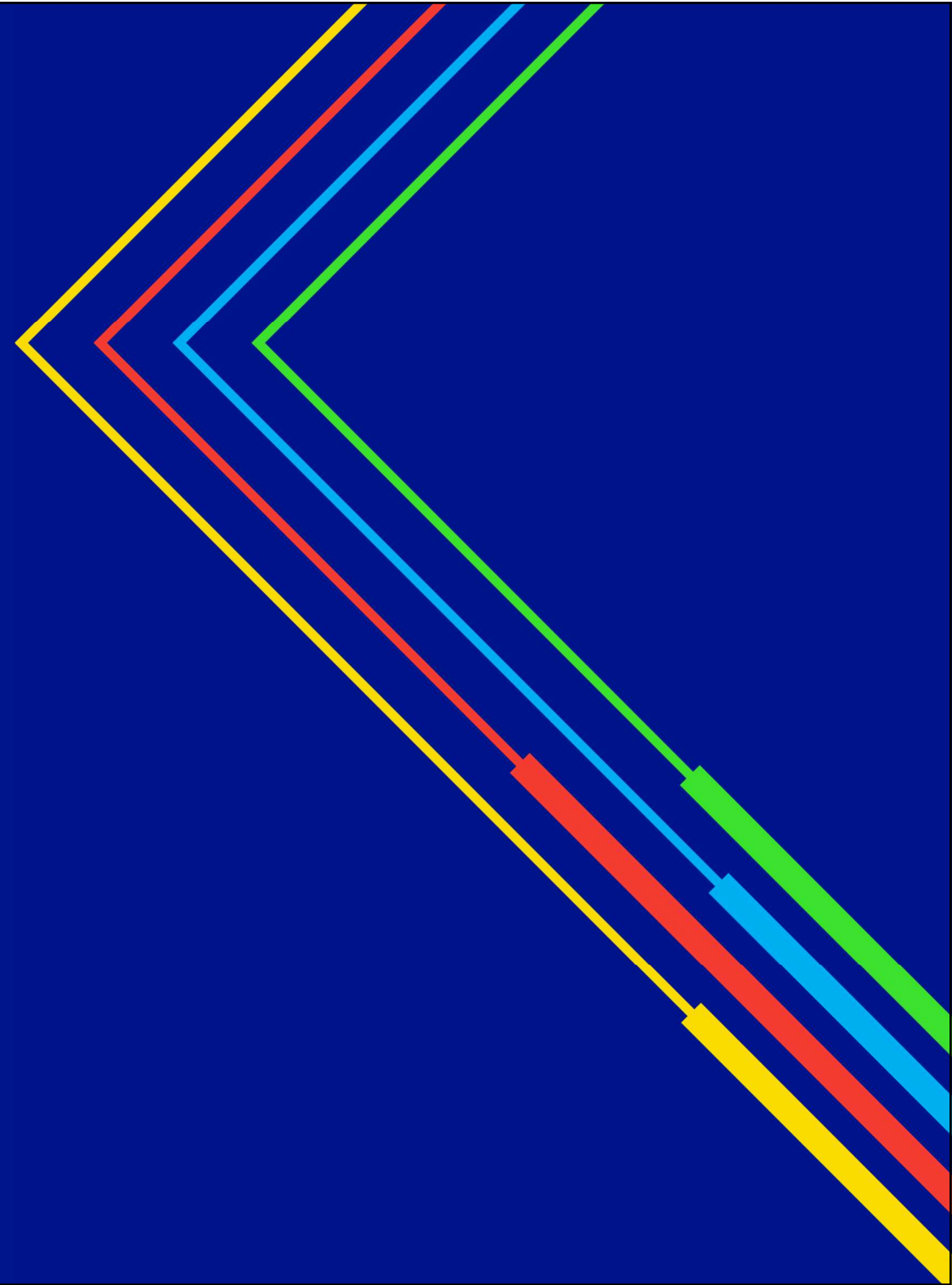


# NTSCMF - UNC0751

## Assumptions & Analysis

2<sup>nd</sup> March 2021

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# Impact on Revenue Collection:

## Assumptions and process

Assessed the QSEC Capacity purchased at auctions held during the period 06/04/2017 – 30/09/2020

- Not protected by Existing Contract status
- Purchased prior to implementation of UNC0678A
- Auction achieved price used to calculate revenue

CPI Assumptions:

3 year average of CPI taken from the most current data available (Jan-2018 to Jan-2021)

Average of 1.53% per year used to forecast CPI values for future periods

Auctions are held in March each year (PARCAs are the exception to this)

At the point of Price Setting for a Gas Year, the latest published CPI is likely to be March of Y-1

CPI uplift calculated based on:

published CPI value for March of the auction year

forecasted value for March of Y-1

CPI uplift applied and Capped prices calculated and Capped Price Revenue generated

