Gas Transmission

0764 - UNC TPD Section Y (Part A-I) amendments to Kt to align to RIIO2 Licence

Urgent

NTSCMF:
12 April 2021

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RIIO2 and amendments to UNC TPD Section Y (Part A-I)

- **The way the Kt value is calculated is different between the RIIO1 and RIIO2 Licence, means there need to be an change to the +/- sign before the calculations in UNC for Allowed FY Transmission Services Entry and Exit Revenue.**

- **Kt changes from t-2 to t-1 calculation**

  - Kt for RIIO2 is a forecast of K at the time when the PCFM is run as it is based on t-1 and the Regulatory year will not have ended. Any reconciliations needed to align the values will be picked up in the adjustments in the following year.

- **For first year of RIIO2 and charges setting for Gas Year 2021/22 there is a tru-up for t-2 K value (LKt) and also the new Kt value with t-1 calculation, so effectively 2 years of K feed into the first year of RIIO2.**

- **Kt reference in UNC TPD Section Y (Part A-I) that need to be amended to align to the RIIO2 NGG Licence.**

Transmission Services Entry and Exit Revenue Calculation in UNC TPD Y

Changes the sign in the Allowed FY Transmission Services Entry Revenue (UNC TPD Y A1 1.5.3 (a)) and Allowed FY Transmission Services Exit Revenue (UNC TPD Y A1 1.5.3 (b)) calculations before the K values for Entry and Exit, as Kt needs to be added instead of subtracted.

RIIO2 NGG Licence changed the calculation of the K value from NTS Transportation Owner Revenue (TO Recovered Revenue) minus Maximum NTS Transportation Owner Revenue (Allowed Revenue) in RIIO1 NGG Licence to Maximum NTS Transportation Owner Revenue (Allowed Revenue) minus NTS Transportation Owner Revenue (TO Recovered Revenue) in RIIO2 NGG Licence.

Transmission Services Entry and Exit Revenue Calculation in UNC TPD Y – UNC change

UNC Reference	Changes needed – changed marked
Update UNC TPD Y A1 1.5.3 to reflect how Kt is included in the calculation in 1.5.3 (a) and (b) based on the different calculation of Kt in the Licence	1.5.3 For the purposes of this Part A-I, in relation to a Formula Year (t): (a) "Allowed FY Transmission Services Entry Revenue" (AFTSEnRt, in £) is determined as follows: AFTSEnRt = (0.5 * BMTOExcNTRt) + ATSSOEnRt — + KEn,t where for the Formula Year: BMTOExcNTRt is Base Maximum NTS TO (Excluding Non-TS) Revenue; ATSSOEnRt is Allowed TS-Related NTS System Operation Entry Revenue; KEn,t is the Entry Revenue Adjustment; (b) "Allowed FY Transmission Services Exit Revenue" (AFTSExRt, in £) is determined as follows: AFTSExRt = (0.5 * BMTOExcNTRt) + ATSSOExRt — + KEx,t where for the Formula Year: BMTOExcNTRt is Base Maximum NTS TO (Excluding Non-TS) Revenue; ATSSOExRt is Allowed TS-Related NTS System Operation Exit Revenue; KEx,t is the Exit Revenue Adjustment;

K value which feeds into revenues in RIIO2 Licence

Change the reference from t-2 to t-1 for the proportion split between Transmission Services Entry and Exit under UNC TPD Section Y1.5.3 (f) as part of the methodology to calculate the Transmission Services Entry and Exit Revenues for setting Transmission Services prices.

This does not amend any of the mechanics of how the overall under / over recovery values are calculated in the RIIO2 NGG Licence.

K value which feeds into revenues in RIIO2 Licence – UNC change

Description of the change	Changes needed – changed marked
Transmission Services K - UNC TPD Y A1 1.5.3 (f) - change from t-2 to t-1	(f) the "Exit Adjustment Proportion" for Formula Year t is determined as: KTS Ex,t / (KTS En,t + KTS Ex,t) where KTS En,t is determined by applying the formula in Special Condition ~~2A.19~~ 2.1.13 substituting: (A) Transmission Services Entry Revenue in respect of Formula Year t-~~2~~ 1 for NTS Transportation Owner Revenue in respect of Formula Year t-~~2~~1; and (B) Allowed FY Transmission Services Entry Revenue in respect of Formula Year t-~~2~~1 for Maximum NTS Transportation Owner Revenue in respect of Formula Year t-~~2~~1; KTS Ex,t is determined by applying the formula in Special Condition ~~2A.19~~ 2.1.13 substituting: (A) Transmission Services Exit Revenue in respect of Formula Year t-~~2~~1 for NTS Transportation Owner Revenue in respect of Formula Year t-~~2~~1; and (B) Allowed FY Transmission Services Exit Revenue in respect of Formula Year t-~~2~~1 for Maximum NTS Transportation Owner Revenue in respect of Formula Year t-~~2~~1.

First year of RIIO2 proposal

For first year of RIIO2 and charges setting for Gas Year 2021/22 there is a tru-up for t-2 K value (LKt) and also the new Kt value with t-1 calculation, so effectively 2 years of K feed into the first year of RIIO2.

LKt – K value in relation to 2019/20 Regulatory Year:

- In the RIIO2 NGG Licence in Chapter 7 Legacy, Special Condition 7.4, the 2019/20 under/over recovery LKt value goes into Regulatory Year 2021/22, with a 2 year true-up as per the RIIO1 NGG Licence.

- LKt will need to be split into an Entry and Exit proportion to be input into the Allowed Revenue to be used within the Postage Stamp (PS) model to calculate the Transmission Services capacity reserve prices. This will be done using the same mechanism as per TPD UNC Section Y 1.5.3.

These will need to be written into the UNC Transitional Text as it is only needed as a one off for the setting of Transmission Services charges for the Gas Year October 2021 – September 2022.

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