

Gas System
Operator

NTSCMF

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Action 0601 updated

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NTSCMF Action 0601 updated: National Grid to overlay some scenarios on interactions with TSRRCs

At 3rd July NTSCMF there were requests to elaborate on how specific scenarios would be considered and their interaction with setting or updating Transmission Services (Entry and Exit) Revenue Recovery Charges (TSRRCs)

The following slide demonstrates how TSRRCs would be considered

Key point of use of TSRRCs is that of revenue recovery charges when anticipated revenue would under or over collect compared to the target revenue across the regulatory year (April to March) in question.

NTSCMF Action 0601 updated: National Grid to overlay some scenarios on interactions with TSRRCs



TSRRCs are used as revenue recovery charges where anticipated revenue collection, which can change for a number of reasons, would under or over collect against the target revenue.

Jan

Apr

May

Oct

Review anticipated bookings against revised forecast, actuals. Revenue monitoring against prices determined and published using FCC (produced for charge setting)

If required, an amendment to the RRC calculated and published. On best endeavours the RRC will be amend for October and April, but if needs to be change then can be amended at other times throughout the year.

Potential amendment to or introduction of the Revenue Recovery Charge (RRC)

Potential influence on RRC:

- **Changes to bookings in July window (Exit)**
- **FCC compared to updated forecast and/or actuals – could be too low or too high**
- **New sites start producing earlier or later than forecasted too**
- **PARCA come on later than forecasted**

Could lead to:

- **Introducing a RRC**
- **Updating the current RRC**
- **Any revenue could feed into the calculation of K (for Y+2)**
- **Entry Rebate mechanism (if over recovered on Entry)**

Thoughts to take into account when deciding about amending or introducing an TSRRC

What needs to be thought about when deciding whether to amend or introducing an TSRRC:

- **FCC (produced for charge setting) is fixed and will not be updated mid year**
- **The monitoring of the FCC (produced for charge setting) will be done against any revised forecast and any actuals that are known at a point in time, which could mean a RRC introduced or an amendment to the RRC**
- **TAR states for charges to be less volatile but Licence states to recover money in formula year – need to take both aspects into account**
- **How far through the applicable gas year? – is there sufficient time to update the RRC given that there will be a notice period of 2 months to changes to RRC given**

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Action 0702

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NTSCMF Action 0702: Clarification of process for calculating, setting and updating TSRRCs.

In Setting or updating TSRRCs

- 1. Capacity Charges are set using the required inputs (Revenue, FCC, Distances, etc) ahead of the tariff year. Once set, the capacity charges are not updated during the tariff year;**
- 2. The anticipated bookings for the year may change from those forecasted when setting the charges. This will be a rolling combination of actuals and updated forecasts of bookings where relevant. Where this occurs Entry and Exit TSRRCs can be used and updated to manage recovery of the target revenue for any given regulatory year;**
- 3. The ability to set, update and publish updated TSRRCs is with National Grid. They can be introduced ahead of and during a tariff year;**
- 4. TSRRCs can be positive or negative charges to cover anticipated under or over recovery against the target revenues.**
- 5. Process is the same as the use of Commodity charges under current regime (i.e. charges used to manage collection of the target revenue)**

03

FCC calculation for GDN and Non-GDN



GDN versus Non-GDN sites background

- **As part of a workgroup request, during the UNC 0678 development process, a review of what FCC should be applied to GDN's was considered**
- **This reviewed if GDN's should be different given the nature of how GDNs book capacity compared to other Shippers.**
- **The approach in 0678 was provided at workgroup and agreed with the GDNs and driven directly by the questions raised in workgroup as a pragmatic and helpful option to provide a good proxy for future capacity bookings.**
- **All versions of 0678 have the same proposal as the FCC methodology, where the FCC Methodology is either included in the proposal and outside of UNC as a statement, or part of the UNC itself**

Link to FCC methodology: https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/book/2019-03/Forecasted%20Contracted%20Capacity%20v1.0_0.pdf

GDN versus Non-GDN approach

For Gas Year Y

- **Non GDN (greater of)**
 - Existing Contracts Gas Year Y (Entry)
 - Non-zero priced historical capacity sales for previous Gas Year Y-2
 - Historical flow for previous available Gas Year Y-2
 - Forecast supply or demand for the relevant Gas Year Y
 - PARCA (progressed to Stage 2) for relevant Gas Year Y
- **GDN**
 - Latest capacity booked for Gas Year Y-1 at setting prices for Gas Year Y

