

Gas Charging Review UNC0621

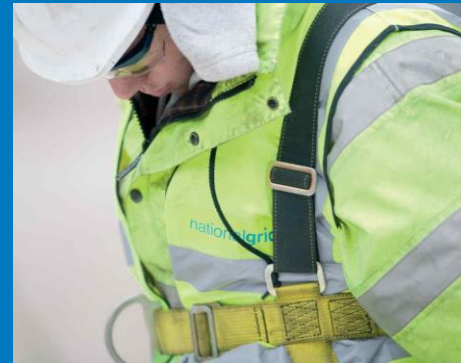


UNC0621 Workgroup – 20 March 2018
(Including alternates UNC0621A – J)

Agenda

Area	Detail
Use of WebEx	<ul style="list-style-type: none"> • If required – details to join
UNC Modification 0621	<ul style="list-style-type: none"> • Last update - Amended modification published February 2018 • Development / discussion areas <ul style="list-style-type: none"> • Zero prices and how to address • Addressing some of the CWD outcomes • Realistic flow scenarios – concept and discussion
Developing the analysis / workgroup report	<ul style="list-style-type: none"> • WebEx session / material from 15 March 2018 • Developing the models and analysis for UNC0621 and alternates • Structuring the analysis • Structuring the development of the workgroup report
Plan and GB/EU Consultation and change process	<ul style="list-style-type: none"> • Ofgem's Licence change / direction of 8th March 2018 • Reminder of the consultations and responsibilities • Overview of high level timeline
Next Steps	<ul style="list-style-type: none"> • Next Steps for UNC0621

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Use of WebEx – if needed

Use of WebEx

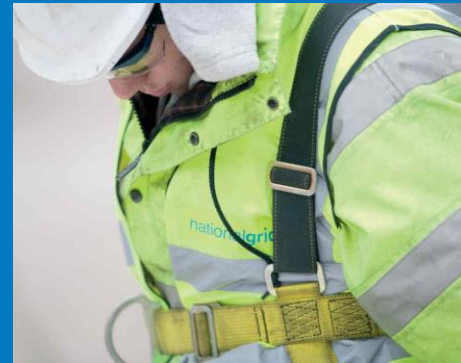
- During this presentation, there may be points when it may be useful to provide some on screen analysis or demonstrations. Should this be the case the following link is for the WebEx.

<https://uknationalgrid.webex.com/uknationalgrid/j.php?MTID=mfc1444569b4017c4f564fa3f40c0b772>

- Meeting number (if needed): 596 143 578
- Meeting password (if needed): EgPAs3mf

- N.B. this will only be used if needed

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UNC Modification 0621

Amendments to Gas Transmission Charging Regime

Gas Charging Review: UNC0621 – Modification proposals

- Amended modification for UNC0621 (V3.0) published on 19 February 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:
- 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 – appreciate timescales to deliver to May Panel
- 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 has been encouraged

Future updates to UNC0621

- As the analysis of 621 and the alternates (A-J) progress there may be aspects that National Grid may incorporate into UNC0621 if considered beneficial and more appropriate than current proposals
- This does not prevent the workgroup report from being started with the modifications as they stand
- If there are changes these can be accommodated alongside the progression of the workgroup report

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Development / discussion areas

Alternative method to address RPM generated zero prices (1/4)

- There are a number of reasons the prices may come out as zero in the calculations of Capacity prices
 - Zero obligated or forecast capacity;
 - Impact of Existing Contracts (if no further capacity at that particular Entry point is forecast)
- To date UNC0621 has catered for this by pricing using the nearest (using NTS pipeline distance) non-zero Entry or Exit point for a zero priced Entry or Exit point respectively
- Discussions at workgroup over time and at February 20/21 that this may warrant looking at

Alternative method to address RPM generated zero prices (2/4)

- Points raised – sometimes the distances used to find the nearest non zero priced point can be relatively large
- More likely on Entry due to lower number of Entry points
- An alternative that has been discussed to date is using the weighted average distance as a way to link a price for the point to the underlying methodology
- E.G. New price to replace a zero price:

**Weighted Average Distance
of zero priced point**

**Weighted Average Distance
of a specific Non Zero priced
point**

x

**Price of a specific Non Zero
Priced Point**

Alternative method to address RPM generated zero prices (3/4)

