

# NTS Update

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Gas Customer Forum

30<sup>th</sup> January 2006

# Area updates

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- ◆ Transmission Charging Methodology Forum (TCMF)
- ◆ Price Control Process
- ◆ Winter “Outlook”
- ◆ “Gas safety reserve”
- ◆ Information Provision – 006 “Close to real time info”
- ◆ NTS Exit reform

# Transmission Charging Methodology Forum (TCMF)

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- ◆ Inaugural meeting Warwick 24<sup>th</sup> January
  - ◆ Pricing Licence Obligations
    - ◆ inc “cost reflectivity” vs allowed revenue recovery
  - ◆ Current price derivation
  - ◆ Transcost, solving, rebalancing, scaling
- ◆ Next meeting
  - ◆ 23<sup>rd</sup> February Elexon offices

# Transmission price control process

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- ◆ Second document consultation responses
  - ◆ End of January deadline
  - ◆ User commitment vs Licence obligations?
  - ◆ Gas Exit Reform – more simplified approach?
- ◆ Next document March

# Winter “outlook”

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- ◆ Storage monitor revisions
  - ◆ Reapportionment in the light of winter experience
  - ◆ Concerns from storage about NTS discretion
  - ◆ Mod proposal to “put governance” under UNC
    - ◆ Tension with Safety Legislation
- ◆ Winter experience to date
  - ◆ Very mild
  - ◆ Some evidence of demand response
  - ◆ Anecdotal evidence of GBA based demand management contracts

Views about

\* **extent of demand management**

\* **GBA based demand management contracts**

from downstream transporters, shippers and consumers would be appreciated by NTS supply/demand team

# Gas Safety Reserve

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- ◆ Ofgem Seminar 16<sup>th</sup> January
  - ◆ “Gas reserve” is a safety requirement
  - ◆ Need to explore alternative approaches
    - ◆ NTS to procure the gas?
    - ◆ Gas not necessarily to be in Storage sites?
    - ◆ NTS to be incentivised?
  - ◆ Ofgem want reforms in place early this year

This is an issue where interaction with “market” will need to be very carefully considered

## Information Provision – 006 “Close to real time”

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- ◆ Consultation feedback on “value of information”
  - ◆ Now on Ofgem website
  - ◆ Highly polarised views
  - ◆ Very little quantifiable evidence of benefits ?
- ◆ NTS info policy
  - ◆ To be “paid and protected”

Will the information enhance market efficiency?

# NTS Exit Reform

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- ◆ Enduring Offtake Working Group
  - ◆ 3<sup>rd</sup> meeting Wednesday 1<sup>st</sup> February
  - ◆ Seeking to inform Ofgem March document recommendation
- ◆ Key issues
  - ◆ Discrimination – scope for differentiated offtake treatment
  - ◆ Simplification required
- ◆ NTS “areas for simplification”
  - ◆ Flexibility product refinement or alternative
  - ◆ User commitment model–“finite rights” vs “incremental plus decremental
  - ◆ Scope to simplify “NTS entry auction and allocation” processes