

## **TRANSCO CONSULTATION REPORT ON PC41**

### **Transco Charges for Own Use Gas at Storage Facilities**

#### **1. TRANSCO'S INITIAL PROPOSALS**

In PC41 Transco proposed that with effect from 30 April 2000, NTS commodity charges should apply to the transportation of all own use and cushion gas to storage facilities. It was suggested that this could be best achieved by applying commodity charges to all gas input into a storage facility, and then employing a matching rebate to all gas withdrawn from that facility.

#### **2. SUMMARY OF RESPONSES**

In total there were seven responses to this consultation paper. All seven respondents supported the basic principle that own use and cushion gas transported to storage facilities should attract NTS commodity charges. There were however mixed views on both when any charge should be introduced, and also on how such gas should be measured.

Three of the five respondents commented upon the most suitable measurement criteria agreed with Transco's "charge in, rebate out" proposal, while the other two respondents favoured the idea of metering all own use gas at the storage facility. There was no support for the idea of an algorithm to be used as an alternative measurement method.

Two respondents stated that there should be a delay in the introduction of charges. One suggested that since Transco (sic) had not previously paid commodity charges for gas used to start-up storage sites, it would be appropriate to either provide an amnesty for those storage projects which already have the go-ahead, or introduce charges progressively, say in three years time. The other suggested that such a regime should not be implemented until non-BG Storage facilities have come on stream.

On the issue of agreeing opening stock levels, one respondent suggested that Transco be given a stock list by the storage operators when the charges are introduced, while another respondent highlighted that the quantity of native gas held in store at Rough must be accounted for in opening stock levels.

#### **Transco's response**

Transco is pleased to have received unanimous support for the principle of applying NTS commodity charges to the transportation of all own use and cushion gas to storage facilities, and thereby improving the cost-reflectivity of its charges.

Both of the measurement options supported by respondents, namely "charge in, rebate out" and metering at the storage facility, are mentioned in Network Code modification proposal 0329 as possible solutions, and it is clear that both offer particular advantages and disadvantages. Transco considers that, since a single solution may not necessarily

be the best choice for all situations, consideration should be given to offering both options where it feasible and cost-effective to do so.

On the issue of a suitable time to introduce a charge, Transco remains of the view that charges should be applied at a time close to when a service is provided, and maintains that the suggestions used in supporting a delay do not represent a tenable argument for preventing further development of gas transportation services. That said, it is worth repeating that at least one new independent storage facility is expected to be in operation by the time that any charge is introduced.

### **3. FINAL PROPOSALS**

**Transco proposes to introduce NTS commodity charges from 30 April 2000 to all own use and cushion gas transported to storage facilities. It is further proposed that Network Code modification proposal 0329 provides the appropriate vehicle for establishing appropriate measurements of initial stock quantities and own use gas.**

**On the issue of methods of charging, Transco proposes that the operator at each storage facility should be given the choice of either;**

**having Transco apply an NTS commodity charge on all gas input to the facility, and then applying a matching rebate to gas which is subsequently withdrawn from the facility, or**

**the operator providing the necessary measurement information to Transco, which will identify the gas used and lost within the facility, such that Transco can apply an NTS commodity charge to that gas.**