Gas System Operator

Review of the charging methodology to avoid the inefficient bypass of the NTS

Objectives and Core Principles

NTSCMF 0670R Workgroup
4th December 2018

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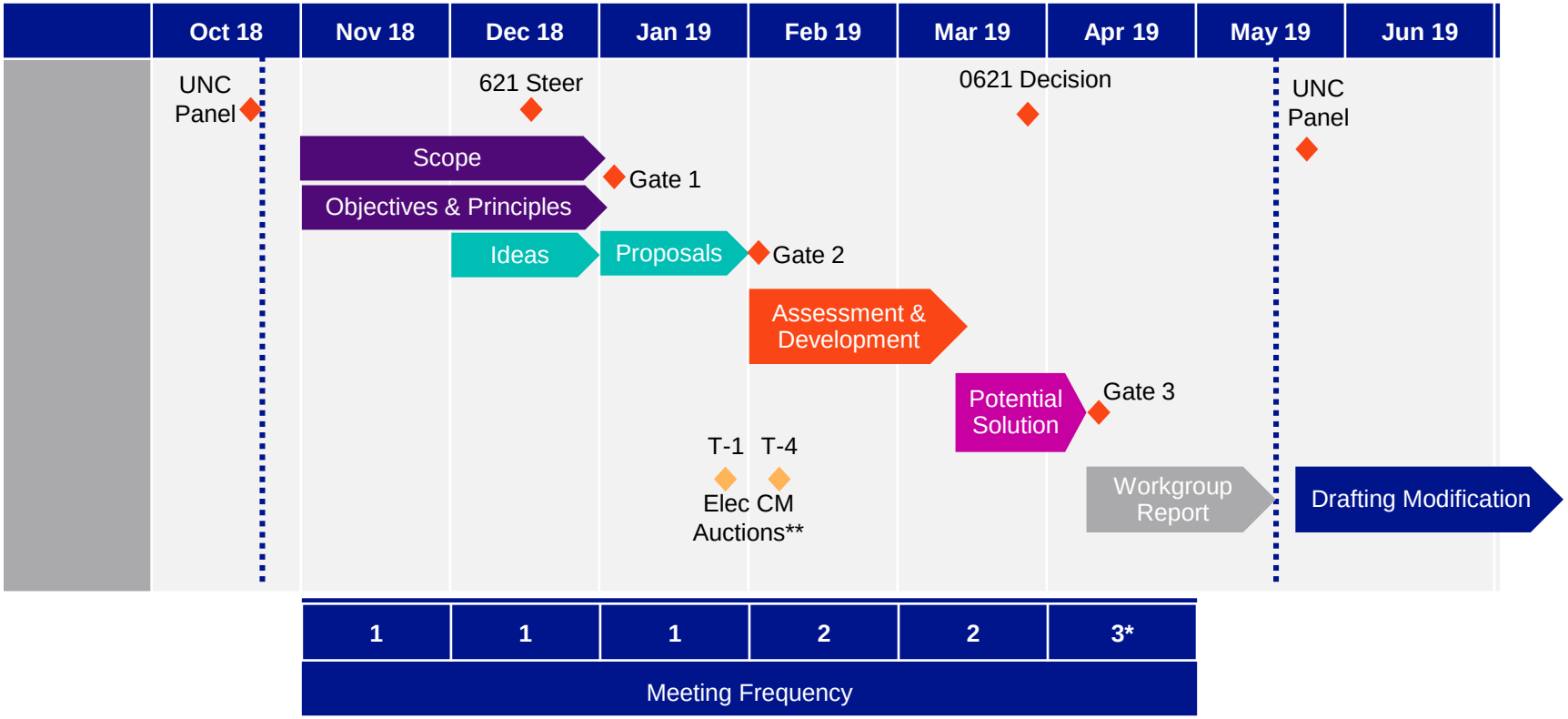
High Level Timeline



Gate 1: Sign off Scope and Objectives & Principles
Gate 2: Select proposal(s) for further assessment & Development
Gate 3: Refine Solution following 621 for inclusion in Workgroup Report
* May NTSCMF scheduled for 30th April 2019
** Elec Capacity Market is currently suspended ECJ conclusion on breach of state aid rules, auctions currently on hold

Agenda and actions for December NTSCMF

Sign off **scoping document**

Sign off **objective** and **principles**

Initial **ideas** from workgroup members

Define **proposal** requirements

Answer any **questions** or **issues** raised

Contents page

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01

Objective

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Objective

Objective

0670R Workgroup definition of the objective is…

Avoid inefficient by-pass of the NTS

Objective

The original reasoning of the objective still holds true

Bypass of the NTS can be considered in a wider context of bypass of the NBP

There is an enduring need despite of or due to future of gas uncertainty

Inefficient bypass can be defined in this context as any gas that could have used the NTS, distributing costs over a wider base

