

Modification 0678 Workgroup

TAR NC Compliance Assessment Table

Completed by:		Proposer's Name: Graham Jack		Modification Number:		0678B	
Reference (including all sub-clauses)	Commentary Required	Title		Proposer's Commentary on Compliance with the Article			
Article 1	No	Subject matter					
Article 2	No	Scope					
Article 3	No	Definitions					
Article 4	Yes	Transmission and non-transmission services and tariffs		<p>4(1) The identification of costs to be allocated to Transmission Services is consistent with Modification 0678. Transmission Services charges are generally those that are described as Transmission Owner charges under the current charging methodology.</p> <p>4(2) All Transmission Services charges are capacity-based and are derived from a single Reference Price Methodology. This includes the Optional Capacity Charges that Shipper Users can pay if they believe they are more appropriate for their configuration of entry and exit capacity requirements. The inclusion of an Optional Capacity Charge will: promote more cost-reflective charges for large NTS offtakes, attract gas to the GB market with benefits for market liquidity and security of supply, facilitate flows across Interconnection Points, maintain CCGT competitiveness, encourage new NTS connections, and help avoid the inefficient bypass of the NTS whether via onshore and offshore pipelines or by LNG tanker.</p> <p>4(3) All Transmission Services revenue will be recovered by capacity charges.</p> <p>4(4) Non-Transmission Services charges are to be levied in a manner consistent with the current method for the recovery of System Operator costs. Some costs will be in the form of specific service charges; the remainder will be recovered via a postalised commodity charge on all entry and exit gas flows (excluding storage facility flows).</p>			
Article 5	Yes	Cost allocation assessments		The detailed information used for setting charges will enable the relevant cost assessments to be carried out and judged by the National Regulatory Authority. It is to be expected that National			

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			Grid will make available to the NRA all necessary data to facilitate compliance with this Article. This could include detail relevant to Existing Capacity Contracts that are afforded price protection under Article 35 of this code, enabling assessments to either include or exclude Existing capacities and revenues if considered appropriate.				
Article 6	Yes	Reference price methodology application	<p>6(1) Implementation Of Modification 0678B will be subject to a decision made by the National Regulatory Authority.</p> <p>6(2) Reference prices will be generated by the proposed Reference Price Methodology.</p> <p>6(3) The same Reference Price Methodology for setting charges, including Optional Capacity Charges, will apply to all entry and exit points.</p> <p>6(4) Any rescaling of charges will be done by multiplying their values by a constant with the aim of setting charges to recover National Grid's full allowed revenue. Rescaling will take into consideration any estimated revenue over or under-recovery as a result of the application of specific discounts or multipliers for firm capacity products.</p> <p>6(4)(a) Optional Capacity Charges will be informed by a "System Utilisation Factor" that can be regarded as a form of system-wide load-factor. This will mean that these charges will be increased so as to recover system costs that correspond to full capacity utilisation at the relevant entry and exit points.</p>				
Article 7	Yes	Choice of a reference price methodology	7(a) The Reference Price Methodology for setting Transmission Services Charges is deterministic and with the availability of key				

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			<p>data inputs, e.g. allowed revenue, Forecasted Contracted Capacities and network distances, the prices can be readily reproduced. For Non-Transmission Services, either bespoke or postalised charges are set as they are under the current methodology.</p> <p>7(b) The Capacity Weighted Distance basis for setting Transmission Services Charges naturally includes network distance as a cost-driver. The investment made in transporting gas should be intuitively correlated with the price to be paid for transporting gas and distance is a key factor not only for investment already made by National Grid but also for capital costs associated with maintenance, mains replacement and new gas compression.</p> <p>7(c), (d) and (e). The methodology is deterministic and does not distinguish between Interconnection Points and Non-Interconnection Points. It is necessary, however, to allow for the different pricing of Existing Contracts as required by Article 35 of this code. Any distortion of prices borne out of the Article 35 requirements will reduce over time and probably disappear completely within 10 years.</p>	
Article 8	Yes	Capacity weighted distance reference price methodology	The capacity weighted distance methodology employed by this Modification 0678B is the same as for National Grid's 0678 Modification. The requirements set out this Article 8 are complied with.	
Article 9	Yes	Adjustments of tariffs at entry points from and exit points to storage facilities and at entry points from LNG facilities and infrastructure ending isolation	<p>9(1) A discount of 50% is proposed in respect of Storage Facilities.</p> <p>9(2) No discount is proposed for LNG Facilities.</p>	
Article 10	No	Rules for entry-exit systems within a Member State where more than one transmission system operator is active		

