April 2019 Indicative Charges

NTS Charging Methodology Forum (NTSCMF)

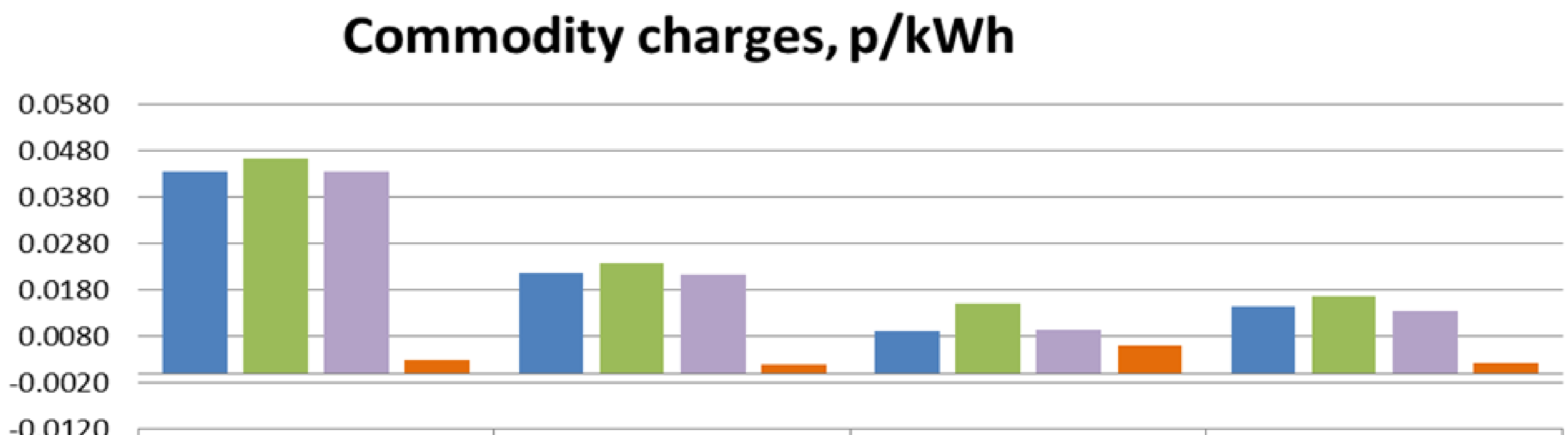
4 December 2018

nationalgrid

Introduction

- **Published the Indicative charges for April 2019 on 2 November 2018**
- **Changes compared to 2018/19**
- **Changes compared to May 2018 Long Term Revenue forecasts**

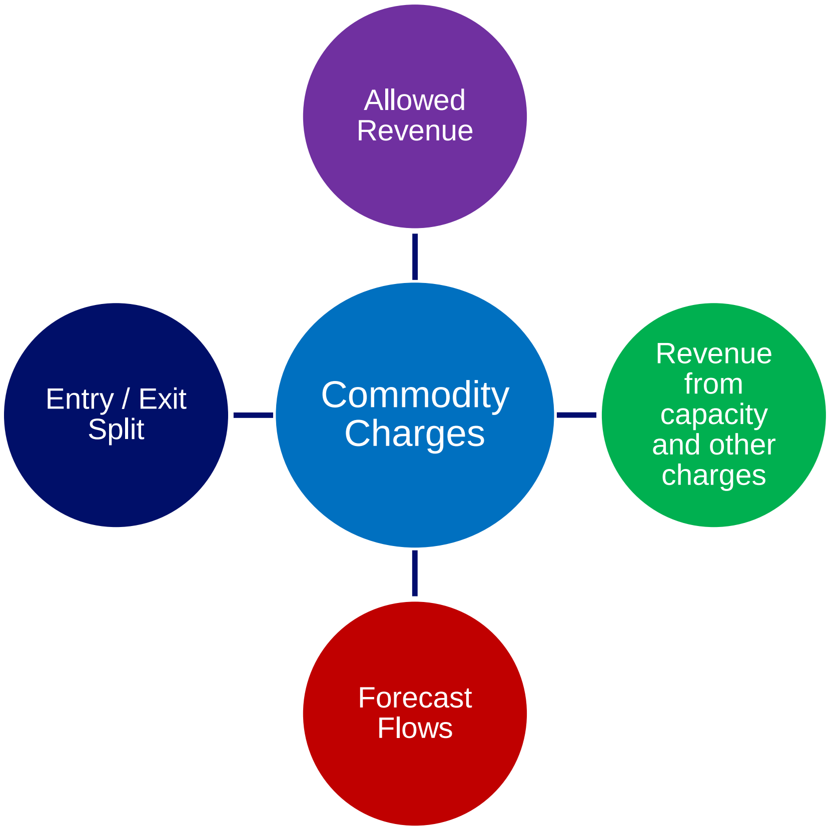
April 2019 Indicative Charges



	NTS TO Entry commodity	NTS TO Exit commodity	NTS SO commodity (Entry & Exit)	St. Fergus Compression
Current	0.0435	0.0217	0.0092	0.0144
April 2019 Indicative	0.0464	0.0237	0.0151	0.0165
Average 2018/19	0.0435	0.0212	0.0095	0.0135
change from current	0.0029 7%	0.0020 9%	0.0059 64%	0.0021 15%

