



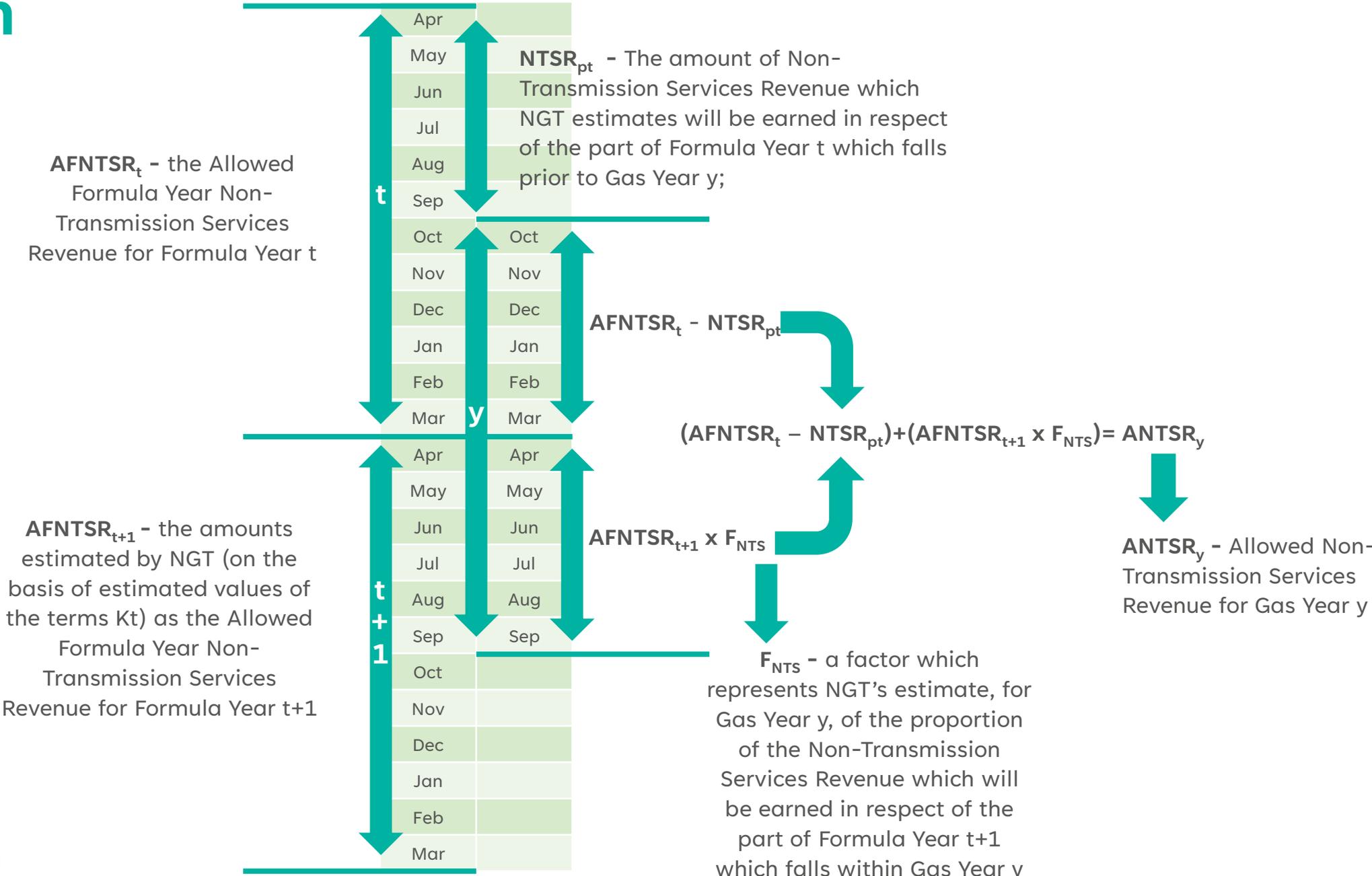
Revision to the Determination of Non-Transmission Services Gas Year Target Revenue