- Generally the number of Exit Points means that the two approaches will often result in the same price
 - This is because the nearest point has a similar weighted average distance
- For Entry, as there are fewer Entry points, and geographically they are further apart, the prices will be have greater variances than for Exit under the two approaches
 - Not always in one direction – in some cases prices will be higher using nearest point and in others will be higher using weighted distance

Alternative method to address RPM generated zero prices (4/4)

Entry: p/kWh/a price for zero prices in Transition

Entry Point	Current (Nearest Point)	Using Distance weighting	Difference	Distance weighting versus nearest point
Canonbie	4.368	4.791	0.423	10%
Caythorpe	3.549	3.619	0.070	2%
Garton	3.549	3.443	-0.106	-3%

Entry: p/kWh/a price for zero prices in Enduring

Entry Point	Current (Nearest Point)	Using Distance weighting	Difference	Distance weighting versus nearest point
Canonbie	13.833	15.063	1.230	9%
Cheshire	12.989	11.365	-1.624	-13%
Caythorpe	11.386	11.584	0.197	2%
Dynevor Arms	14.127	15.058	0.930	7%
Fleetwood	14.808	12.827	-1.981	-13%
Garton	11.386	10.997	-0.389	-3%
Hole House Farm	12.989	11.208	-1.782	-14%
Hatfield Moor (onshore)	10.799	10.387	-0.412	-4%
Hornsea	11.386	11.345	-0.042	0%
Hatfield Moor (storage)	10.799	10.387	-0.412	-4%
Isle of Grain	11.430	13.305	1.875	16%
Milford Haven	14.127	20.516	6.388	45%
Partington	12.989	11.740	-1.249	-10%

Addressing some of the CWD outcomes

- As the analysis of the CWD RPM has progressed a number of issues have been raised, including
- Step changes for some Entry / Exit points
- Some points have prices high relative to others (e.g. St Fergus Entry)
- To date some discussions taken place on ways to review this and see if there any mitigation measures that could be applied whilst maintaining the integrity of the underlying RPM
- One example asked to be modelled was using the square root of distances (covered in the WebEx material 15 March 2018).

Relevant Flow Scenario

- TAR Article 8 allows entry and exit points to be combined to create “relevant flow scenarios”
- Therefore, GB could be split up into regions/areas in order to make distances from Entry to Exit points more relevant
- For example St Fergus flows may not reach the South of England and Isle of Grain flows may not reach Scotland
- Action 0620 – 0302 asked National Grid to look at potential options for relevant flow scenarios
- A high level example of how this could be done is on the next slide
- Further analysis needs to be done to assess the suitability of any scenario and what impact this has on charges
- Any flow scenario would effectively require the introduction of a “merit order” to consider how, where and why gas would flow on the NTS

Example GB Relevant Flow Scenario for illustration

Zone A	Entry Points St Fergus	Offtake Zones Scotland (SC)	Flow Scenario A and B
Zone B	Entry Points Barrow Teesside	Offtake Zones Northern (NO) North West (NW) North East (NE)	Flow Scenario A, B and C
Zone C	Entry Points Milford Haven Easington Theddlethorpe Bacton IP Bacton UKCS	Offtakes Zones North Wales (WN) South Wales (WS) West Midlands (WM) East Midlands (EM) East Anglia (EA)	Flow Scenario B, C and D
Zone D	Entry Points Isle of Grain	Offtakes Zones North Thames (NT) Southern (SO) South East (SE) South West (SW)	Flow Scenario C and D

- *Example here splits GB into 4 “zones”*
- *Not all Entry points listed – largest listed for illustration*
- *For Zone A, under this example, all demand assumed to be met by supplies in Zone A or B. Therefore no supplies in Zone C or D used to meet demand in Zone A.*
- *Zone B uses supplies in Zone A, B or C to meet demand. Therefore none from Zone D, etc*

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UNC Modification 0621:
Developing the models / analysis

WebEx session / material from 15 March 2018

- A WebEx was held on the 15th March. Material is available in the presentation pack called “WebEx Material 15 March 2018 - LRMC CWD Postage Stamp Comparisons”, available on the Joint Office website
<https://www.gasgovernance.co.uk/0621/200318>
- We understand there were some issues with joining the WebEx and have made available the material and will give a short overview in this meeting to allow stakeholders to review.
- Comments / questions can be sent direct to National Grid (details on last slide of this pack)

