

Gas  
Transmission

# NTSCMF

Action updates

06 July 2021

nationalgrid



## Outstanding Actions:

- **0107** – National Grid (CW) to provide documented explanation and diagrams detailing the relationship between the SO/TO and TS/NonTS revenue services
- **0401** – National Grid (CWi) to consider the definition of TS-Related NTS System Operation Revenue within UNC TPD Section Y paragraph 1.5.1 (d) whether it could be better defined.
- **0402** – National Grid (CWi) to provide an explanation of what the gas SO does and what it receives revenue for
- **0501** – National Grid (CWI) to provide detailed explanation of (mis)alignment between Code and Licence including GAP analysis

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Action updates

Action 0107

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## 0107 - The relationship between the SO/TO and TS/NonTS revenue services

- This action covers the determination of 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 there can be some further clarity to highlight the relationship between these terms.
- It covers the process / steps and relationships for the same period (ie. Looking at a formula year).
  - 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 also how income (or recovered revenue) for each charge type is treated both from a UNC perspective and a Licence perspective.
- This was requested as a document therefore this is not detailed in this pack
- A 'live' document is available on the JO website under the NTSCMF material for July for comment
  - <https://www.gasgovernance.co.uk/index.php/ntscmf/060721>
  - Following feedback, this document can be updated as would be considered helpful.

## **0401 –TS-Related NTS System Operation Revenue within UNC TPD Section Y paragraph 1.5.1 (d) and whether it could be better defined.**

- **The definition is shown in the UNC:**
- “Allowed TS-Related NTS System Operation Revenue” is that amount of the Maximum NTS System Operation Revenue which is attributable (as determined by National Grid NTS) to charges in respect of NTS Capacity net of charges for the surrender of NTS Capacity;”
- The definition effectively allows the determination from National Grid to identify the necessary elements that need to be adjusted to create the correct values under Transmission Services and Non-Transmission Services for target and recovered revenues and avoid any unintended consequences. The broader nature in scope was never intended to mean National Grid would change or adjust year to year the approach to this term.
- Whilst the term provides scope for National Grid to determine this, it is effectively values set in accordance with those values termed as capacity revenues but are to be treated as System Operator Recovered Revenues.
- The term could be more prescriptive and National Grid would support such a move at a suitable date future.
- We would suggest this could be done at a date in the future post or even part of the up-coming proposed charging reforms so not to proceed with a modification that would be better facilitated either as part of other changes or need further change.



## 0402 - Explanation of what the gas SO does and what it receives revenue for

- This action covers from a question posed in previous NTSCMF focuses on which monies (recovered revenues) is considered as SO recovered Revenues. This is not a broader comment on what the role of the System Operator is. The services and revenues associated to the SO is part of the RII02 Price control and Licence.
- It is necessary to consider two terms when it comes to revenues:
  - Allowed System Operator Revenue – this is the allowed revenue (including costs of operating the system) for a given formula year as determined by the Licence. The determination of the allowed revenue is not this action as this action asks about recovery of revenues
  - System Operator Recovered Revenues – this is the revenue recovered to aim to cover the allowed system operator revenue
    - If the recovered revenues match the target allowed revenue there would be a zero under / over recovery.
    - If recovered revenues exceed the target allowed then there is an over recovery
    - If recovered revenues fall short of the target then there is an under recovery
    - N.B. the under / over recovery position adjusts the allowed SO revenue in a future year.

## 0402 - Explanation of what the gas SO does and what it receives revenue for

- This action covers from a question posed in previous NTSCMF focuses on which monies (recovered revenues) is considered as SO recovered Revenues. The key items that are likely to be of interest are shown below.

Item	Details
<b>General Non-Transmission Services Charges</b>	Recovers the majority of the SO Recovered Revenues
<b>Non-Obligated Exit Capacity</b>	Recovered as Transmission Services and treated as System Operator Recovered Revenue under the Licence
<b>Exit Overruns</b>	Set as per UNC TPD Section B, value contributes towards SO Recovered Revenues
<b>St Fergus Compression Charges</b>	Aims to recover a forecast cost associated to the St Fergus Compression charges (i.e. the fuel costs associated to the compression assets at the NSMP sub terminal)
<b>Entry Overruns</b>	Set as per UNC TPD Section B. Part of Capacity Neutrality – values are charged for Entry overruns and returned to Shippers in line with TPD Section B to a net zero position for National Grid. Therefore no “recovered revenue” is recorded for Entry Overruns.
<b>Non-Obligated Entry Capacity</b>	Part of Capacity Neutrality – values are charged for Non-Obligated Entry Capacity and returned to Shippers in line with UCN TPD Section B to a net zero position for National Grid. Therefore no “recovered revenue” is recorded for Non-Obligated Entry Capacity.

## 0501 - explanation of (mis)alignment between Code and Licence including GAP analysis

- This action covers the explanations as to why the TO and SO as per the Licence will not match the UNC definitions of Transmission Services and Non-Transmission Services. This action is regarded as covering the elements of mismatch between TO to Transmission Services and SO to Non-Transmission Services
  - As the terms of Transmission Services and Non-Transmission Services are in the UNC not the Licence some necessary steps are needed in order to create them using the Licence values of TO and SO as the base.
  - A reminder of the way in which Transmission Services to TO and Non Transmission to SO differs is below:

Licence	UNC	Details
Transmission Owner Allowed Revenue	Transmission Services target Revenue	Differences are that the Transmission Services charges exclude metering / DN Pensions and include non-obligated Exit capacity revenue and non-obligated Entry capacity revenue
System Operator Allowed Revenue	Non-Transmission Services target revenue	Differences are that the Non-Transmission charges include metering / DN Pensions and exclude non-obligated Exit capacity revenue

- If all the forecasts were exact compared to actuals then there would be zero under/over recovery for Transmission Services / Non Transmission Services and a zero under/over recovery for Transmission Owner and System Operator.



# Contact

## General Questions

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General Regulatory Change Queries

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