



Action 0302 Overview of the data and assumptions / exceptions to be used in the calculation of the FCC

April.2024

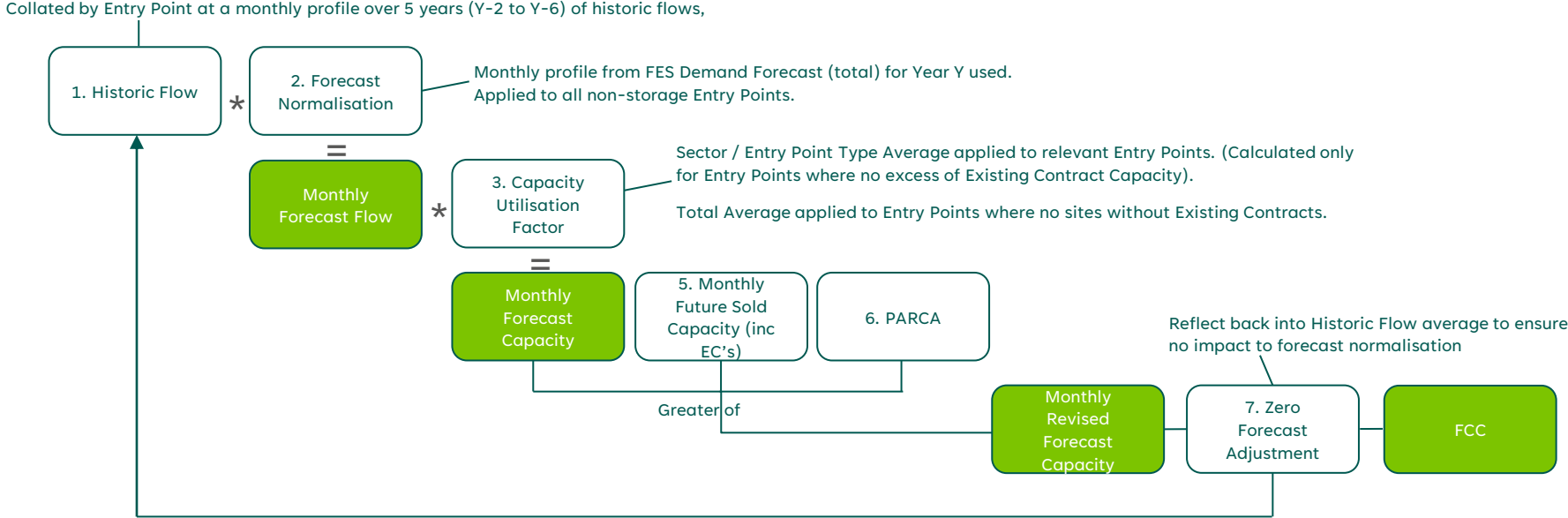


FCC Methodology

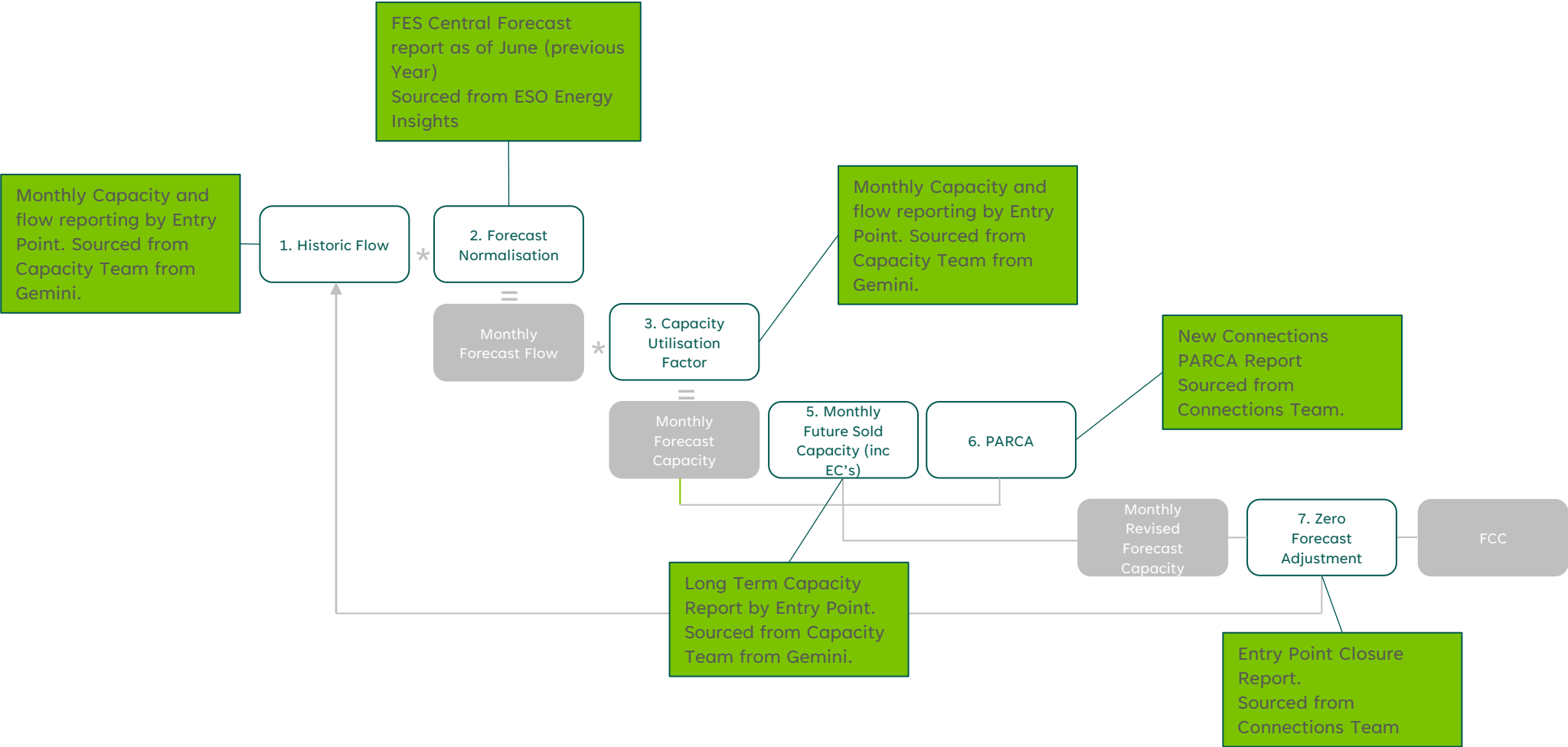
- FCC sets the forecast of capacity to be sold across the Gas Year at entry and exit, to determine the appropriate Capacity Reserve Prices to enable collection of allowed revenues.
- Calculated independently at Entry and Exit, based on the FCC Methodology.
- FCC Methodology sets out the process to be followed in calculation of the FCC, but does within Chapter 4 provide an Exceptions process, where it may be necessary for National Gas to apply different principles to determine an FCC to address potentially erroneous values.
- FCC Methodology revised for October 2021 (and reviewed annually).
 - FCC Spreadsheet tools developed and shared with participants of the FCC Methodology development workgroups Q1 2021 as part of this process.
- FCC values used in charge setting published annually along with notification of any exceptions used.
- The focus of this material is to visualise the FCC Methodology and show how it is followed and highlighting the areas where NGT, in certain circumstances, may intervene and apply any exceptions

