

Capacity Charging Methodology – Assessment Criteria

Gas Transmission Charging Methodologies
Working Group – TCMF
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Introduction

- ◆ This presentation covers a summary of the NTS charging Licence objectives and principles
- ◆ Any changes or enhancements to the NTS Transportation Charging Methodology must be consistent with these objectives and principles and hence these should be used as the assessment criteria for any potential regime enhancements

Charging Principles

Gas Licence (GL) Objectives

- ◆ The Transmission Transportation Charging Methodology must comply with the objectives set out in the National Grid Gas NTS Gas Transporter Licence under standard special condition A5, to:
 - ◆ **GL1**: reflect the costs incurred by National Grid NTS where charges are not determined by auctions; and, subject to this principal consideration;
 - ◆ **GL2**: facilitate competition between gas shippers and between gas suppliers; and
 - ◆ **GL3**: take account of developments in the transportation business;

Charging Principles

Gas Licence (GL) Objectives (Auctions)

- ◆ Where prices are established by auction and where reserve prices are applied, that these are set at a level best calculated:
 - ◆ i) **GL4** : to promote efficiency and avoid undue preference in the supply of transportation services; and
 - ◆ ii) **GL5**: to promote competition between gas suppliers and between gas shippers.

Charging Principles

National Grid Gas Methodology (GM) Objectives

- ◆ In addition to these Licence objectives, National Grid Gas has its own objectives for the charging regime. These are that the transportation charging methodology should:
 - ◆ **GM1**: promote efficient use of the transportation system;
 - ◆ **GM2**: generate stable charges; and
 - ◆ **GM3**: be easy to understand and implement.
- ◆ These principles apply to the current charging methodology and represent a means of meeting the underlying Licence objectives.

Enhancement Options Assessment Criteria

Objective	Capacity prices should
<p>GL1: “Reflect Costs” reflect the costs incurred by National Grid NTS where charges are not determined by auctions; (principal consideration);</p>	<p>reflect the costs associated with providing that capacity</p>
<p>GL2: “Facilitate Competition” facilitate competition between gas shippers and between gas suppliers;</p> <p>GL5: “Promote Competition” to promote competition between gas suppliers and between gas shippers.</p> <p>GL3: “Business Development” take account of developments in the transportation business;</p>	<p>GM3: be easy to understand and implement.</p> <p>GM2: generate stable charges;</p>
<p>GL4 :”Promote Efficiency” to promote efficiency and avoid undue preference in the supply of transportation services;</p>	<p>GM1: promote efficient use of the transportation system;</p>

Enhancement Options Assessment Proforma

Objective	Capacity prices should	Pros	Cons
GL1: “Reflect Costs”	reflect the costs associated with providing that capacity		
GL2: “Facilitate Competition” GL5: “Promote Competition”	GM3: be easy to understand and implement.		
GL3: “Business Development”	GM2: generate stable charges;		
GL4 :”Promote Efficiency”	GM1: promote efficient use of the transportation system;		