

ANNEX C

Transition Document Part IIC – Transition Rules

Insert new paragraph 25 as follows:

25 REVISED NTS TRANSPORTATION CHARGING METHODOLOGY

25.1 Introduction

- 25.1.1 This paragraph 25 sets out transitional arrangements in respect of the NTS Transportation Charging Methodology in Part A-I of TPD Section Y, introduced by Code Modification 0621C (the “**Relevant Modification**”), and related variations to TPD Section B and TPD Section E (as modified by the Relevant Modification).
- 25.1.2 In paragraphs 25.1 to 25.3, references to Sections are to Sections of Part A-I of TPD Section Y and terms defined in Part A-I have the meanings given therein.
- 25.1.3 The NTS Transportation Charging Methodology shall apply with effect from and in respect of each Auction and Allocation Process:
- (a) held after the Modification Direction Date; and
 - (b) in respect of NTS Capacity to be allocated for a period falling within Gas Year 2019/20 or a subsequent Gas Year.
- 25.1.4 Section 2.1.4 shall not apply in respect of NTS Entry Capacity held pursuant to an Existing Registered Holding, and accordingly the Applicable Daily Rate for such NTS Entry Capacity shall be continue to be determined (where applicable) on the basis of the clearing price or reserve price for the Auction in which the NTS Entry Capacity was allocated.
- 25.1.5 The provisions of TPD Section B for payment of Transportation Charges relating to the NTS, as modified by the Relevant Modification, apply in respect of Transportation Charges payable in respect of Days from and including 1 October 2019, subject to the provisions of paragraphs 25.4 and 25.6.
- 25.1.6 Each of the Gas Years 2019/2020 and 2020/2021 is a “**Transition Gas Year**” for the purposes of this paragraph 25.
- 25.1.7 The further provisions of this paragraph 25 are organised as follows:
- (a) paragraphs 25.2 and 25.3 modify the NTS Transportation Charging Methodology in respect of each Transition Gas Year, as follows:
 - (i) paragraph 25.2 sets values for certain parameters used in the NTS Transportation Charging Methodology to apply for each Transition Gas Year; and
 - (ii) paragraph 25.3 modifies the basis on which the Entry Transmission Services Revenue Recovery Charges and Exit Transmission Services Revenue Recovery Charges are determined for each Transition Gas Year;
 - (b) paragraph 25.4 modifies the provisions of TPD Section B and other provisions of the Code, to give effect to the variations (under paragraph 25.1.7(a)(ii)) to the Entry

Transmission Services Revenue Recovery Charges and Exit Transmission Services Revenue Recovery Charges for each Transition Gas Year;

- (c) paragraph 25.5 provides for the determination of the Revenue Rebalance Factor for the purposes of Section 5.2.1; and
- (d) paragraph 25.6 provides for certain elections by Users to be deemed to be NOCC Elections as at 1 October 2019.

25.2 Transitional parameter values

25.2.1 For each Transition Gas Year:

- (a) in Section 2.4.1 the Entry Revenue Scaling Factor shall be equal to 1; and
- (b) in Section 2.4.2 the Exit Revenue Scaling Factor shall be equal to 1; and
- (c) Section 2.4.4 shall not apply.

25.2.2 For the purposes of Section 2.5, for each Transition Gas Year:

- (a) Forecast Contracted Capacity for each Entry Point shall be equal to Licence Baseline Entry Capacity (Table 4B in Special Condition 5F, expressed in kWh/Day);
- (b) Forecast Contracted Capacity for each for Exit Point shall be equal to Licence Baseline Exit Capacity (Table 8 in Special Condition 5G, expressed in kWh/Day);
- (c) Section 2.5.2 shall not apply (but without prejudice to the requirement for National Grid NTS to publish the above values for Forecast Contracted Capacity).

25.2.3 In relation to the Gas Year following the last Transition Gas Year, National Grid NTS will comply with the requirement (to consult on and publish a summary of its methodology for Forecast Contracted Capacity) under Section 2.5.3 no later than 1 February in the last Transition Gas Year.

