

Understanding Revenue mapping between the UNC and the Licence for the purposes of Gas Transportation Charges

Summary

This note has been drafted to provide a reference guide for the mapping of revenues between the Licence to the UNC for determining revenues for setting Transportation Charges. It also shows how the revenues from specific charges map back to these values, particularly the Licence.

Scope of this note

- This covers the key steps to determine the revenues for Transmission Services and comparing back to their starting point of TO and SO revenues.
- As the UNC deals with Transmission Services and Non-Transmission Services and the Licence with Transmission Owner and System Operator this note furthers the clarity needed to highlight the relationship between these terms.
- In order to keep this note focused on the core steps needed and to better facilitate awareness of the relationship between the Licence and the UNC it covers the processes / steps and relationships for the same period (i.e. Looking at a Formula Year or Regulatory Year (01 April to 31 March)).
 - There are additional steps in the UNC to determine the Gas Year revenues however the principles of comparing a 'like-for-like' is necessary to help facilitate the understanding of the linkages
- This covers the both how a target revenue is set and how income (or recovered revenue) for each charge type is treated both from a UNC perspective and a Licence perspective.
- This document is intended as a 'live' document is available on the JO website under the NTSCMF material for July for comment. It will be updated on feedback to ensure its continued relevance.
- Feedback and questions are welcome and can be sent to:
box.gsoconsultations@nationalgrid.com

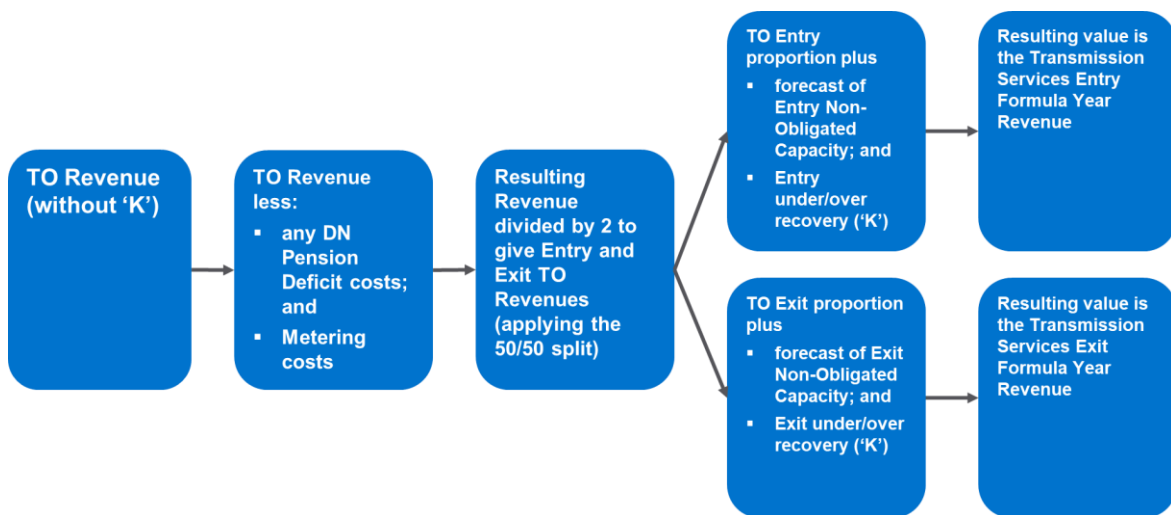
Calculating Revenues

- The Licence has two allowed revenues it provides the structure to calculate:
 - Transmission Owner (TO) Revenue
 - System Operator (SO) Revenue
- For the purposes of charging there are two Revenues needed that are a function of the two values from the TO and the SO values:
 - Transmission Services Revenue
 - Non-Transmission Services Revenue
- Each of Transmission Services and Non-Transmission Services revenues are shown below to show their relationship to the Licence terms of TO and SO

Determining Transmission Services Entry and Exit Revenues

The following diagram shows how the Transmission Services Entry Revenue and the Transmission Services Revenue values (for the equivalent period – i.e. a formula year) are produced starting with the Licence value of the TO.