Note: Gas year Y is the first Gas Year the FCC is produced for i.e. if produced in May 2020 for October 2020 Gas year (Y)

GDN versus Non-GDN approach

For Gas Year Y+1, Y+2, Y+3 and Y+4

- **Non GDN (greater of)**
 - Amended data from calculation of Gas Year Y
 - Existing Contracts (Either Y+1, Y+2, Y+3 or Y+4)
 - Forecast supply or demand for the relevant Gas Year (Either Y+1, Y+2, Y+3 or Y+4)
 - PARCA (progressed to Stage 2) for relevant Gas Year (Either Y+1, Y+2, Y+3 or Y+4)
 - Same data from calculation of Gas Year Y
 - Non-zero priced historical capacity sales for Gas Year Y-2 (based on FCC for Gas Year Y as first year publishing the FCC values)
 - Historical flow for previous available Gas Year (Y-2) (based on FCC for Gas Year Y as first year publishing the FCC values)
- **GDN**
 - Latest capacity booked for associated Gas Year (Either Y+1, Y+2, Y+3 or Y+4)

Note: Gas year Y is the first Gas Year the FCC is produced for i.e. if produced in May 2020 for October 2020 Gas year (Y)

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Production of charges – example timeline



Timeline example for 2021/22 gas year

Auction or Allocation event	Auction / Allocation date	Price Produced Notice	Actual price produced	Applicable from
Exit Capacity	July 2021	May 2021	May 2021	October 2021
Enduring Exit Capacity	July 2021	May 2021	May 2022 onwards (depending on year)	October 2022 onwards (depending on year)
QSEC	Jan 2021	May 2020	May 2022 onwards	October 2022
MSEC	June 2021	May 2021	May 2021	October 2021
IP Annual Yearly	July 2021	May 2021	May 2021	October 2021
IP Annual Quarterly	August 2021	May 2021	May 2021	October 2021
IP Rolling Monthly, Rolling Day Ahead, Within Day	Ongoing for 2021/22	May 2021	May 2021	October 2021
DADSEC (Day Ahead)	30 Sep 2021 to 29 Sep 2022	May 2021	May 2021	October 2021
WDDSEC (Within Day)	1 Oct 2021 to 30 Sep 2022	May 2021	May 2021	October 2021

Charge	Price Produced Notice	Actual price produced	Applicable from
RRC	August 2021	August 2021	October 2021
RRC	January 2022	January 2022	April 2022
RRC	2 months notice	2 months notice	Anytime in year

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Allowed Revenue versus Gas Year



Allowed Revenue versus Gas Year background

- **Allowed Revenue is set based on Regulatory Year (April until March)**
- **Gas (Tariff) Year runs from October until September**
- **Capacity Charges are set to cover the gas year but will need to collect revenue which is associated to 2 different regulatory years. Revenue Recovery charges are typically used to manage necessary updates**
- **Within the Legal text for 0678 (and all alternatives) there is a section which covers the differences stated above and how the revenue will be apportioned to try to reduce volatility in the prices**
- **The following slide is an extract from the legal text in UNC0678 (and alternatives)**

Apportionment of allowed revenue to Gas Year – Legal text for 0678 (and alternatives)

$$AR_y = (AR_t - R_{pt}) * F_{ry} * 2$$

Where:

- AR_y is the amount of allowed revenue to be determined for a Gas Year (y) determined on the basis of the corresponding allowed revenue for the Formula Year (the “Related Formula Year”, t) which ends in such Gas Year,
- AR_t is the corresponding allowed revenue for Formula Year t;
- R_{pt} is the amount of revenue (of the corresponding kind) which National Grid NTS estimates will be earned in respect of the part of Formula Year t which falls prior to Gas Year y;
- F_{ry} is a factor which represents National Grid NTS's estimate of (A / B) where A is the amount of revenue (of the corresponding kind) which would be expected to be earned on average in any month in Gas Year y as a whole, and B is the amount of revenue (of the corresponding kind) which would be expected to be earned on average in any month in the part of Formula Year t which falls within Gas Year y.

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