Current April 2019 Indicative Average 2018/19 change from current

Key inputs to Commodity Charging



Input	Detail
Allowed Revenue	• Allowed Revenue for Formula year as calculated through the Licence
Revenue from Capacity and other charges	• Forecast of Capacity revenue for the period • Revenue from NTS Optional Commodity Charge, St. Fergus Compression, DN Pensions. • Revenue from Commodity charges (applicable for mid formula year changes – i.e. from 1 October)
Forecast Flows	• Forecast of Entry and Exit flows over which the commodity charge is to applied
Entry/Exit Split	• % split between Entry and Exit

TO Allowed Revenue breakdown, £m

		2018/19	April 19 Indicative	Change
TOBR		689	695	6
..of which	**PU**	824	844	20
	MOD	-132	-150	-18
	TRU	-3	2	5
PT		5	-4	-9
NICF		15	15	0
OIR		6	4	-2
NIA		4.3	3.6	-0.7
K		-11	-6	5
TOMAR		708	707	-1

TO Commodity Charges

Type of Commodity Charge	Summary
The GTO Maximum Allowed Revenue (MAR) is down by £1.3m with various individual items rising and falling. The Distribution Network (DN) Pensions Deficit income is reducing by £19m which increases the amount we need to collect from the other TO charges. (As part of the sale of Cadent, they are funding their liabilities.) The demand used to set the commodity charges is 1% down on last years demand.	
TO Entry Commodity charge	The change in the TO Entry Commodity charge is driven mainly by the change in the target revenue to be collected from this charge principally caused by • reduced income from capacity auctions (-£14m) • £10m share of the reduction in the DN
TO Exit Commodity charge	Similarly, for the TO Exit Commodity rate, the target revenue on this charge has increased by £17m due to • £10m on the allowed revenue (caused by the reduction in DN Pensions Deficit and the over recovery from 2017/18) • reduced income from long term exit capacity sales of £6m.

SO Allowed Revenue breakdown, £m

		2018/19	April 19 Indicative	Change
SOBR		95	143	48
..of which	**SOPU**	95	101	6
	SOMOD	0	39	39
CM		13	14	1
TSS		-1	-6	-5
SOOIRC		90	108	18
K		-17	-12	5
SOMAR		180	244	64

SO Commodity Charges

Type of Commodity Charge	Summary
The GSO MAR is forecast to increase by £65m. The main reasons are an increase in • SO MOD of £39m related to the Data Centres and Cyber security re-opener with Ofgem • an increase of £15m in shrinkage costs.	
SO Commodity charge	The change in the SO Commodity charge is also primarily driven by the changes in SO allowed revenue (+£65m) compared to 2018/19. The revenue collected through other SO charges has reduced by £4.5m mainly due to the shorthaul reduction. This is added to the £64.5m increase in SO MAR to give an overall increase of £69.5m (58%) in revenue to be collected through the SO Commodity charge compared to 2018/19.
St Fergus Compression charge	The compression costs at St Fergus are increasing by £1m due to higher market energy prices. A forecast reduction in flows expected at this terminal compared to the high levels seen in recent years puts a further upward pressure on this charge.

Change in Forecast of allowed revenues for 2019/20

from May 2018 (LT Revenue forecast)
to
April 2019 indicative charges

TO Allowed Revenue, £m

		April 19 Indicative	Forecast at May 2018 for 2019/20	Change
TOBR		695	695	0
..of which	**PU**	844	844	0
	MOD	-150	-67	-83
	TRU	2	2	0
PT		-5	-5	0
NICF		15	20	-5
OIR		4	4	0
NIA		3.6	5.4	-1.8
K		-6	-8	2
TOMAR		708	795	-88

TO Revenue changes discussed in LT Revenue slides

Licence Term	Reason for change
TO MOD	2019/20 MOD is still a forecast. MOD will be confirmed by Ofgem on 30th November 2018. Main items in current prices, Cost of debt decreased by an extra £20m 2018 reopeners reduced income by £25m legacy adjustment reduced income by about £30m
NICF	Assumption changed - previously assumed maximum, now assuming same as 2018/19
OIR	Stakeholder satisfaction survey now as per internal forecast. Previously based on 16/17 +inflation.
NIA	Based on latest forecast
PT	Pass through - minor changes
K Factor	Actual over recovery for 2017/18 added, affecting 2019/20 allowed revenue

SO Allowed Revenue, £m

		April 19 Indicative	Forecast at May 2018 for 2019/20	Change
SOBR		143	141	2
..of which	**SOPU**	101	101	0
	SOMOD	39	42	-3
CM		14	13	1
TSS		-6	-6	0
SOOIRC		108	95	13
K		-12	-7	-5
SOMAR		244	238	6

SO Revenue changes discussed in LT Revenue slides

Licence Term	Reason for change
SO MOD	Mod forecast in May 18 reflected the 2018 reopener decision for funding to enhance our data centres and cyber security MOD is to be confirmed by Ofgem on 30th November 2018
CM	Based on latest forecast
SOOIRC	Revised forecast shrinkage cost is higher due to higher energy prices
K Factor	Actual over recovery for 2017/18 added, affecting 2019/20 allowed revenue

Further Information

Where to find information relating to charge setting

https://www.nationalgrid.com/uk/gas/charging-and-methodologies/transmission-system-charges

If you have any queries please contact our charging team at
box.transmissioncapacityandcharging@nationalgrid.com

Please let us have your feedback