25.3 Revenue Recovery Charges

25.3.1 For each Transition Gas Year, for the purposes of determining Entry Transmission Services Revenue Recovery Charges and Exit Transmission Services Revenue Recovery Charges:

- (a) Section 3.2 shall not apply in relation to Intra-System NTS Points;
- (b) paragraphs 25.3.2 to 25.3.7 shall apply in relation to Intra-System Points; and
- (c) in relation to Interconnection Points, Sections 3.1.2 and 3.2 shall apply on the modified basis set out in paragraph 25.3.8,

and for the purposes of this paragraph 25.3 and the further provisions of this paragraph 25, references to Exit Points include both NTS Exit Points and LDZ Exit Points.

25.3.2 For the purposes of this paragraph 25.3, in relation to a Gas Year:

- (a) the “**Forecast Aggregate Intra-System Entry Quantity**” (FAEnQ_{iSP,y}) is the aggregate quantity of gas which National Grid NTS estimates will be delivered by

Users to the NTS (and allocated as UDQIs) at Intra-System Entry Points, excluding Excluded Storage Quantities;

- (b) the “**Forecast Aggregate Interconnection Point Entry Quantity**” (FAEnQ_{IP,y}) is the aggregate quantity of gas which National Grid NTS estimates will be delivered by Users to the NTS (and allocated as UDQIs) at Interconnection Points;
- (c) the “**Forecast Aggregate Intra-System Exit Quantity**” (FAExQ_{ISP,y}) is the aggregate quantity of gas which National Grid NTS estimates will be offtaken by Users from the NTS (and allocated as UDQOs) at Intra-System Exit Points, excluding Excluded Storage Quantities;
- (d) the “**Forecast Aggregate Interconnection Point Exit Quantity**” (FAExQ_{IP,y}) is the aggregate quantity of gas which National Grid NTS estimates will be offtaken by Users from the NTS (and allocated as UDQOs) at Interconnection Points; and
- (e) “**Forecast Aggregate Fully-Adjusted Interconnection Point Exit Capacity**” is the aggregate amount of NTS Exit (Flat) Capacity (of all Capacity Allocation Types) which National Grid NTS estimates will be held allocated at Interconnection Points for the Gas Year, Fully-Adjusted (as provided in TPD Section B3.8.6(c)) each Day, on the basis in Section 2.2.3.

25.3.3 For each Transition Gas Year, the Forecast Entry Revenue Difference (FEnRD_y) and the Forecast Exit Revenue Difference (FExRD_y) shall be divided between Intra-System Points and Interconnection Points as follows:

- (a) the Intra-System Point Share of the Forecast Entry Revenue Difference (FEnRD_{ISP,y}) is calculated as:

$$FEnRD_{ISP,y} = FEnRD_y * FAEnQ_{ISP,y} / (FAEnQ_{ISP,y} + FAEnQ_{IP,y})$$

- (b) the Intra-System Point Share of the Forecast Exit Revenue Difference (FExRD_{ISP,y}) is calculated as:

$$FExRD_{ISP,y} = FExRD_y * FAExQ_{ISP,y} / (FAExQ_{ISP,y} + FAExQ_{IP,y})$$

- (c) the Interconnection Point Share of the Forecast Entry Revenue Difference (FEnRD_{IP,y}) is calculated as:

$$FEnRD_{IP,y} = FEnRD_y * FAEnQ_{IP,y} / (FAEnQ_{ISP,y} + FAEnQ_{IP,y})$$

- (d) the Interconnection Point Share of the Forecast Exit Revenue Difference (FExRD_{IP,y}) is calculated as:

$$FExRD_{IP,y} = FExRD_y * FAExQ_{IP,y} / (FAExQ_{ISP,y} + FAExQ_{IP,y})$$

25.3.4 For each Transition Gas Year, the Applicable Commodity Rate of the Entry Transmission Services Revenue Recovery Charge (EnRRC_y, in £/kWh) for Intra-System Entry Points is determined as follows:

$$EnRRC_y = FEnRD_{ISP,y} / FAEnQ_{ISP,y}$$

where, for the Gas Year:

$FEnRD_{ISP,y}$ is the Intra-System Point Share of Forecast Entry Revenue Difference; and

$FAEnQ_{ISP,y}$ is Forecast Aggregate Intra-System Entry Quantity.

