

**Gas
Transmission**

Forecasted Contracted Capacity (FCC) Methodology Consultation

Webinar

24 March 2021 @ 1pm

Sli.do #FCCM2021

nationalgrid



Logistics

Should last for approximately about 60mins (approx. 35-40mins material and time for questions)

Questions via www.sli.do #FCCM2021

Please mute microphones and turn off video

Materia will be published <https://www.nationalgrid.com/uk/gas-transmission/charging/gas-charging-discussion-gcd-papers> (under “2021 Forecasted Contracted Capacity (FCC) Methodology Consultation”)

Agenda

- This Webinar is split across four main areas areas:
 1. Regulatory changes implemented from 01 October 2020
 - What the FCC is and why its important
 2. Why the focus on this FCC Methodology Update?
 3. What the proposals are for 2021 and how they were developed
 4. FCC Consultation
 - Timeline & What's next
- We will close with a Q&A session – questions can be raised via www.sli.do #FCCM2021

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Changes
implemented 01
October 2020 &
FCC

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Changes implemented October 2020 & FCC

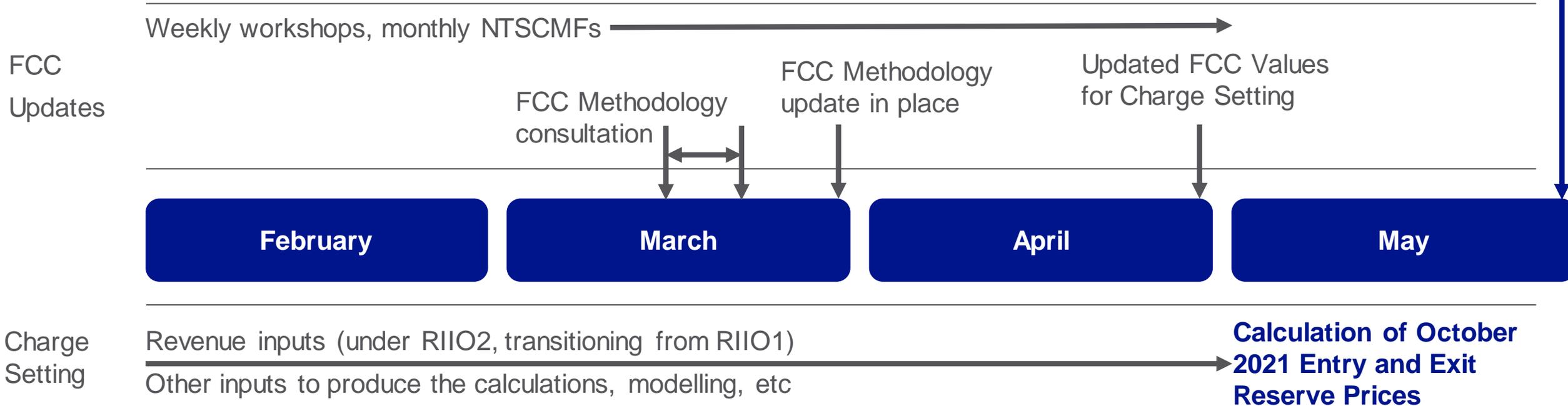
- The new gas charging regime (UNC678A) came into effect from 01-Oct-20
- New framework focuses on Capacity charges to recover Transmission Revenues with a new methodology to calculate capacity reserve prices
- Postage Stamp pricing for Transmission Services Entry and Exit capacity reserve prices (i.e. one Entry and one Exit price irrespective of geographic location) with the payable price changing each year
 - Except for Long Term Entry capacity booked before 6 April 2017
- A Forecast of the Contracted Capacity (FCC) is needed as part of the process in setting charges and was used in May 2020 to set the Entry and Exit Reserve prices that would apply for Gas Year 2020/21.
- This was produced using the FCC Methodology implemented as part of UNC0678A.
- Should the FCC applied differ from the actuals seen then it could drive an under or over recovery from the target revenues.