FCC Methodology - Entry

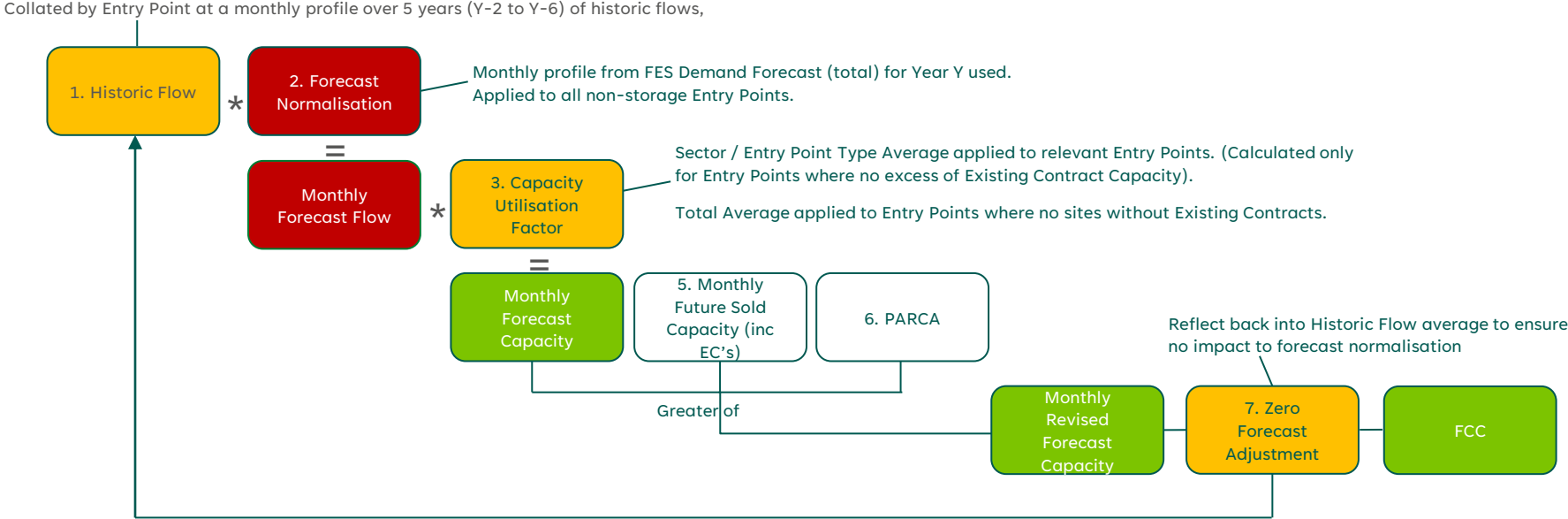
- Entry FCC is calculated based on: (as per FCC Methodology Chapter 3):



FCC Methodology – Entry: Data Sources



FCC Methodology – Entry: NG Intervention Points



As Part of BAU methodology

By Exception, drives change into FCC Outputs

FCC Methodology – Entry: NG Intervention Points

Collated by Entry Point at a monthly profile over 5 years (Y-2 to Y-6)

1. Historic Flow

2. Forecast Normalisation

- Values provided from FES Central Forecast, as of June previous year.
- Adjust forecasts where latest years actuals / market intelligence indicates strong variance to forecasts in place.

Monthly Forecast Flow

3. Capacity Utilisation Factor

Sector / Entry Point Type Average applied to relevant Entry Points. (Calculated only for Entry Points where no excess of Existing Contract Capacity).
Total Average applied to Entry Points where no sites without Existing Contracts.

- Data Cleanse
- Average set to years operational where less than 5

- Utilisation of revised flow values for a site where operational differences have been seen and are expected to continue (e.g. Bacton IP / Milford Haven)

- Exclude any months where EC levels are greater than flow

Monthly Forecast

5. Monthly Future Sold

6. PARCA

Reflect back into Historic Flow average to ensure no impact to forecast normalisation

