

**Gas System
Operator**

**Charging methodology to avoid the
inefficient bypass of the NTS**

**Idea 2b: NTS Bypass Avoidance
Charge, National Grid**

NTSCMF 0670R Workgroup
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Basis of Idea

Originally planned as an adaptation of the NTS Bypass Avoidance Charge by introducing more direct links to pipeline costs. Now raising more high level concepts for discussion following 0621 decision.

- Alternative or adjustment of **capacity charges**
- **User commitment** through application process and non-use charges...and only available where firm capacity booked
- Feasibility test to be included... (Options to be discussed – Distance cap based on generic cost calculations through to Permitting, FEED, FID?)

Methodology

Reserve Charges:

If feasibility process determined by a detailed process of cost assessment:

Alternative Capacity Charge to be based on an updated approach of pipeline costs to determine capacity rate

If feasibility process determined by a more simplistic mechanism:

Adjustment Entry Capacity Charge = (Capacity multiplier) x RPen

Adjustment Exit Capacity Charge = (Capacity multiplier) x RPex

- Capacity multiplier calculated using update of current approach of pipeline costs to determine shorthaul capacity rate...but again, some factor may need to be applied in order to reduce levels of variance from RPM capacity charge and therefore cross-subsidy/service provided issues raised by Ofgem
- RPen is the prevailing firm capacity reserve price for the entry point
- RPex is the prevailing firm capacity reserve price for the exit point

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