Joint Office of Gas Transporters

UNC Modification	At what stage is this document in the process?
# UNC 0621: ## Amendments to Gas Transmission Charging Regime	01 Modification 02 Workgroup Report 03 Draft Modification Report 04 Final Modification Report

Purpose of Modification:

The purpose of this modification proposal is to amend the Gas Transmission Charging regime in order to better meet the relevant charging objectives and customer/stakeholder provided objectives for Gas Transmission Transportation charges and to deliver compliance with relevant EU codes (notably the EU Tariff Code).

	The Proposer recommends that this modification should be assessed by a Workgroup This modification will be presented by the Proposer to the Panel on 15 June 2017. The Panel will consider the Proposer's recommendation and determine the appropriate route.
	High Impact: All parties that pay NTS Transportation Charges and / or have a connection to the NTS, and National Grid NTS
	Medium Impact: N/A
	Low Impact: N/A

Joint Office of Gas Transporters

Contents

Any questions?

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~~10~~ ~~Recommendations~~ ~~211924~~

Timetable

The Proposer recommends the following timetable:	
Initial consideration by Workgroup	07 July 2017 (NTSCMF)
Workgroup Report presented to Panel	18 January 2018
Draft Modification Report issued for consultation	18 January 2018
Consultation Close-out for representations	22 March 2018
Final Modification Report available for Panel	29 March 2018
Modification Panel decision	19 April 2018

1 Summary

What

This modification proposes to introduce a new Gas Transmission Charging regime that produces stable and predictable transportation charging ~~and~~ which is compliant with the EU Tariff Code (Regulation 2017/460).

Why

The Transportation Charging Methodology currently in place for the calculation of Gas Transmission charges, and the methodology to recover Transmission Owner (TO) and System Operator (SO) revenue through Entry and Exit charges, have been in place for a number of years. Whilst there have been some changes in the last ten years, the basic approach to calculating Entry and Exit Capacity charges and the approach to revenue recovery has not substantially changed.

A critique of the current Long Run Marginal Cost (LRMC) methodology has identified that it is too volatile, unpredictable and does not provide relative stability of charges for Users.

How

This modification proposes to introduce changes to the charging framework by way of making changes to UNC TPD Section Y. It may be necessary to update other sections of the UNC TPD (e.g. TPD Section B, EID Section B) and these will be accommodated as necessary.

This modification proposes to move from a Reference Price Methodology (RPM) that calculates the capacity prices using the LRMC method to one that is based on a Capacity Weighted Distance (CWD) approach. It also proposes to review other aspects of the charging framework to consider if change is necessary to better meet the required objectives.

It introduces some terminology from the EU Tariff Code, specifically Transmission Services Revenue and Non-Transmission Services Revenue and Transmission Services Charges and Non Transmission Services Charges. The revenues ~~-~~will map across to TO and SO revenues thereby not changing the total revenue to be collected through Transportation charges. ~~Therefore the overall revenue that the Transmission Charges will recover, in total, will remain the same and t~~The more material change will be the amendments to the charging methodologies in calculating the charges that will be applied to recover the allowed revenues from NTS ~~NTS~~ Transportation charges.

This proposal also introduces, for some aspects of this methodology change, some transitional arrangements and mechanisms to review and refine components of the charging framework over time so they continue to better ~~meet~~ facilitate the relevant methodology objectives[1] and support the evolution of the GB charging regime.

2 Governance

Justification for Authority Direction

This modification proposal is recommended to be sent to the Authority for direction as it is likely to have a material effect on commercial activities relating to the shipping, transportation and supply of gas because, if implemented, it is likely to have a material impact on the allocation of charges across NTS networks Users.

Requested Next Steps

This modification should:

- be assessed by a Workgroup

3 Why Change?

Drivers

~~3.1.~~ The methodology which is currently in place for the calculation of Gas Transmission charges, and the methodology to recover TO and SO revenue through Entry and Exit charges have been in place for a number of years. Whilst there have been some changes in the last ten years, the basic approach to calculating NTS Entry and Exit Capacity charges and the approach to revenue recovery arrangements have not substantially changed. What has been

[1] As described in Standard Special Condition A5: 'Obligations as Regard Charging Methodology' of the NTS Licence, paragraph 5.

seen is change in the patterns of booking behaviours, and the impact on the charges as a result due to the interactivity inherent within the methodology that were not anticipated.

3.1.

~~3.2.~~ As a result of changing behaviours, such as increased uptake in short term zero-priced capacity, there is an increase in reliance on commodity charges to recover TO revenue. Other charges, such as the NTS Optional Commodity charge (also referred to as "Shorthaul") have also seen a significant increase in its use, which has impacted on other charges in a way that was not originally envisaged.

3.2.

Mapping Revenues

3.3. Within the collection of revenue there are some changes to the terminology used to assign the revenue for the purposes of ultimately calculating charges. These changes are required by the EU Tariff Code. This relates to mapping TO Revenue and SO Revenue to Transmission Services Revenue and Non Transmission Services Revenue. This does not affect the actual allowed revenue National Grid will be required to recover through the charges.

3.4. There are a number of targeted charges in the current methodology and it is necessary to consider which revenue they will contribute towards:

3.4.1. The Distribution Network (DN) Pensions Deficit Charge and NTS Meter Maintenance Charge, under the EU Tariff Code (Article 4), do not fall into the specific criteria for Transmission Services. This modification proposes that these will be classified as Non-Transmission Services charges thereby contributing towards Non-Transmission Services Revenue.

3.4.2. The St. Fergus Compression charge will be a Non-Transmission Services charge. The methodology used to calculate the St. Fergus Compression Charge is not proposed to be reviewed at this stage.

3.4.3. The methodologies to calculate these charges (DN Pensions Deficit, NTS Meter Maintenance and St. Fergus Compression) are not proposed to be reviewed at this time. Whilst these could be considered as either Transmission Services or Non-Transmission Services, providing it is approved by the National Regulatory Authority (NRA), it is proposed this is a pragmatic way to charge for these items.

Pricing Methodology

3.5. The current RPM (including the adjustments applied in order to calculate capacity charges) produces charges that are volatile and unpredictable. This causes challenges for investment decisions and in predicting operational costs for connected parties year on year, and as such is a key area to be addressed.

3.6. Through an assessment of RPM's[2], the main alternative considered from the current method was the CWD model. By design this approach is generally more predictable, less volatile and more stable in nature and is more suited to a system that is about use and revenue recovery associated to use rather than linked to investment (marginal pricing).

3.7. The proposed use of CWD ~~new~~in the ~~-~~RPM resolves this issue by narrowing the range of prices and as such making them more predictable and also makes the RPM more relevant to how the NTS is used and expected to be used. It would better suit the current and future expectations for the NTS and maximising its use (driven through market behaviour) rather than using a RPM built on the foundation of continued expansion whilst ~~which will~~ continu~~e~~ing to provide some locational diversity in charges through the use of locational capacity and the average distances applied under the CWD approach.

~~3.1.~~3.8. As a result of changing the RPM, any adjustments, discounts and other charges must be reviewed in order to avoid unintended consequences and to ensure a clear impact assessment (including any Ofgem Impact Assessment) can be carried out on the total impact of these adjustments, discounts and other charges to NTS customers and to the end consumer.

~~3.2.~~3.9. This ~~modification p~~Proposal considers EU compliance with the EU Tariff Code which has a deadline to implement the changes of 31 May 2019. Price changes would apply from 1 October 2019.

~~3.3.~~3.10. Th~~e~~is~~e~~ ~~p~~Proposal~~s~~ also seeks to establish~~es~~ a framework for review and update that through reviewing and updating key inputs to the newly established RPM will further the objectives of the RPM.

3.11. This ~~modification~~ Proposal aims to simplify the methodology, limiting aspects of the methodology whereby some charges can materially impact other charges and also eliminating the influence between Transmission and Non Transmission.