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Article 11	No	Rules for entry-exit systems covering more than one Member State where more than one transmission system operator is active		
Article 12	Yes	General provisions	<p>Prices for capacity will be set so as to apply for the duration of a Gas Year.</p> <p>12(2) The Modification recommends that charges be applied for a Gas Year, specifically a 1 October start date. From a practical perspective, and to allow for charge notice periods to be adhered to, it is recommended that a 1 October 2020 start date is aimed at. Implementation of the Modification would take place prior to this target date.</p>	
Article 13	Yes	Level of multipliers and seasonal factors	Multipliers will be set at a level of "1" for all standard firm capacity products. This is also the case for Optional Capacity where no adjustment is made to the price to reflect the duration of the product purchased.	
Article 14	Yes	Calculation of reserve prices for non-yearly standard capacity products for firm capacity in absence of seasonal factors	Reserve prices will be calculated in accordance with this Article. Charges will be applied on a daily basis.	
Article 15	Yes	Calculation of reserve prices for non-yearly standard capacity products for firm capacity with seasonal factors	Seasonal factors are not proposed under this Modification and the requirements of this Article are therefore not relevant.	
Article 16	Yes	Calculation of reserve prices for standard capacity products for interruptible capacity	Modification 0678B's solution in respect of interruptible capacity replicates that of National Grid's 0678. An ex ante discount of 10% will be applied.	
Article 17	Yes	General provisions	<p>17(1) (a) National Grid will be responsible for ensuring compliance with this Article. Modification 0678B employs only capacity-based charges for the recovery of Transmission Services revenue which removes uncertainties in revenue recovery that would arise from commodity-based charges. To set accurate ex ante capacity charges, National Grid will be required to accurately forecast capacity bookings; Modification 0678B will introduce new UNC rules and obligations to provide appropriate governance to the Forecasted Contracted Capacity Methodology.</p>	

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			17(1)(b), (c) The Modification introduces capacity-based Transmission Services Revenue Recovery Charges to help National Grid comply with these provisions.				
Article 18	No	Under- and over-recovery					
Article 19	No	Regulatory account					
Article 20	No	Reconciliation of regulatory account					
Article 21	No	Pricing of bundled capacity					
Article 22	No	Pricing of capacity at a virtual interconnection point					
Article 23	Yes	Calculation of clearing price at interconnection points	This Article is already accommodated within the UNC. The Modification will not amend the current arrangements.				
Article 24	Yes	Calculation of payable price at interconnection points	24(a) The floating payable price approach will apply and be managed accordingly by National Grid.				
Article 25	Yes	Conditions for offering payable price approaches	25(1) A floating payable price approach will be employed.				
Article 26	Yes	Periodic consultation	The detailed information provided by this Modification will help the National Regulatory Authority or the Transmission System Operator to fulfil the obligations described in this Article.				
Article 27	Yes	Periodic national regulatory authority decision-making	The detailed information provided by this Modification will help the National Regulatory Authority or the Transmission System Operator to fulfil the obligations described in this Article.				
Article 28	Yes	Consultation on discounts, multipliers and seasonal factors	The detailed information provided by this Modification will help the National Regulatory Authority to fulfil the obligations described in this Article.				
Article 29	No	Information to be published before the annual yearly capacity auction					
Article 30	Yes	Information to be published before the tariff period	The detailed information provided by this Modification will help the National Regulatory Authority or the Transmission System Operator to fulfil the obligations described in this Article.				
Article 31	Yes	Form of publication	The detailed information provided by this Modification will help the National Regulatory Authority or the Transmission System Operator to fulfil the obligations described in this Article.				

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Article 32	Yes	Publication notice period	The Modification does not propose any changes to the current publication notice periods provided by National Grid. The current notice periods are compliant with this Article.	
Article 33	No	Tariff principles for incremental capacity		
Article 34	No	Methodologies and parameters used to determine the allowed or target revenue of transmission system operators		
Article 35	Yes	Existing contracts	35(1) The Modification fully complies with this requirement in that system entry capacity purchased prior to 6 th April 2017 will attract only the fixed capacity price contracted for. Transmission Services Revenue Recovery Charges, which are to be capacity-based, will not apply to Existing Contracts thereby affording the full contractual protection prescribed by this Article 35.	
Article 36	No	Implementation monitoring		
Article 37	No	Power to grant derogations		
Article 38	No	Entry into force		