



Transmission Services Charging: Future Developments

NTSCMF Discussions

April 2024



Transmission Services: Review

- What we've tried to capture in this presentation:
 - What came up in the discussions on the 50/50 split and potential for change at March NTSCMF
 - Any reflections and thoughts on how we can take the discussion forward.
 - Noting where something may be helpful from an analytical perspective to inform the discussion or development
 - Suggestions on how we can advance specific topics forward as part of the review

Feedback from March NTSCMF (1/3)

Discussion Point	NGT response
Would a change to the entry/ exit split fit into the existing process of calculating capacity prices	In theory, yes. The 50/50 split could be updated in the UNC and the calculations should work. A number of elements would likely still be needed to think on and work through such as the transition from status quo to a new split and how 'K' would fit with this along with any risk of approaching the collar of the minimum price as a result.
It is helpful to see the difference in tariffs when amending the entry/ exit split.	Any feedback you have regarding our assumptions and modelling will be invaluable to developments going forwards
It would be useful to understand the impacts of making such changes on the market and the consequences for consumers as part of this initial justification	Yes, we are encouraging industry to share views/ justification of making any amendment to the entry/exit split. We can facilitate discussions/ modelling but require industry engagement to take further.
Would any change to the entry/ exit split be temporary, and revert once existing contracts expire	Existing Contracts are not a driver, but a consideration of any amendment to the entry/ exit split. We do not consider any change to be temporary (i.e. any change is not linked to the lifespan of Existing Contracts).

Feedback from March NTSCMF (2/3)

Discussion Point	NGT response
Market analysis and an impact assessment needs to be carried out, preferably at the beginning of the process	Firstly, we need to seek industry views and any considerations in relation to amending the entry/ exit split to determine areas of focus and what the changes could mean. Market Analysis will be essential further on down the line.
If there was a reduction on the entry tariffs, there could be a potential impact on attracting gas to the UK. There would be less incentivisation for gas leaving the UK. The UK was considered a transit hub in the past few years.	We welcome workgroups views on if this should be an objective to factor in, if it is something that needs to be accommodated into any development thinking
Other EU states have an LNG discount – this would be worth looking into	We welcome workgroups views on LNG and if this is something to accommodate into any optioneering on the 50/50 discussions. LNG discount currently exists as zero in the UNC.
Any analysis is subjective. The impacts of any change to the entry/ exit split will be difficult to determine	Yes, agreed. We encourage you to share your views on the benefits and impacts of any amendments to the entry/ exit split
What is the driver for change? We need a clear justification, such as security of supply.	Yes agreed. We will develop with industry input.

Feedback from March NTSCMF (3/3)

Discussion Point	NGT response
Need to ensure that the impact on shorthaul is considered if there is any change to entry/ exit split	Agreed. This will be explored further when we re-visit our analysis over the forthcoming months.
Mixed views on if existing contracts should be used as a justification/ driver for change	Whilst the effects of existing contracts needs to be considered as a result of any change, we do not believe they are the primary driver for this.
Relevant Objectives and principles of any change proposal	It might be a useful exercise to review the Charging and Standard Relevant Objectives understanding Stakeholders' perspectives on the existing arrangements to help inform discussions on the potential impacts and sensitivities of any change. We welcome views on this approach.

Considerations for modelling to support discussions

Demonstrate price sensitivity to various changes to the Entry: Exit apportionment

- Prices Entry/Exit based on 0/100, 25/75, 50/50 (status quo), 75/25. We have chosen these to help provide some ranges for reference, not based on any preference.
- Considerations for a dynamic split (e.g. where the **price** for entry/ exit is equal or at a set split as opposed to revenues) – to be explored depending on WG feedback
- Isolate sensitivity – ‘K’ – under / over recovery from previous RY is not included
- ‘Normalised’ 6 months prior revenue recovery (Rpt in the model)
- An average Seasonal Allocation Factor (Fry) has been applied across the Gas Year modelling – this requires further consideration
- To determine effect on conditional NTS capacity charge discount (shorthaul) – this will be investigated further

To consider the transition from status-quo to any revised percentage split

Undertake a comparison with other EU countries

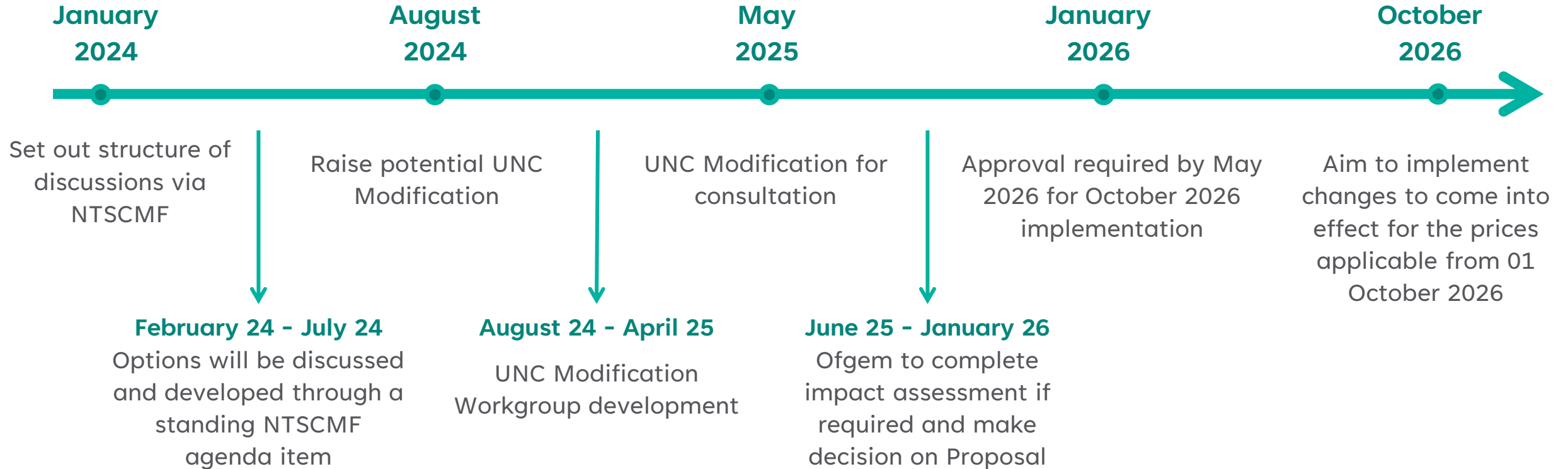
Any feedback on these will help us to help us refine and focus this analysis, adapt and ensure relevance to Stakeholders in ways of sharing the outputs

Discussion Points and Next Steps

From May NTSCMF onwards:

- We welcome reflections on what has been presented so far and how we take it forwards
- Continued development of assumptions & impact on prices based on feedback
- Building and maintaining a list of topics that need to be accommodated into the analysis and present areas where further thinking is required:
 - E.g. 'K', any transition period from status quo to a changed % split, accommodating Existing Contracts, shorthaul, discounts
- Analysis can be shaped following comments and feedback as we go through and it can be best used to inform discussions
- Reviewing potential benefits and / or issues of reviewing this or any associated topic as we work it through and how/if they can be accommodated or tested through the analysis process
 - Views on the status quo as well as any views on potential change
 - Views on the relevant objectives against the status quo and potential change
- Stakeholders input, through NTSCMF or direct, will be invaluable as this topic is given time for discussion.

Draft Timeline



The above dates are indicative only. The outcome of discussions will inform the plan going forwards.

Thank you

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