NTSCMF

07.11.2023



Solution



Solution - Clarifications and Assumptions

Existing Methodology:

$$\text{ANTSR}_y = (\text{AFNTR}_t - \text{NTR}_{pt}) * (1/F_{\text{NTS}^*})$$

Proposed Methodology:

$$\text{ANTSR}_y = (\text{AFNTR}_t - \text{NTR}_{pt}) + (\text{AFNTR}_{t+1} * F_{\text{NTS}^*})$$

AFNTR_t - *Allowed Formula Year Non-Transmission Services Revenue for FY t.*

- This is made up of the SO Adjusted Revenue term for FY t including K.
- These values are obtained from the PCFM and are already known at the time of charge setting for Gas Year y.

NTR_{pt} - *The amount of Non-Transmission Revenue which NGT estimates will be earned in the part of Formula Year t which falls prior to Gas Year y.*

- Non-Tx charges are set in the July to come into effect from October. A combination of actual revenues (for the months of April May and June) and forecast revenues (for the months of July August and September) are therefore used to determine a forecast recovered revenue value for the period April-September.
- Forecast revenues for the period July-September are based on multiplying the General Non-Tx Price by the forecast volume of flows. These volumes are taken from FES but may be adjusted by National Gas based on the best information available at the time to account for any market developments.

* F_{NTS} in the existing methodology is the proportion of the Non-Tx Revenue earned in the part of **FY t** which falls within GY y. In the proposed methodology it is the proportion of the Non-Tx Revenue earned in the part of **FY t+1** which falls within GY y

Solution - Clarifications and Assumptions

AFNTR_{t+1} - *The amount estimated (on the basis of estimated value of K) by National Gas Transmission as the Allowed FY Non-Transmission Services Revenue for Formula Year t+1*

- This is made up of the SO Allowed Revenue term for FY t+1 which is taken from the PCFM plus a value for K which must be derived to account for the under or over-recovery from FY t.
- The derived K is determined by subtracting the Allowed Revenue for FY t from the Recovered Revenue for FY t.
- As the Recovered Revenue for FY t is not known at the time of charge setting, there is a requirement to forecast this value. This forecast aggregates the actual (where available) and forecasted monthly Entry Commodity Revenues, Exit Commodity Revenues, St Fergus Revenues and SO Capacity Revenues (Non Ob) for FY t.
- Forecast Revenues are based on multiplying the GNTS Price by the forecast volume of flows. These volumes are taken from FES but may be adjusted by National Gas based on best information available at the time, to account for gas market developments.
- The FY Target Revenue for FY t is then subtracted from the Recovered Revenue value to give the derived K.

Solution - Clarifications and Assumptions

F_{NTS} -A factor which represents National Gas Transmission's estimate, for Gas Year y , of the proportion of the Non-Transmission Services Revenue which will be earned in respect of the part of Formula Year $t+1$ which falls within Gas Year y .

- The seasonal allocation factor is calculated using Gas Year revenue values. The aggregate forecast G Non-Tx, St Fergus and Metering Maintenance and SO Non-Obligated Revenues for the period Oct-Mar are divided by the aggregate forecast G Non-Tx, St Fergus and Metering Maintenance and SO Non-Obligated Revenues for the whole Gas Year.
- Forecast Revenues are based on multiplying the GNTS Price by the forecast volume of flows. These volumes are taken from FES but may be adjusted by National Gas based on best information available at the time, to account for gas market developments.
- Gas Year revenues are used to calculate the seasonal allocation factor (rather than Formula Year revenues) in order for the proposal to meet its objective of smoothing tariff volatility due to price changes mid Formula Year.
- This approach is consistent with the approach employed for Transmission Services.

