

Gas Transmission

Managing Inefficient bypass in Charging

NTSCMF/UNC0670R:
28 January 2020



nationalgrid

Agenda

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Overview

This is an opportunity to discuss and provide feedback on an initial proposal from National Grid for a new charging mechanism to provide optionality in the Charging Methodology to assist in managing potential inefficient bypass of the NTS

Minded to position for 0678A would mean, without further modification(s) there would be no such product should 0678A be implemented.

For 0670R this is presented for awareness and discussion.

As a modification proposal it would be presented as a new modification separate to 0670R.

Key principles

Focus of the proposed new product is that it be **simple**, **targeted** and **proportionate**.

Emphasis is placed where it could be considered more likely for potential bypass, with a generic methodology.

The resulting product would have a more **predictable** resulting impact on other charges.

Provides an approach that can be **delivered** for October 2020 and reviewed and updated over time through UNC change process.

Overview of product: Key components

Summary of key components

- Provides a discount to Transmission Services Capacity Reserve Prices (Entry and Exit) for Eligible Quantities
- Transmission Services Revenue Recovery Charges and General Non Transmission Services Revenue Recovery Charges remain payable
- Logarithmic curve to determine the discount based on distance and linked to proportion of revenues effectively being levied on others
 - Shorter the distance the larger the discount
 - Discount collared at 10% (limit linked to interruptible discount)
- Existing Contracts not eligible for discount, these capacity prices are fixed
- Storage points and DN offtakes are not eligible Entry/Exit points for the product
- Limitations on flexibility once route nominated

Overview of product: Key components

Eligible Quantities

- Principle based on minimum of Shipper specific Firm Entry Capacity, Entry Flows, Firm Exit Capacity, Exit Flows at the nominated Entry and Exit point at a starting level.
 - Firm capacity entitlements will need to take into account secondary trades
- There are two Eligible Quantities, one for Entry and one for Exit.
 - Existing Contracts would not be eligible for the capacity discount product. This would therefore only adjust the Entry eligible quantity. Providing there is primary firm capacity for Exit, an Exit discount would be applied.

