



Mod 621G

Supporting analysis

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Mod 621 Meeting

28 March 2018

Mod 621G - refresher

- Proposes that the revised OCC rate for the transition period should be applied to the Non-Transmission Tariff (SO equivalent), in addition to the Transmission Commodity Tariff
- See WWA paper presented at Mod 621, 20 Feb 2018 meeting <https://www.gasgovernance.co.uk/index.php/0621/200218>
- Examination of the contributing costs to the SO allowed revenue indicate that only a limited proportion could be considered to be “valid” and would be incurred by a private pipeline operator
- Based on our findings, WWA believes that not only should Non-Transmission costs be “reduced” via the application of the OCC rate, but the existing rate (and the proposed new rate) is in fact too high!
- Where these costs and resultant charges are too high, there is an incentive for developers to build and operate independent pipelines, to the detriment of all customers

WWA analysis main findings

- Based on NGG figures the OCC is expected to recover @£49m in SO revenue over the current Formula Year.
- Base NTS System Operation Revenue (where there are likely to be parallels between SO costs incurred by NGG and a private pipeline operator) are @£94m.
- OCC Users contribute over 50% of Base SO Revenue but flows are around 1/3 of the total, *ergo*, the OCC SO charge is excessive
- For simplicity, Mod 621G proposes applying the OCC rate to the Non-Transmission tariff for the transition period, but it should be looked at closely when developing an enduring solution

Mod 621G – CWD Modelling

Transmission Model

Gas Year	Total Flows	Total Revenues	Non-IP Flows	Non-IP Revenues	IP Flows	IP Revenues
19/20	154,505	£15,077,562	102,698	£14,507,527	51,807	£570,035

Not entry and exit flows



Non-Transmission Model

Step	
Non Transmission Services Collectable Revenue	£261m
Forecast Flows: Entry and Exit Flows, GWh	1,778,230
Commodity Rates, p/kWh	0.0147

Assumes no OCC



Impact of Mod 621G

- Avge OCC rate = $\text{£}7,538,781 / 154,505 \text{ GWh} = 0.0049 \text{ p/kwh}$
- Total revenue recovery from OCC = $\text{£}15\text{m}$
- Under Mod 621 total revenue recovered from OCC = $\text{£}15\text{m}$ for TO plus standard SO rates * Flows
- Mod 621 SO revenue recovery from “OCC flows” = $2 * (0.0147 * 154,505 \text{ GWh}) = \text{£}45\text{m}$ or 17% of allowed SO revenue for 17% of total flows
- Total Mod 621 TO+SO revenue from OCC flows = $\text{£}15\text{m} + \text{£}45\text{m} = \text{£}60\text{m}$
- If avge OCC rate is used to replace TO and SO commodity charges, then total OCC TO + SO revenue still equals $\text{£}15\text{m}$
- Assuming that all revenue from OCC is allocated to TO then additional revenue to be recovered from standard SO charges is $\text{£}45\text{m}$
- Additional SO Commodity charge = $\text{£}45\text{m} / 1,778,230 \text{ GWh} = 0.0026 \text{ p/kwh}$
- Total SO commodity charge = $0.0147 + 0.0026 = 0.0172 \text{ p/kwh}$ (17% increase)
- The impact of the OCC maybe shared across TO and SO going forward, tbd.