Forecasted Contractual Capacity

3.12. If implemented, the proposed changes to the charging regime ~~FCC~~may result in changes to commercial behaviours in the procurement of capacity rights. Given this uncertainty, a transitional ~~n~~ approach for the period commencing 1st October 2019 is proposed based on capacity values documented in the National Grid Licence.

~~3.4.~~3.13. Beyond 30th September 202~~[~~1,~~1~~0 we ~~will have~~propose an approach that ensures FCC is reviewed [annually] and updates considered, and updated in [appropriate charging statement or methodology]. This review of FCC values will, at an appropriate point take account of any behavioural changes in capacity procurement observed under the revised charging regime with the aim of aligning the FCC closer to actual bookings.

[2] See https://www.gasgovernance.co.uk/ntscmf/subg1model

~~Within the collection of revenue there are some changes to the terminology used to assign the revenue for the purposes of ultimately calculating charges. These changes are required by the EU Tariff Code. This relates to mapping TO Revenue and SO Revenue to Transmission Services Revenue and Non Transmission Services Revenue. This does not affect the actual allowed revenue National Grid will be required to recover through the charges.~~

~~3.4. There are a number of targeted charges in the current methodology and it is necessary to consider which revenue they will contribute towards:~~

~~3.4.1. The Distribution Network (DN) Pensions Deficit Charge and Meter Maintenance Charge, under the EU Tariff Code (Article 4), do not fall into the specific criteria for Transmission Services. This modification proposes that these will be classified as Non-Transmission Services charges thereby contributing towards Non-Transmission Services Revenue.~~

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~~3.4.3. The methodologies to calculate these charges (DN Pensions Deficit, Meter Maintenance and St. Fergus Compression) are not proposed to be reviewed at this time. Whilst these could be considered as either Transmission Services or Non-Transmission Services, providing it is approved by the National Regulatory Authority (NRA), it is proposed this is a pragmatic way to charge for these items.~~

Discounts and Multipliers

3.14. Adjustments or separate charges can be applied in the calculation of the Entry and Exit Capacity Reserve Prices. These can serve a number of functions such as to acknowledge ~~the~~ any potential risk associated ~~to~~with the type of Entry or Exit Capacity, to facilitate the recovery of revenues where relevant or beneficial to do so, and~~,~~ to encourage behaviours along with ensuring National Grid fulfils any relevant obligations.

~~3.5.~~3.15. Within the EU Tariff Code there are requirements to apply discounts for storage capacity, where that discount must be at least 50%. This minimum discount is specific to storage in order to avoid double charging and in recognition of the general contribution to system flexibility and security of supply of such infrastructure.

3.16. Multipliers are applied after the Reference Prices have been calculated to produce the Capacity Reserve Price and are one of the adjustments that can be applied to produce the Capacity Reserve Price for the particular Entry or Exit Capacity

3.17. Multipliers are specified under the EU Tariff code (Article 13) for Interconnection Point (IP) quarterly standard capacity products and for IP monthly standard capacity products are no less than 1 and no more than 1.5 and for IP daily standard capacity products and IP within-day standard capacity products are no less than 1 and no more than 3. For the IP daily standard capacity products and IP within-day standard capacity products the multipliers may be less than 1 but higher than 0 or higher than 3, where duly justified.

~~3.6.~~ Beyond 30th September 2020,

~~3.7.~~ Multipliers for IPs need to be consulted on each year (Article 28 of the EU Tariff code).

3.18.

3.19. The pricing of Interruptible / off-peak capacity ~~-~~will change from the current pricing approach. It ~~—~~.

~~The approach for pricing of Interruptible capacity~~and ~~-~~will be consistent with the EU Tariff Code Article 16 and applied to all points. The changes proposed permit an adjustment to the relevant firm entry or exit reserve price in the calculation of a non-zero reserve price and the calculation of that reserve price for interruptible products ~~(refer to Why Change? paragraph 3.13).~~.

3.20. The adjustment applied will be proportional to the probability of interruption and will be forward looking based upon an expectation of interruption over the coming year. An adjustment factor (A factor) may also be applied to reflect the estimated economic value of the product which will be ~~determined as part of the consultation~~factored into the assessment. Together the probability of interruption and the adjustment factor make up the adjustment to be applied to the price of the equivalent standard firm capacity product.

3.21. The adjustment for Entry Points and Exit Points will be based on the ~~same~~ values specified ~~given~~ in the [Charging Statement].

3.22. ~~Recognising t~~The ex-ante interruptible price will be ~~less than the price of the~~ determined by applying the applicable discount to the price of the equivalent standard firm capacity product. ~~t~~The value of the ~~value~~ discount will be subject to the required consultation.

~~3.8. Adjustments or separate charges can be applied in the calculation of the Entry and Exit Capacity Reserve Prices. These can serve a number of functions such as to acknowledge the any potential risk associated to the type of Entry or Exit Capacity, to facilitate the recovery of revenues where relevant or beneficial to do so, to encourage behaviours along with ensuring National Grid fulfils relevant NTS obligations.~~

Existing Contracts and Interim Contracts

~~3.9.~~3.23. We are proposing provisions to apply for Entry Capacity allocated before the date of the Ofgem direction to implement~~ation of~~ this ~~modification~~Proposal ~~-~~that will have been booked for 1 October 2019 or beyond.

3.23.1. This will include Existing Contracts, as outlined in Article 35 in EU Tariff Code where the ~~qualification~~ critria is, if the “contract or capacity booking concluded before the entry into force of the EU Tariff Code – 6 April 2017, such contracts or capacity bookings foresee no change in the levels of capacity and/or commodity based transmission tariffs except for indexation, if any”.

~~3.4.4.~~3.23.2. This will also include Interim Contracts, as defined in this Proposal where the criteria is that the contract or capacity booking concluded subsequent to entry into force of the EU Tariff Code (6th April 2017) but before the date of the Ofgem direction to implement this Proposal. Beyond this date, sufficient clarity of the charging regime

to apply from 1st October 2019 is apparent and therefore no specific treatment (for capacity subsequently booked) is proposed.

3.23.3. ~~This only applies to Entry Capacity charges. It does not apply to capacity to Exit Capacity charges. Exit Capacity charges currently change each October. Nor does it apply to the Entry and Exit commodity charges as they currently change at least twice a year in April and October.~~ The capacity procured under these contracts impact the application of the CWD charging model (specifically when determining Reference Prices at Entry Points) [and calculation of Transmission Services Revenue Recovery Charges].

Periodic Consultation Processes

3.24. This Proposal advocates determination of a number of pricing related values on a periodic basis ~~pursuant~~following ~~to~~ consultation with stakeholders. Where National Grid believes it is efficient to do, consultation on more than one pricing related value may, in practice, be incorporated into a single consultation document and process.

Aspects of the GB Charging Regime where there are no proposals for change:

The following is a list of items for which changes are not being proposed at this time but could be the next steps in the evolution of the GB charging regime.

- Auction Structure – All timings for auctions will be as per ~~now or~~prevailing terms ~~(~~including any changes implemented to comply with ~~as per~~ CAM ~~changes)~~.
- Entry/Exit Split – ~~Keep~~No change is proposed to the current ~~as~~ 50:50 split.
- Gas Year/Formula Year – the Formula Year ~~is (~~April to March) and Gas Year ~~is (~~October to September~~),~~ will ~~keep these as currently are~~be retained.
- DN Pensions Deficit Charge – No change to the calculation or the application of the charge.
- St. Fergus Compression Charge – No change is proposed to the calculation or the application of the charge.
- NTS Metering Charge - No change is proposed to the calculation or the application of the charge
- Categorisation of Entry and Exit Points – Maintain the link to the Licence for categorisation.
- Seasonal Factors – Not used in current methodology and propose not to introduce.
- Fixed Pricing – As per M~~OD~~odification 0~~-~~611, Amendments to the firm capacity payable price at IPs.
- Allowed Revenue – No change as per the Licence.
- Principles and application of Interruptible – As per prevailing terms. In respect of IPs, the terms implemented pursuant to M~~OD~~odification 0~~-~~500, EU Capacity Regulations - Capacity Allocation Mechanisms with Congestion Management Procedures.

