

Gas Charging Review UNC0621



NTSCMF – 23 January 2018
UNC0621 Workgroup

Agenda

Area	Detail
UNC Modification 0621 – amended modification	<ul style="list-style-type: none"> • Last update - Amended modification published 21 December 2017 • What about further changes? Final version of the modification?
Specific topic development / understanding	<ul style="list-style-type: none"> • Revenue Recovery at Interconnection Points in the Transition period • Avoiding inefficient bypass of the NTS – further clarity
Developing the analysis	<ul style="list-style-type: none"> • Developing the analysis for UNC0621 including base case scenarios to show sensitivities against • Consideration for alternate modifications
Plan and GB/EU Consultation and change process	<ul style="list-style-type: none"> • Overview of high level timeline • ACER TAR NC Consultation template
Next Steps	<ul style="list-style-type: none"> • Next Steps for UNC0621

Gas Charging Review



UNC Modification 0621 – Amended Modification
Amendments to Gas Transmission Charging Regime

Gas Charging Review:

UNC0621 – Modification proposals

- Amended modification for UNC0621 (V2.0) published on 21 December 2018.

<https://www.gasgovernance.co.uk/0621>

- A clean and track changed version are available on the modifications page above and on the workgroup pages:

<https://www.gasgovernance.co.uk/0621/110118>

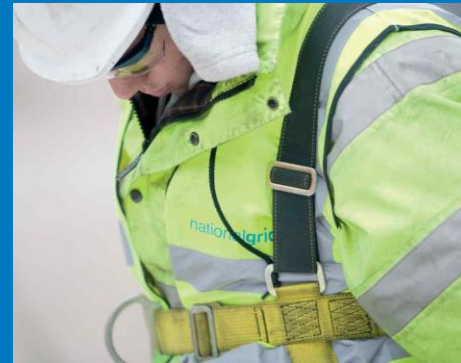
- Following workgroup discussions further updates will be published and be issued through the Joint Office.
- Further changes may be made to UNC0621 before it becomes the final version.

UNC0621 Proposals:

What about further changes / Alternates?

- National Grid is keen to have a final modification as soon as possible to confirm all aspects
- Analysis needs to be presented for awareness and to gain understanding of the potential impacts.
- As this is shared it may be appropriate to update the modification under some of the specific topics
- Early sight of prospective alternate areas is welcome via pre-modification discussions
- Alternates can be raised even if they may later be withdrawn should UNC0621 be amended.

Gas Charging Review



UNC Modification 0621 – updated draft
Latest thinking, proposals and options for discussion

Gas Charging Review:

UNC0621 – Key topics and proposals

- At recent UNC0621 workgroups we have shared our updated thinking on the main aspects of the charging framework under review
- Further thoughts are provided in the following slides on some of the main topics including additional material for some including latest thinking or discussion points
- It builds on certain areas that have progressed from previous updates and highlight any further discussions or developments.

UNC0621: Revenue Recovery Charge at Interconnection Points (1)

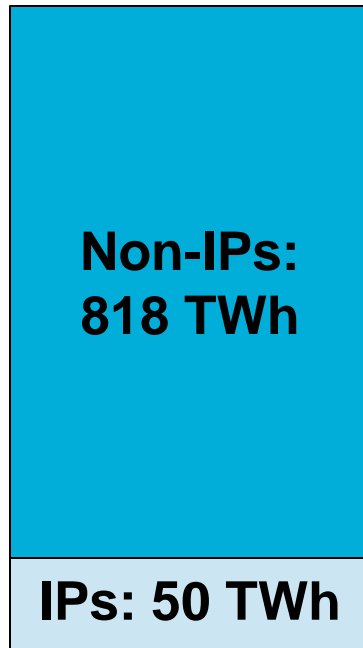
- In the amended modification it proposes a charge for the purpose of revenue reconciliation at interconnection points during the Transition period
- Commodity charges are not permissible at IPs under TAR NC
- Given the potential materiality of charges not collected at IPs, proposed a charge based on % of flows to allocate the total amount then levied on capacity
- Here the picture of how it may be applied is shown and also the influence / interaction with certain elements is considered