Postage Stamp Revenue calculated (based on 0.0717p/kWh with an 80% for storage sites as per UNC0727)

# Impact on Revenue Collection

Year	Base Price Revenue	Capped Price Revenue	PS Revenue	Difference
2021/22	£5,836,969	£6,062,183	£36,437,405	£30,375,222
2022/23	£5,368,686	£5,637,848	£36,177,042	£30,539,195
2023/24	£5,401,995	£5,735,320	£35,032,799	£29,297,478
2024/25	£5,554,653	£5,988,527	£32,318,403	£26,329,876
2025/26	£4,829,844	£5,262,650	£30,734,622	£25,471,972
2026/27	£4,537,599	£4,998,792	£28,481,511	£23,482,718
2027/28	£4,271,504	£4,759,105	£24,938,512	£20,179,407
2028/29	£4,162,475	£4,697,544	£24,119,641	£19,422,097
2029/30	£635,619	£722,979	£12,381,300	£11,658,321
2030/31	£192,612	£214,759	£8,965,859	£8,751,099
2031/32	£55,551	£55,551	£7,943,862	£7,888,310
2032/33	£147,995	£147,995	£21,163,324	£21,015,329
2033/34	£218,839	£218,839	£31,293,946	£31,075,107

# Impact on Rates:

## Assumptions and process

Indicative prices for the current and four future years were published in April 2020.

Using the same models used to calculate those figures we have adjusted for implementation of UNC0727 and recalculated Entry Prices.

Volumes associated with the Capped Price Capacity were removed from volume recovery base and a Revenue calculated based on the Updated Entry price was removed from the Allowed Revenue.

Prices were recalculated and impacts on rates due to the Capped contracts are detailed in the UNC0751 Impacts column.

Year	Published Indicatives	UNC0727 Updates		UNC0751 Impacts		Entry Rate Increase
		Entry	Entry Storage	Entry	Entry Storage	
2021/22	0.0521	0.0527	0.0105	0.0558	0.0112	5.9%
2022/23	0.0571	0.0594	0.0119	0.0628	0.0126	5.7%
2023/24	0.0521	0.0561	0.0112	0.0589	0.0118	5.0%
2024/25	0.0483	0.0519	0.0104	0.0538	0.0108	3.7%
2025/26		0.0475	0.0095	0.0491	0.0098	3.3%
2026/27		0.0447	0.0089	0.0459	0.0092	2.7%
2027/28		0.0422	0.0084	0.0430	0.0086	2.0%
2028/29		0.0394	0.0079	0.0400	0.0080	1.7%
2029/30		0.0355	0.0071	0.0359	0.0072	1.1%
2030/31		0.0349	0.0070	0.0352	0.0070	0.8%

# Future Impact Example:

## Assumptions and process

The figures below detail the approximate historic capacity bookings at each Auction by Point Type used in the pricing model.

Per Category						
Entry Point Type	IP Yearly (%) Non-IP QSEC (%)	IP Quarterly (%) Non-IP N/A	IP Monthly (%) Non-IP MSEC (%)	IP Daily (%) Non-IP DADSEC (%)	IP Within Day (%) Non-IP WDDSEC (%)	IP Daily Interruptible (%) Non-IP DISEC (%)
STORAGE SITE	79	0	0	0	7	14
INTERCONNECTION POINT	15	12	2	0	20	50
BEACH TERMINAL	25	0	3	0	43	30
ONSHORE FIELD	90	0	0	0	7	3
LNG IMPORTATION TERMINAL	71	0	0	0	2	27
BIOMETHANE PLANT						

We used these observed booking levels to estimate what proportion of the Forecasted Contracted Capacity would be booked at a QSEC Auction in the year 2022/23.

By excluding Existing Contracts and Capacity booked in the period 06/04/2017 – 30/09/2020, a forecast of New QSEC auction bookings was calculated.

# Future Impact Example:

## Assumptions and process

We assumed that this new QSEC capacity would be booked at the 2021/22 rate

Using the same CPI we applied an uplift to calculated the Capped rate at price setting for 2022/23.

New QSEC Booking volumes were removed from the volume base

The Capped price Revenues are removed from the Allowed Revenue

When the prices were re-calculated this increased the 2022/23 Rate to 0.0631p/kWh

This scenario adds approximately 0.0003p/kWh to the impact already observed due to the contracts booked between 06/04/2017 – 30/09/2020.

Year	Published Indicatives	UNC0727 Updates		UNC0751 Impacts Historic Contracts		UNC0751 Impacts Historic & Future		Overall Entry Rate Increase
		Entry	Entry Storage	Entry	Entry Storage	Entry	Entry Storage	
2022/23	0.0571	0.0594	0.0119	0.0628	0.0126	0.0631	0.0126	6.2%

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