For information only:

As an overall package this updated draft modification proposal is an update reflective of current views and following discussions at NTSCMF with industry stakeholders. This can be updated within the UNC

modification process where there are areas requiring additional detail or discussion. These are highlighted in the relevant parts of the solution.

4 Code Specific Matters

Reference Documents

There are summary documents available on each of the topics (mentioned in the solution section of the modification proposal) which have been discussed at NTSCMF and sub-groups related to the gas charging review, which are available at: http://www.gasgovernance.co.uk/ntscmf/subg1page and http://www.gasgovernance.co.uk/ntscmf/subg1model.

A CWD Model and User Guide have been produced which can be found at: http://www.gasgovernance.co.uk/ntscmf.

A Postage Stamp model is also available to be able to do a comparison of the prices in each of these models (found at the same location).

A Non-Transmission Services model has been produced which can be found at: http://www.gasgovernance.co.uk/ntscmf

Uniform Network Code (UNC) Section Y:

http://www.gasgovernance.co.uk/sites/default/files/TPD%20Section%20Y%20-%20Charging%20Methodologies_29.pdf

UNC European Interconnection Document (EID):

http://www.gasgovernance.co.uk/EID

EU Tariff Code:

http://www.gasgovernance.co.uk/sites/default/files/EU%20Tariff%20Code%20-%20final%20clean.pdf

Implementation Document for the Network Code on Harmonised Transmission Tariff Structures for Gas (Second Edition)

https://www.entsog.eu/public/uploads/files/publications/Tariffs/2017/TAR1000_170928_2nd%20Implementation%20Document_Low-Res.pdf

Uniform Network Code (UNC) Section B:

http://www.gasgovernance.co.uk/sites/default/files/TPD%20Section%20B%20-%20System%20Use%20&%20Capacity_55.pdf

NTS Transportation Statements:

http://www.gasgovernance.co.uk/ntschargingstatements

Customer and Stakeholder Objectives:

http://www.gasgovernance.co.uk/sites/default/files/NTS%20Charging%20Review%20Objectives%2006Sep16%20v1.0.pdf

Gas Transmission Charging Review (GTCR) and associated update letters:

https://www.ofgem.gov.uk/gas/transmission-networks/gas-transmission-charging-review

Knowledge/Skills

An understanding of the Section Y Part A within the UNC, NTS Transportation Statements, the EID within the UNC, Section B within the UNC, the EU Tariff code, GTCR documentation and the customer/stakeholder objectives developed within NTSCMF would be beneficial.

Definitions

Term (Abbreviation)	Description
Capacity Weighted Distance (CWD) Model	The CWD approach fundamentally requires three main inputs: • A revenue value is required, which will be the target revenue required to be recovered from Transmission Services; • A distance matrix for the average connecting distances on the NTS; and • A capacity value for each Entry and Exit point that will be the Forecasted Contracted Capacity (FCC) (which is mentioned later in this section). The CWD model produces the Transmission Services reference prices and with additional adjustments produces the Transmission Services reserve prices.
Existing Contracts (ECs) (for the purposes of this modification)	Arrangements ECs relateing to Long Term Entry capacity allocated before 6 April 2017 (Entry into Force of EU Tariff Code) and. Long Term Entry capacity allocated before the implementation of this modification.
Forecasted Contracted Capacity (FCC)	FCC is the capacity input to the RPM that will be used Transmission Services capacity charges calculation that for this proposal will be through a CWD methodology. There should be an FCC value for every Entry and Exit point.
Interim Contracts (ICs)	Arrangements relating to Long Term Entry capacity allocated after 6 April 2017 but before the date of the Ofgem direction to implement this Proposal.
Long Run Marginal Costs (LRMC) Model	This is the current underlying RPM used in the calculation of the Entry and Exit Capacity Prices. Whilst there are different approaches in Entry and Exit as to how secondary adjustments are applied, the underlying LRMC principles are there in both. The LRMC approach is an investment focused methodology where the intention is to have strong locational signals to facilitate decision making. More information is available in TBD Section Y of UNC.
Multipliers	The factor applied to the respective proportion (runtime) of the

	reference price in order to calculate the reserve price for non-yearly standard capacity product
Network Distances (for the purposes of modelling in the RPM)	A matrix of distances used in the RPM that are the pipeline distances on the NTS.
Non-Transmission Services	The regulated services other than transmission services and other than services regulated by Regulation (EU) No 312/2014 that are provided by the transmission system operator;
Non-Transmission Services Revenue	The part of the allowed or target revenue which is recovered by non-transmission tariffs
Reference Price	Price for a capacity product for firm capacity with a duration of one year, which is applicable at entry and exit points and which is used to set capacity based transmission tariffs. This will produced in p/kWh/a (pence per kWh per annum)
Reference Price Methodology (RPM)	The methodology applied to the part of the transmission service revenue to be recovered from capacity based transmission tariffs with the aim of deriving reference prices. Applied to all entry and exit points in a system. The RPM therefore is the framework to spread certain costs / revenues (relevant to the methodology in place) to the Entry and Exit points and thereby on to network users.
Reserve Price	**Reserve Price for Yearly standard capacity** = the Reference Price **Reserve Price for Non- yearly standard capacity** is calculated by applying any multipliers, discounts and seasonal factors (if applicable). This will be produced in p/kWh/d (pence per kWh per day).
Target Revenue	This is the revenue required to be recovered from a particular set of charges.
Transmission Services	The regulated services that are provided by the transmission system operator within the entry-exit system for the purpose of transmission.
Transmission Services Revenue	The part of the allowed or target revenue which is recovered by transmission tariffs.
~~**Reference Price Methodology (RPM)**~~	~~The methodology applied to the part of the transmission service revenue to be recovered from capacity based transmission tariffs with the aim of deriving reference prices. Applied to all entry and exit points in a system.~~

	The RPM therefore is the framework to spread certain costs / revenues (relevant to the methodology in place) to the Entry and Exit points and thereby on to network users.
Reference Price	Price for a capacity product for firm capacity with a duration of one year, which is applicable at entry and exit points and which is used to set capacity based transmission tariffs. This will produced in p/kWh/a (pence per kWh per annum)
Reserve Price	**Reserve Price for Yearly standard capacity** = the Reference Price **Reserve Price for Non- yearly standard capacity** is calculated by applying any multipliers, discounts and seasonal factors (if applicable). This will be produced in p/kWh/d (pence per kWh per day).
Multipliers	The factor applied to the respective proportion (runtime) of the reference price in order to calculate the reserve price for non-yearly standard capacity product
Capacity Weighted Distance (CWD) Model	The CWD approach fundamentally requires three main inputs: • A revenue value is required, which will be the target revenue required to be recovered from Transmission Services; • A distance matrix for the average connecting distances on the NTS; and • A capacity value for each Entry and Exit point that will be the Forecasted Contracted Capacity (FCC) (which is mentioned later in this section). The CWD model produces the Transmission Services reference prices and with additional adjustments produces the Transmission Services reserve prices.
Long Run Marginal Costs (LRMC) Model	This is the current underlying RPM used in the calculation of the Entry and Exit Capacity Prices. Whilst there are different approaches in Entry and Exit as to how secondary adjustments are applied, the underlying LRMC principles are there in both. The LRMC approach is an investment focused methodology where the intention is to have strong locational signals to facilitate decision making. More information is available in TBD Section Y of UNC.
Transmission Services	The regulated services that are provided by the transmission system operator within the entry-exit system for the purpose of transmission.
Non-Transmission Services	The regulated services other than transmission services and other

	than services regulated by Regulation (EU) No 312/2014 that are provided by the transmission system operator;
Transmission Services Revenue	The part of the allowed or target revenue which is recovered by transmission tariffs.
Non-Transmission Services Revenue	The part of the allowed or target revenue which is recovered by non-transmission tariffs
Forecasted Contracted Capacity (FCC)	FCC is the capacity input to the RPM that will be used Transmission Services capacity charges calculation that for this proposal will be through a CWD methodology. There should be an FCC value for every Entry and Exit point.
Existing Contracts (ECs) (for the purposes of this modification)	Arrangements ECs relateing to Long Term Entry capacity allocated before 6 April 2017 (Entry into Force of EU Tariff Code) and, Long Term Entry capacity allocated before the implementation of this modification.
Interim Contracts (ICs)	Arrangements relating to Long Term Entry capacity allocated after 6 April 2017 but before the date of the Ofgem direction to implement this Proposal.
Network Distances (for the purposes of modelling in the RPM)	A matrix of distances used in the RPM that are the pipeline distances on the NTS.
Target Revenue	This is the revenue required to be recovered from a particular set of charges.