UNC0621: Revenue Recovery Charge at Interconnection Points (2)

- Action 1203: NG to review how this proposal works with Interconnection points and the method of revenue recovery.
- In the following slides the approach at interconnection points in the transition period is discussed
- This helps show the materiality and sensitivity of charges on the inclusion of applying a charge to IPs and builds on material from 11 January workgroup

Reconciliation - Entry

Forecast Annual
Flow 19/20



Forecast Under Recovery
(example) = £100m



£94m

Amount to be
recovered from
non-IPs



£6m

Amount to be
recovered from
IPs

Calculating unit rates for reconciliation

- To get unit (commodity) rate for non-IPs:
 - = Share of Under-Recovery / forecast (non-IP) flow
 - = £94m / 818 TWh
 - = 0.011525 p/kWh
- To get unit (top up) rate for IPs:
 - = Share of Under-Recovery / forecast (IP) bookings
 - = £6m / x

IPs

Forecast bookings	= forecast flow (low)	= 1.5 x forecast flow (mid)	= 2 x forecast flow (high)
Forecast bookings	50 000	75 000	100 000
Unit (interim) rate p/kWh	0.011525	0.00768	0.00576

- If it is assumed that bookings = forecast flow (100% efficient booking behaviour) then the IP unit rate is the same as the non-IP unit rate.
- As forecast of bookings \uparrow , then unit rate \downarrow

IPs – Historic Bookings

- IP historic bookings and influence on charge calculation

Forecast bookings	= forecast flow (low)	= 1.5 x forecast flow (mid)	= 2 x forecast flow (high)
Forecast Bookings	50 000	75 000	100 000
Previous unit rate p/kWh	0.011525	0.00768	0.00576
Historical Entry Bookings at IP	33 000	33 000	33 000
Forecast Bookings - HC	17 000	42 000	67 000
Revised unit rate p/kWh	0.03390	0.01372	0.00860

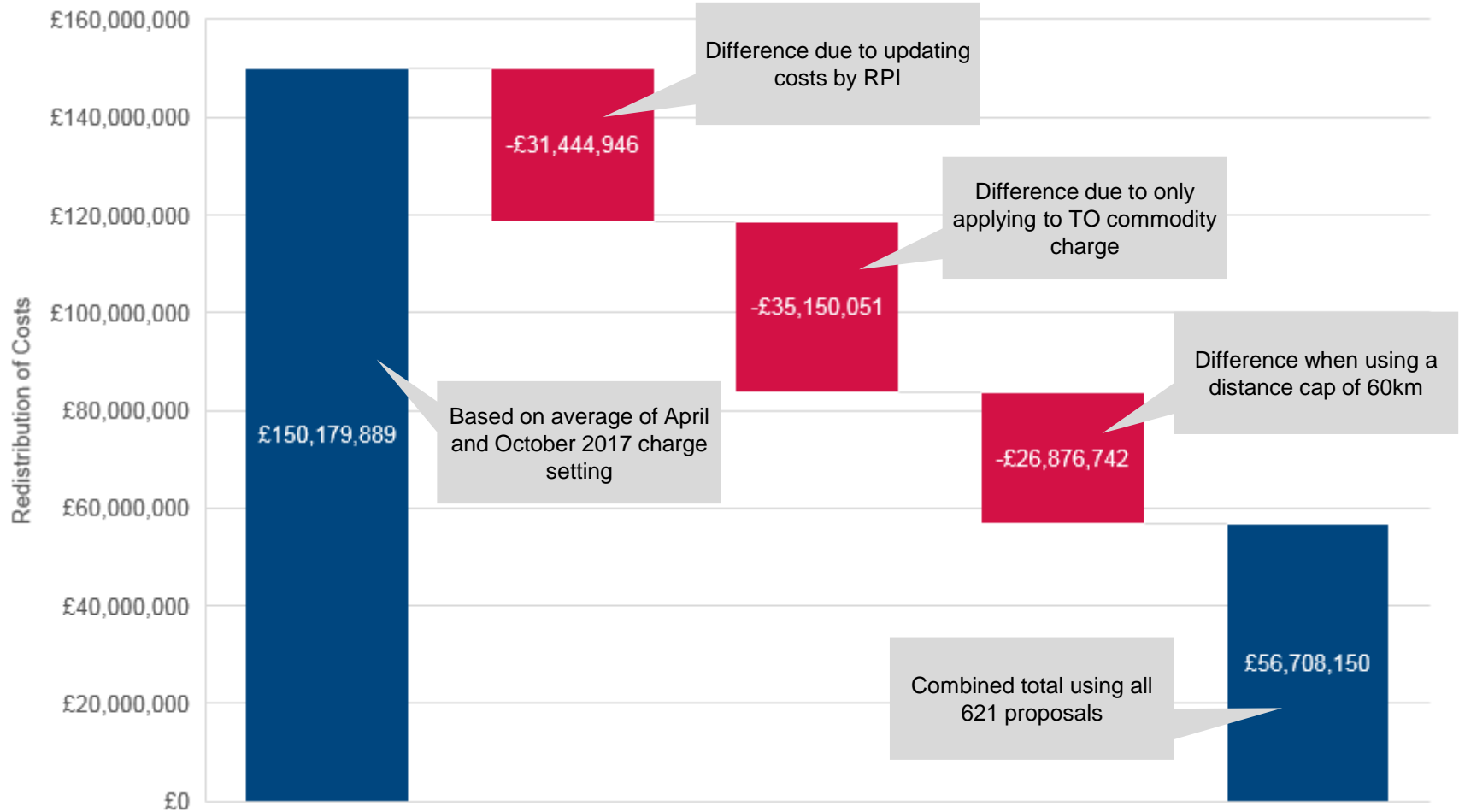
Options / Discussion on Transition Charge at Interconnection Points