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 over the coming workgroups
- As the WG report is developed it may be necessary to carry out further analysis.
- We've shared initial "base" scenarios and these are populated in the published CWD models and will develop and publish another using peak demands (as per discussions at February 20/21 workgroups)

UNC0621: Developing the Analysis (2)

- In developing the analysis National Grid will be putting together a timeline for the delivery of analysis for the workgroups
- The Joint Office issued a request to all proposers for the analysis they expect to be required in order to complete the workgroup report
- National Grid will build a model per Alternate to enable analysis to be done, may need proposers to provide clarity on their solutions
- It may be necessary for each proposer to carry out some of the analysis for their proposed modification
- Under these circumstances National Grid will offer to check analysis produced by the proposers

UNC0621: Developing the Analysis (3)

- In addition National Grid will be updating the CWD/PS/LRMC comparison to bring comparative values more up to date
- Essentially building on the “one-pager” that summarised the analysis that, in combination of relevant objective/stakeholder objective led to the selection of the CWD RPM
- This is to help support the workgroup report’s progress and provide the detailed background as to why CWD was selected

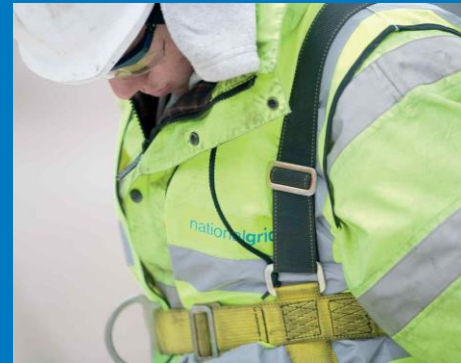
Cost Allocation Assessment

- The Cost Allocation Assessment was included into the CWD model published in March (Version 2.1)
- Available on the JO Website under the NTSCMF pages
<https://www.gasgovernance.co.uk/ntscmf>
- Opportunity to talk through the cost allocation assessment and the resulting values

Developing the workgroup report

- The workgroup report does require some analysis to be done before it can be started and have a solid foundation to be built from
- It does not need all the analysis to be done in order to progress a comparison for the alternates as tabled and provide a framework to build on
- The workgroup report, as has been suggested, may benefit from a structured plan of development / discussion like that used in the subgroups discussing the key topics in the development of UNC0621