5 Solution

This modification proposal will seeks to amend TPD Section Y, Part A (The Gas Transmission Transportation NTS Charging Methodologiesy) of the UNC, by changing the methodology for the calculation of gas transmission transportation charges. Changes to TPD Sections B (System Use and Capacity) of the UNC and Annex S-1 (Invoice Types and Invoice Items), and UNC European Interconnection Document (EID) Section B (Capacity)of the [may be / are] be required [and this will be kept under review and the modification updated accordingly].

[The starting point for this modification is a single methodology for all points where possible (e.g. IP and Non-IP and Entry / Exit). Details for each of the charges are mentioned in the proposals in this section. [This may change as the modification is finalised depending on the approach chosen for some of the charges mentioned in this proposal.]

Mapping of the revenue to Transmission Services revenue and Non-Transmission Services revenue **(see paras 3.3 and 3.4 in section 3)**

Transmission Services Charges

It is proposed that Transmission Services charges ~~are~~will be collected via:

- Transmission Services Capacity charges made up of;
  - Transmission Entry Capacity charges;
  - Transmission Exit Capacity charges;
- Transmission Services Entry Revenue Recovery charges;
- Transmission Services Exit Revenue Recovery charges; and
- Avoiding inefficient bypass of the NTS charges.

Non Transmission Services Charges

It is proposed that Non-Transmission Services charges ~~are~~will be collected via:

- Non Transmission Services Entry and Exit Charges;
- St Fergus Compression Charges ~~(refer to Why Change? paragraph 3.9)~~;
- NTS Metering Charges ~~(refer to Why Change? paragraph 3.9)~~; and
- DN Pensions Deficit charges ~~(refer to Why Change? paragraph 3.9).~~

Transmission Services Charges

Reference Price Methodology (see paras 3.5 to 3.7 in section 3)

~~The methodology based on CWD would better suit the current and future expectations for the NTS and maximising its use (driven through market behaviour) rather than using a RPM built on the foundation of continued expansion.~~

~~Through an assessment of RPM's (refer to https://www.gasgovernance.co.uk/ntscmf/subg1model), the main alternative considered from the current method was the CWD model. By design this approach is generally more predictable, less volatile and more stable in nature and is more suited to a system that is about use and revenue recovery associated to use rather than linked to investment (marginal pricing).~~

~~This modification~~It is proposes~~d~~ that a CWD approach is used in the RPM. ~~which will continue to provide some locational diversity in charges through the use of locational capacity and the average distances applied under the CWD approach.~~

~~The proposed CWD methodology will be compared against a standardised CWD counterfactual model as described in the EU Tariffs Code at the appropriate time.~~

One RPM will be used for the calculation of capacity prices for all Entry Points and Exit Ppoints on the system. The RPM produces Entry and Exit Capacity reference prices for the applicable gas year which in turn through the relevant adjustments and calculation steps, will determine the Entry and Exit Capacity reserve prices.

Final reference prices

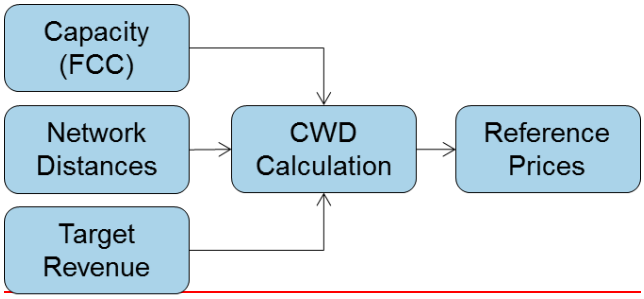
It is proposed that Tthe calculation of the final reference price for a given Entry Point or Exit point cannot be zero. If application of thise CWD methodology occursderives a zero price as a result of the FCC value or the Existing Ccontracts (EC) influencing the CWD calculation (see below), then the reference price to be used for such points, will be the nearest non-zero priced Entry pPoint (for an Entry Point)prices, or the nearest non-zero priced Exit pPoint (for an Exit pricesPoint). shall be used. The applicable distance is the shortest distance based on the distance matrix from the relevant entry or exit point to the nearest non-zero priced entry or non-zero priced exit point respectively.

Calculations within the CWD Model

Counterfactual CWD

The proposed CWD approach fundamentally requires three main inputs (counterfactual CWD model):

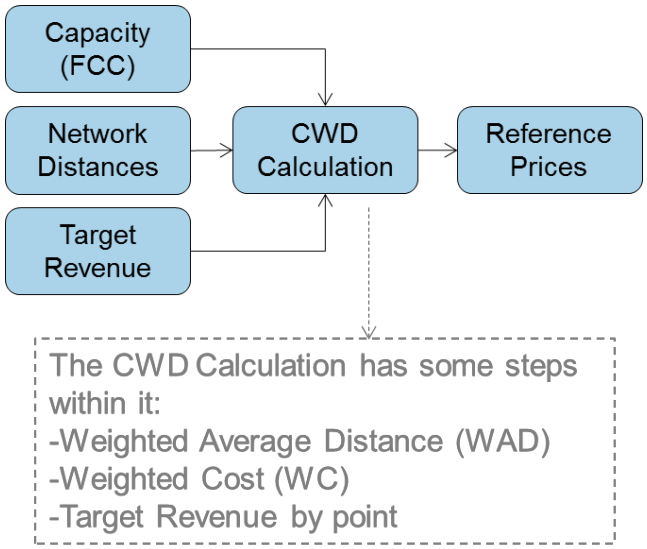
- A revenue value is required, which will be linked to the allowed revenues National Grid will be required to recover for Transmission Services;
- A distance matrix for the average connecting distances on the NTS; and
- A capacity value for each Entry and Exit point that will bereferred to as the Forecasted Contracted Capacity (FCC) (which is mentioned later in this sectionsee below).



Proposed CWD Model for calculating Entry and Exit Capacity reference prices:

The proposed CWD approach fundamentally requires three main inputs:

- Target Entry or Exit Transmission Services Revenue - Revenue which is Allowed Revenue net of known Existing Contracts (EC) revenue [and Interim Contracts (IC) revenue].
- Network Distances – Aderived from a distance matrix for the average connecting distances on the NTS
- Capacity (FCC) - FCC (by point) net of EC (by point) capacity booked to recover the target Entry or Exit Transmission Services revenue [and Interim Contracts (IC) revenue].



