



# ISOP gas costs revenue process: Gas Charging

Action 0404

NTSCMF

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# ISOP gas costs revenue process:

## Gas Charging

- **ISOP** means the **Independent System Operator and Planner** under Section 162 of the Energy Act 2023 who holds an Electricity System Operator Licence and Gas System Planner Licence
- This will be the National Energy System Operator once live
- Ofgem/DESNZ [issued a Statutory Consultation](#) on 28<sup>th</sup> March 2024 , with the consultation closing on 9<sup>th</sup> May 2024.
- Statutory consultation on National Energy System Operator licences and other impacted licences
- Amongst the Licence changes across Gas and Electricity, of note for Gas Charging is the means by which Gas costs for the ISOP are proposed to be recovered from NTS Transportation Charges.
- This presentation summarises the relevant parts of the changes proposed to show the timing and process of inclusion of these costs into Gas charges.

# ISOP gas costs revenue process:

## Gas Charging – Relevant Documents

Main Consultation Document – Statutory Consultation on National Energy System Operator licences and other impacted licences

[Main Document - Link](#)

Some useful sections related to charging:

- 2.2.2 Gas functions: highlights Ofgem’s proposal to recover gas charges to pass through to NESO to fund Gas functions and use of General Non-Transmission Charge to do so.
- 4.5.1 Electricity System Operator and Gas System Planner licences (section F) – Summarises some requirements on NGT and NESO related to Gas funding / charges.
- 6.3.1 NESO’s financial framework – summarising some Stakeholder Responses and Ofgem’s responses to them.

Annex Q – NGT Specials – NTS – Consolidated Special Conditions

[Annex Q - Link](#)

Some useful sections related to charging:

- Special Condition 2.3 System operator revenue restriction (SOARt) – lays out the SO Allowed Revenue structure (no change)
- Special Condition 6.3 System operator pass-through items (SOPTt) – change introduces a new pass through term
- Special Condition 6.4 ISOP gas costs revenue process – change (new section) details the new pass through term for revenues

# ISOP gas costs revenue process: Gas Charging – focus on proposed changes

- Changes proposed: A new term into the SO Pass through items.

Special Condition 6.3 System operator pass-through items (SOPTt)

Part A: Formula for calculating the system operator allowed pass-through term (SOPTt)

6.3.3 The SOPTt term is derived in accordance with the following formula:

$$SOPTt = CDSPt + SOEDEt + ARGSPt$$

Where:

*ARGSPt* is derived in accordance with Special Condition 6.4.

- This new term is then expanded in a new condition (Special Condition 6.4)

# ISOP gas costs revenue process:

## Gas Charging: Proposed new Special Condition

### Special Condition 6.4 ISOP gas costs revenue process

#### Introduction

6.4.1 The purpose of this condition is to establish arrangements for the licensee to provide the amounts as notified by the ISOP for the ISOP's annual gas expenditure each Regulatory Year.

#### Part A: Calculation of the ARGSPt term

6.4.2 ARGSPt shall be equal in each Regulatory Year to the amount that is notified by the ISOP in accordance with paragraph [F1.15] of condition F1 (Gas revenue calculations and notification process) in the ISOP's Gas System Planner Licence.

#### Part B: Obligation to pay the ISOP

6.4.3 For the Regulatory Year commencing 1 April 2025, the licensee must pay to the ISOP the amount equal to ARGSPt divided equally into six monthly payments commencing on 1 October 2025, or on such other basis as may be agreed with the ISOP.

6.4.4 For all Regulatory Years commencing on or after 1 April 2026, the licensee must pay to the ISOP the amount equal to ARGSPt, divided equally into twelve monthly payments for the relevant Regulatory Year, or on such other basis as may be agreed with the ISOP.

#### Part C: Obligation to notify the ISOP of relevant dates

6.4.5 The licensee must issue the ISOP with a statement that sets out the latest date by which it requires the ARGSPt term amount for the relevant Regulatory Years in order to factor the value into NTS System Operation Charges for that Regulatory Year.

6.4.6 The licensee must issue the ISOP with the statement under paragraph 6.4.5 no later than three months prior to the date set out in that statement.

- Special Condition 6.4 is a new Condition for the Licence
- Sets the process by which NGT receives the costs to be paid to ISOP and also to be added to the SO Allowed Revenues.
- The first year will be paid across 6 months to the ISOP (this is to link up with recovery only starting from October 2025 charges). This covers remaining months of the Regulatory Year April 2025 to March 2026.
- All Years from April 2026 will follow the same process of 12 equal instalments.

# ISOP gas costs revenue process:

## Gas Charging - Summary

- No impact to System Operator Revenue in the Year April 24 – March 25. No Impact to Gas charges (i.e. the General Non-Transmission Services charges) to be published in July for October 2024.
- **General Non-Transmission Services charges from October 2025 will be the first impacted following the Licence changes.** In the implementation, the proposed changes take account of the charges updating from October 2025.
- Revenues for April 2025 to March 2026, when produced, will include a forecast for April 2025 to March 2026 and any values within the period April 2024 to March 2025 (e.g. from 1 July to 31 March as currently assumed).
- Revenues will include any reconciliations of actuals to forecasts, NGT will one value for each year that will include any reconciliations as determined by NESO.
- UNC0857, recently approved by Ofgem, will necessitate a forecast for two years as a minimum in order to ensure two Regulatory Years can inform the Gas Year target.