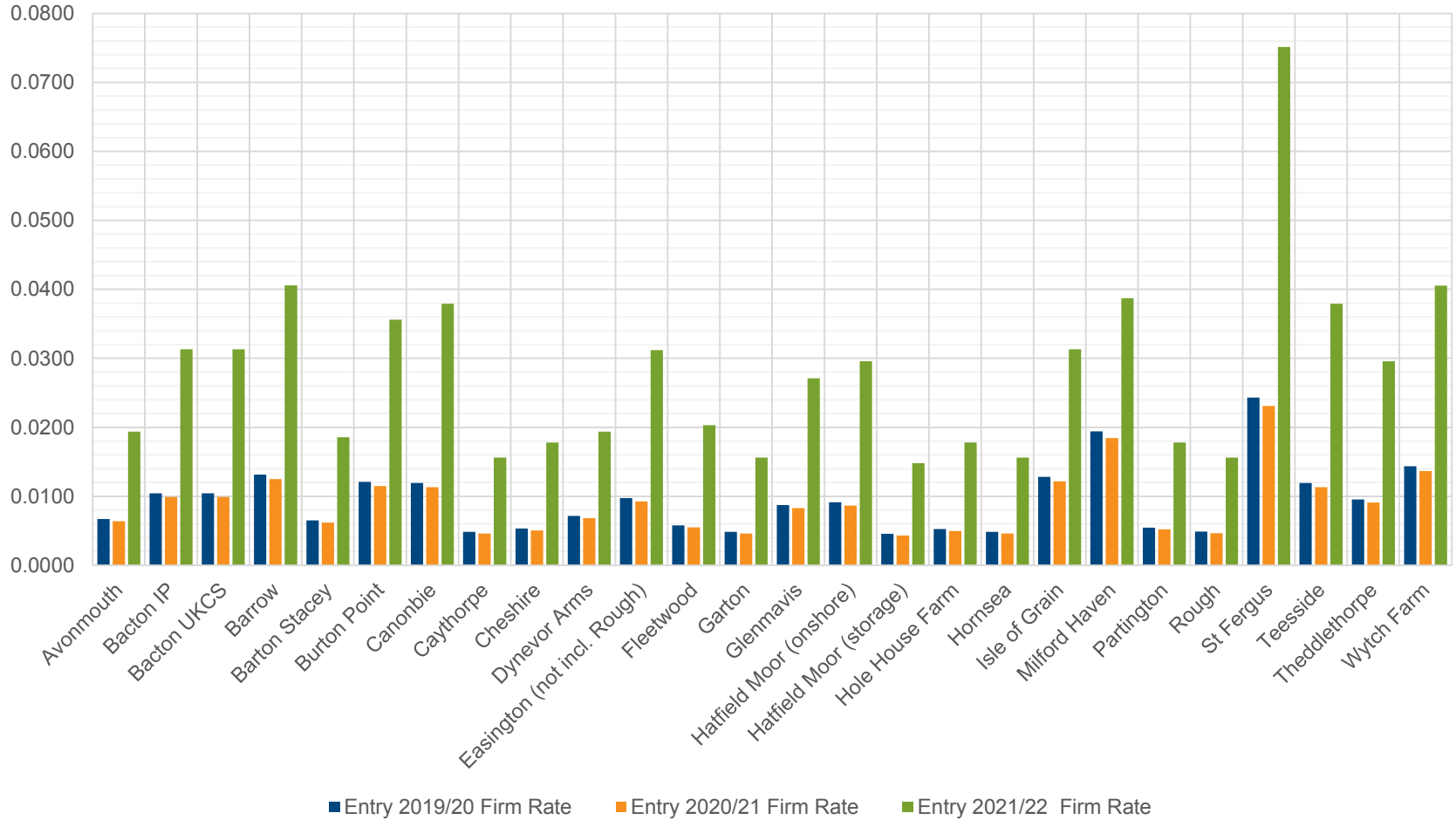
UNC 0621 – Outputs from Current Proposal



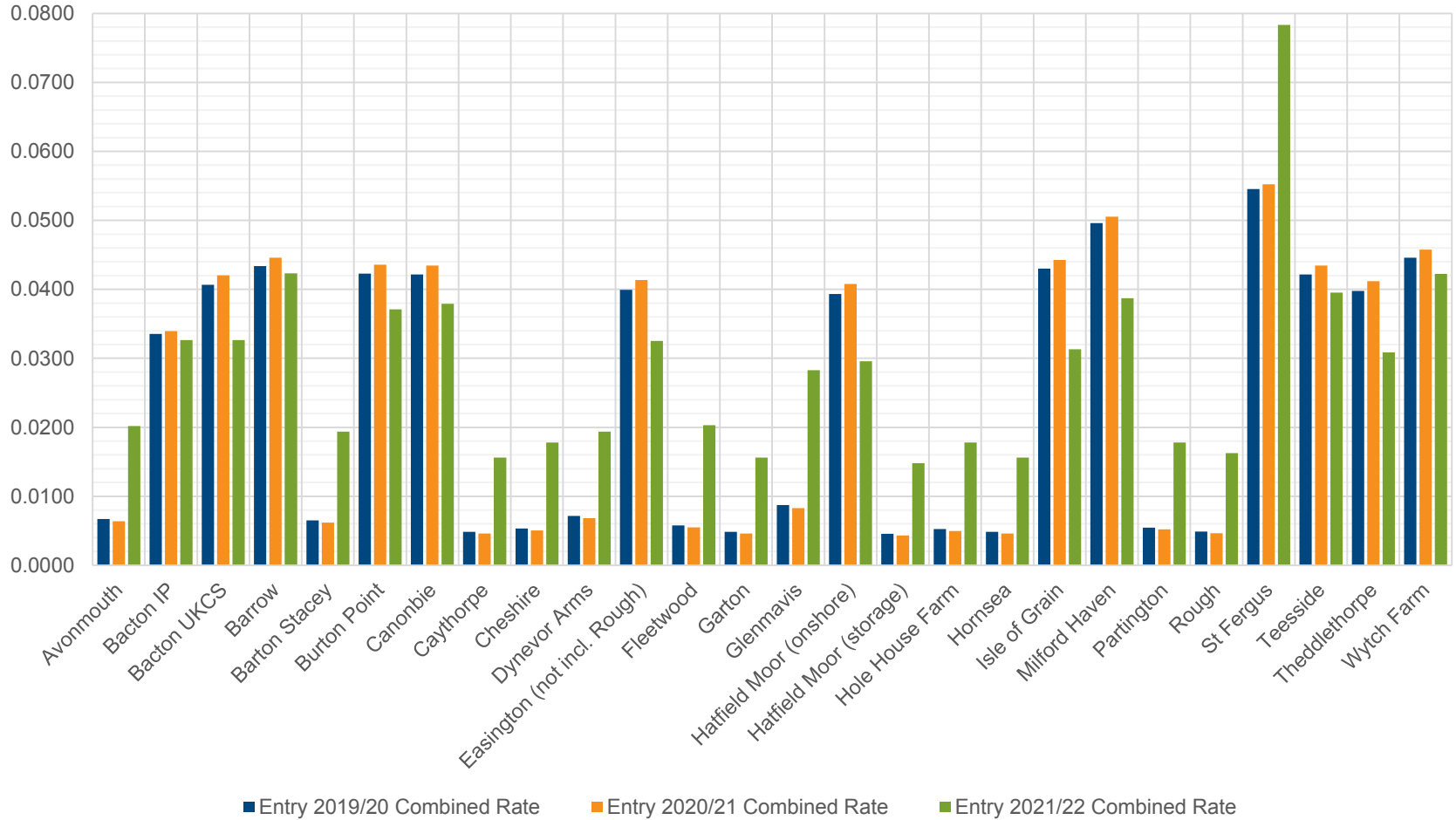
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UNC 0621 Workgroup