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02

Core Principles

Foundations to achieve the objective

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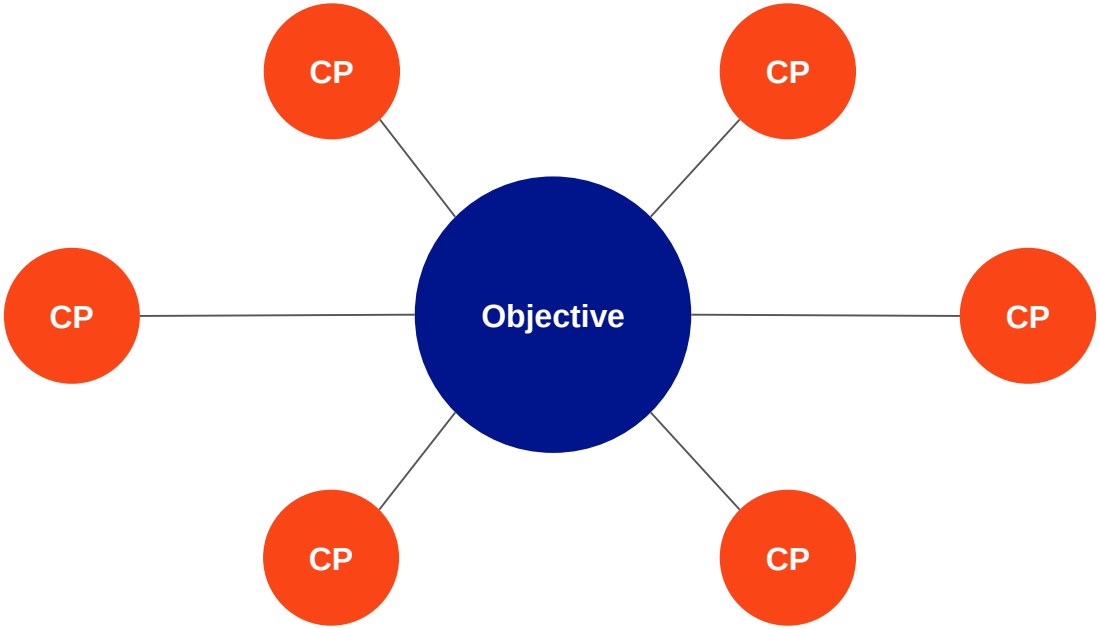
Core Principles

What principles must be observed in pursuit of the objective?



Core Principles

CP

- Compliant with relevant legislation
- UNC Charging Relevant Objectives
- UNC Relevant Objectives
- Capacity based solution
- Defined commitment to product
- Historical decisions considered
- Cost reflectivity

Problem Statement

The 5 ‘W’s

Who	All parties that pay NTS Transportation Charges and / or have a connection to the NTS, and National Grid NTS. Wider GB market considerations. Current short-haul users.
What	The NTS OCC has been a part of the charging regime for 20 years and is intended to avoid inefficient bypass. It has not been revised, has seen a significant increase in its use which has impacted on other charges.
When	October 2021 – majority of 0621 mods have no enduring solution. On time for modification and implementation process, Panel Report May 2019
Where	NTS Charging Methodology
Why	Objective of the original NTS Optional Charge is still considered relevant. Solution needs to be developed to satisfy new charging regime. Loss of charge could impact industry, electricity market, reduce network usage and increase costs for all remaining users.

Problem Statement

Vision

Develop a charging methodology that discourages the inefficient bypass of the NTS, that complies with relevant legislation and UNC charging objectives, is functional in a capacity based charging regime, considered fair and proportional and has taken historical decisions and wider market impacts into account.

Issue

The NTS OCC has been a part of the charging regime for 20 years. It has not been revised, has seen a significant increase in its use which has impacted on other charges and has been applied in situations that are considered inconsistent with its original purpose. There remains the objective to avoid inefficient bypass, but there is the possibility no charge exists from October 2021.

Method

The 0670R review workgroup will propose enduring solutions and define the metrics against which they are assessed.

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03

Ideas

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Current ideas for a charging methodology to avoid the inefficient bypass of the NTS

Idea 1	**The NTS Optional Capacity Charge** Modification 0653 • Graham Jack, Centrica
Idea 2	**NTS Bypass Avoidance Charge** Capacity discount methodology • James Gudge, National Grid
Idea 3	**Standalone Capacity Based Charge** Charge defined by route • Nick Wye, Waters Wye

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04

Proposal requirements

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Proposal Requirements

What should proposals should deliver for workgroup review:

Method	Description of any methodology or formula proposed
Examples	How method is applied within framework
Limitations	Specify any limitation of the charge
Assumptions	Clarification of any assumptions taken in the development of the proposal
Principle evidence	Examples of how proposal meets core principles
Analysis & Assessment	How will proposal be tested
…	…

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05

Next Steps

Aims for January

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Next steps, actions for January NTSCMF

Answer any **questions** or **issues** raised

Presentation of **Proposals** from workgroup members

Proposals can be shared with National Grid ahead of the next meeting and can be incorporated into January's material

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