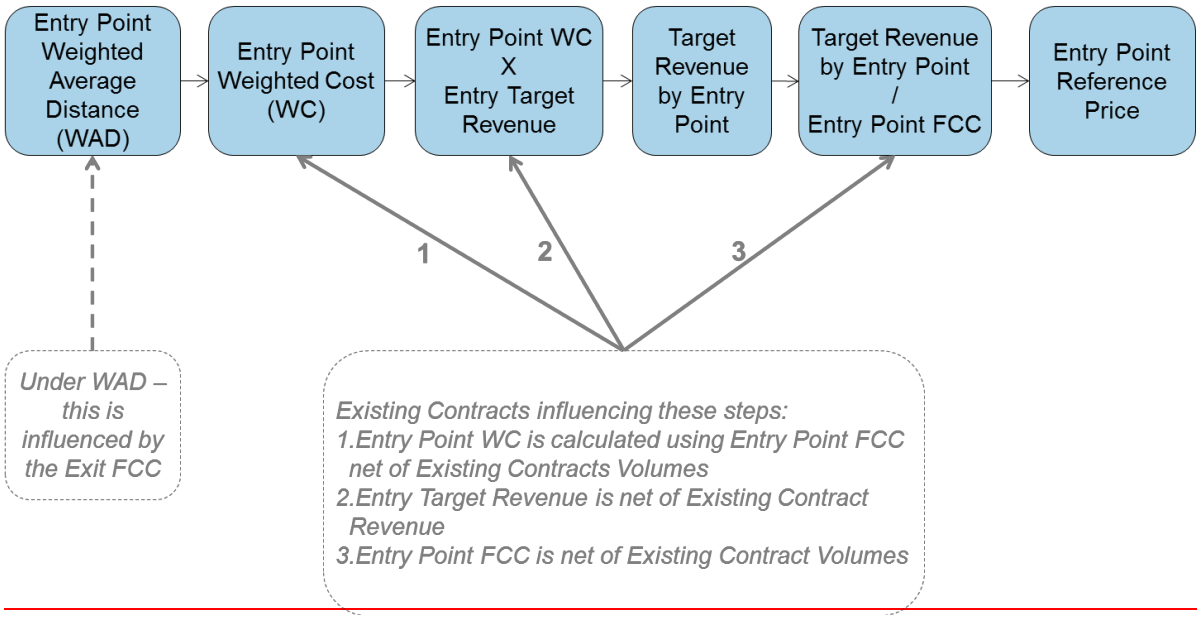
Key steps in the CWD calculations:

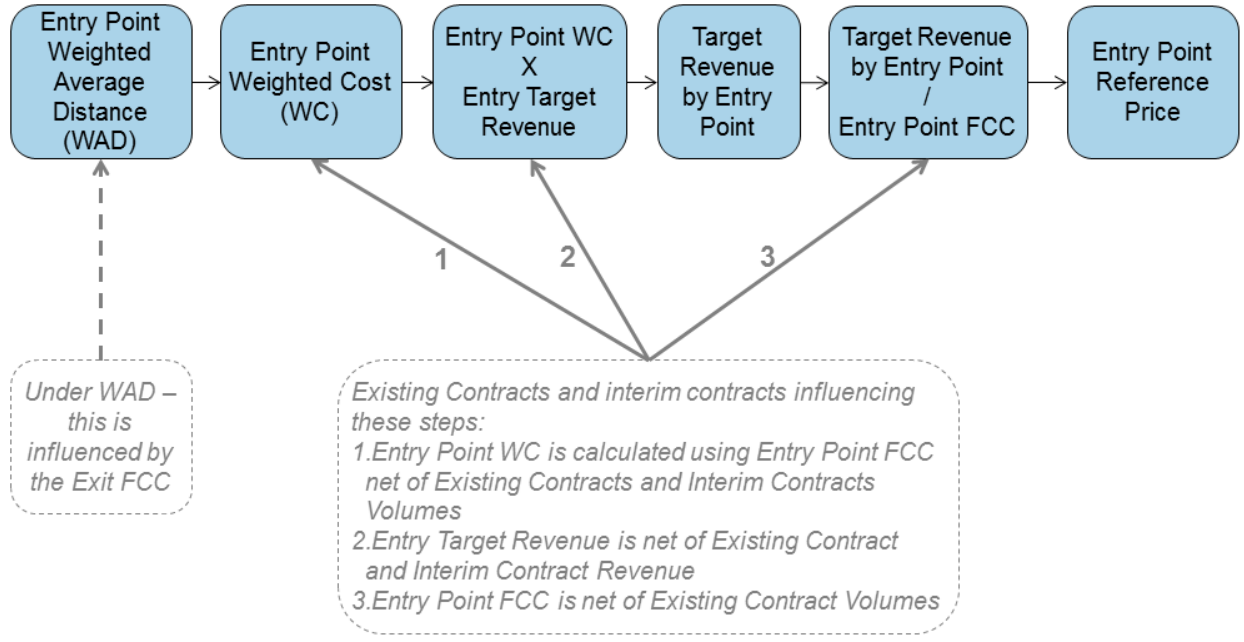
	Entry Capacity Calculation	Exit Capacity Calculation
Weighted Average Distance (WAD)	(Sumproduct Exit Point FCC x Distance to Entry Point) / Sum Exit Point FCC	(Sumproduct Entry Point FCC# x Distance to Exit Point) / Sum Entry Point FCC#
Weighted Cost (WC)	Entry Point FCC* x WAD / (Sumproduct Entry Point FCC* x WAD)	Exit Point FCC x WAD / (Sumproduct Exit Point FCC x WAD)
Target Revenue by point (TRP)	Entry Target Revenue x WC	Exit Target Revenue x WC
Reference Price (RefP)	Entry TRP / Entry Point FCC*	Exit TRP / Exit Point FCC

#Entry Point FCC – this is Gross Entry Point FCC (not reduced by capacity associated with Existing Contracts and Interim Contracts)

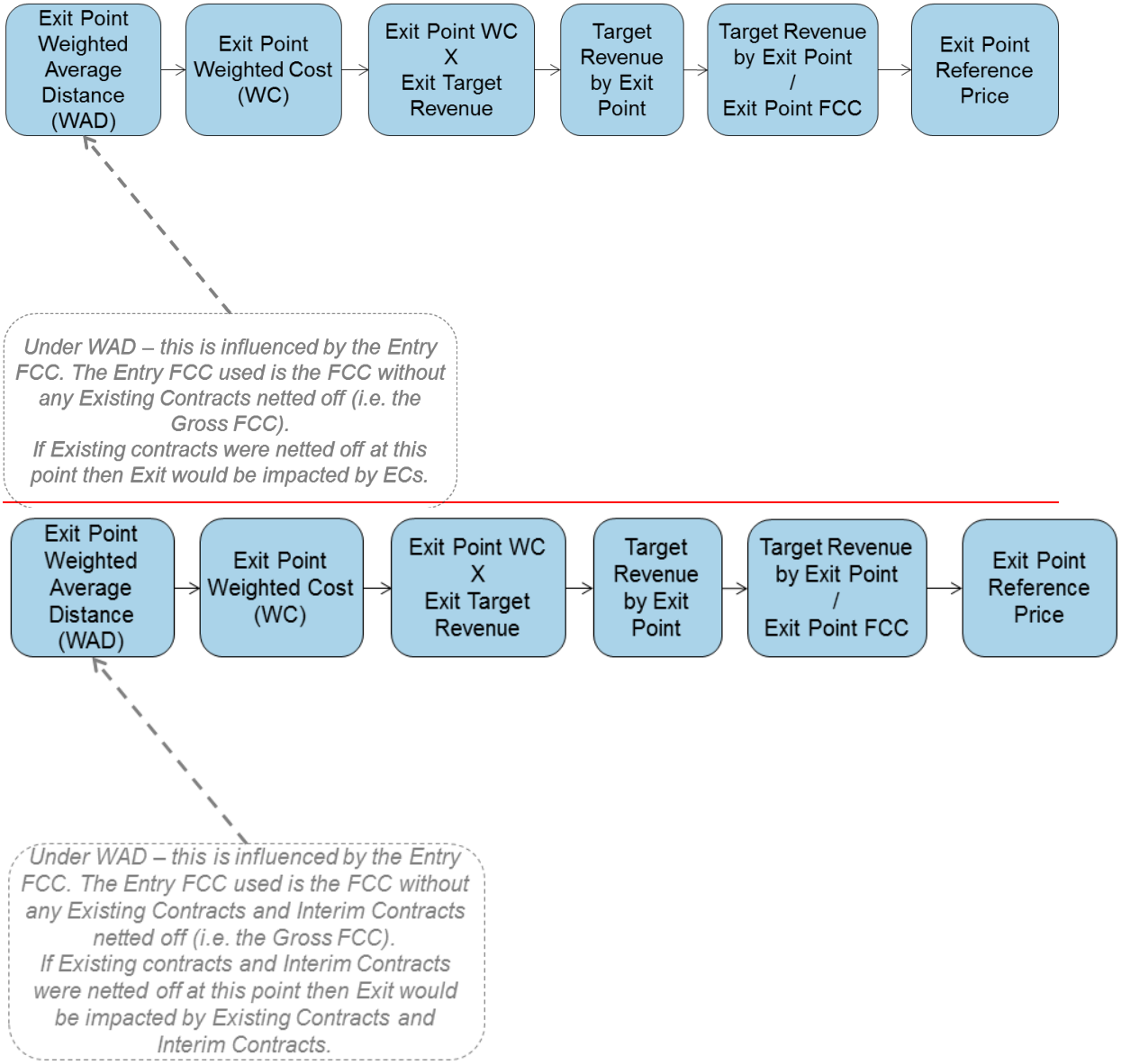
*Entry Point FCC – this is the Entry Point FCC net of capacity associated with Existing Contracts ~~Capacity~~ and Interim Contracts.