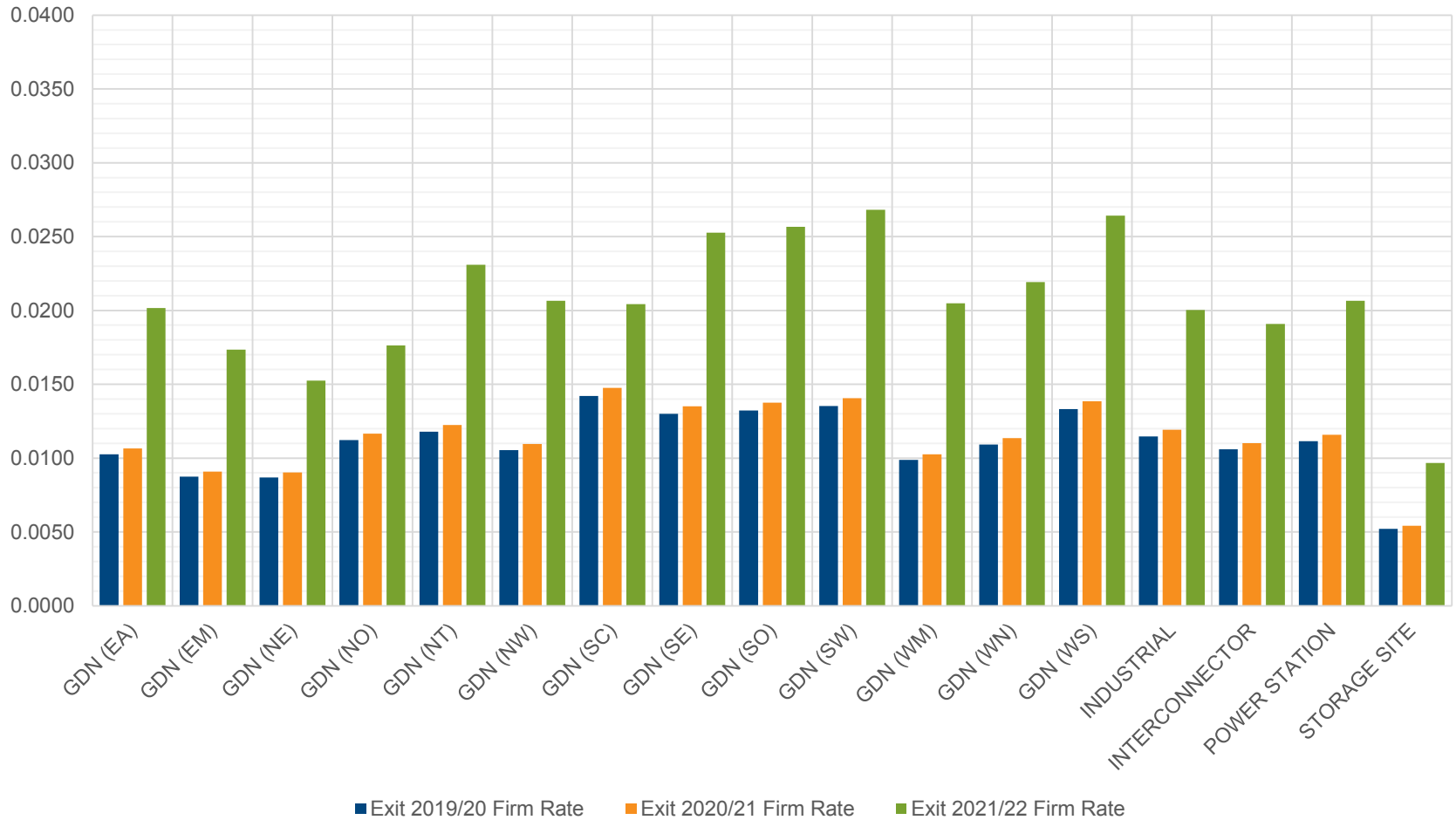
Entry Firm Prices for 2019/20 to 2021/22



