

Gas Transmission

St Fergus:

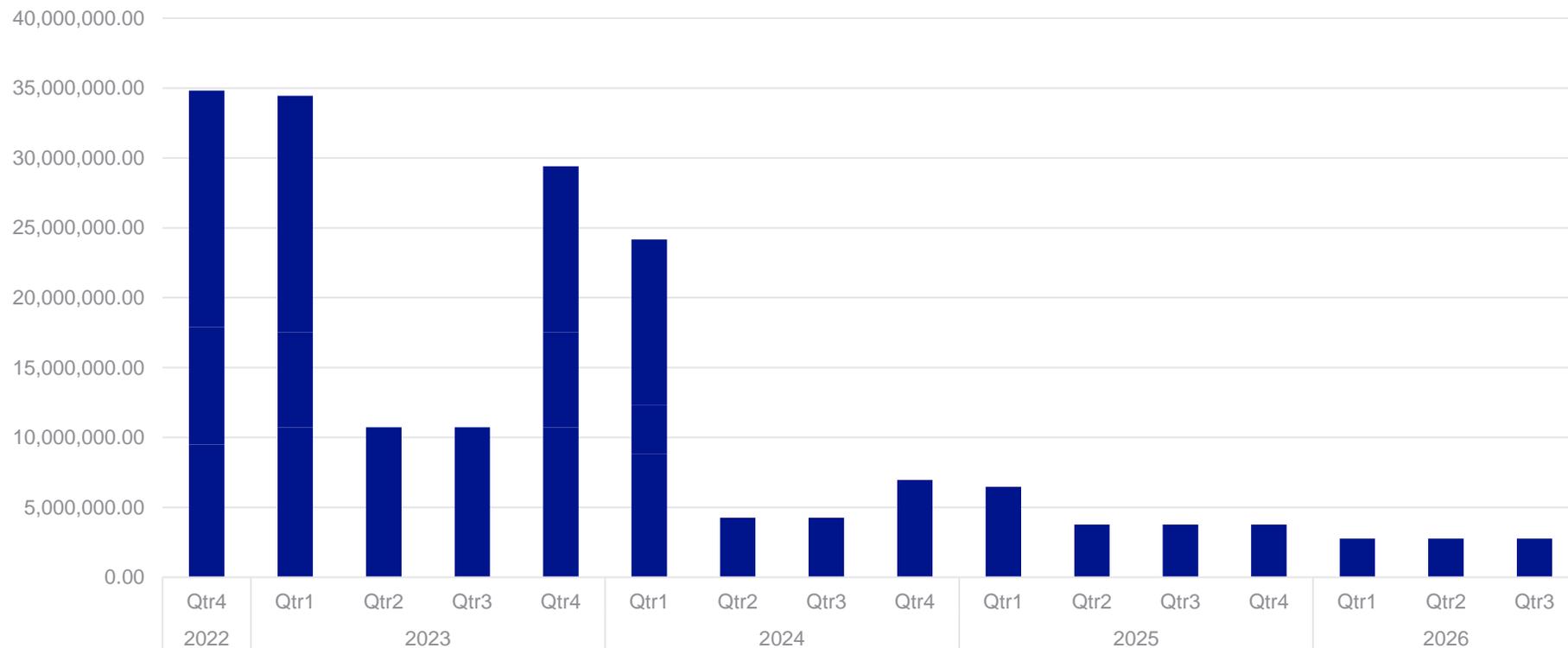
**Under & Over Recovery
Process**

7th June 2022

nationalgrid



Long Term St Fergus Bookings Follow up from May



This was an action to provide details on the Long Term Entry Capacity bookings at St Fergus that may be useful in discussions on potential future charging considerations. Some takeaways:

- All long term bookings end before Oct-2026
- As things stand, committed long term bookings would have ended by the time any potential new works may be commissioning.

Draft Discussion Matrix

St Fergus Discussion Matrix			
	Full Socialisation	Degrees of Targeting	Targeting
	None	To be discussed	NSMP Entry
Scope of Charges	Which works are included in the charges and scope of Targeting		
Allowances	Identifying allowances associated with the works		
Cost Recovery	Options for how charges could be recovered, and which users will be responsible		
Under/Over Recovery Process	Reconciliation of recovered charges against costs		
Timescales	Timing of charging/recovery		

Today's discussion

Considering how costs / revenues are effectively reconciled over time

- Any charging arrangement, current or amended would require methods by which any values not recovered, or over recovered, relative to a target would be reconciled through the charging framework.

Discussions

- For any charging, socialised or targeted, the means by which any reconciliation is effectively carried out, can have impacts on a range of Users potentially Entry and Exit.

Terminology

- The term “K” is referred to in this pack. “K” is the mechanism by which any amount not collected in one year is carried forward to adjust a subsequent year by updating the allowed revenues, that is a core input to setting Transportation charges.

Do something vs. Do nothing

The default position (i.e. current methodology if unchanged):

- Any Over/Under Recovery for a given year is determined as “K”
- Allowed Revenues are adjusted
- Transportation Rates are Calculated to collect the target revenue in line with the methodology
- All Users contribute to the costs (Entry and Exit)

While we can discuss the merits of the “Do nothing” approach, it doesn’t require any further discussion in terms of process change.

These discussions via NTSCMF are to signpost possible avenues of exploration, to gather views on why potentially changing the default may be preferable or not. This helps to lay some foundations for future discussions as the options for any works at St Fergus become more certain (e.g. as the options selection develops and any re-opener processes).

“Do nothing”

The default position, regardless of any other decisions on targeting vs. socialisation, Capacity vs Commodity etc.

- When the allowed revenues are adjusted for any additional funding from a reopener, like St Fergus for example, it would be split evenly between Entry and Exit charges.
- All under recovery, either from standard charges or anything targeted, would be filtered through the established “K” mechanism which impacts the Allowed Revenues attributable to Entry and Exit charges for the following year.
- There is currently no provision to carve out anything from that “K” value to be recharged via any other means.
- If a targeted charge is proposed an additional step may be required to prevent under and over recovery automatically feeding in to “K” if that is the preferred option.
- The Licence that determines the revenues that can be recovered, over time, and in conjunction with the charging methodology, provides a mechanism to recover all Allowed costs and revenues. This approach we would not expect to change, it provides a means by which any value, not recovered or over recovered, is reconciled with Users in line with the methodology in place. Whatever that methodology is at the time, determines which Users are ultimately impacted.

“Do something” – Options (not exhaustive)

Allow under/over recovery as a result of any targeted charge to flow through “K”

Create a targeted “K” style value to be factored in to the Y+1 targeted charge

Create a within year charge designed to manage under/over recovery

Create an additional charge to reconcile the current year’s position in the following year