Entry Reference prices are calculated in the following steps in the CWD model:


Entry Point Weighted Average Distance (WAD)
Entry Point Weighted Cost (WC)
Entry Point WC X Entry Target Revenue
Target Revenue by Entry Point
Target Revenue by Entry Point / Entry Point FCC
Entry Point Reference Price
1
2
3
Under WAD – this is influenced by the Exit FCC
Existing Contracts influencing these steps:
1.Entry Point WC is calculated using Entry Point FCC net of Existing Contracts Volumes
2.Entry Target Revenue is net of Existing Contract Revenue
3.Entry Point FCC is net of Existing Contract Volumes


Entry Point Weighted Average Distance (WAD)
Entry Point Weighted Cost (WC)
Entry Point WC X Entry Target Revenue
Target Revenue by Entry Point
Target Revenue by Entry Point / Entry Point FCC
Entry Point Reference Price
1
2
3
Under WAD – this is influenced by the Exit FCC
Existing Contracts and interim contracts influencing these steps:
1.Entry Point WC is calculated using Entry Point FCC net of Existing Contracts and Interim Contracts Volumes
2.Entry Target Revenue is net of Existing Contract and Interim Contract Revenue
3.Entry Point FCC is net of Existing Contract Volumes

Exit Reference prices are calculated in the following steps in the CWD model:



Forecasted Contracted Capacity (FCC) (see paras 3.12 and 3.13 in section 3)

It is proposed that:

- ~~F~~for the period commencing 1st October 2019 until 30th September 202~~1~~1 (inclusive) the FCC for an Entry Point or an Exit Point will be equal to the '~~the Obligated Values~~Baseline capacity' ~~which are~~specified within ~~the~~National Grid's Licence (~~as specified in~~ Special Condition 5F Table 4B for

Entry Points, and Special Condition 5G Table 8 for Exit Points) ~~against~~ for the relevant Entry Point ~~and~~or Exit Point~~s (one value for each Entry and Exit point)~~.

~~It is proposed that~~

- for the period commencing 1st October 202~~[~~1~~]~~ onwards, the FCC for an Entry Point or an Exit Point will be equal to a forecast value determined by National Grid at its sole discretion taking account of capacity booking trends observed at respective Entry Points and Exit Points from 1st October 2019.

~~Beyond 2019 we will have an approach that ensures:~~

- ~~FCC is reviewed [annually] and updates considered, and updated in [appropriate charging statement or methodology]~~

~~FCC will be reviewed as the behavioural changes of bookings under the updated charging regime are seen, to align the FCC closer to bookings.~~

Capacity Reserve Prices produced from Capacity Reference Prices (see paras 3.14 to 3.17 in section 3)~~(Transmission Services)~~

~~Adjustments or separate charges can be applied in the calculation of the Entry and Exit Capacity Reserve Prices. These can serve a number of functions such as to acknowledge the any potential risk associated to the type of Entry or Exit Capacity, to facilitate the recovery of revenues where relevant or beneficial to do so, to encourage behaviours along with ensuring National Grid fulfils relevant NTS obligations.~~

It is proposed that following A~~a~~djustments ~~which~~ will be applied to the reference prices ~~produced~~ derived using the ~~from the~~ proposed CWD methodology ~~in order to calculate the reserve prices are~~:

- Specific Capacity Discounts;
- ~~•~~ Multipliers; and
- ~~Specific Capacity Discounts;~~
- Interruptible capacity. ~~pricing~~

The reserve price for any Entry Points or Exit Points other than those subject to the adjustments specified above will be equal to the relevant reference price.

It is proposed that Transmission Services Capacity reserve prices will be produced in p/kWh/d.

~~T~~The capacity reserve prices will be calculated each year based on the latest available set of inputs and, once published these will be the capacity reserve prices applicable for the relevant gas year regardless of when the capacity product is procured. For example, capacity procured in 2019 for a period in October 2025 will be subject to the reserve prices determined for gas year 2025/26 including, where applicable, any auction premium.

Specific Capacity Discounts (see para 3.15 in section 3)

It is proposed that in respect of **storage sites**, (locations where the type of Entry point/Offtake is designated as a 'Storage Site' in National Grid's Licence (Special Condition 5F Table 4B for Entry Points, and Special Condition 5G Table 8 for Exit Points)):

- for the period commencing 1st October 2019 until ~~30th September 2020 (inclusive)~~the effective date of the outcome of the first post implementation consultation undertaken to comply with Artciles 26 and 27(5) of Regulation 2017/460, the applicable Specific Capacity Discount for a given gas year will be equal to 50%; and~~:~~

- for the period commencing from the effective date of the outcome of the first post implementation consultation undertaken to comply with Artciles 26 and 27(5) of Regulation 2017/460~~1st October 2020~~ onwards, the applicable Specific Capacity Discount~~s~~ for a given gas year ~~for Storage sites and LNG sites~~ will be equal to the appropriate value determined as a consequence of that consultation (or any subsequent consultation conducted in compliance with the aforementioned Articles of Regulation 2017/460). Once approved [method to be determined], they will be published alongside the reserve prices in the [charging statement].~~subject to an annual consultation. Once approved, they will be published alongside the reserve prices in the [charging statement].~~

It is proposed that in respect of **Liquefied Natural Gas (LNG) sites**, (locations where the type of Entry point is designated as a 'LNG Importation Terminal' in National Grid's Licence (Special Condition 5F Table 4B)):

~~This modification~~It is ~~proposes~~d to discount the capacity prices for Storage sites which are ~~produced~~determined from the CWD model by 50%~~.~~. ~~No other specific capacity discounts will be applied (refer to Why Change? paragraph 3.10).~~

~~T~~The storage discount ~~will be based on~~applied at locations where the type of Entry point/Offtake is ~~designated as a 'Storage Site' in the Gas Transporter~~National Grid's Licence (Special Condition 5F Table 4B for Entry Points, and Special Condition 5G Table 8 for Exit Points) Licence (the "Licence"), Table 4B ~~and Table 8 (the same values which will be used for the FCC).~~

- for the period commencing 1st October 2019 until 30th September 2020 (inclusive), the applicable Specific Capacity Discount for a given gas year will be equal to 0%; and

- for the period commencing 1st October 2020 onwards, the applicable Specific Capacity Discount for a given gas year will be subject to an annual consultation. Once approved [method to be determined], they will be published alongside the reserve prices in the [charging statement].

