

15 January 2018

Re: Justification for 86% capacity charge discount

The 86% discount was derived in accordance with the methodology set out in the Waters Wye Associates supporting document to Mod 621A. The document can be found [here](#).

In summary, the proposer contends that the minimum discount of 50% to capacity-based transmission charges levied at storage system points in the EU Tariff Code is inadequate and does not take into account the general contribution made by storage to system flexibility and security of supply. The full benefits of storage to the NTS and its Users were detailed in two papers submitted by Storengy and GSOG to the NTSCMF in July 2017 and can be accessed [here](#). The WWA paper acknowledges that the benefits are broad, but difficult to quantify, however, estimates are provided for a number of the individual benefits identified.

The proposer believes that the aggregated benefits should provide for a discount at, or very close to 100%, noting that based on Storengy's calculations that a 100% would result in only £8m of additional charges being levied on non-storage users.

In order, to derive a level of discount more aligned with the wider benefits generated by storage, the WWA document developed a methodology based on the principle that storage is embedded in the system, close to demand, akin to the justification for the application of the "shorthaul" tariff at NTS Exit Points located close to NTS Entry Points.

Using version 1.3 of the CWD model, WWA calculated that, on average, capacity charges are 36% higher when delivering gas to neighbouring exit points, via storage, than they would be if the gas was delivered directly from the non-storage NTS Entry Points to the same NTS Exit Points. On this basis, Mod 621A proposes that the 50% discount set out in Mod 621 is insufficient and that the total storage related capacity discount should equate to 86%.

Further, based on the GTCR Policy Position set out by Ofgem in Nov 2015, the Proposer believes that NTS capacity bookings at storage facilities should not attract any capacity based revenue reconciliation charges from 2021. The imposition of any such charge would result in double charging for each unit of gas delivered to, and from storage facilities