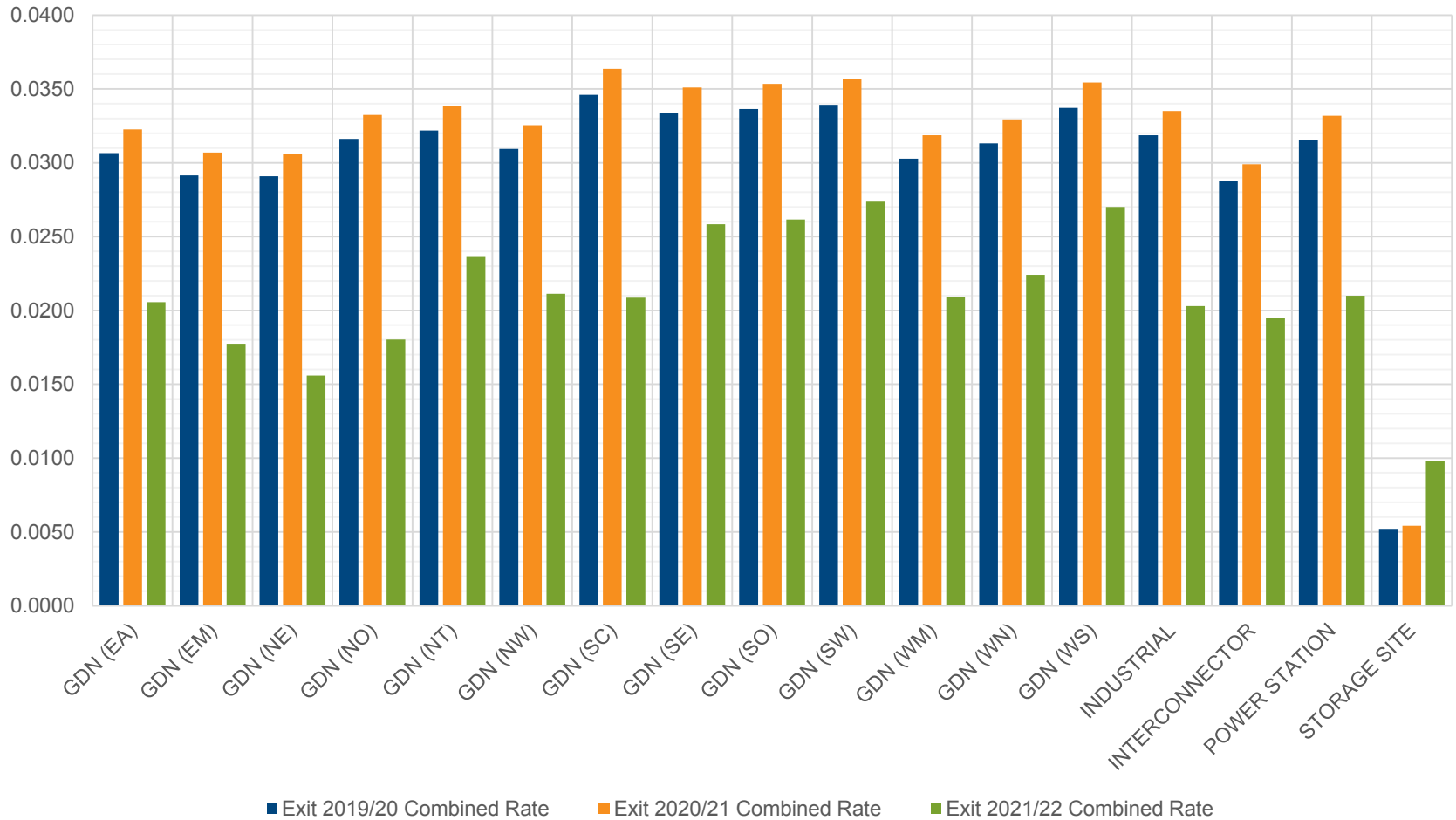
Entry Combined Prices for 2019/20 to 2021/22