Options for calculating the Seasonal Allocation Factor – Supporting Information

	Oct 23 Charge Setting Values		Oct 23	Oct 24	Oct 25	Oct 26	Oct 27
		Allowed Revenues Used	826.467	392.893	508.537	420.793	433.416
1 (Proposal)	Using GY Revenue FRY as proxy for both t forecast revenue collection and t+1 allocation of allowed revenues	GnTx Price	0.0533	0.0109	0.0308	0.0244	0.0268
2	Using FY Revenue FRY as proxy for both t forecast revenue collection and t+1 allocation of allowed revenues	GnTx Price	0.0533	-0.0020	0.0775	-0.0021	0.0174
3	Using GY Revenue FRY for forecast revenue collection and FY Revenue FRY for allocation of t+1 allowed revenues	GnTx Price	0.0533	0.0024	0.0466	0.0135	0.0275
4	Using FY Throughput as proxy for both t forecast revenue collection and t+1 allocation of allowed revenues	GnTx Price	0.0533	0.0108	0.0309	0.0243	0.0270
5	Using GY Throughput FRY for forecast revenue collection and FY Throughput FRY for allocation of t+1 allowed revenues	GnTx Price	0.0533	0.0110	0.0308	0.0245	0.0267

- Options 2 and 3 would undermine the intent of the Mod, adding volatility back into the charges.
- Scenarios 1, 4 and 5 provide almost identical outputs.
- Scenario 1 was chosen for the proposal to provide a consistent approach across Transmission and Non-Transmission charging and to future proof the methodology should there be introduction of any discounts or exemptions to Non-Transmission charges in future.

Example

Target Revenues as per the FY PCFM Allowed Revenues inc. K

Revenue Collection projection for the first six months of FY t (Apr – Sep) collected under the existing charges from GY y-1

Difference between FY Target Revenue for FY t and Forecast Revenue collected in the first 6 months of FY t

	FY t		FY t+1	
6 Month Period	Apr - Sep	Oct - Mar	Apr - Sep	Oct Mar
FY GNTS Target Revenue	492.893		408.537	
Forecast Revenue Collection (GY y-1)	350.268			
Revenue to be collected (FY)		142.625		
Derived 'K'				
Target Revenue including 'K'				
Seasonal Allocation Factor (GY)				
6 Monthly Target Revenue (Apr – Sep FY t+1)				
Gas Year Target Revenue				
Forecast Revenue Collection				
Forecast Revenue Collection (FY)				
Revenue Variance to Target ('K')				

Example

	FY t		FY t+1	
6 Month Period	Apr - Sep	Oct - Mar	Apr - Sep	Oct - Mar
FY GNTS Target Revenue	492.893		408.537	
Forecast Revenue Collection (GY y-1)	350.268			
Revenue to be collected (FY)		142.625		
Derived 'K'				
Target Revenue including 'K'				
Seasonal Allocation Factor (GY)				
6 Monthly Target Revenue (Apr - Sep FY t+1)				
Gas Year Target Revenue				
Forecast Revenue Collection				
Forecast Revenue Collection (FY)				
Revenue Variance to Target ('K')				

$NTSR_{pt}$

$(AFNTR_t - NTSR_{pt})$

$AFNTR_t$

Example

Target Revenues as per the FY PCFM Allowed Revenues inc. K

Revenue Collection projection for the first six months of FY t (Apr – Sep) collected under the existing charges from GY y-1

Difference between FY Target Revenue for FY t and Forecast Revenue collected in the first 6 months of FY t

Split of Gas Year annual revenue collected across the 6 monthly periods.

	FY t		FY t+1	
6 Month Period	Apr - Sep	Oct - Mar	Apr - Sep	Oct - Mar
FY GNTS Target Revenue	492.893		408.537	
Forecast Revenue Collection (GY y-1)	350.268			
Revenue to be collected (FY)		142.625		
Derived 'K'			33.191	
Target Revenue including 'K'			375.346	
Seasonal Allocation Factor (GY)		0.609	0.391	
6 Monthly Target Revenue (Apr – Sep FY t+1)			146.793	
Gas Year Target Revenue		289.418		
Forecast Revenue Collection				
Forecast Revenue Collection (FY)				
Revenue Variance to Target ('K')				

Forecast under/over recovery from FY t.

