



Non-Transmission Charging

NTSCMF

02.07.2024



Impact of Non-Tx Reforms delivered ahead of Oct 24

Reforms:

1. Deferral of £100m from FY24 to FY25
2. Licence update to allow a later deadline for republication of Allowed Revenue
3. UNC 0847 - Introduction of a Minimum General Non-Transmission Services Charge
4. UNC 0857 - Revision to the Determination of Non-Transmission Services Gas Year Target Revenue

Impacts:

- Smoothing of the tariff profile across FY24 and FY25.
- No possibility of prices swinging negative from October 2024 or any future year.
- Enduring methodology based revenue smoothing, resulting in a greater degree of year on year tariff stability in comparison to pre-857 methodology.
- Allowed Revenue can more accurately reflect observed outcomes and later forecasts, which in turn mitigates the risk of significant over- or under-recovery of revenues.

Proposed Approach and Reasoning

- Reforms delivered ahead of October 24 charge setting have had the desired impact.
- The wider market has returned to a period of increased stability.
- Forecast shrinkage costs have dropped significantly from FY23 levels, driven by lower gas prices.
- Given that any further reforms would likely require more frequent updates to revenues and charges to be effective, stakeholders have made clear their preference is not to progress any further reforms.

Stakeholder feedback

- Stability of charges is key, reluctance to move back to within year changes.
- One of the benefits of October 2020 reform was the removal of the within year change, it was very problematic.
- Reducing the notice period of charges would be very challenging.
- This issue was caused by spikes in the wholesale gas prices that rolled forward into future years, these spikes are very infrequent and may not be seen again for a long time.
- This is not seen as a big deal by industry.

Taking on board stakeholder feedback, the current situation in the wider market and the impact that the reforms progressed so far have had. NGT propose to **pause development of any further UNC reforms. We will continue to monitor the situation and restart discussions should the need arise in future.**

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