

# Mod 0636 – Analysis for potential inclusion in Workgroup Report

Workgroup meeting 7 December 2017

# Mod 0636 – Analysis Content

- Data - provided by National Grid
- Impact of Mod 0636 – Breakdown of Revenues
- Impact of Mod 0636 on Standard Commodity charges
- Changes in number of sites on OCC and distances
- Impact on average rates for OCC
- Impact on OCC Users by shipper category
- Analysis Summary

# Mod 0636 - Data

- All data has been provided by NG
- NG have provided data on OCC utilisation and rates for comparison with standard commodity rates under the Mod 0636 proposal
- Current OCC rates are used in the analysis but are anonymised
- Historic exit flows have been used for Gas Year 2015/6 for “M”
- Average 17/18 commodity rates, flows and revenues and the short-haul data ( volumes and revenues) are as included in the October Final charge setting process

# Impact of Mod 0636 – Breakdown of Revenues

Scenario and Impact	Breakdown of Annual Revenue from Current OCC Flows			Amount re-distributed to "Never on OCC"
	OCC "Remainers"	OCC "Leavers"	Total from OCC flows	
No OCC - Standard Commodity only	£132.93 m	£65.50 m	£198.43 m	-
Current	£14.30 m	£34.00 m	£48.31 m	£150.12 m
Mod 0636	£54.60 m	£75.45 m	£130.05 m	£68.38 m
Impact of Mod 0636	£40.30 m	£41.45 m	£81.74 m	-£81.74 m
Retained benefit after Mod 0636	£78.33 m	-£9.95 m	£68.38 m	

- "Remainers" are flows which are currently using OCC via a particular route which remain on the OCC following Mod 0636
- "Leavers" are flows which are currently using OCC via a particular route which switch to standard rate following Mod 0636
- "Never on OCC" are flows which are currently using Standard Commodity rates

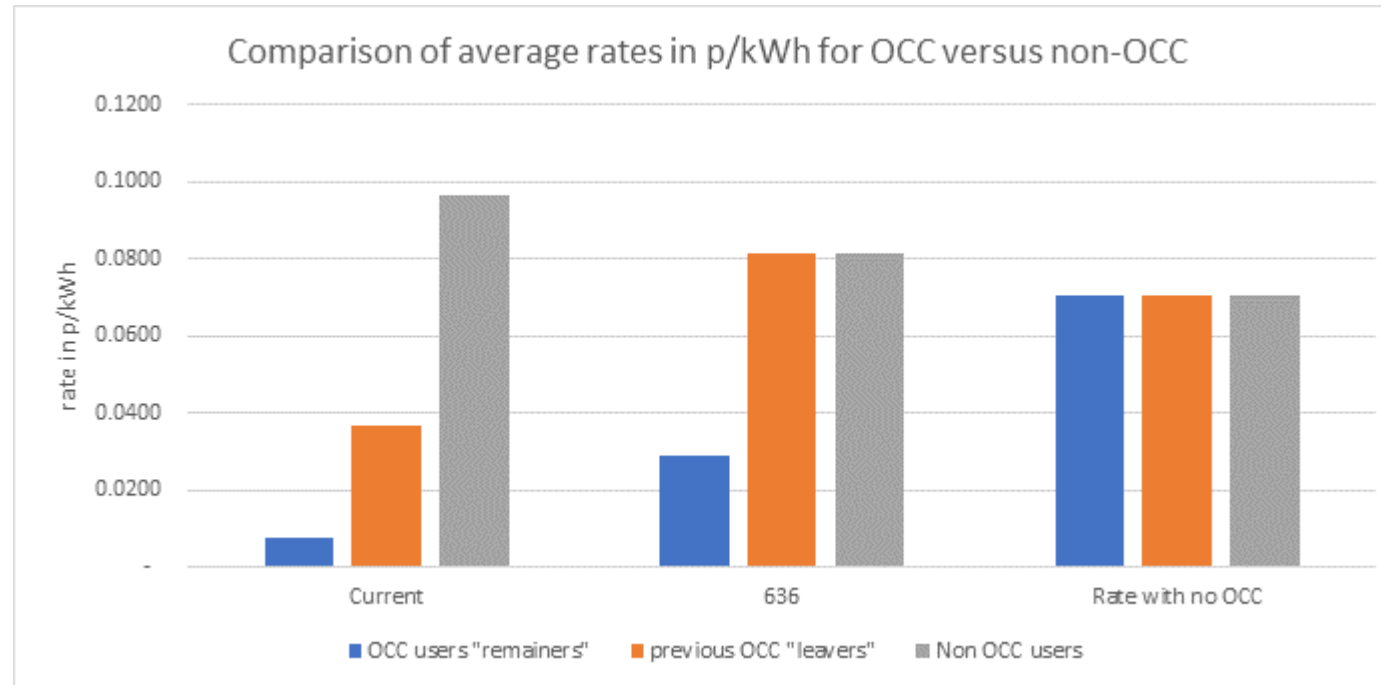
# Impact of Mod 0636 on Standard Commodity Charges Assuming Shippers Choose Cheapest Option