Monthly Revised Forecast Capacity

7. Zero Forecast Adjustment

FCC

As Part of BAU methodology

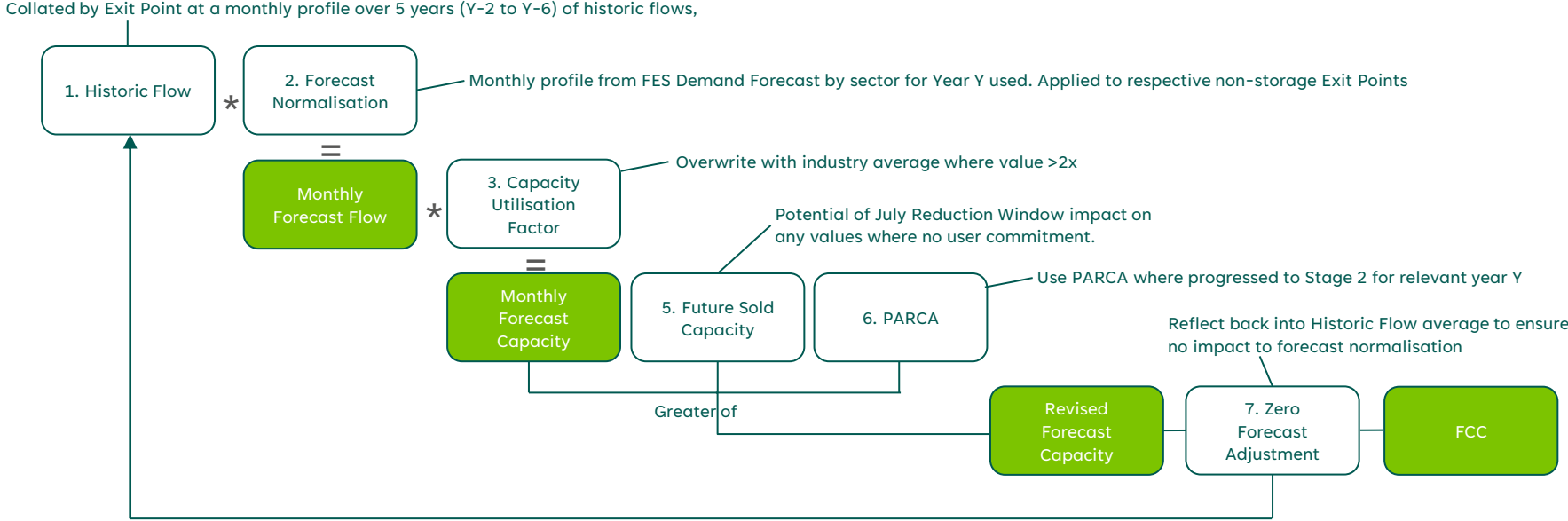
By Exception, drives change into FCC Outputs

- Remove any sites with historic flows that are no longer operational (e.g. Burton Point)
- Sites that are closed, or never commissioned, but have capacity obligations will remain in the FCC (e.g. Fleetwood)

FCC Methodology - Exit

- Exit FCC is calculated based on: (as per FCC Methodology Chapter 3):

