

Representation

Draft Modification Report

0460S - Alignment of capacity and revenue treatment within the NTS Charging Methodology with RIIO-T1 arrangements

Consultation close out date: 08 August 2013

Respond to: enquiries@gasgovernance.co.uk

Organisation: National Grid NTS

Representative: Richard Hounslea

Date of Representation: 30th July 2013

Do you support or oppose implementation?

Support

Please summarise (in one paragraph) the key reason(s) for your support/opposition.

This Modification will fully align the NTS Charging Methodology with the new RIIO-T1 Licence definitions of Entry Capacity and Exit Capacity. The Modification will facilitate the appropriate modelling of Entry Capacity and Exit Capacity, and associated revenues, within National Grid's charge setting NTS Transportation Model. Implementation of this Modification would ensure alignment of the NTS Charging Methodology as defined in UNC TPD Section Y with the RIIO-T1 Licence.

Are there any new or additional issues that you believe should be recorded in the Modification Report?

National Grid does not believe there are any new or additional issues to record within the Modification Report.

Self Governance Statement:

Do you agree with the Modification Panel's decision that this should be a self-governance modification?

The proposer agrees with the Modification Panel's decision that this modification should be classed as self-governance as its implementation would not discriminate between different classes of UNC parties, or have a material effect on existing or future gas customers, competition (other than its promotion), operation of the pipeline system(s), matters relating to sustainable development, safety or security of supply, or the management of the market or network emergencies.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

a) Save in so far as paragraphs (aa) or (d) apply, that compliance with the charging methodology results in

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charges which reflect the costs incurred by the licensee in its transportation business;

The implementation of this Modification would align the NTS Charging Methodology and the inputs to the setting of both entry and exit charges, with the NTS TO Activity as defined in the Licence revised as part of the RIIO-T1 price control settlement. From 1st April 2013, the "NTS Transportation Owner Activity" is defined within the Licence¹ as;

"the activities of the Licensee connected with the development, administration and maintenance of the NTS and with the Supply of NTS Services"

where "Supply of NTS Services"²:

"means the undertaking and performance for gain and reward of engagements:

- (a) in connection with the conveyance of gas through the NTS other than engagements in connection with activities within the definition of the NTS SO activity; and*
- (b) for the prevention of the escape of gas, which has been taken off the NTS, other than to the Distribution Network or any pipe-line system operated by a person holding a gas transporter's licence or who is exempted from holding such a licence which but for such pipeline not being operated by the Licensee, would fall within the definition of the Distribution Network; and*
- (c) for the provision of Funded Incremental Obligated Entry Capacity and Funded Incremental Obligated Exit Capacity"*

Implementation of this Modification would ensure alignment of the NTS Charging Methodology as defined in UNC TPD Section Y with the RIIO-T1 Licence.

The modelling of the capacity terms, consistent with the RIIO-T1 Licence, i.e. those that make up Non-incremental Obligated Entry/Exit Capacity and Funded Incremental Obligated Entry/Exit Capacity (and associated revenue allowances), would result in charges that reflect the costs incurred by the Licensee in its transportation business.

b) That, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business;

This modification seeks to update UNC TPD Section Y so that it properly reflects the definitions Entry Capacity & Exit Capacity, and associated revenue arrangements, under RIIO-T1 from 1st April 2013.

¹ Special Condition 1A Definitions

² Special Condition 1A Definitions

The modification does not conflict with paragraphs 2, 2A and 3 of Standard Special Condition A4 of the Transporter's Licence which are;

2. *Except in so far as the Authority otherwise approves, or in response to a determination by the Secretary of State under paragraph 2A of Standard Special Condition A27 (Disposal of Assets), the licensee shall not make a modification of the charging methodology unless it has complied with the requirements of the network code modification procedures as defined in Standard Special Condition A11 (Network Code and Uniform Network Code) subject to paragraphs 10A and 10B of this condition.*

2A. *The licensee shall –*

- (a) *for the purposes of ensuring that the charging methodology achieves the relevant methodology objectives, keep the charging methodology at all times under review;*
- (b) *use its reasonable endeavours:*
 - (i) *not to make any changes to the charging methodology more frequently than twice in each formula year and for such changes to take place on 1 April and/or 1 October in each formula year or at such other time as the Authority may by notice in writing direct; and*
 - (ii) *only to make changes to the charging methodology in relation to NTS exit capacity and NTS exit flow flexibility on 1 October in NTS GT licence July 2013 each formula year or at such other time as the Authority may by notice in writing direct¹⁷; and*
- (c) *comply with the joint governance arrangements (as defined in Standard Special Condition A12 (Joint Office Governance Arrangements)) to the extent that such arrangements relate to the administration of any changes referred to in sub-paragraph (b), if applicable, whether made by the licensee and/or any other relevant gas transporter.*

3. *Subject to paragraph 4, the licensee shall in each formula year, by 31 December in that formula year, furnish the Authority with a report on the application of the charging methodology during the 12 months preceding 1st October in that year including a statement as to -*

- (a) *the extent to which, in the licensee's opinion, the relevant methodology objectives have been achieved during the period to which it relates;*
- (b) *whether those objectives could more closely be achieved by modification of the charging methodology; and*

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(c) *if so, the modifications which should be made for that purpose.*

...as the modification is consistent with setting NTS Exit (Flat) Capacity charges from 1st October 2012 and from the 1 October in each subsequent year.

The modification does not conflict with paragraphs 8, 9, 10 and 11 of Standard Condition 4B of the Transporter's Licence which are;

8. *The licensee shall -*

(a) *publish the connection charging methodology under paragraph 3 or 7 in such manner as will secure adequate publicity for it and, in the case of a connection charging methodology furnished under paragraph 7, shall so publish it before the effective date thereof;*

(b) *publish with any such connection charging methodology so published a statement that any complaint in respect of a charge to which the connection charging methodology relates, if not resolved between the licensee and the complainant, may be referred to the Authority by letter addressed to the Authority at an address specified in the statement; and*

(c) *send a copy of any such connection charging methodology and statement so published to any person who asks for one.*

9. *The licensee shall prepare and furnish the Authority with a statement, or revision or amendment of a statement, which:*

(a) *sets out the basis on which charges will be made for the provision of connections to the pipe-line system to which this licence relates;*

(b) *where appropriate and practicable, is in such form and with such details and examples as are necessary to illustrate to any person requiring a connection how charges are applied for different categories of connection; and*

(c) *is in accordance with connection charging methodology.*

10. *The licensee shall not show any undue preference towards, or undue discrimination against, any person who operates, or proposes to operate, a pipeline system in relation to the connection of that system to the licensee's pipe-line system.*

...as the publishing of the connection charging methodology, or any matters relating to the connection charging methodology or connection charges, is not affected by this Modification.

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

National Grid NTS has identified that no further analysis, development or ongoing costs will be incurred as a result of implementing this modification and no system changes or changes NTS manual process will be necessary. This is not a User Pays modification.

Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why?

Without prejudice to any decision by the Modification Panel on whether or not to implement this modification, National Grid NTS believes this modification can be implemented 16 business days after a decision to implement as stated in Section 5 of the Modification.

Legal Text:

Are you satisfied that the legal text will deliver the intent of the modification?

National Grid NTS is satisfied that the legal text will deliver the intent of the modification.

Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.

National Grid NTS does not believe there is anything further to be taken into account.