Gas System Operator

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

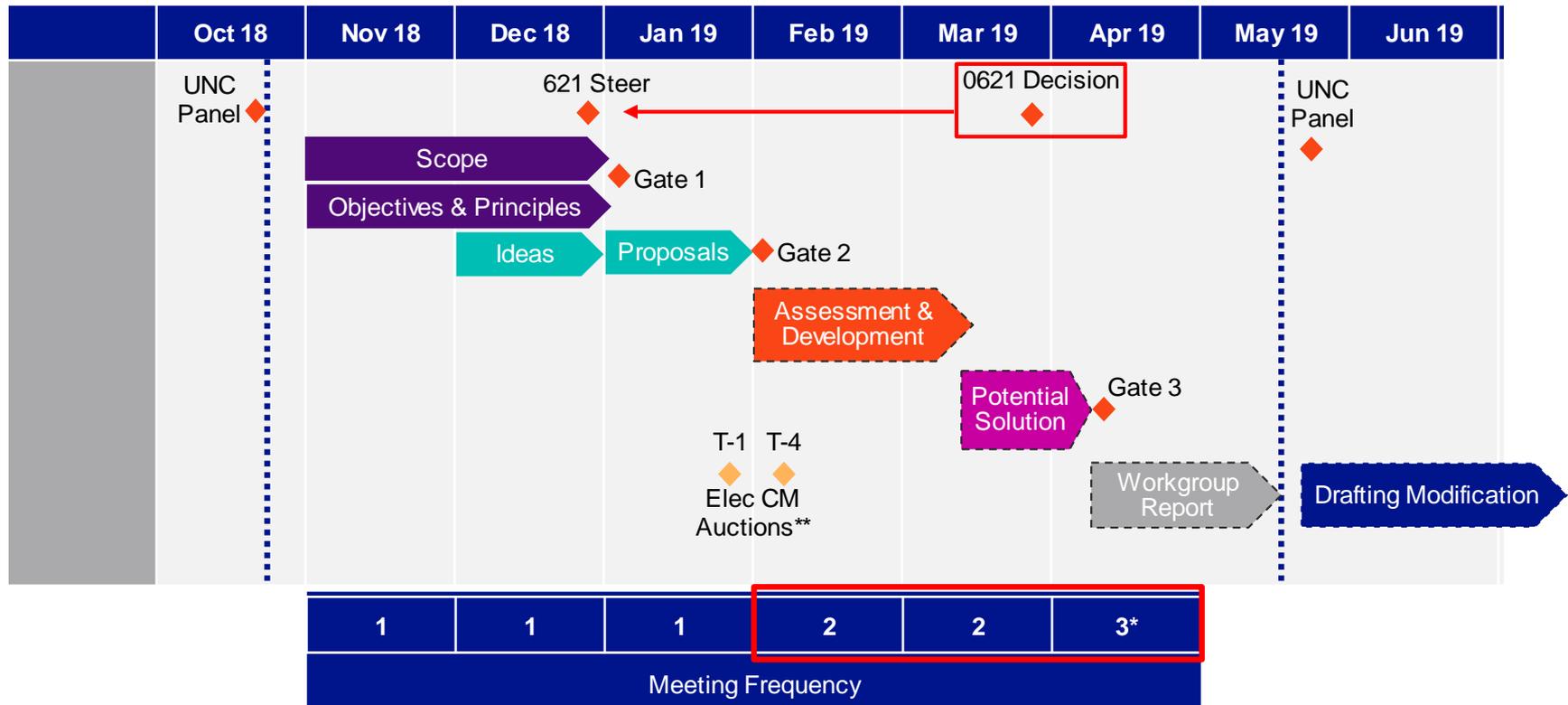# Proposals

NTSCMF 0670R Workgroup
5th February 2019

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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 February NTSCMF

Recap of 0670R so far

Discuss **proposals,** identify areas for refinement

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

Contents page

01

Recap

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Objective

0670R Workgroup definition of the objective is…

Objective

Avoid inefficient bypass of the NTS

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 is defined in this context from the existing network perspective. The construction and use of independent pipelines bypassing the NTS risks increased costs as they are spread over a smaller base

Core Principles

CP

Compliant with relevant legislation

UNC Charging Relevant Objectives

UNC Relevant Objectives

Defined commitment to product

Historical decisions considered

Cost reflectivity

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

UNC621 Ofgem Decision Review – 0670R Considerations

A number of issues or concerns were flagged regarding the NTS Optional Charge in the 621 proposals, including compliance. These should be taken into consideration for 0670R Proposals

Genuine risk	Insufficient evidence of parties bypassing the NTS
Cross-subsidy	Updates improve current situation and improve competition but concerns remain
Transmission service	NOC classified as this, therefore must comply with TAR Art 4
TAR Article 4 (2,3)	Should be set taking into account conditions for firm capacity products and does not satisfy commodity exceptions
Cost reflectivity	Load factor assumptions and pipeline routes criticised. Charge should reflect the transmission service received
Distance Cap	Rationale was not accepted, must reflect genuine risk

0678, 0679… - Amendments to Gas Transmission Charging Regime

0670R needs to be aware of the progress of Charging Regime modifications raised following the 621 decision, but continue as planned…

- The modifications do not propose to retain a charge that discourages inefficient bypass of the NTS.

- Do not pre-empt the outcome of 0670R.

- Support a comprehensive assessment of any charging arrangements to manage discouraging inefficient bypass of the NTS within the charging framework, including compliance with EU Codes and the charges that would be in place as part of this Modification will be a feature of UNC 0670R any subsequent Modification

03

Proposals

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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	**Cost Reflective Bypass Avoidance Charge** Charge defined by route • Nick Wye, Waters Wye

04

Next Steps

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Next steps, actions for March NTSCMF

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

Refine **Proposals** raised by workgroup based on feedback