25.3.5 The Entry Transmission Services Revenue Recovery Charge is a Commodity Charge (but is not payable in respect of Interconnection Points or Excluded Storage Quantities) and is payable by Users to National Grid NTS where it is negative and to Users by National Grid NTS where it is positive.

25.3.6 For each Transition Gas Year, the Applicable Commodity Rate of the Exit Transmission Services Revenue Recovery Charge ($ExRRC_y$, in £/kWh) for Intra-System Exit Points is determined as follows:

$$ExRRC_y = FExRD_{ISP,y} / FAExQ_{ISP,y}$$

where, for the Gas Year:

$FExRD_{ISP,y}$ is the Intra-System Point Share of Forecast Exit Revenue Difference; and

$FAExQ_{ISP,y}$ is Forecast Aggregate Intra-System Exit Quantity.

25.3.7 The Exit Transmission Services Revenue Recovery Charge is a Commodity Charge (but is not payable in respect of Interconnection Point Quantities or Excluded Storage Quantities) and is payable by Users to National Grid NTS where it is negative and to Users by National Grid NTS where it is positive.

25.3.8 For each Transition Gas Year, the Applicable Daily Rates of the Entry Transmission Services Revenue Recovery Charge and Exit Transmission Services Revenue Recovery Charge for Interconnection Points shall be determined in accordance with Section 3 on the basis that:

(a) in Sections 3.1.2 and 3.2.1:

- (i) references to Entry Points are to Entry Points at Interconnection Points only; and
- (ii) Forecast Entry Revenue Difference is replaced by the Interconnection Point Share of Forecast Entry Revenue Difference; and

(b) in Section 3.2.3:

- (i) Forecast Exit Revenue Difference is replaced by the Interconnection Point Share of Forecast Exit Revenue Difference; and
- (ii) Forecast Aggregate Fully-Adjusted Exit Capacity is replaced by Forecast Aggregate Fully-Adjusted Interconnection Point Exit Capacity.

25.3.9 For each Transition Gas Year, National Grid NTS shall, by the relevant date, determine and publish the Entry Transmission Services Revenue Recovery Charge and the Exit Transmission Services Revenue Recovery Charge for Intra-System Points and for Interconnection Points together with an explanation of the basis on which such charges have been determined.

25.3.10 The provisions of Section 3.3 under which National Grid NTS may revise the Entry Transmission Services Revenue Recovery Charge or Exit Transmission Services Revenue Recovery Charge for a Gas Year shall apply in respect of each Transition Gas Year, separately in relation to Intra-System Points and Interconnection Points, in accordance with Section 1.10 and on the basis that the reference in Section 3.3.1 to National Grid NTS's estimates shall include (as applicable) the estimates referred to in paragraph 25.3.2 above.

25.4 Variations of other TPD Sections in connection with Transmission Services Revenue Recovery Charges

25.4.1 For each Transition Gas Year:

- (a) for the purposes of TPD Section B1.7.8(a) and (b), the Entry Transmission Services Revenue Recovery Charge and Exit Transmission Services Revenue Recovery Charge are charges determined as provided in paragraph 25.3;
- (b) in relation to Intra-System Points, TPD Sections B2.11.1(d) and 2.11.7 shall not apply and paragraph 25.4.2 shall apply in their place; and
- (c) in relation to Interconnection Points, TPD Section B2.11.1(d) and 2.11.7 shall apply on the modified basis in paragraph 25.4.3.

25.4.2 In relation to Intra-System Entry Points:

- (a) a User shall pay to National Grid NTS, or (where the Applicable Commodity Rate is negative) National Grid NTS shall pay to the User, the Entry Transmission Services Revenue Recovery Charge for each Day in accordance with paragraph (b); and
- (b) the Entry Transmission Services Revenue Recovery Charge for each System Entry Point shall be calculated as such User's User Daily Quantity Input multiplied by the Applicable Commodity Rate determined in accordance with paragraph 25.3.

