

UNC 0636C:

Updating the parameters of the NTS Optional
Commodity Charge – Introducing the NTS
Optional Capacity Charge



Proposer: Graham Jack, Centrica

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Why change?



- This proposal is a response to UNC Mod 0636 which has a number of significant shortcomings.
- The EU Tariff network code must come into force by 31st May 2019 and compliance will require a new approach to transmission charging with implications for the optional commodity charge.
- Without change there will likely be discriminatory economic outcomes to the disadvantage of Interconnection Points.
- There is a need to have greater transparency and governance for the setting of optional charges.

Options



- Mod 0636 seeks to update the current optional commodity charge formula and the 2 alternatives also seek to keep a optional commodity charging in place.
- During workgroup sessions we have formed and expressed the view that none of these proposals provide a sustainable and enduring solution as they do not take into account the requirements of the EU Tariff network code. Specifically, the EU Tariff network code does not permit TO commodity-type charges at Interconnection Points.
- We have formed the same view with regard to Mod 0621 and have raised an alternative proposal (0621C) to address our concerns.

Solution



- We anticipate transmission charges moving increasingly towards capacity-based charges and propose that the optional commodity charge be replaced by an optional capacity charge. This is directionally the right way to proceed.
- Our solution is the same as proposed under Mod 0621C where discounted entry and exit capacity charges are derived by reference to the ratio of the short-haul distance to a system point's capacity weighted distance.
- SO commodity charges would not be payable on short-haul quantities nor would TO top-up charges (which are expected to be very low in the future).

Recommended Steps



- The Proposer recommends that this modification should be:
 - Not subject to self-governance because implementation would likely result in a significant redistribution of transmission revenues among system entry and exit points and transition to the new charging approach will need to be carefully managed.
 - Sent to Workgroup for assessment to develop the modification for up to 6 months.