<b>Commodity Charges</b>	<b>Current p/ kWh</b>	<b>Mod 0636 p/kWh</b>	<b>Variance</b>	<b>No OCC</b>
TO Combined Commodity Rate	0.0751	0.0643	-14%	-
SO Combined Commodity Rate	0.0212	0.0172	-19%	-
SO+TO Combined Commodity Rate	0.0963	0.0815	-15%	0.0707

# Mod 0636 – Impact on number of sites and distances

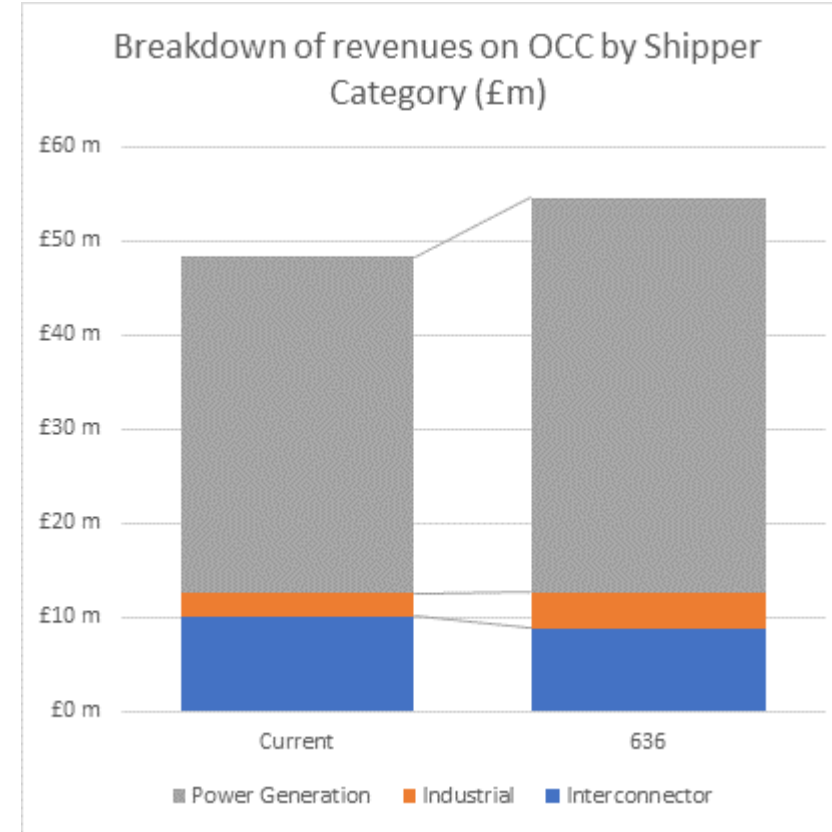
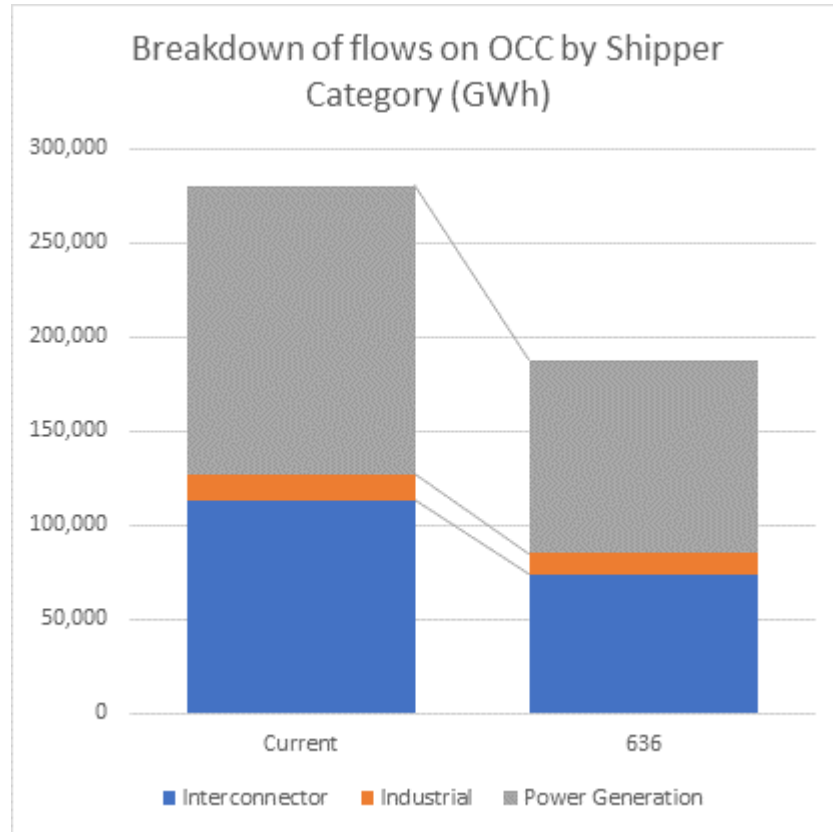
- There are currently 49 sites (including interconnectors) where the OCC is being utilised
- This analysis implies that this would reduce to 27 (or less) if Users choose the cheapest option under Mod 0636
- The average distance for OCC routes is at present 89km with a maximum distance of 274 km
- This reduces to an average distance of 30km but retains a maximum distance of 262km if Users choose the cheapest option under Mod 0636

