

**Gas
Transmission**

Pre Modification Discussion:

***Revision to the determination of
National Grid NTS Target Revenue for
Transportation Charging***

**NTSCMF
07 December 2021**

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Overview

Revision to the determination of National Grid NTS Target Revenue for Transportation Charging

Purpose of the Proposal:

- Focus is on updating the Gas Year Target revenue from the current method that only looks at the Regulatory Year ending in the Gas Year being priced.
- Non-urgent Modification Proposal
- Transmission Services only in its application
- Looks to reduce volatility from current conditions not remove it completely.
- Transmission Services Entry Rebate mechanism would be removed as part of the proposal.

Solution

- FRY is a measure that determines revenue proportions per the current Uniform Network Code (UNC).
- The method of determining the target Gas Year Revenue would need updating to cover the two revenue values, for the relevant periods associated to the two Regulatory Years that a Gas Year bridges.
- The FRY that would be used to calculate the proportion of revenue associated to the Regulatory Year that starts in the Gas Year being priced that will be explored to determine any measure of materiality.
- Under / over recovery – follows the current process without specific treatment.
 - Therefore, pricing would be setting recovery expectations that could under or over recover relative to a Regulatory Year.
- In order to preserve the integrity of this approach, the Transmission Services Entry Rebate would be removed

Solution – Revenue Value Calculations

- *October to March Revenue Value:*
 - The value of the revenue for the Regulatory Year (RY) ending in the Gas Year (GY) being priced would be the difference between the allowed revenue and the expected recovery to the end of the September preceding the Gas Year.
- *April to September Revenue Value:*
 - The value of the revenue for the six month period of the Regulatory Year starting in the Gas Year being priced would be the (1- FRY percentage mentioned above) multiplied by the most up to date revenue value available for the forecast Allowed Revenue for the Regulatory Year starting in the Gas Year being priced. This would be a Price Control Financial Model (PCFM) output.
 - It is worth noting that this would benefit from being the most up to date value subject to re-publication criteria.
- The two revenue values for each six-month part of the Gas Year (mentioned in the bullet point above) are added together to determine the Gas Year Target Revenue for Transmission Services.

Next Steps

- Pre-Modification discussion at NTSCMF in December 2021
- Modification raised in December 2021 or January 2022 for Panel referral to workgroups
- Workgroups for a relatively short timeline with aim to get Final Modification Report (FMR) to March 2022 Panel
 - Workgroups – frequency could be more than 1 per month if needed.
- Decision from Ofgem would be required if a change was to be effective from 01 October 2022 in time for setting charges (end May 2022).

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