- Impacts of historical IP contracts on the reconciliation charges and the interaction with the unit rate for other IP contracts.
- However assuming the overall level of bookings > level of flow will bring the IP unit rate back down.
- An alternative to exempting the historical contracts at the IP, would be to have the following rule: the top up rate will be due on all IP capacity, except for days where the shipper's allocation is zero.
 - This would return some commercial control of reconciliation costs to the shippers. (similar to non-IPs if nothing is flowed then no cost is incurred).
 - But it could make forecasting bookings more challenging when determining the rate up front. (a simple bookings = flow or other general rule may need to be assumed)

Avoiding inefficient bypass: Current vs 621 Proposal - Reminder

- Amended modification on 21 December 2017 proposes an update to the Avoiding inefficient bypass charge
 - Update of costs using RPI
 - Change to Transmission only so only an alternative to Transmission Services commodity charges under its design
 - Distance limit of 60km
- To show the impact at a high level of these changes the following chart demonstrates the cumulative impact of these three changes on the amounts “redistributed”.
- This provides a comparison to the impact or influence of the current “shorthaul” charge

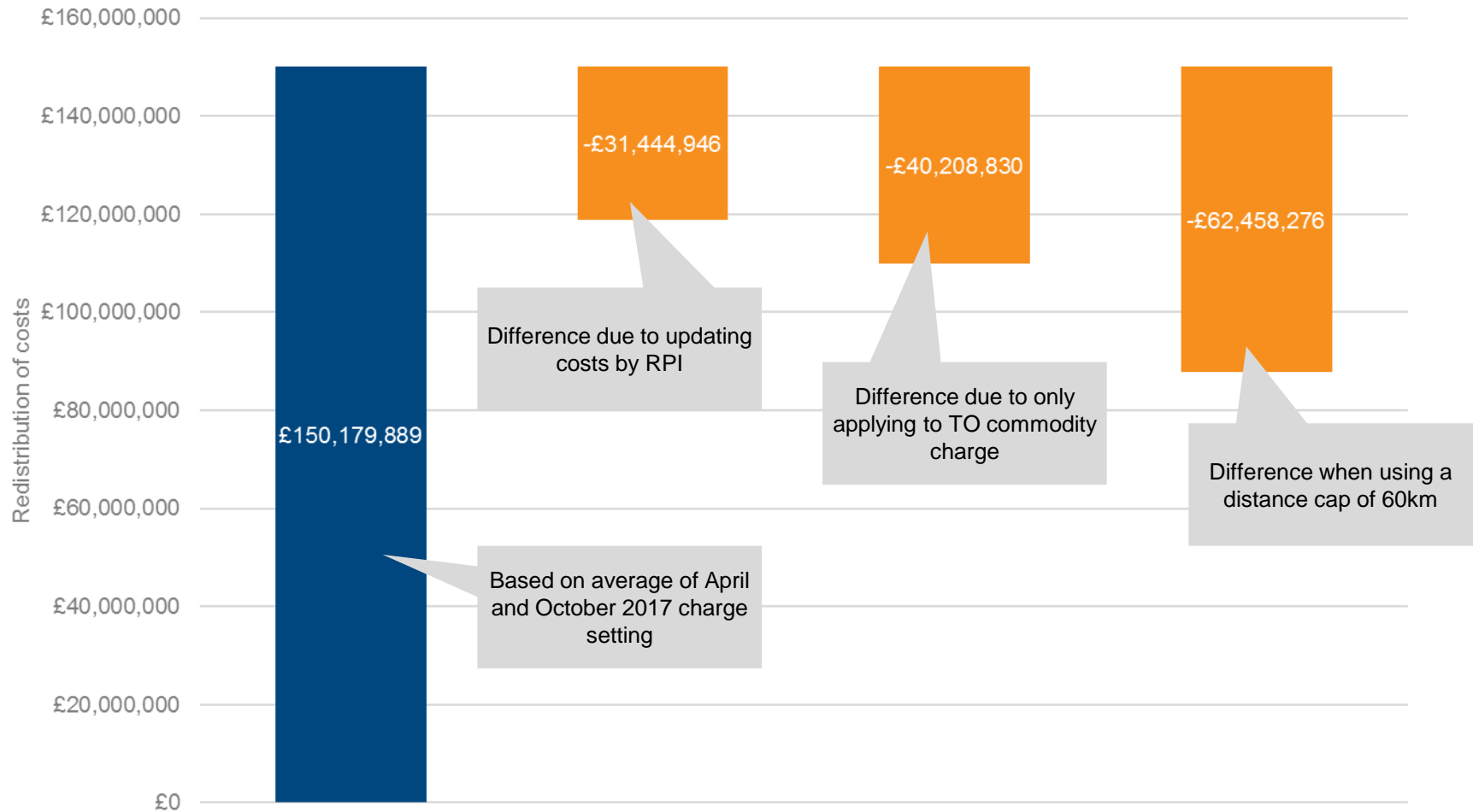
Avoiding inefficient bypass: Current vs 621 – Cumulative changes



Avoiding inefficient bypass: Current vs 621 Proposal

- At 11 January workgroup we showed the cumulative impact of changes of applying the distance cap, RPI and Transmission only charging for avoiding inefficient bypass.
- The following slides shows these changes in isolation (i.e. without any cumulative or compounding effect) and a reminder of the proposed mechanics of how it will interact with charging at IPs linked to the revenue recovery charge at IPs. (Action 1203).

Avoiding inefficient bypass: Current vs 621 – changes in isolation



IP Charging and AIBoNTS: Transmission Services (Transition period)

Non Interconnection Point

Scenario 1 – Non-IP Entry



- 200 units qualify for Optional Charge
- 100 units are subject to entry commodity charges
- 0 units are subject to exit commodity charges

No change to the current process except it's only applicable to Transmission Services

Scenario 2 – Non-IP Entry



- 300 units qualify for Optional Charge
- 0 units are subject to entry commodity charges
- 200 units are subject to exit commodity charges