Calculation of Transmission Services Entry / Exit Capacity Reserve Prices

- At a simple level, the calculation of the Postalised Entry and Exit Capacity Reserve Prices works on two main inputs:
 1. Target Revenue for the Gas Year
 2. Forecasted Capacity over which the revenue is to be recovered
- Here we are focusing on item (2)
 - It is used as the denominators in the calculations of Entry and Exit Postalised Capacity Reference / Reserve Prices. It is intended to represent a total forecast of expected capacity bookings for the Gas Year in question.
 - It is produced following the FCC Methodology. If there is to be a material change to this methodology, a consultation should be carried out by National Grid.
 - Gas Year 2020/21 was considered too high when we reflect on the numbers. Focus has been on how to improve the methodology for Gas Year 2021/22 that will better reflect capacity bookings and aim to minimise the need for any Revenue Recovery Charges within the Gas Year
- Development of an updated approach has focused on use of historical flows, forecast demand and capacity utilization under the new charging regime

High level timeline between now and May 2021:

Publication of October 2021 Entry and Exit Reserve Prices



What	Detail of change	Engagement
FCC (Forecasted Contracted Capacity)	Updating the methodology to apply in setting the October 2021 Entry and Exit Capacity Reserve Prices	Weekly development workshops, use of NTSCMF. Consultation and webinar session during consultation. Weekly workshops run to end of April to cover the development, consultation, and application of the FCC methodology in the run up to setting charges. Hosting of webinar to outline what we are using once FCC is finalised.
Charge Setting	Our main activity centres on calculating and publish the Entry and Exit Capacity Reserve Prices for October 2021	Prices due to be published end of May / beginning of June. This will include indicative Non-Transmission Charges which are finalised by 1 August for October 2020. Ahead of October, host a webinar to outline the changes from October for Transportation charges

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Why focus on
updates for Gas
Year 2021/22

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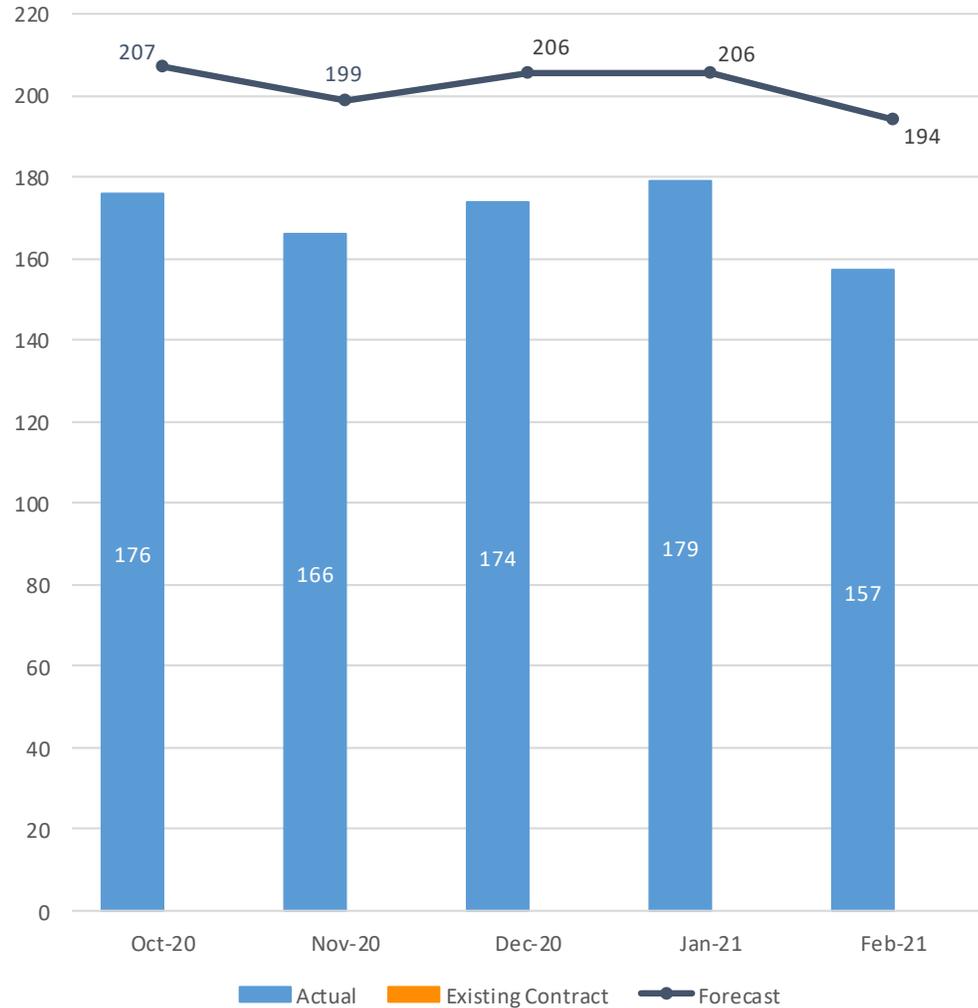