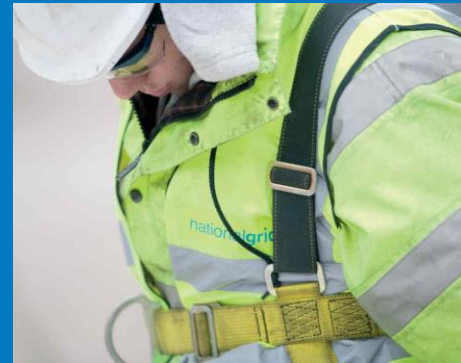
Exit Firm Prices for 2019/20 to 2021/22



Exit Combined Prices for 2019/20 to 2021/22



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UNC Modification 0621:
Plan and change process

Plan and Change Process

Timescales: Licence change

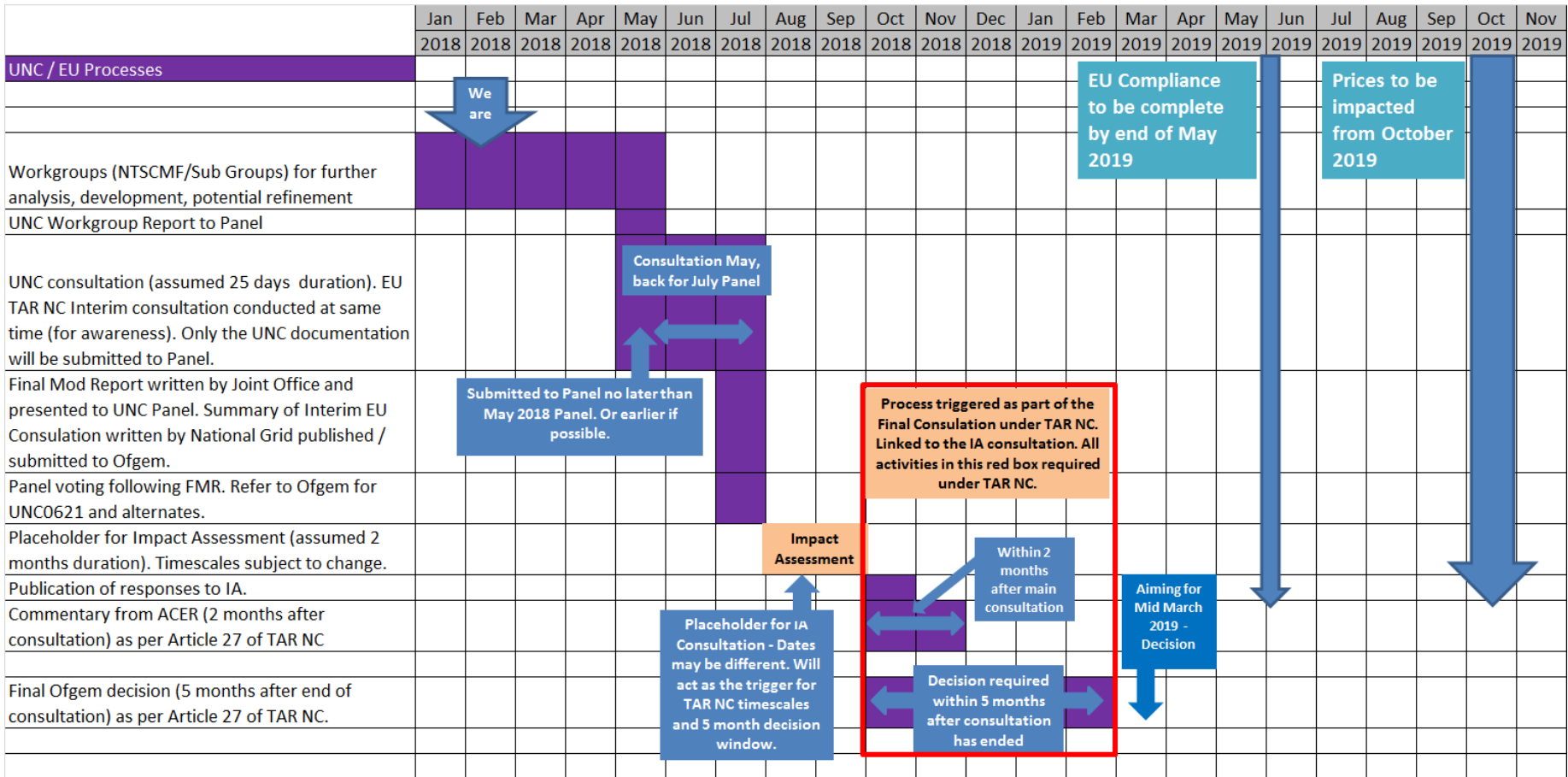
- Ofgem issued their Licence change decision / direction on 8th March 2018