~~to discount the capacity prices for Liquefied Natural Gas (LNG) sites determined from the CWD model by 0%. The LNG discount will be based on locations where the type of Entry point is designated as a 'LNG Importation Terminal' in National Grid's Licence (Special Condition 5F Table 4B).~~

- ~~No other specific capacity discounts will be applied.~~
- ~~It is proposed that for the period commencing 1st October 2020 onwards, the applicable Specific Capacity Discounts for a given gas year for Storage sites and LNG sites will be subject to an annual consultation. Once approved, they will be published alongside the reserve prices in the [charging statement].~~

It is proposed that ~~N~~no other specific capacity discounts ~~will be~~are applied.

Multipliers (see paras 3.16 to 3.18 in Section 3)

It is proposed that multipliers

~~Multipliers are applied after the Reference Prices have been calculated to produce the Capacity Reserve Price and are one of the adjustments that can be applied to produce the Capacity Reserve Price for the particular Entry or Exit Capacity (refer to Why Change? paragraph 3.11).~~

- ~~Multipliers~~ shall not be zero for any capacity type or product~~.~~;
- ~~~~
- ~~Multipliers~~ are not ~~proposed~~ to be used for the purposes of managing revenue recovery;~~.~~
- ~~~~
- ~~Multipliers~~ shall be calculated on an ex-ante basis ahead of the applicable year.

It is proposed that:

- for the period commencing 1st October 2019 until 30th September 2020 (inclusive) ~~-~~the multiplier applied to the reference prices for all Entry Point and Exit Points in order to determine the reserve price will ~~have a multiplier of~~be ~~[~~1~~]~~.

- ~~It is proposed that~~ for the period commencing ~~Beyond 30th September~~1st ~~-~~October 2020~~0~~ onwards, ~~it is proposed that T~~the applicable multiplier~~s~~s for a given gas year will be subject to an annual ~~-~~consult~~ed~~ation ~~on each year (refer to Why Change? paragraph 3.12)~~. Once approved [method to be ~~approved~~determined] they will be published alongside the reserve prices in the [charging statement].

~~Until such time as these values are decided upon for the applicable charging year and updated into the [charging statement] all Entry and Exit products shall have a multiplier of [1] applied in the calculation of the reserve prices.~~

Interruptible Capacity (see paras 3.19 to 3.22 in Section 3)

~~[It is proposed that The pricing of Interruptible capacity will change from the current pricing approach.~~

~~Interruptible capacity for Entry and Off-peak capacity Exit shall not be priced at zero].~~

~~The changes proposed permit an adjustment to the relevant firm entry or exit reserve price in the calculation of a non-zero reserve price and the calculation of that reserve price for interruptible products (refer to Why Change? paragraph 3.13).~~

~~The calculation will take the form of~~It is proposed that the reserve price for Interruptible Capacity at an Entry Point or an Exit Point ~~an~~is derived by application of ~~an~~ ex-ante discount ~~applied~~ to the reserve prices for the corresponding firm capacity products (the day ahead firm price ~~on~~at the relevant Entry Point and the daily firm price ~~on~~at the relevant Exit Point).

It is proposed that when determining the level of discount applied in respect of Interruptible/Off peak Capacity from 1st October 2019, the likelihood of interruption and the estimated economic value of the interruptible/Off-peak capacity product are used to determine a discount value (as per Article 16 of EU Regulation 2017/460). It is further proposed to adopt a 'banding approach' for the period commencing 1st October 2019 and for subsequent years, such that the proposed discount value will be rounded up to the nearest 10%:

It is proposed that:

- for the period commencing 1st October 2019 until 30th September 2020 (inclusive) the discount applied in respect of Interruptible/Off-peak Capacity:
  - at Entry Points is 10%; and
  - at Exit Points is 10%.

- for the period commencing 1st October 2020 onwards, the level of discount applied in respect of Interruptible/off-peak Capacity will be subject to an annual consultation. Once approved [method to be determined], they will be published alongside the reserve prices in the [charging statement].

~~- in accordance with Article 12 of EU Regulation 2017/460 the discount will be recalculated within the tariff period if the probability of interruption referred to in Article 16 changes by more than twenty percent;~~

~~-~~

~~It is proposed that:~~

~~- for the period commencing 1st October 2019 until 30th September 2020 (inclusive) the discount applied in respect of Interruptible Capacity:~~
  ~~- at Entry Points is [10]%; and~~
  ~~- at Exit Points is 10%.~~

It is proposed that for the period commencing 1st October 2020 onwards, Tthe level of discount applied in respect of Interruptible Capacity the adjustment will be subject to an annual consultation, process. Once approved [method to be approveddetermined], they will be published alongside the reserve prices in the [charging statement].

It is proposed that when determining the level of discount applied in respect of Interruptible Capacity from 1st October 2020, the likelihood of interruption and the estimated economic value of the interruptible capacity product are used to determine a provisional discount value (as per Article 16 of EU Regulation 2017/460). It is further proposed to adopt a 'banding approach' such that the proposed discount value to be consulted upon will be determined in accordance with the following table: The adjustment applied will be proportional to the probability of interruption and will be forward looking based upon an expectation of interruption over the coming year. An adjustment factor (A factor) may also be applied to reflect the estimated economic value of the product which will be determined as part of the consultation. Together the probability of interruption and the adjustment factor make up the adjustment to be applied to the price of the equivalent standard firm capacity product.

The adjustment for Entry Points and Exit Points will be based on the same value given in the [Charging Statement].

Recognising the ex-ante interruptible price will be less than the price of the equivalent standard firm capacity product the value will be subject to the required consultation.

Avoiding In-efficient bypass of the NTS (AIBoNTS)

[There is a benefit of having such a product for avoiding in-efficient bypass of the NTS, providing it is beneficial and economical to do so and its objectives, calculation and application are relevant to the overall methodology.

The AIBoNTS calculation, depending on the final design of the charge, will need to be relevant to all the other discounts which are applied and is still being reviewed within the context of all other aspects of the methodology.

AIBoNTS will be a Transmission Services product and will contribute to the Transmission Services Revenue. The AIBoNTS charge could act as a discount to certain Transmission Services charges. The nature of the discount is subject to further discussion via NTSCMF.

Costs will be updated to the relevant applicable Tariff year and updated each year. The AIBoNTS charge will not be fixed at any point.

The formula that will calculate the specific rates for the applicable year will be published and updated each year in the [charging statement] reflective of the relevant updates in line with the methodology.

Relevant inputs, such as costs, load factor and a review of the pipe diameters to use, can be updated each year. There will also be a distance limit over which the AIBoNTS can be attained. This distance cap shall be [50]km.

Any distances between nominated Entry Points (non storage) and Exit Points (non storage), greater than the cap shall not be eligible for AIBoNTS charges.]

~~Seasonal Factors~~

~~Seasonal Factors are not proposed to be used in the proposed CWD methodology model.~~

~~Existing Contracts (EC)~~ and Interim Contracts (IC) ~~(see para 3.23 in section 3)~~

~~It is proposed that before the reference prices are calculated, C~~capacity booked ~~before the implementation date of this modification and revenue associated with those bookings~~in respect of ~~Existing Contracts [and Interim Contracts]:~~

- ~~the Entry Capacity booked~~ will be removed from the Entry ~~C~~capacity input into the CWD model~~;~~ ~~and~~

~~the Entry Revenue will be removed from~~ the Entry Target Revenue for the entry calculations under~~input into the CWD model~~

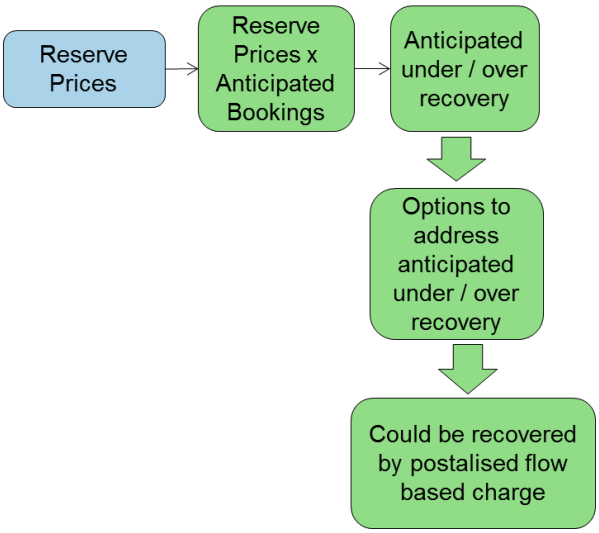
~~before the reference prices are calculated (refer to Why Change? paragraph 3.14).~~

Transmission Services Revenue Recovery Charges

It is proposed that where a proportion of revenue could be under/over recovered (i.e. compared to the target Transmission Services revenues) as a consequence of application of reserve prices applicable for the following gas year, a revenue recovery mechanism is applied~~When the reserve prices which will be applicable for the following gas year are produced from the CWD model there will be a proportion of revenue which could be under/ over recovered by those capacity charges when compared to the target Transmission Services revenues~~.