Why focus on updates to the FCC Methodology for 2021/22

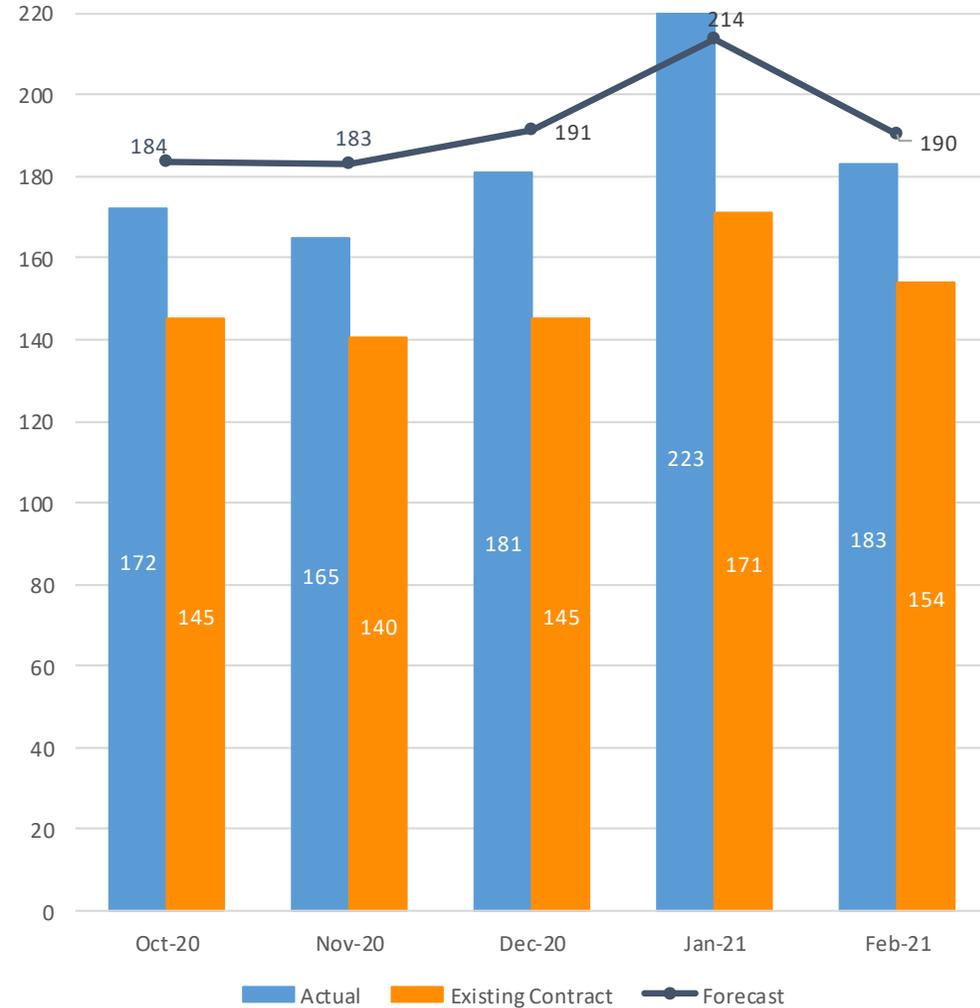
- The FCC Methodology produces an annual value for forecast capacity per Entry and Exit point
- The focus for 2020/21 was to follow the FCC methodology implemented as part of UNC0678A to produce the annual numbers for 2020/21. Iterative changes to the methodology were expected to take place over time to take into account learning and improve the methodology and the capacity forecast it would produce.
- Comparing the values that were used for the FCC by applying the FCC Methodology so far for the current Gas Year the forecast values have been shown to be higher than actuals.
- In combination with the capacity neutrality position highlighted in November 2020 this necessitated the introduction of Revenue Recovery charges for both Entry and Exit that are effective from February to September 2021.
- The following slide shows the variations seen to date.
- Given the differences and the ability to use the data to date, we are in a position to propose and consult on some updates to the FCC Methodology that will be used to produce an FCC to inform Entry and Exit Reserve Prices to apply from October 2021.