Overview of product: Key components

Eligibility

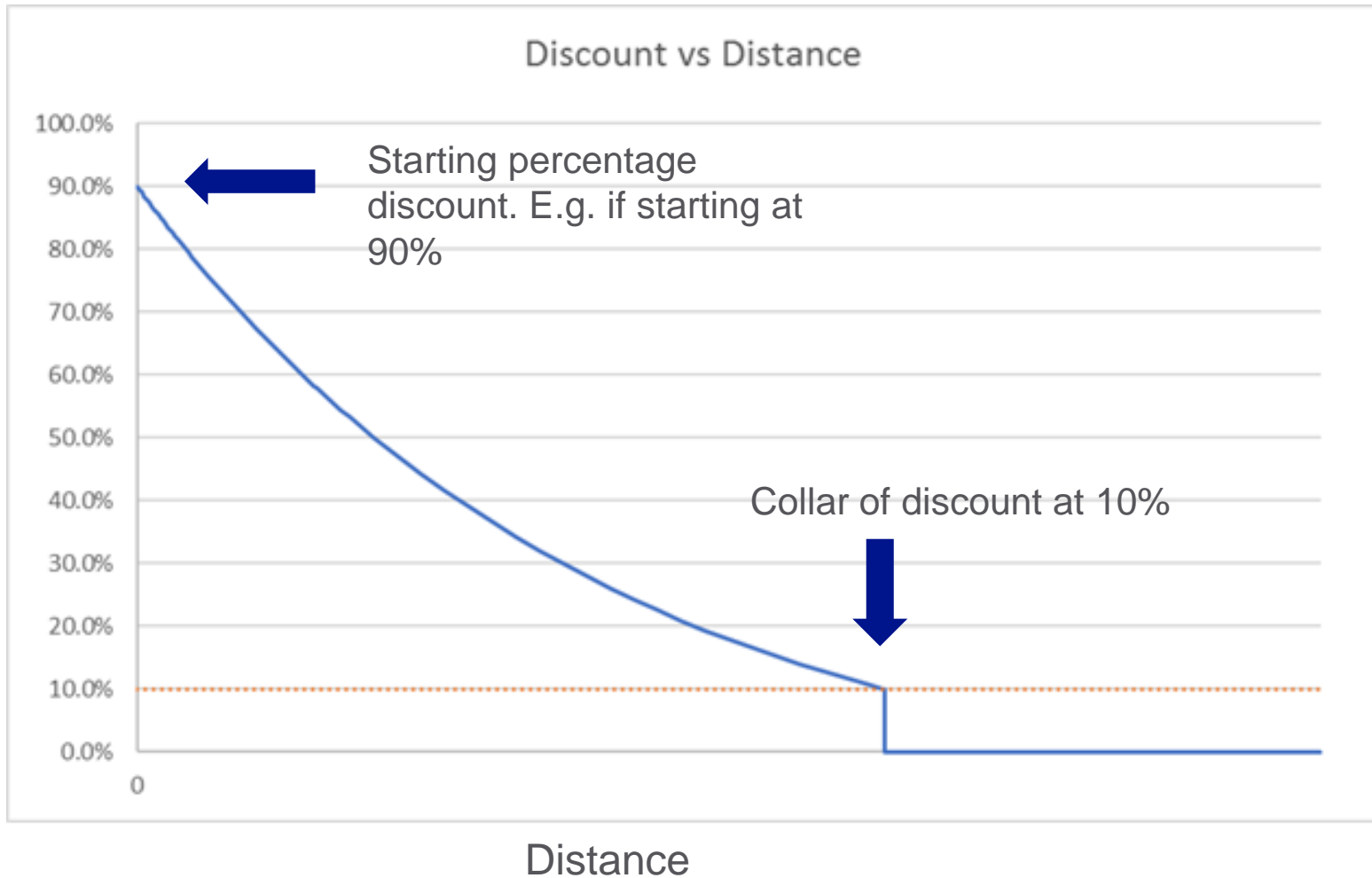
- Once applied for, eligibility is enduring (i.e. do not need to reapply).
 - Once selected, if changed or removed, the original route cannot be re-nominated within that gas year.
 - Once selected, can not change the Entry point to the associated Exit point within that gas year.
- Application process ahead of the gas year, using the current SPA (Supply Point Administration) process. Must nominate the route from an Entry point to an Exit point.
- Cannot have multiple Entry points to one Exit point. Can have multiple Exit points from one Entry point.
- If the nominated route (Entry point to Exit point) at the start of the gas year has less discount than lower limit due to a parameter change the route will be removed from product and Shipper informed.

Overview of product: Key components

Accessibility and use

- Available to all within a flexible distance band linked to proportions of revenues that are, in effect, incorporated into other charges
- Would be requested via the SPA process
- Changeability:
 - Once requested expectation for that nomination to remain.
- Use and access to product:
 - If no flows or no capacity bookings at either the specified Entry point or Exit point the no discount will be applied.
- Reasonable nature of product – challenging to build in actual risk of bypass. Takes a reasoned approach to reflect on distances over which it may be used and the potential impact on other charges

Illustration of discount curve



Modification and Delivery Approach

Reviewing options available to ensure proposal could be delivered for October 2020

- Ambition for modification(s) (should there be any alternatives) to be decided upon at the same or similar time to 0678A. We are reviewing options to deliver this via code change process.
- Would stipulate the baseline for change from (e.g. 0678A using minded to position)
- Must be implementable given the timescale
- Early engagement with National Grid a necessity to facilitate any other thinking for proposals
- Too many options, overly complicated options could impact timescales and place October 2020 at risk or may necessitate following different timelines.