

# 0636:

## Updating the Parameters for the NTS Optional Commodity Charge



**Proposer:** Henk Kreuze, Vermilion Energy

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# Why change?



- There is an estimated cross-subsidy of about £146m per annum by sites unable to benefit from the NTS Optional Commodity Charge (OCC) to those opting for the OCC.
- This cross-subsidy is primarily costing those sites within the Distribution Networks.
- The parameters within the current NTS OCC formula have not been updated since the introduction of the charge in 1998 and are therefore no longer cost reflective of current pipeline construction/operational costs nor of actual pipeline utilisation.

# Options



- As the methodology underpinning the OCC and the associated formula is contained within the UNC, updating the parameters will require a change to Section Y and Section B of the UNC

# Solution



- Replace the current formula with that proposed in 2015 as Option 2 by National Grid in its discussion document NTS GCD11 .
- Adjust the assumed capacity of the alternative by-pass pipeline against which the OCC charges are calculated. Specifically replace the MNEPOR in the current formula with the average daily flow at the exit point from the previous Gas Year divided by 75%.

# Recommended Steps



The Proposer recommends that this modification should be:

- Not subject to self-governance because of the estimated cross subsidy of around £146m per annum
- Workgroup assessment (NTSCMF) to develop the modification for 1 month