# Comparison of average rates in p/kWh for OCC versus non-OCC



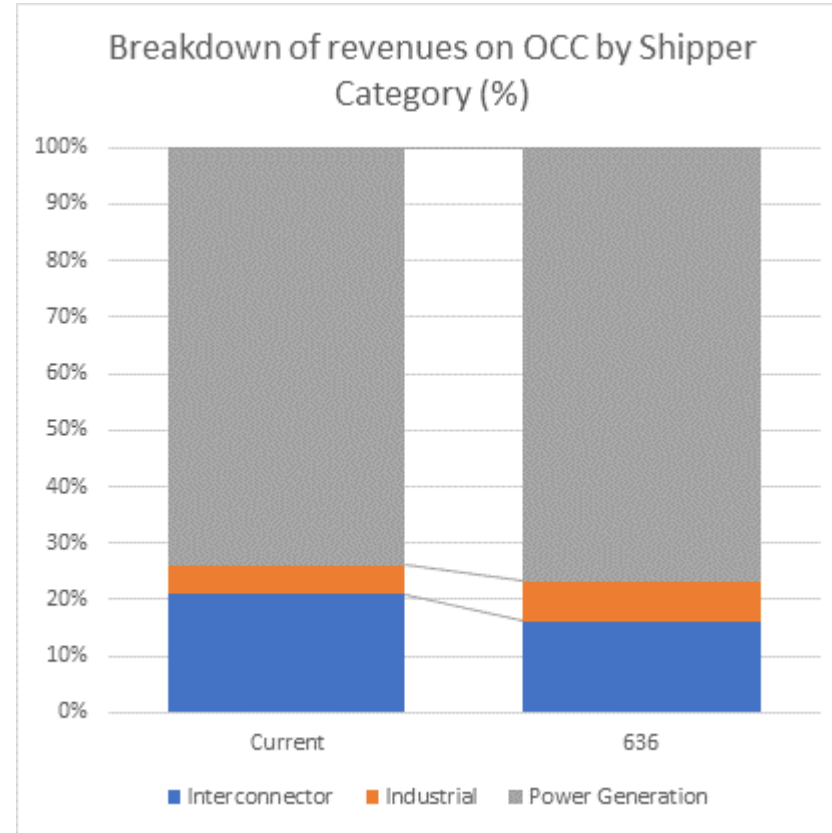
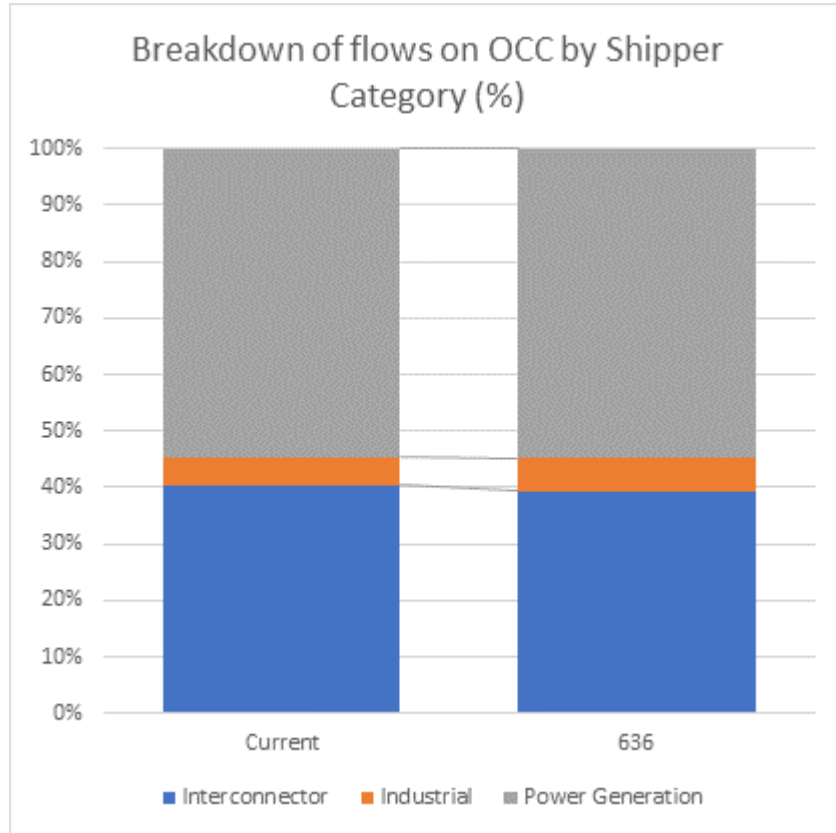
	<b>Current</b>	<b>636</b>	<b>Rate with no OCC</b>
OCC users "remainers"	0.0076	0.0291	0.0707
previous OCC "leavers"	0.0367	0.0815	0.0707
Non OCC users	0.0963	0.0815	0.0707

# Mod 0636 – Comparison of Flows and Revenues by Shipper Category





# Mod 0636 – Comparison of Flows and Revenues by Shipper Category - percentages



# Mod 0636 – Summary

- Mod 0636 reduces the amount “re-distributed” by £82m
- Remaining OCC flows still save £78m compared to Standard rates
- Standard Commodity charges will reduce by 15%
- Around 27 sites will stay on OCC and there is no arbitrary cut-off on distance. (Maximum 274km)
- Average rates for flows remaining on OCC increase by a factor of 4 and for flows “leaving” OCC increase by a factor of 2
- OCC flows reduce in absolute terms for all shipper categories although the % split by shipper category hardly changes
- Revenues from OCC flows increase despite lower flows