

NTS Shrinkage Incentive Methodology Statement - Review

Transmission Workgroup 4-Feb-16

NTS Shrinkage Incentive Methodology Statement - Review

- National Grid Gas purchase energy for Compressor Fuel Usage, Unaccounted for Gas and CV Shrinkage.
- Outturn cost (80-100 £m/yr) recharged through commodity charges.
- The NTS Shrinkage Incentive Methodology Statement describes the calculation of specific components within the shrinkage incentive scheme.
- In accordance with Licence Condition 3D.23, we have commenced a review of the Methodology Statement and will be consulting on the options available ahead of 2017/18.

NTS Shrinkage Incentive

Methodology Statement – Review (2)

National Grid incentivised to minimise shrinkage costs through:	Methodology Statement describes calculation of:	Reviewing to ensure fit for purpose:
Price risk management against market benchmark for forward purchases	Quarterly baseline volumes of gas and electricity	Delivering price risk management for customers
Volume efficiency using post-year assessment based on outturn conditions	Volume efficiencies for Compressor Fuel Usage and CV Shrinkage	Driving continuous improvement and mitigating windfall costs

Statement is published at <http://www2.nationalgrid.com/uk/industry-information/gas-system-operator-incentives/nts-shrinkage/>

NTS Shrinkage Incentive Methodology Statement – Review (3)

Methodology for:	Materiality (based on 14/15):
Baseline volumes	10% better baseline ~ £0.3m less cost risk exposure
Volume efficiencies	1% volume efficiency ~ £0.3m less costs



- We want your views on options and recommendations
- Do the group want to explore the options at March working group?

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