DC – Power Stations, DC – Industrials, Interconnectors, Storage Sites

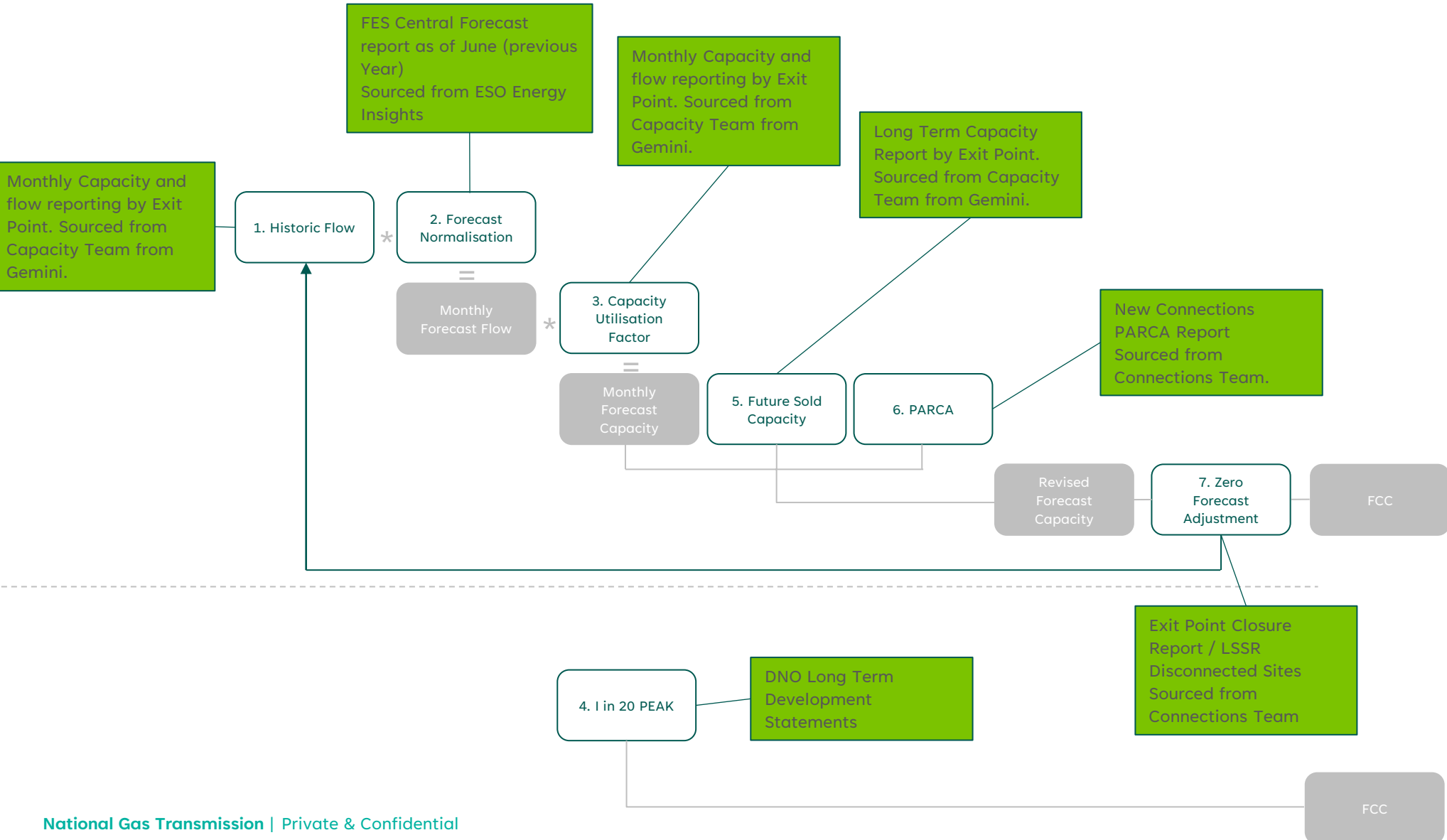


GDNs

Application of GDN 1 in 20 PEAK from DN Long Term Development Statement. Allocated by Exit Point via GDN Y Booking Profile,