Interconnection Point

Scenario 3 – IP Entry



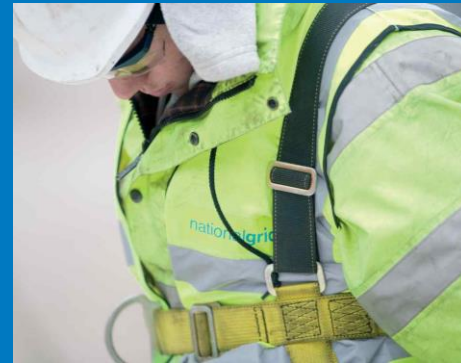
- 200 units qualify for Optional Charge
- 600 units are subject to entry capacity top up charge
- 0 units are subject to exit commodity charges

Scenario 4 – IP Exit



- 200 units qualify for Optional Charge
- 100 units are subject to entry commodity charges
- 600 units are subject to exit capacity top up charge
- 0 units are subject to exit commodity charges

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UNC Modification 0621:
Developing the analysis

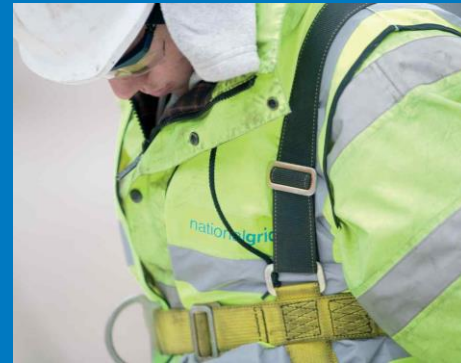
UNC0621: Developing the Analysis (1)

- For the analysis, the intention is to present analysis and show the sensitivities of the proposals for changes to certain aspects.
- This is being developed and will be shared when ready
- This requires some “base case” scenarios to be developed to show the impacts of changes to the variables and assessment of the proposals
- This will require updates to the models presented so far to provide a static model for UNC0621
- Other elements to include Cost Allocation Assessment and the assumptions made in accommodating it

UNC0621: Developing the Analysis (2)

- Ambition is to present this analysis at the next two workgroups (23 January and 6 February) subject to workload – may be necessary to include 20 February
- Base Case Scenarios
- Sharing some thoughts on what these base case scenarios could be for comments

