

# Mod 0445 – Amendment to the Arrangements for Daily Metered Supply Point Capacity

Ofgem Request for Further Evidence

National Grid Distribution – 22<sup>nd</sup> January 2015

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# Ofgem Concerns

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- Insufficient analysis and evidence to support proposal
- How will affected customers be impacted?
  - As there are no minimum AQ based limitations on eligibility for Class 2 DM Supply Points, we anticipate over time, significant uptake of Users electing into this category. Through increased choice and flexibility, the end customer should benefit
    - As a consequence of Nexus, there should be greater opportunity for the Shipper/ Customer to set their own SOQ Capacity level
- What is the likely impact upon Distribution charges?
  - Generally speaking, when forecast income is not fully recovered in the time period specified, subsequent charges would be increased to compensate
  - The degree to whether and if/how much charges may change will ultimately be determined by the 'take up' (utilisation) of the facility by Shippers

# Analysis of Transitional Mods

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- Analysis has been carried out to determine if the take-up via transitional modifications has resulted in the release of sterilised capacity leading to a saving against pipeline investment
- Due to the limited take-up, we have not seen any evidence to suggest that sterilised capacity has been released. This does not mean though, that it will not be released in the future
  - Network Analyst Comment:
    - “It was difficult to find the necessary details for most of the sites but the changes for those that I could analyse had little effect on their respective networks. This may be down to the fact that they happen to be connected to fairly robust systems, although I can’t rule out the possibility that reinforcement had been carried out for the loads previously.”

# Analysis of Transitional Mods - Results

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Table 1 – Summary of Sterilised Capacity Released

SITE NAME	LDZ	SOQ PRIOR TO REDUCTION	APPEALED SOQ	SOQ Reduction	BSSOQ PRIOR TO REDUCTION	APPEALED BSSOQ	BSSOQ Reduction	Network Model	Sterilised Capacity Released?
SITE 1	WM	332,143	250,000	82,143	332,143	250,000	82,143	WM MPIP (449004)	No
SITE 2	NW	244,673	160,000	84,673	244,673	160,000	84,673	NW MPIP (741000)	No
SITE 3	WM	422,584	370,000	52,584	422,584	370,000	52,584	WM MPIP (449004)	No
SITE 4	WM	450,000	315,000	135,000	363,209	315,000	48,209	Stoke MPIP (449002)	No
SITE 5	EM	2,124,765	2,051,497	73,268	2,124,765	2,051,497	73,268	E3 MPIP (240299)	No
SITE 6	WM	650,000	300,000	350,000	614,009	300,000	314,009	WM MPIP (449004)	No

# Industry Requirements – Generic Questions

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- To date, National Grid Distribution has received just the one response:
  - Are you aware that all Firm Daily Metered (DM) Supply Points since 2009, have been able to reduce the nominated Daily Capacity (Supply Offtake Quantity (SOQ)) to a level less than or equal to, the Bottom Stop Daily Capacity (BSSOQ)?
    - Yes we are aware but not currently using this functionality as it is not required by any of our customers
  - If this facility was offered to you either now, or in the future, are your Suppliers customers likely to take advantage of it?
    - In the event that we were to gain specific customers who may take advantage of this flexible facility then we would seek to take advantage of this product
  - The NTS Exit Capacity regime allows Gas Distribution Networks (GDNs) to reserve capacity on behalf of the Shippers via an annual application process. In addition, the GDN can supplement this capacity by reserving further capacity on a daily basis
    - Would there be benefits in allowing the DM customers the same flexibility i.e. aligning the two so that DM customers also have the ability to secure capacity in excess of the annual nomination when required?
      - we are in whole in support of the consultation as it is a good thing for the Energy market as a whole introducing flexibility, benefiting the customer and potentially avoiding re-enforcement costs

## Likely Impact on Distribution Charges

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- Analysis was carried out on NGD sites impacted by the transitional mods (UNC 0275, 0405, and 0478)
- The results indicate a shortfall of £180k in transportation revenue. When smeared over the relevant LDZ, there is **no** material impact on distribution charges

Table 2 – Summary of Impact on LDZ Charges

Impact by DN	% of Base Allowed Revenue
EA	0.000%
EM	-0.001%
NL	0.000%
NW	-0.008%
WM	-0.040%

## Distribution Charges – Scenario Analysis

- Three scenarios have been carried out to determine when Distribution Charges may be affected:
  - Scenario 1 - Transitional Reductions x 2
  - Scenario 2 - Transitional Reductions x 10
  - Scenario 3 - Transitional Reductions x 100

Scenario 1: x2

Impact by DN	% of Base Allowed Revenue
<b>DN</b>	
EA	0.000%
EM	-0.002%
NL	0.000%
NW	-0.014%
WM	-0.066%

Scenario 2: x10

Impact by DN	% of Base Allowed Revenue
<b>DN</b>	
EA	0.000%
EM	-0.008%
NL	0.000%
NW	-0.045%
WM	-0.208%

Scenario 3: x100

Impact by DN	% of Base Allowed Revenue
<b>DN</b>	
EA	0.000%
EM	-0.050%
NL	0.000%
NW	-0.254%
WM	-1.097%

Expect Distribution Charges to be impacted



## Next Steps

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- Resubmit FMR – February 2015