Target Revenue for FY t+1 plus forecast under/over recovery from FY t.

FY t+1 Target Revenue including K multiplied by Seasonal Allocation Factor for Apr – Sep. Calculates the target revenue collection for the 2nd 6 months of the Gas Year.

Sum of 'Revenue to be collected (FY)' covering the 1st 6 months of the Gas Year and '6 monthly target revenue (Apr – Sep FY t+1)' covering the 2nd 6 months of the Gas Year.

Example

	FY t		FY t+1	
6 Month Period	Apr - Sep	Oct - Mar	Apr - Sep	Oct - Mar
FY GNTS Target Revenue	492.893		408.537	
Forecast Revenue Collection (GY y-1)	350.268			
Revenue to be collected (FY)		142.625		
Derived 'K'			33.191	
Target Revenue including 'K'			375.346	
Seasonal Allocation Factor (GY)		0.609	0.391	
6 Monthly Target Revenue (Apr - Sep FY t+1)			146.793	
Gas Year Target Revenue		289.418		
Forecast Revenue Collection				
Forecast Revenue Collection (FY)				
Revenue Variance to Target ('K')				

NTSR_{pt}

(AFNTR_t - NTSR_{pt})

F_{NTS}

AFNTR_t

AFNTR_{t+1}

(AFNTR_{t+1} * F_{NTS})

ANTSR_y

Example

	FY t		FY t+1	
6 Month Period	Apr - Sep	Oct - Mar	Apr - Sep	Oct - Mar
FY GNTS Target Revenue	492.893		408.537	
Forecast Revenue Collection (GY y-1)	350.268			
Revenue to be collected (FY)		142.625		
Derived 'K'			33.191	
Target Revenue including 'K'			375.346	
Seasonal Allocation Factor (GY)		0.609	0.391	
6 Monthly Target Revenue (Apr - Sep FY t+1)			146.793	
Gas Year Target Revenue		289.418		
Forecast Revenue Collection	350.268	175.816		
Forecast Revenue Collection (FY)	526.084			
Revenue Variance to Target ('K')	33.191			

Target Revenues as per the FY PCFM Allowed Revenues inc. K

Revenue Collection projection for the first six months of FY t (Apr - Sep) collected under the existing charges from GY y-1

Difference between FY Target Revenue for FY t and Forecast Revenue collected in the first 6 months of FY t

Split of Gas Year annual revenue collected across the 6 monthly periods.

Revenue Collection projection for the second six months of FY t

Sum of Forecast Revenue Collection for 1) Apr - Sep of FY t and 2) Oct - Mar of FY t.

Difference between Forecast Revenue Collection (FY) and FY GNTS Target Revenue. This value becomes the derived 'K' added into the Target Revenue for collection in t+1.

Forecast under/over recovery position from FY t. (Revenue Variance to Target ('K')).

Target Revenue for FY t+1 plus forecast under/over recovery from FY t.

FY t+1 Target Revenue including K multiplied by Seasonal Allocation Factor for Apr - Sep. Calculates the target revenue collection for the 2nd 6 months of the Gas Year.

Sum of 'Revenue to be collected (FY)' covering the 1st 6 months of the Gas Year and '6 monthly target revenue (Apr - Sep FY t+1)' covering the 2nd 6 months of the Gas Year.

Transparency and Publications

NGT publishes models for both Transmission Services and Non-Transmission Services annually, ahead of charges coming into effect in accordance with Article 30 of TAR NC.

These models provide additional information on the inputs that contribute to the determination of target revenues and charges.

They are available under the NTS Charging Supporting Information tab on the Transmission system charges page of the NGT [Website](#).

[Non-Transmission Services Model](#)

[Transmission Services Revenue Model](#)

Should this Modification be approved, the Non-Transmission Services model will be updated to bring it in line with what is provided for Transmission Services via the Transmission Services Revenue Model. This model would include all the information that has been provided in the example in this presentation.

