

Gas Transportation Charges

NTSCMF

01 November 2022

**Transmission Services
charging following 0790
decision not to implement**



Agenda

Existing Contracts - context

0790 and decision not to implement

Development of options

Next steps

Existing Contracts and their influence in the overall charging methodology

- Existing Contracts are Long Term Entry Capacity allocated before the introduction of the EU Tariff Network Code (TAR NC) on 6 April 2017.
- These Existing Contracts, embedded into the UNC as part of 0678A, are effectively made up of two components in:
 - Existing Registered Capacity; and
 - Existing Available Capacity.
- At the simplest level they offer price protection from prevailing capacity rates, which they influence, and an exemption from any Transmission Services Entry (Capacity based) Revenue Recovery charges.
- Existing Contracts still retain a significant impact to Transmission Services Entry Capacity reserve prices leaving large price disparity between some Existing Contract prices and the prevailing rates for 'new' capacity.
- UNC0790 was proposed as a means to try to address this price difference.

UNC0790 and decision not to implement

- UNC0790 proposed a new commodity charge levied on all flows (except storage) that was based on the influence of Existing Contracts in determining capacity charges.
- Ofgem decided not to implement 0790 and noted a few specific elements in this decision
 - <https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2022-03/Ofgem%20Decision%20Letter%200790%20%28Urgent%29.pdf>
 - Ofgem said they considered 0790 furthered some Relevant Objectives and negatively impacted others. It was furthered for competition based ROs and viewed negatively on ROs on grounds of compliance.
 - Of note, Ofgem said of the 0790 methodology and the price ‘gap’:
 - “..we note that a modification proposal that would levy the additional charge only on existing contracts would be more effective than UNC790 in closing the price gap between existing contracts and new contracts.”
 - In making the decision Ofgem also said “We expect industry to bring forward a new modification proposal to address existing contracts as soon as possible, in line with the legal analysis set out in this decision.”

Development of Options following 0790

- With a focus on an objective to review the impacts of Existing Contracts under Entry charging alone, this is one path to pursue.
- Additionally, we see merits in discussing other options that would impact Entry but would also have impacts to Exit, to assess any further merits of such options. This would have a broader objective however may have some benefits in discussing alongside.
 - Entry only:
 - A new commodity charge focused only on (utilisation of) Existing Contracts
 - A new commodity charge focused on all flows (taking on board views on 0790)
 - A review of Existing Contracts and their flexibility / use into the future
 - Broader to Entry and Exit:
 - Discuss / review the Entry / Exit split, that is currently 50/50 to Entry / Exit for Transmission Services.
- These are purely options we feel have merit in discussing and seeking Stakeholder views on, and are not an expression of preference from National Grid

Next Steps

- Develop, share and publish a Gas Charging Discussion Document. Issued by National Grid, to seek views on:
 - The impacts of Existing Contracts and their influence in the Charging Methodology;
 - Options related to Entry charging and potentially wider;
 - Potential modifications to take forward following feedback and discussion;
 - On any option, taking into account the points raised in Ofgem's letter on 0790 and the decision not to implement.
- To effectively seek views in this way and to consider these views and discuss with Stakeholders we believe, were any to be taken forward, would be focused on October 2024 as a potential implementation date.
- Using NTSCMF as the principle industry forum to discuss these topics, with a focus on December 2022 for further sharing of options and opportunity to discuss, followed shortly after by issuing a discussion document for Stakeholder views.

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