards… are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	Positive
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	Positive

f) Promotion of efficiency in the implementation and administration of the Code.

This modification will allow any party to propose a change to the formula and its parameters and not just National Grid as is currently the case. This is expected to promote efficiency in the implementation and administration of the Code. It will also allow the Regulator to have oversight of changes to charges which will have impacts on customers and the market, this will improve Governance of the gas market.

g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators

Article 13 of Regulation 715/2009 states:

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"Tariffs, or the methodologies used to calculate them, applied by the transmission system operators and approved by the regulatory authorities pursuant to Article 41(6) of Directive 2009/73/EC, as well as tariffs published pursuant to Article 32(1) of that Directive, shall be transparent."

This modification will provide Ofgem a means of approving the OCC charge, which is currently denied, thereby improving compliance with Regulation 715/2009.

5 Implementation

No implementation timescales are suggested at this time. SSE will discuss this through the Workgroups.

No implementation costs are anticipated.

6 Impacts

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No impacts to SCR or other change projects.

7 Legal Text

Text Commentary

The following formula to be inserted into the UNC, Section Y:

Pence per kWh
$1203 \times [(SOQ)^{\wedge -0.834}] \times D + 363 \times (SOQ)^{\wedge -0.654}$

Text

To be developed

8 Recommendation

The Proposer invites the Panel to:

- Progress to Workgroup development.

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