

056x:

Moving the NTS Optional Commodity Charge Formula into the UNC

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

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 to implementing 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

Contents		 Any questions?
1 Summary	3	Contact: Code Administrator
2 Why Change?	4	 enquiries@gasgovernance.co.uk
3 Solution	4	 0121 288 2107
4 Relevant Objectives	5	Proposer: Jeff Chandler
5 Implementation	5	 Jeff.Chandler@SSE.com
6 Legal Text	6	 01738 516755
7 Recommendation	6	Transporter: National Grid (TBC)
About this document:		 email address.
This modification will be presented by the Proposer to the Panel on 15 October 2015.		 telephone
The Panel will consider the Proposer's recommendation and agree whether this modification should be: <ul style="list-style-type: none"> referred to a Workgroup for development. 		
The Proposer recommends the following timetable:		
Initial consideration by Workgroup	29 September 2015 (NTSCMF)	
Amended Modification considered by Workgroup	n/a	
Workgroup Report presented to Panel	TBC	
Draft Modification Report issued for consultation	TBC	
Consultation Close-out for representations	TBC	
Variation Request presented to Panel	TBC	
Final Modification Report presented to Panel	TBC	
UNC Modification Panel decision	TBC	

1 Summary

Is this a Self-Governance Modification?

Self-Governance does not apply as this modification is likely to impact commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes.

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.

Also, it is not clear how the parameters of the formula are derived. SSE considers that it is inappropriate to have a lack of transparency surrounding a charging formula. The methodology of how the charging formula and its parameters are derived should also be inserted into the UNC.

Solution

It is proposed to remove the existing formula used to calculate the OCC from the NTS Transportation Statement and place it into the UNC TPD, Section Y. The methodology describing how to calculate the parameters of the OCC should also be inserted into Section Y of the UNC TPD.

Relevant Objectives

This modification will enable more transparency and understanding of the OCC charge. It will also enable any party to propose a change to the formula and its parameters and not just National Grid as is currently the case. These combined changes will better facilitate competition amongst Shippers.

Implementation

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

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 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.

Also, it is not clear how the parameters of the formula are derived. For example the 1203 and 363 coefficients or the negative power exponents -0.834 and -0.654. SSE considers that it is inappropriate to have a lack of transparency and understanding surrounding a charging formula.

Making these changes will enable greater transparency and understanding as well as improving the governance process around making changes to the OCC transportation charge.

3 Solution

It is proposed to amend UNC TPD Section Y – by removing the existing OCC formula from the NTS Transportation Statement, described in section 2, and place it into the UNC TPD, Section Y.

It is proposed that the methodology for deriving the OCC charging formula and its parameters are also inserted into Section Y of the UNC TPD.

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: <ul style="list-style-type: none"> (i) no reserve price is applied, or (ii) that reserve price is set at a level - <ul style="list-style-type: none"> (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	Positive
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.	None

In the case of a modification to a NTS Charging Methodology, please state why the 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;*

In the case of a modification to a DN Charging Methodology, please state why the modification does not conflict with paragraphs 2, 2A and 3 of Standard Special Condition A4 of the Transporter's Licence.

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;

This modification will enable more transparency and understanding of the OCC charge. It will also enable any party to propose a change to the formula and its parameters and not just National Grid as is currently the case. These combined changes will better facilitate competition amongst Shippers.

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

To be developed

Text

To be developed

8 Recommendation

The Proposer invites the Panel to:

- Progress to Workgroup development.