Comparison between Forecast (from FCC 2020/21) to actuals Oct 20 – Feb 21

Exit Capacity - Forecast v Actuals (TWh/m)



Entry Capacity - Forecast v Actuals (TWh/m)



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Proposals and
development

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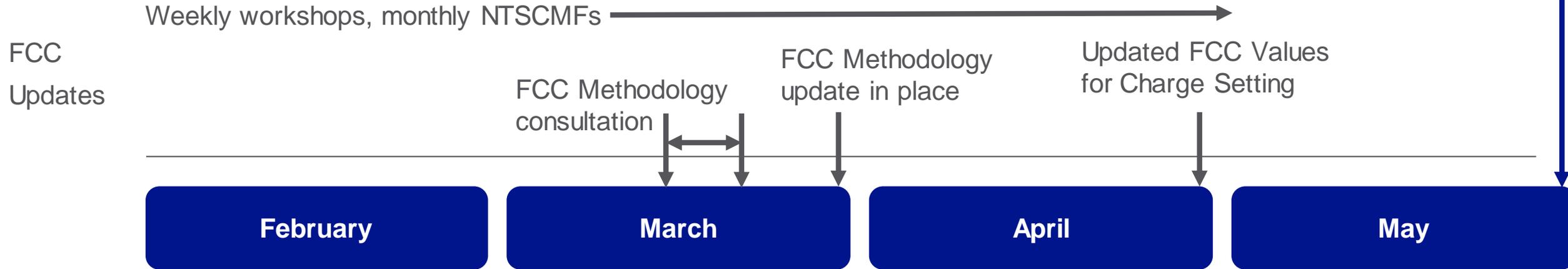


Proposals and development

- Initial Proposals developed and discussed through focused stakeholder workshops started at the end of January 2021 and continued weekly.
- These workshops have been open to all interested stakeholders wishing to participate in the development.
- Updates have been given via NTSCMF
- Through the workshops and the feedback we have received:
 - It has enabled testing of the concepts and to discuss which aspects should be focused on;
 - Provided a means to test and share calculations and the data used
 - Provide an updated basis to continue monitoring to also think forward about how to update or think of approaching the ways to assess and inform updates for 2022/23 onwards.
- An overview of the workshops is shown on the following slide
- All materials from the workshops, including the Draft Data Models, supporting documentation for the data, draft FCC proposals are available on the National Grid website:
 - <https://www.nationalgrid.com/uk/gas-transmission/charging/gas-charging-discussion-gcd-papers> under “2021 Forecasted Contracted Capacity (FCC) Methodology Consultation”.

High level timeline between now and May 2021:

Publication of
October 2021 Entry
and Exit Reserve
Prices



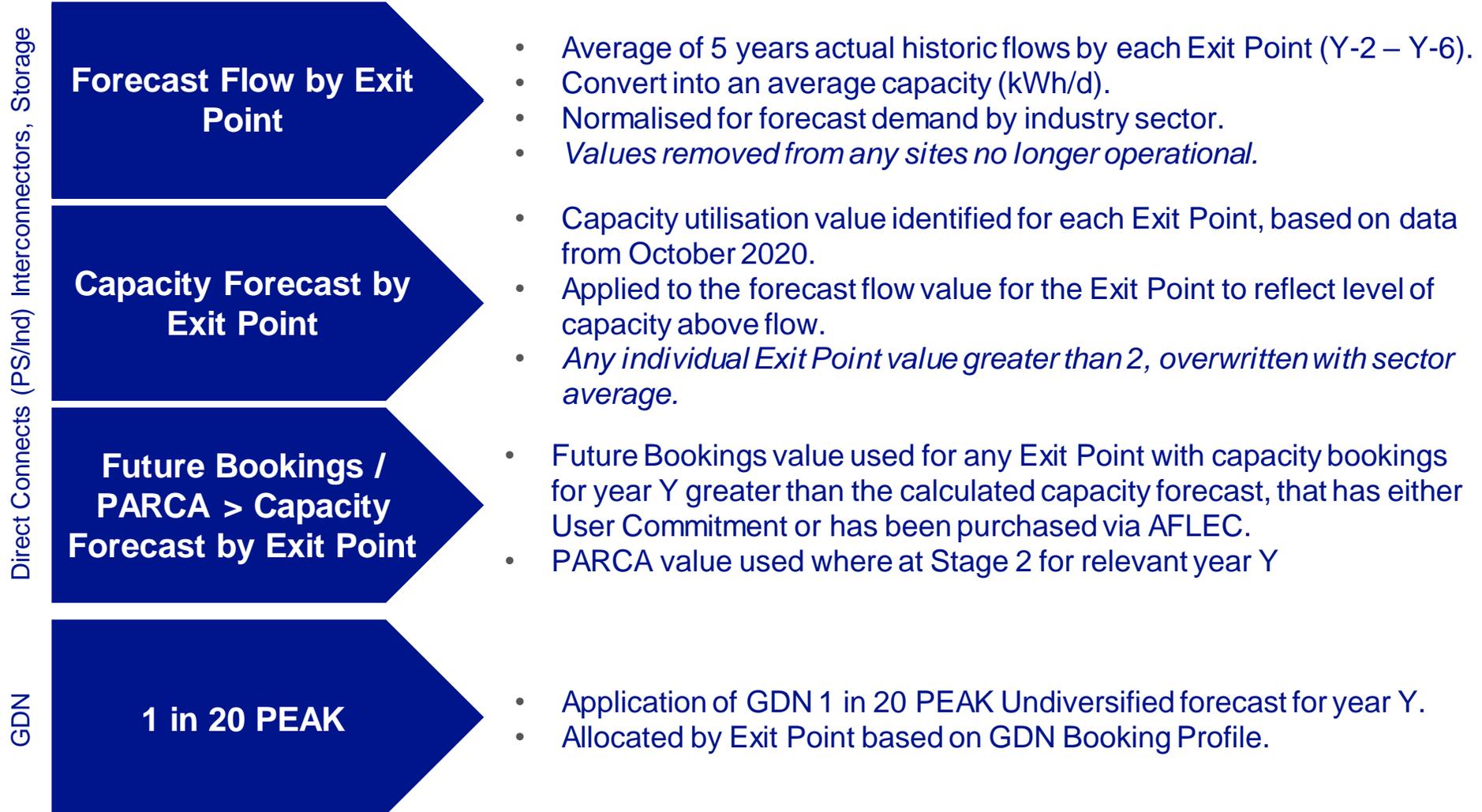
Workshop	Agenda	Workshop	Agenda	Workshop	Agenda
11/02/2021	Exit draft (outline & summary)	11/03/2021	Updates / FCCM Drafting	08/04/2021	Reviewing FCC in line with FCCM
18/02/2021	Entry draft (outline)	18/03/2021	FCCM Final Text	15/04/2021	Reviewing FCC in line with FCCM
25/02/2021	Entry Data / updated Exit	25/03/2021	Reviewing FCC in line with FCCM	22/04/2021	Reviewing FCC in line with FCCM
04/03/2021	Updates / FCCM Drafting	01/04/2021	Reviewing FCC in line with FCCM	29/04/2021	Finalising the FCC in line with the FCCM