Gas Charging Review

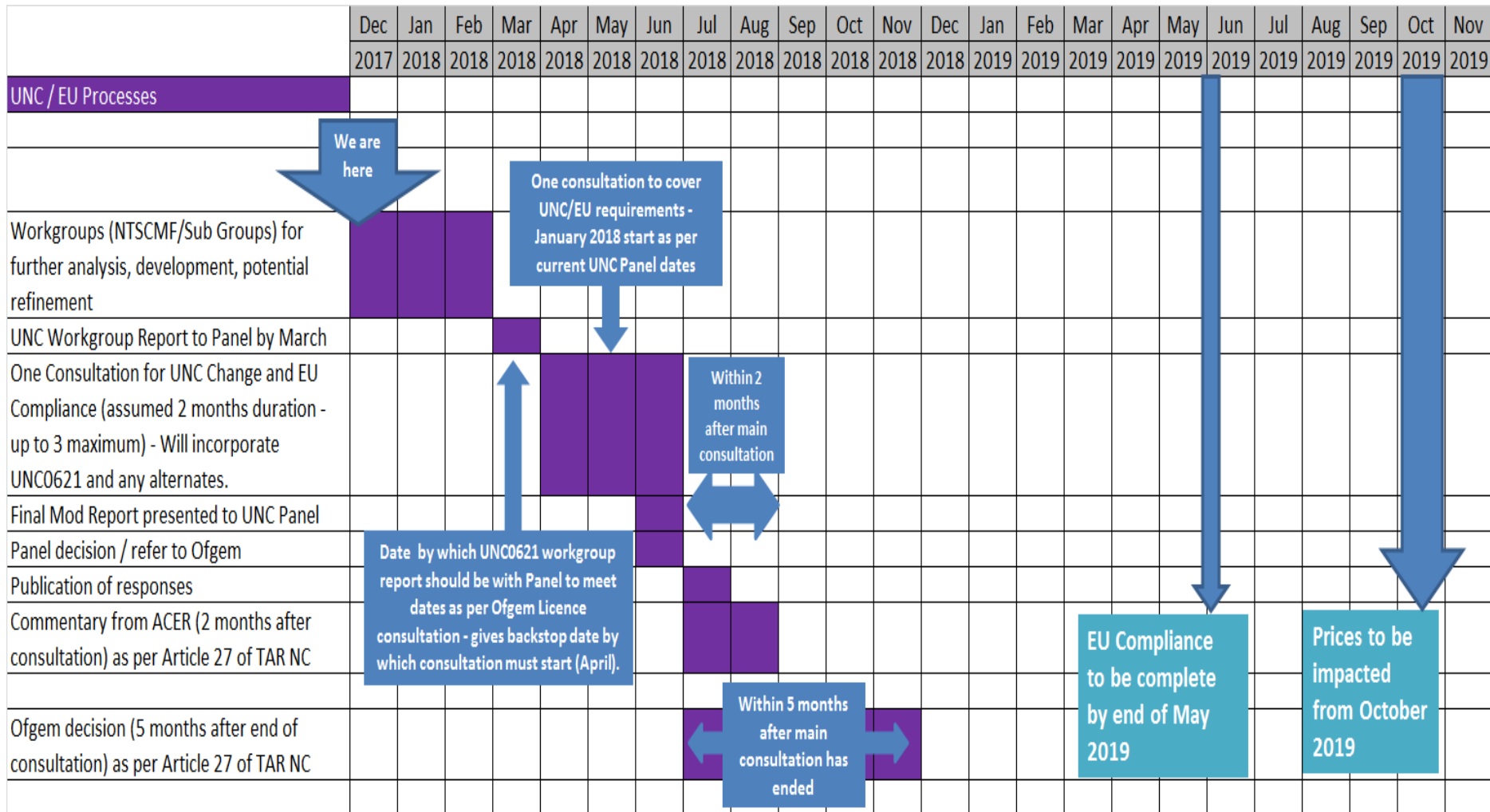


UNC Modification 0621:
Plan and change process

Timescales

- On timelines National Grid was asked to update the timetable to overlay other elements:
 - The IS change timetable
 - Timescales for capacity and when fed in (action 0101)
 - Timescales the different development requirements for the different alternate modifications (action 0102)

Gas Charging Review: Overview of potential Plan Timescales



Gas Charging Review

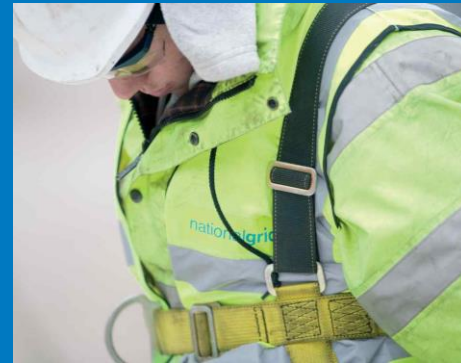


ACER template for TAR NC Consultation

EU TAR NC Consultation: ACER Template for submission

- The link to the content required can be found here:
[http://www.acer.europa.eu/Official_documents/Public_consultations/Pages/ACER-Consultation-Template.-Tariff-NC-Article-26\(5\).aspx](http://www.acer.europa.eu/Official_documents/Public_consultations/Pages/ACER-Consultation-Template.-Tariff-NC-Article-26(5).aspx)
- Whilst the actual template will be completed online the structure and content required is outlined in the check list.
- A copy of this list has been updated to the Joint Office website:
<https://www.gasgovernance.co.uk/ntscmf/110118>
- Further thought will be shared on how it will be populated, incorporated into the GB/EU consultation processes

Gas Charging Review



UNC0621 Modification
Next Steps

Gas Charging Review: UNC0621 Next Steps

- Analysis to go along with the modification proposals.
- Development of alternates and pre modification discussions
- Updated models to include additional functionality and reflect updated scenarios to model sensitivities
- Next UNC0621 workgroup scheduled for 6th February, 20th February and 6th March. Further workgroups may be needed.
- Any further updated drafts to be shared ahead of, and discussed at, future workgroups for UNC0621

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