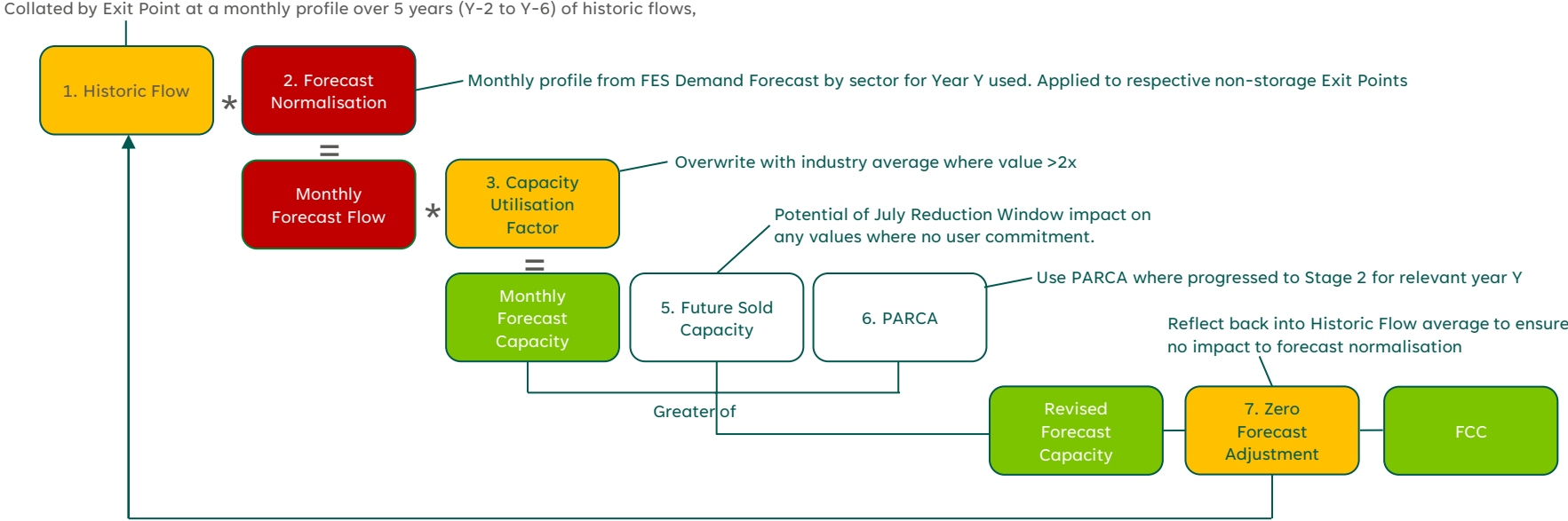


FCC Methodology – Exit: Data Sources



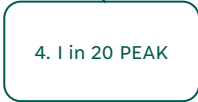
FCC Methodology – Exit: NG Intervention Points

DC – Power Stations, DC – Industrials, Interconnectors, Storage Sites



GDNs

Application of GDN 1 in 20 PEAK from DN Long Term Development Statement. Allocated by Exit Point via GDN Y Booking Profile,



As Part of BAU methodology

By Exception, drives change into FCC Outputs



FCC Methodology – Exit: NG Intervention Points

DC – Power Stations, DC – Industrials, Interconnectors, Storage Sites

Collated by Exit Point at a monthly profile over 5 years (Y-2 to Y-6)

1. Historic Flow

2. Forecast Normalisation

- Values provided from FES Central Forecast, as of June previous year.
- Adjust forecasts where latest years actuals / market intelligence indicates strong variance to forecasts in place.

Monthly Forecast Flow

3. Capacity Utilisation Factor

Overwrite with industry average where value >2x

Potential of July Reduction Window impact on any values where no user commitment.

- Data Cleanse
- Average set to years operational where less than 5 (e.g. Saltholme)

- Exclude any sites from sector average calculation and overwrite exit point value with sector average where capacity utilisation is greater than 2

Use PARCA where progressed to Stage 2 for relevant year Y

Reflect back into Historic Flow average to ensure no impact to forecast normalisation

- Utilisation of revised values for a site where operational differences have been seen and are expected to continue. (e.g. Bacton exit IP)

Revised Forecast Capacity

7. Zero Forecast Adjustment

FCC

GDNs

Allocated by Exit Point via GDN Y Booking Profile,
 Long Term Development Statement.