Period ahead of consultation on Methodology to be used to produce the FCC

Period of applying the methodology to determine FCC

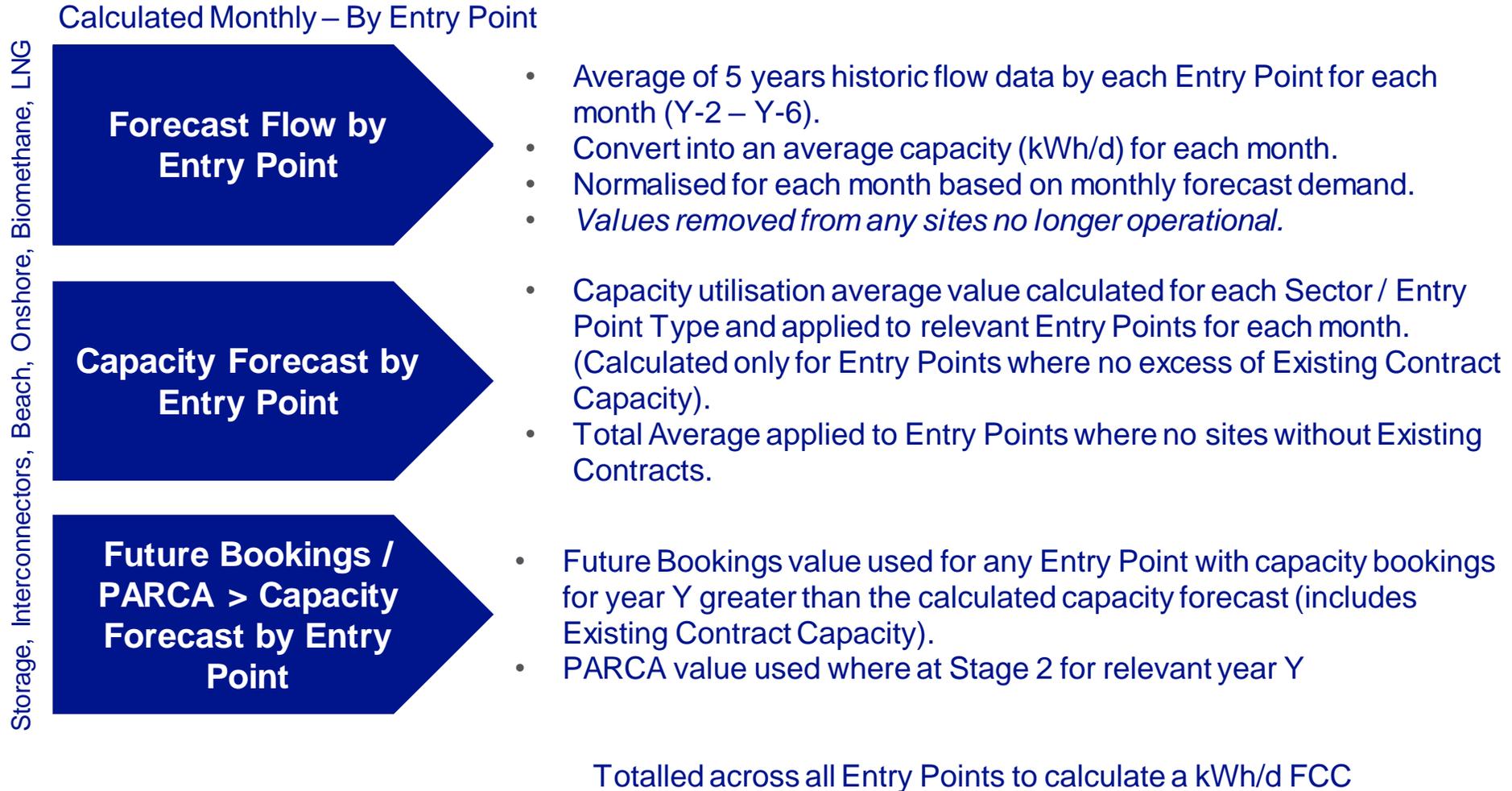
Draft Proposal – Exit FCC Methodology

Calculated Annually – By Exit Point



Totaled across all Exit Points to calculate a kWh/d FCC

What have We done – Entry FCC Methodology



Draft Proposal – FCC Methodology – initial application

Exit Point Type kWh/d	FCC Oct 2020
TOTAL	6,494,998,689

Draft* FCC Oct 2021	Variance from Oct 2020	%	Variance from Forecast FCC
5,311,177,450	-1,183,821,239	-18%	-16%