For awareness the ‘K’ value referred is a term that caters for the under or over recovery related to a previous period that adjusts the TO revenue accordingly for the year being calculated. For the purposes of Transmission Services, as the ‘K’ value needs to be split appropriately between Entry and Exit, it is not included the start but at a later stage, so it is included split between Entry and Exit. The net position for Entry ‘K’ and Exit ‘K’ would total the Licence value of ‘K’.

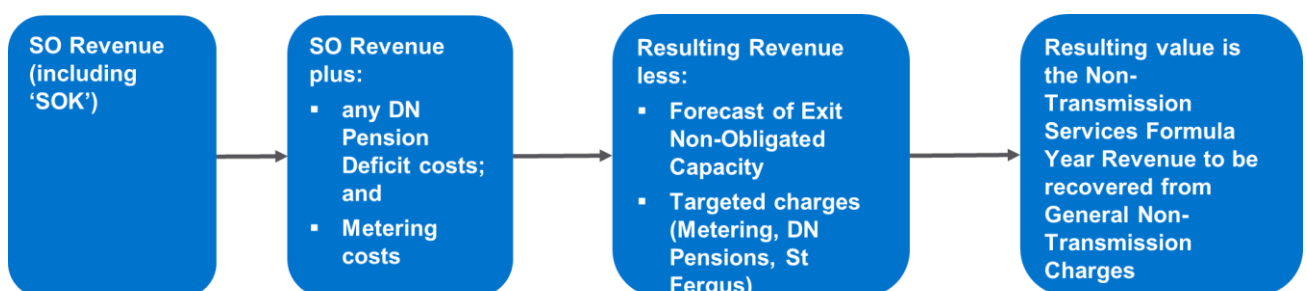


Determining Non-Transmission Services Revenues

The following diagram shows how the Non-Transmission Services Revenue (for the equivalent period – i.e. a formula year) are produced starting from the Licence value of the SO.

The resulting Non-Transmission Charges that cater for the majority of these charges is applied equally to Entry and Exit, therefore the SOK value (the under/over recovery related to a previous period for the SO) is not split between Entry and Exit.

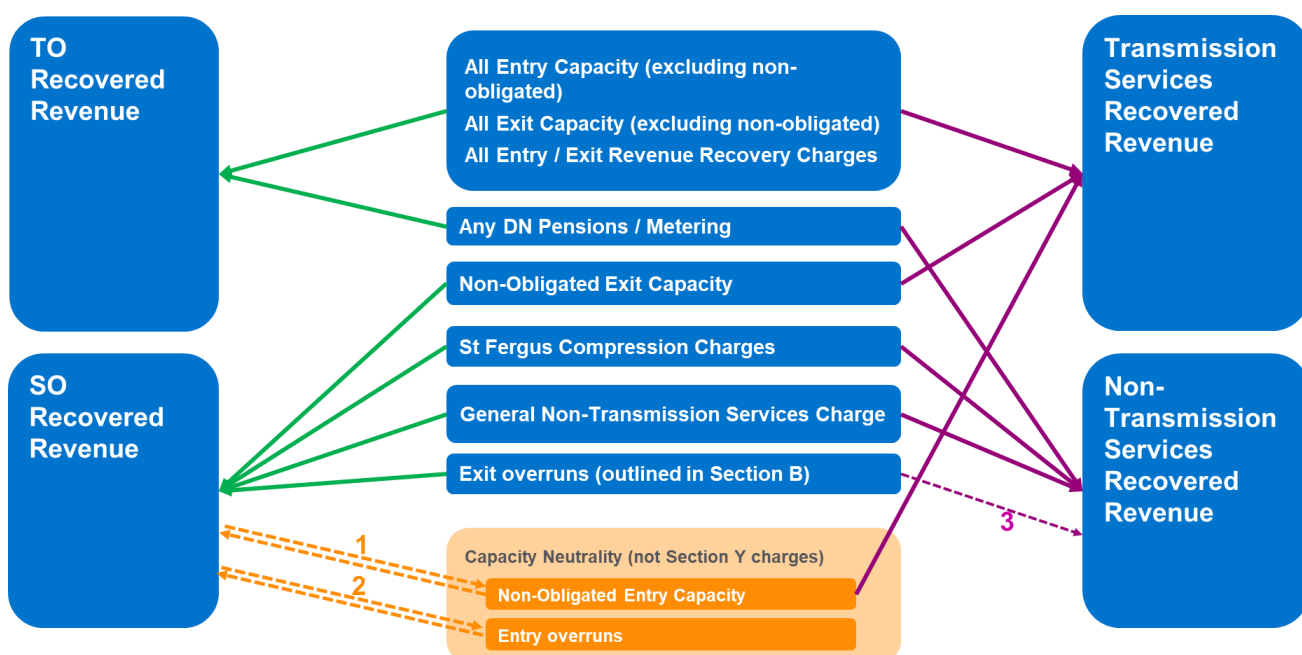
There are a number of targeted charges under Non-Transmission Services. In order to illustrate the resulting revenue that will be used to calculate the General Non-Transmission Services charges, these have been included in the steps below.



