0701 Steps taken under the existing FCC Methodology for addressing erroneous values

September.2023

Tools within the FCC Methodology for addressing potentially erroneous values

- FCC sets the forecast of capacity to be sold across the Gas Year at entry and exit, to determine the appropriate Capacity Reserve Prices to enable collection of allowed revenues.

- FCC methodology was materially revised for October 2021 charge setting. The methodology is reviewed annually (reviews are available here)

- The FCC methodology provides mechanisms at several stages to manage anomalous or erroneous values effectively:

  - Within individual steps as the process is followed

  - Overarching override, in exceptional circumstances, should it be considered necessary to inform a suitable FCC at an Entry/Exit point.

- Through this presentation we highlight examples of managing this in setting the FCC for October 2023

Tools within the FCC Methodology for addressing potentially erroneous values

- FCC sets the forecast of capacity to be sold across the Gas Year at entry and exit, to determine the appropriate Capacity Reserve Prices to enable collection of allowed revenues in line with the Licence and UNC requirements.

- FCC methodology revised for October 2021.

- FCC is calculated based on (as per FCC Methodology Chapter 3):
  a) Average actual historical flow per point for previous 5 Gas Years (Y-2 to Y-6)

Data cleanse to remove any obvious errors within the 5 year data sets

Tools within the FCC Methodology for addressing potentially erroneous values

- FCC sets the forecast of capacity to be sold across the Gas Year at entry and exit, to determine the appropriate Capacity Reserve Prices to enable collection of allowed revenues.

- FCC methodology revised for October 2021.

- FCC is calculated based on:
  a) Average actual historical flow per point for previous 5 Gas Years (Y-2 to Y-6)
  b) Using latest available forecast demand create a normalisation value which will be applied to step (a)

FCC is an amalgamated value for entry and for exit across all applicable sites. The normalisation process mitigates the impact of any individual erroneous site values as the sector totals are adjusted for the forecast demand.

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- FCC methodology revised for October 2021.

- FCC is calculated based on:
  a) Average actual historical flow per point for previous 5 Gas Years (Y-2 to Y-6)
  b) Using latest available forecast demand create a normalisation value which will be applied to step (a)
  c) Using previous years actual utilisation calculate a utilisation factor to be applied to (b)

Utilisation Factor is applied on a sector basis at Entry, and a site by site basis at Exit – but variance impact at Exit is mitigated by at any individual site “if the utilisation value is over 2, or there is no historical flows, then use the sector average”

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- FCC methodology revised for October 2021.

- FCC is calculated based on:
  a) Average actual historical flow per point for previous 5 Gas Years (Y-2 to Y-6)
  b) Using latest available forecast demand create a normalisation value which will be applied to step (a)
  c) Using previous years actual utilisation calculate a utilisation factor to be applied to (b)
  d) Consider the following:
     - Booked Capacity
     - Existing Contract Capacity
     - PARCA

Sites that are closed, or never commissioned, but have capacity obligations will remain in the FCC

Entry: Fleetwood 2024/25, EC Capacity Jan – Mar 2025.
Exit: Glenmavis / Dynevor Max Refill : No Operational flows but Enduring Capacity still held

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     step (a)
  c) Using previous years actual utilisation calculate a utilisation factor to be applied to (b)
  d) Consider the following:
     - Booked Capacity
     - Existing Contract Capacity
     - PARCA
  e) Use any forward looking knowledge of site which is not operational in future then remove from FCC calculation

Remove values (historic flows) where site is no longer going to be operational – creates a zero forecast and feeds into revision of other site forecasts through the normalisation process.

Entry: Avonmouth / Theddlethorpe / Burton Point
Exit: Barking / Enron Billingham / Avonmouth* / Gowkhall*

*Included at very low values, arguably should have been set to zero (no impact to charges)

Tools within the FCC Methodology for addressing potentially erroneous values

- FCC Chapter 4: Exceptions
  - It may be necessary for National Grid to apply different principles to determine an FCC for a specific Entry or Exit point.

Eg: use last 12 months worth a values for a site where operational differences have been seen and are expected to continue.

Entry: Bacton IP / Theddlethorpe / Rough Storage
Exit: Bacton exit IP / Rough Storage

Notice of Revision to Methodology as part of publications

Rough Storage	Storage Site	*** 6,669,590	6,603,169	
Avonmouth	Storage Site	-	-	
Murrow	Biomethane Plant	500,000	500,000	
Bacton IP	Interconnection Point	* ** 30,774,732	30,719,476	
Moffat Interconnector	Interconnection Point	4,360	4,039	

* FCC methodology adjusted to include a revised view of demand (LDZ)
** FCC methodology adjusted to include forecast of additional flows into Europe.
*** FCC methodology adjusted to include flows from most recent 12 months.
**** FCC methodology adjusted to remove future flows due to notice of site closure.

Within the published FCC we indicate where we have made revisions to the FCC though any of these mechanisms:

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Thank you

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