25.4.3 In relation to Interconnection Points. TPD Sections B2.11.1(d) and 2.11.7 shall apply on the basis that those Sections refer only to Interconnection Points and that reference to the rates for Entry Transmission Services Revenue Recovery Charges are to the rates determined in accordance with paragraph 25.3.8.

25.4.4 For each Transition Gas Year, TPD Sections B3.12.1(d) and 3.12.9 shall not apply and paragraphs 25.4.5 and 25.4.6 shall apply in their place.

25.4.5 In relation to Intra-System Exit Points:

- (a) a User shall pay to National Grid NTS, or (where the Applicable Commodity Rate is negative) National Grid NTS shall pay to the User, the Exit Transmission Services Revenue Recovery Charge for each Day in accordance with paragraph (b); and
- (b) the Exit Transmission Services Revenue Recovery Charge for each System Exit Point shall be calculated:
 - (i) for each System Exit Point, excluding Storage Connection Points, as the User Daily Quantity Output; and
 - (ii) for a Storage Connection Point in relation to which the User is a storage use gas provider, as the User's daily storage use gas quantity,

multiplied by the Applicable Commodity Rate determined in accordance with paragraph 25.3.

25.4.6 In relation to Interconnection Points:

- (a) a User shall pay to National Grid NTS, or (where the Applicable Daily Rate is negative) National Grid NTS shall pay to the User, the Exit Transmission Services Revenue Recovery Charge for each Day in accordance with paragraph (b); and
- (b) the Exit Transmission Services Revenue Recovery Charge for each Interconnection Point shall be calculated as such User's Fully-Adjusted Available NTS Exit (Flat) Capacity multiplied by the Applicable Daily Rate determined in accordance with paragraph 25.3.

25.4.7 For each Transition Gas Year:

- (a) TPD Sections E 1.3.4(c), E6.4.1 and E6.4.2(a)(i) and (b)(i) shall apply on the basis that after "General Non-Transmission Services Charges" is inserted "and Exit Transmission Services Revenue Recovery Charges"; and
- (b) TPD Sections E6.2.6 shall apply on the basis that after "General Non-Transmission Services Charge" is inserted "and Exit Transmission Services Revenue Recovery Charge".

25.5 Revenue Rebalance Charge

25.5.1 For the purposes of Section 5.2.1, the "**Revenue Rebalance Factor**":

- (a) for each Transitional Gas Year, shall be one (1);
- (b) for the Gas Year 2021/2022 and each subsequent Gas Year, shall be the factor 'F' determined and published by National Grid NTS under paragraph 25.5.2.

25.5.2 National Grid NTS shall, no later than 31 December 2020:

- (a) determine the amount of revenue earned for the Gas Year 2019/2020 by way of Capacity Charges in respect of all NTS Capacity, determined without taking account of any NTS Entry Transmission Services Rebate Charge or Transmission Services Revenue Recovery Charges ("**ERCC**");
- (b) calculate (rounded to 4 decimal places) the factor 'F' as follows:
$$F = ERCC / (ATSEnR + ATSExR)$$
- (c) publish the value of the factor F as so determined, together with a statement setting out how such factor has been so calculated.

25.6 NTS Optional Capacity Charges

25.6.1 Where a User has made an election for the NTS Optional Commodity Rate pursuant to TPD Section B (as in force prior to the Relevant Modification), such election (if then continuing in force) shall, with effect on and from 1 October 2019, automatically take effect as a NOCC Election (in respect of the same Specified Entry Point and Specified Exit Point).

25.6.2 Where a User has applied to elect for the NTS Optional Commodity Rate (for a Specified Exit Point which is a NTS Exit Point) before 1 October 2019, unless the User has confirmed (by a Supply Point Confirmation, where relevant) its election by 30 September 2019, such application shall lapse automatically with effect on and from 1 October 2019.