Recovered Revenues

The diagram below shows how recovered revenues associated to the highlighted charges or aspects of the chargeable framework are treated.

- The purple lines show how each is treated as far as Transmission Services and Non-Transmission Services (UNC terminology per the UNC TPD Section Y).
- The green lines show how each is treated as far as recovered revenues under the Licence, being TO or SO in their treatment.
- The orange box covering the capacity neutrality process is shown separately as this is a 'net neutral' set of values as far as recovered revenues are concerned. Any values for Entry overruns and for Non-Obligated Entry capacity are charged however are returned to Shippers via the capacity neutrality processes prescribed under UNC TPD Section B.



Additional commentary for three numbered items on the above diagram items linked with dotted lines to match how revenue treatment is made and how they do or do not link Transmission or Non-Transmission recovered revenues and to TO or SO recovered revenues:

1. Non-Obligated Entry Capacity Revenues – Capacity is part of the forecast of Entry Capacity. The forecast revenue associated to Non-Obligated Entry increases the required revenue needed from other Entry Capacity (i.e. all Entry Capacity excluding Non-Obligated). This is due to these monies returned via Capacity Neutrality. Forecasted amounts of Entry Non-Obligated entry in terms of revenues are additional revenues to recover from all Entry Capacity (excluding Non-Obligated) when setting charges.
2. Entry overruns – Like Non-Obligated Entry revenues, these are neutral to the SO recovered revenues as the full value of Entry overruns is returned via capacity neutrality. No forecast is made for charging purposes due to the neutral position via its return to Entry Users.
3. Exit overruns – Exit overruns are not an explicit charge under Section Y. They are levied under Section B. Per the Licence Exit overruns are treated as SO Recovered Revenues. Levels of Exit overruns are monitored to assess any need for a forecast to adjust the General Non-Transmission Services Charge.

Additional Material that may be of use:

Documents	Direct Link	Web page
UNC TPD Section B: System Use & Capacity	https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2021-03/4%20TPD%20Section%20B%20-%20System%20Use%20%26%20Capacity.pdf	https://www.gasgovernance.co.uk/tpd
UNC TPD Section Y: Charging Methodologies	https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2021-03/24%20TPD%20Section%20Y%20-%20Charging%20Methodologies.pdf	https://www.gasgovernance.co.uk/tpd
National Grid Gas plc Gas Transporter Licence Special Conditions	n/a – available as part of reference material under the RIIO2 consultation and final determinations	https://www.ofgem.gov.uk/publications/statutory-consultation-riio-2-transmission-gas-distribution-and-electricity-system-operator-licences

Change history:

Documents	Date	Changes made
V0.1	June 2021 – for discussion at June 2021 NTSCMF	First version
V0.2	December 2021 – for discussion at December 2021 NTSCMF	Updated drawing and text to add details of Entry overruns, Exit overruns, Non-Obligated Entry Capacity