~~This will require a revenue recovery mechanism to be applied. This will be recovered by Transmission Services Entry and Exit Revenue Recovery charges.~~

The Transmission Services Revenue Recovery charge will be calculated after the reserve prices have been ~~calculated~~ determined and will be calculated as follows:



It is proposed that ~~T~~the 'Anticipated Bookings' value will be based on National Grid's forecast of capacity bookings and therefore used to forecast the anticipated under or over recovery.

It is proposed that:

- for the period commencing 1st October 2019 until 30th September 202~~1~~ (inclusive) ~~T~~the transmission services revenue recovery mechanism is ~~proposed to be~~ based on a denominator of flows, which excludes Storage flows unless it is flowed as "own use" gas at the Storage point. All other flows shall pay the Transmission Services revenue recovery ~~mechanism~~ charge. The Transmission Services revenue recovery charges for this period will be produced in p/kWh.
  ~~It is proposed that~~
- for the period commencing 1st October 202~~1~~ onwards, the transmission services revenue recovery mechanism is capacity based and applied as additional capacity charges. The Transmission Services revenue recovery charges for this period will be produced in p/kWh/d.
- For the avoidance of doubt, any Entry Capacity or Exit Capacity booked for the applicable year (irrespective of when this capacity was procured from National Grid~~or allocated~~) would be subject to Revenue Recovery charges.

[Further consideration is to be given to the application of Transmission Entry and Exit Revenue Recovery charges at IPs. The nature of applying any Transmission Entry and Exit Revenue Recovery charges will be discussed through NTSCMF].

Existing Contracts (EC) and Interim Contracts (IC) (see para 3.23 in section 3)

It is proposed that before the reference prices are calculated, in respect of Existing Contracts [and Interim Contracts]:

- the Entry Capacity booked will be removed from the Entry Capacity input into the CWD model; and
- the Entry Revenue will be removed from the Entry Target Revenue input into the CWD model

It is proposed that [application of Existing and Interim Contracts in Transmission Services Revenue Recovery Charges]

~~The Transmission Services revenue recovery charges will be produced in p/kWh.~~

Non-Transmission Services Charging

It is proposed that ~~The~~ revenue due for collect~~ed~~ion via Non-Transmission Services Entry and Exit Charges will be equal to the Non-Transmission Services revenue minus the DN Pensions Charges, NTS Meter Maintenance Charges and the St. Fergus Compressor Charges

~~from the following will contribute towards Non-Transmission Services Revenue:~~

- ~~DN Pensions Deficit Charge~~
- ~~Meter Maintenance Charge~~
- ~~St. Fergus Compression Charge~~
- ~~Non Transmission Services Charge~~

~~Before the Non-Transmission Services charge is calculated the total Non-Transmission Services revenue excluding the DN Pensions, Meter Maintenance and the St. Fergus revenue will be calculated.~~

~~Target Non-Transmission Services Revenue~~The revenue due for collection via Non-Transmission Services Entry and Exit Charges ~~is to~~will be recovered through a flow based charge as a flat unit price for all ~~relevant or qualifying~~ Entry Points and Exit Points.

~~We~~ It is proposed that ~~this to be~~ is applied to all flows excluding Storage flows unless it is flowed as “own use” gas at the Storage point.

The Non-Transmission Services charge will be produced in p/kWh.

Treatment of under/over recovery (K) – after each formula year

It is proposed that ~~A~~a separate under or over revenue recovery (otherwise known as the “K” value) will be calculated for Transmission Services and Non-Transmission Services for the formula year. This will be different to the TO and SO “K” values however the principle of reconciling Transmission Entry and Exit revenues separately will remain.

It is proposed that ~~T~~the approach and calculation will be ~~outlined~~ specified in the UNC, to be approved by ~~the NRA.~~Ofgem. In addition to Transmission and Non Transmission being reconciled this modification also proposes to have reconciliation between Entry and Exit under Transmission Services.

Transmission Services Revenue:

It is proposed to maintain 50/50 split between Entry and Exit (for the purposes of allocating revenues to the charges to recover Transmission Services Entry and Exit Revenues). It is also proposed to maintain the reconciliation of Entry and Exit for Transmission Services, ~~like~~as per the current approach for TO charges. This would continue to mean that Entry and Exit, under Transmission Services, when reconciled would not result in Entry impacting Exit or vice versa.

The applicable years Transmission Service Revenue will be split 50:50 between revenue to collect on Entry Capacity charges and revenue to collect on Exit Capacity charges. This value will then be added to any under/over recovery (Transmission Services K value) which was calculated in y-2 (two years ago) and split between Entry and Exit in the correct proportion, to make the applicable revenue which will be used in the CWD model to calculate the capacity charges.

Non Transmission Services Revenue:

It is proposed that ~~A~~all those charges ~~under~~in respect of ~~-~~Non~~-~~-Transmission Services shall contribute towards Non Transmission Services revenue recovery. All charges are set on an ex-ante basis.

It is proposed that ~~A~~any under or over recovery attributed to the charges other than the Non-Transmission Services Entry and Exit Charge shall not be subject to reconciliation with any K value (Non Transmission Services K value) adjusting the Non Transmission Services Revenue recovery charge. Non Transmission Services revenue charge will be added to the Non Transmission Services K value which was calculated in y-2 (two years ago) which will be used to calculate the applicable years Non Transmission Services Revenue which will be used for calculation of the Non Transmission Services Charges.

6 Impacts & Other Considerations

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

N/A

Consumer Impacts

Depending on the final proposal of the charging methodologies there will be impact on different consumer groups but the allowed revenue collected by National Grid NTS will not change. This section will be developed as this modification proposal develops.

Cross Code Impacts

None

EU Code Impacts

EU Tariff Code compliance is considered as part of this modification proposal.

Central Systems Impacts

[Impact being assessed by Xoserve].

7 There will be impacts on Gemini and UK Link invoicing systems. Discussions on these impacts are already underway. 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;	Positive
aa) That, in so far as prices in respect of transportation arrangements are established by auction, either: (i) no reserve price is applied, or (ii) that reserve price is set at a level - (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;	Positive
b) That, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business;	Positive
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.	Positive

This modification proposal 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;

as the charges will be changed at the required times and to the required notice periods.

Demonstration of how the Relevant Objectives are furthered:

b) That, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business;

The update to the Transmission Services methodology proposal takes into account developments which have taken place in the transportation business, in particular that the network is no longer expanding.

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.

The EU Tariff Code compliance is taken into account in this modification proposal which came into force on 6 April 2017 and has an implementation date of May 2019, with the resulting methodology effecting prices from October 2019.

To the extent that TPD Section B and EID Section B is impacted, this will require a review of the standard Relevant Objectives in addition to the above.

8 Implementation

No implementation timescales proposed, these will be discussed within the workgroups.

This modification and the resulting methodology change will take effect for prices from October 2019, in order to achieve compliance with the EU Tariff Code.

9 Legal Text

Text Commentary

To be provided later

Text

To be provided later

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Authority Direction should apply
- Refer this proposal to a Workgroup for assessment.