<https://www.ofgem.gov.uk/publications-and-updates/modification-gas-transporter-licence-facilitate-implementation-regulation-eu-2017460-tar-nc-gb>

- The decision / direction states:
 - “NGG shall use reasonable endeavours to ensure that the UNC0621 DMR is submitted to the UNC modification panel in sufficient time for consideration at its 17 May 2018 (or earlier) meeting.”; and
 - “NGG will no longer be required to undertake the final TAR NC article 26 consultation. Instead, NGG will be required to undertake a preliminary consultation, pursuant to TAR NC article 26.”

Gas Charging Review: Potential*

Timescales for UNC / EU processes (Inc. 621)



*Some aspects of this timescale are determined by EU TAR NC, some will be subject to the timing of the respective consultations and also Ofgem's thoughts for timescales (e.g. the Impact Assessment and decision points)

Process and responsibilities for the national grid consultation(s) under UNC0621/TAR NC

Step	UNC0621	Preliminary EU TAR NC	Impact Assessment / Final EU TAR NC
Pre-requisites to consultations	Workgroup report submitted to and voted on by Panel (including any specific questions for consultation).	Not sent to Panel. Materials for consultation to be published as separate doc / appendix and submitted to ACER for awareness.	Preparation for Impact Assessment
Consultation to be notified by	Joint Office	Joint Office	Ofgem
Duration of consultation	25 working days	25 working days	TBC
Responses to be sent to	Joint Office	Joint Office	Ofgem
Report following receipt of responses to be written by	Joint Office	National Grid	Ofgem
What happens to report	Published/issued to Panel	Published/issued to Ofgem	Published by Ofgem
Publication of non-confidential responses	Joint Office on UNC0621 pages	Published by NGG	Published by Ofgem

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UNC0621 Modification
Next Steps

Gas Charging Review: UNC0621 Next Steps

- Analysis to go along with the modification proposals.
- Updated UNC0621 modification
- Development of alternates
- Updated models to include additional functionality and reflect updated scenarios to model sensitivities
- Next UNC0621 workgroup scheduled for 28th March. Further workgroups than those planned may be needed.
- Supporting analysis sessions as needed

Contact us:

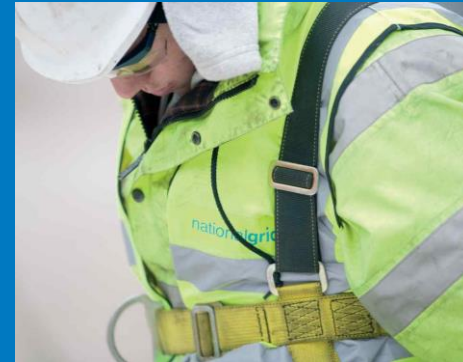
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