

NTS Charging Methodology Forum

10th May 2011

Overview

- The following presentation was given at the 2nd September 2010 Gas TCMF meeting.
- The presentation is provided for information ahead of the 10th May 2011 NTS Charging Methodology Forum Workgroup meeting to support the agenda item;
 - *“4.1 Methodology for collecting Allowed Revenue – options in light of decision to veto GCM19”*

GCM19 / Entry Charging Review Update

Gas TCMF 2nd September 2010

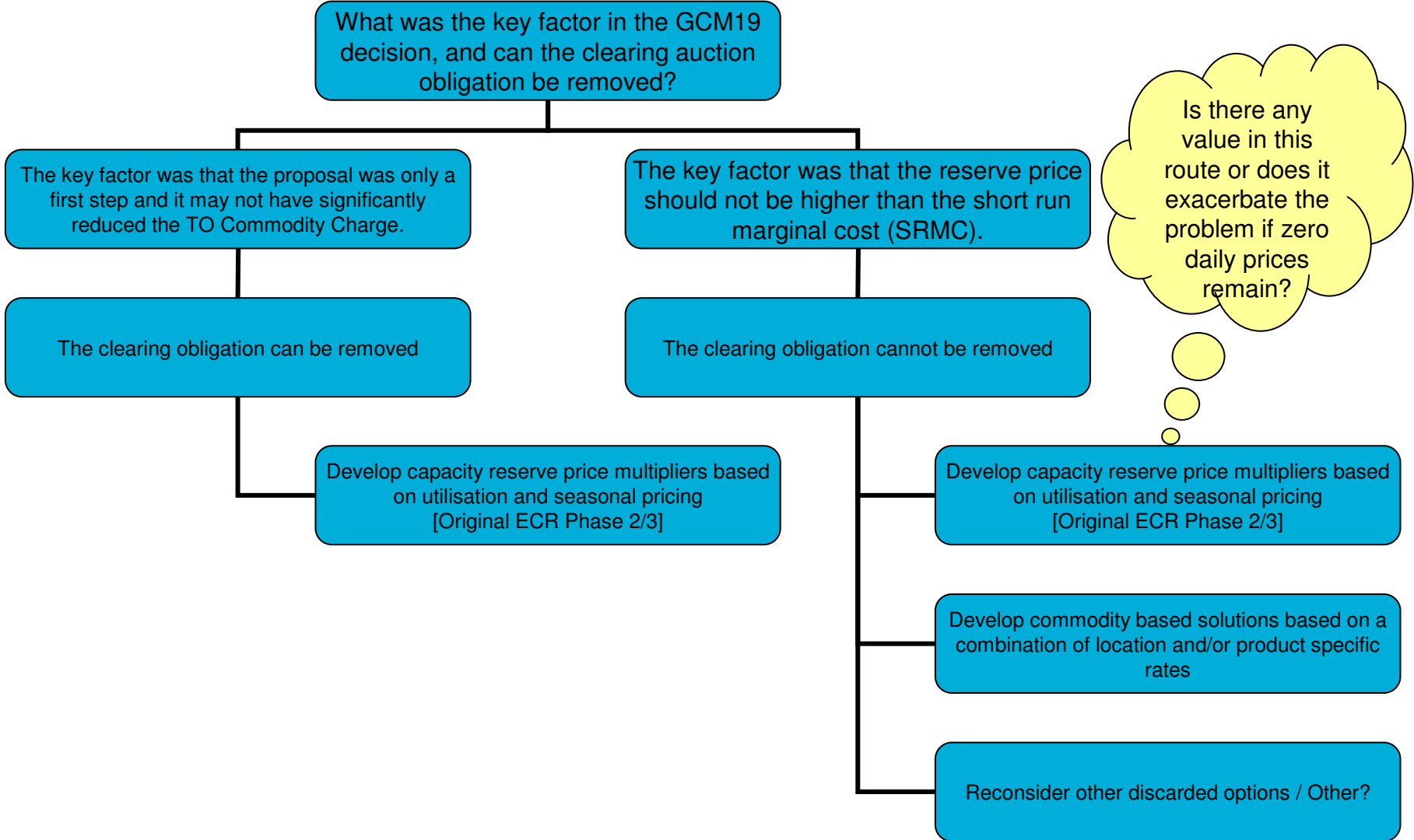
Introduction

- GCM19 – ‘Removal of Daily NTS Entry Capacity Reserve Price Discounts’ : **VETOED**
- UNC 0284 ‘Removal of the Zero Auction Reserve Price for Within-day Daily NTS Entry Capacity (WDDSEC)’ : **REJECTED**
- UNC 0285 ‘ “Use it or lose it” (UIOLI) Interruptible Capacity only to be released when there is at most 10% unsold firm entry capacity’ : **REJECTED**

GCM19 Decision Letter – Way Forward

- “Ofgem is mindful that a number of industry parties consider that the current charging arrangements are flawed, which has led to the development of GCM19 and associated proposals. Notwithstanding this veto of GCM19, we are **keen to ensure that further discussions around the issues raised by the proposal take place**. These discussions **will have to consider, amongst other things, EU developments** on charging resulting from the new EU regulations which come into effect from 3 March 2011 which include the development of EU network codes on capacity allocation, congestion management and harmonised transmission tariff structures. We also noted in this letter that **NGG is currently undertaking a review of short-haul arrangements which we encourage NGG to progress**.”
- National Grid will progress these issues.

Decision Tree



Commodity Solutions (Initial Thoughts)

- Location/ASEP specific commodity charges
 - What about storage?
 - Local v National cross-subsidy?
- Capacity dependent commodity charges
 - Does the rate depend on capacity holdings?
 - Are gas flows allocated to capacity holdings?
 - Prorated?
 - QSEC first (long term to short term)?
 - DSEC first (short term to long term)?
- Seasonal commodity charges
- Other?

Commodity Hybrid/Other Solutions (Initial Thoughts)

- Flow or pay
 - Location specific commodity charge and User avoids capacity charges at an ASEP
 - if commodity charge greater than capacity charge, or
 - If capacity used?
- Change the commodity chargeable quantity from the daily entry allocation to
 - Daily entry capacity holding, or
 - Maximum daily allocation in year/month/week?
- Application fee to participate in daily capacity auctions
- Increased exposure to neutrality costs for DSEC holders
- Other?

Way Forward

- Report to gas TCMF on european developments
- Progress review of short-haul
- Develop further entry charging proposals
 - Should the Entry Charging Review Group Meetings be reinstated or should further development be within the Gas TCMF?
 - What further analysis should be carried out?