Entry Point Type kWh/d	FCC Oct 2020
TOTAL	5,632,798,106
Existing Contract	3,853,587,697
Remaining Capacity	1,779,210,409

Draft* FCC Oct 2021	Variance from Oct 2020	%	Variance from Forecast FCC
4,952,133,668	-680,664,438	-12%	-6%
3,513,712,187	-339,875,510	-6%	
1,438,421,481	-340,788,928	-6%	

- Proof of Concept / indicative data values only.

Summary of approach / Future discussion areas

- Development of an updated approach has focused on use of historical flows, forecast demand and capacity utilisation under the new charging regime
- This brings the FCC to a more appropriate level reflecting on all the available data
- Future discussion areas:
 - Utilisation – When have a full Gas Years would of data this could influence the utilisation for different months of the year but until have this data the predication on the utilisation of capacity is worked out based on the capacity data available at the time of producing the FCC.
 - National Grid will continue to monitor the FCC as set via the FCC Methodology against the flow and actual capacity booking data which is seen in the applicable Gas Year.
 - The FCC will be discussed at NTSMCF on an ongoing basis and if the anyone feels a review of the FCC Methodology could be required before the production of the next Gas Years Transmission Services Reserve Prices, this can be reviewed.
 - GDN values are currently 1 in 20 Peak, when the new Exit Capacity Planning Guidance (ECPG) is embedded this will be assessed to see whether this could be used as an input into the FCC in future Gas Years.

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Consultation and Next Steps

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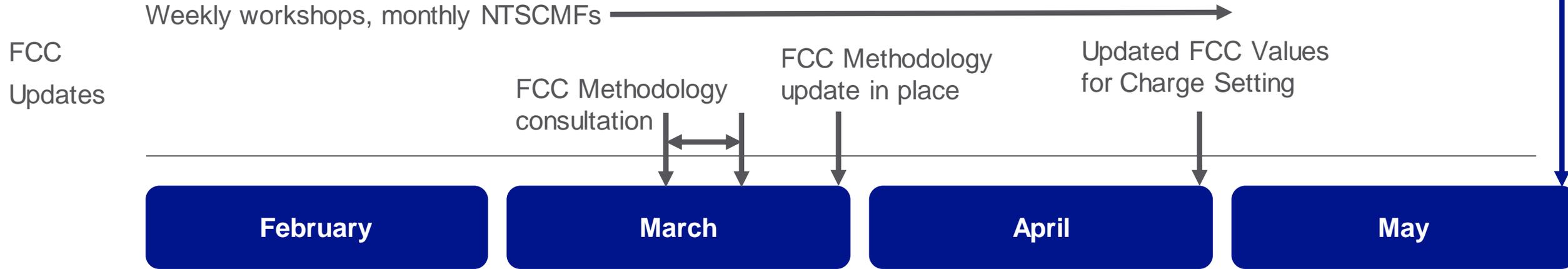
FCC Methodology Consultation Timeline

Stage	When
Issue FCC Consultation	19 March 2021
Closing date for consultation responses	30 March 2021
Aim to publish report on responses plus issue the FCC Methodology	01 April 2021

- All material, including the consultation document, draft methodology outlining proposals and all workshop materials (including this presentation) are available here:
 - <https://www.nationalgrid.com/uk/gas-transmission/charging/gas-charging-discussion-gcd-papers> under “2021 Forecasted Contracted Capacity (FCC) Methodology Consultation”.
- All non-confidential consultation responses along with the report mentioned above will also be published in this location on the National Grid website.
- We then move onto the steps applying the methodology in place and continuing to use the National Grid led workshops to keep stakeholders aware of its application. We will also use NTSCMF workgroups to continue wider awareness (<https://www.gasgovernance.co.uk/ntscmf>).

High level timeline between now and May 2021: Next Steps

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Period of applying the methodology to determine FCC

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Q&A
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General Questions

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