4. 1 in 20 PEAK

- Remove any sites with historic flows that are no longer operational
- Sites that are closed, or never commissioned, but have capacity obligations will remain in the FCC (e.g. Glenmavis)

As Part of BAU methodology

By Exception, drives change into FCC Outputs

FCC

FCC Oct 24 – Exceptions and Assumptions

	Entry	Exit
Historic Flows	-	-
Forecast Normalisation (Demand)	Revision to June 2023 FES Forecast	Revision to June 2023 FES Forecast
Monthly Forecast Flow	-	-
Capacity Utilisation Factor	-	-
GDN 1 in 20	N/A	-
Monthly Forecast Capacity	-	-
Future Sold Capacity	-	No revisions made to Future Sold Capacity forecasts where no user commitment.
PARCA	-	-
Revised Forecast Capacity	-	-
Zero Forecast Capacity	- Burton Point	- Hollingsgreen (Hays Chemicals) - Tonna (Baglan Bay)

FCC Oct 24 – Forecast Normalisation Assumptions

	Previous 12 Months		
	FES FORECAST	ACTUAL	VARIANCE
LDZ Demand	502,296	443,160	-59,136
NTS Power Generation	164,116	174,143	10,027
NTS Industrial	15,218	9,252	-5,966
NTS Exports (Ireland)	71,909	57,772	-14,137
NTS Exports (Europe)	181,824	105,980	-75,844
NTS Shrinkage	3,600	3,486	-114
TOTAL SYSTEM DEMAND	938,963	793,792	-145,171

FCC Oct 24 – Forecast Normalisation Assumptions

	Previous 12 Months			Gas Year October 2024
	FES FORECAST	ACTUAL	VARIANCE	FES FORECAST
LDZ Demand	502,296	443,160	-59,136	521,547
NTS Power Generation	164,116	174,143	10,027	107,252
NTS Industrial	15,218	9,252	-5,966	16,603
NTS Exports (Ireland)	71,909	57,772	-14,137	76,597
NTS Exports (Europe)	181,824	105,980	-75,844	162,898
NTS Shrinkage	3,600	3,486	-114	3,374
TOTAL SYSTEM DEMAND	938,963	793,792	-145,171	888,270

FCC Oct 24 – Forecast Normalisation Assumptions

	Previous 12 Months			Gas Year October 2024		
	FES FORECAST	ACTUAL	VARIANCE	FES FORECAST	CORRECTION FACTOR	REVISED FORECAST
LDZ Demand	502,296	443,160	-59,136	521,547	90%	469,392
NTS Power Generation	164,116	174,143	10,027	107,252	150%	160,878
NTS Industrial	15,218	9,252	-5,966	16,603	65%	10,792
NTS Exports (Ireland)	71,909	57,772	-14,137	76,597	85%	65,107
NTS Exports (Europe)	181,824	105,980	-75,844	162,898	50%	81,449
NTS Shrinkage	3,600	3,486	-114	3,374	-	3,374
TOTAL SYSTEM DEMAND	938,963	793,792	-145,171	888,270	-	790,992

Draft Workings

ENTRY:

- FCC Oct 23 4,243,023,678
- Oct 23 FCC Indicative for 24/25 3,991,757,930
- Latest Draft Value Oct 24: 3,894,200,478* (-348,823,200 / -97,557,452)

Note: Existing Contract Reduction from Oct 23 to Oct 24 -251,210,502

EXIT:

- FCC Oct 23 5,953,355,715
- Oct 23 FCC Indicative for 24/25 5,850,556,051
- Latest Draft Value Oct 24: 5,859,030,864* (-94,324,851 / 8,474,813)

*Note: These values are for information only and should not be considered the final FCC values that will be used in charge setting for October 2024.

Next Steps

- Ongoing validation of data and review of draft FCC calculations within charge setting processes for October 2024.
- Discussions with Operational Teams and Energy Insights (FES) with respect to proposed revisions to demand calculations to be used for charge setting.
- Publication of FCC values May 24 as part of Charge Setting Information Provision Pack.

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Thank you

