

OCM Balancing Charges to Neutrality

Presentation for Transmission Workgroup on 6th October 2016

For Information

(Based on presentation to EBCC on 26th September 2016)

Background

- On 24 February 2016, the UK OCM spot gas market switched from using APX to ICE Clear for settlement and clearing services.
- NGG, like the majority of the shippers, now trades and clears the OCM market using the services of an ICE clearing member.
- NGG trades the OCM for the purposes of both balancing and shrinkage.
- As a result there has been a change in the balancing related OCM charges, which affects the cost pass through to neutrality.

OCM Costs (1)

- NGG incurs a number of different charges to trade the OCM.
- These charges are split between balancing and shrinkage.
 - Variable costs are split based on actual trade volumes
 - Fixed costs are split 50:50 (was split into thirds when National Grid LNG also traded the OCM)
- Some balancing costs, relating to provision of security/collateral, are rechargeable to neutrality under UNC TPD F4.5.3(a)(vii).

OCM Costs (2)

- Balancing's share of the OCM costs are shown below, showing whether they are recharged to neutrality.

Charge Description	Recharged to Neutrality?	Approx. Charge (£k/y)	
		Before 24 th Feb 2016	From 24 th Feb 2016
ICE Transaction, Clearing, Membership & User Fees	No	37	37
Letter of Credit Cost	Yes	115	0
ICE LoC Handling Fee	To be recharged (see next slide)	12	0
Clearing Member's Account Management & Credit Fee	To be recharged (see next slide)	0	62
Total		164	99

OCM Costs to be Recharged to Neutrality

- Following the change to the OCM clearing model, NGG has reviewed the charges to be passed to neutrality.
- Clearing Member's Credit & Account Management Fee – to be recharged (back to 24th Feb 2016 and on ongoing basis).
- ICE LoC Handling Fee – this has unfortunately been missed previously. Costs of c£35k back to 1st Apr 2013 (the earliest allowed under the TPD S1.4.4 – “Code Cut Off Date”) will be recharged.
- Balancing costs are now c£65k/y lower for shippers as a result of the new OCM clearing model.