

A background image showing a hand plugging a cable into a port, with a blue and white color scheme. The image is slightly blurred and serves as a backdrop for the text.

Consultation on revenue allowances (UCAs) for large new entry points (Ref. No. 50/06)

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Gas Transmission Charging Methodology Forum (TCMF)

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Background and context

- Setting revenue allowances (UCAs) only for:
 - large new entry points
 - until April 2007
- “Legacy issue” under current gas entry regime
- Current custom and practice: reserve prices in entry capacity auctions linked to UCAs
- Under current TPCR proposals, separate arrangements are to apply from April 2007 for:
 - revenue drivers for (new) entry points
 - gas entry charging and reserve prices

Focus of consultation

- Consultation seeks views on two broad areas:
 - network modelling required to estimate costs
 - consideration of other potentially relevant information
- Key considerations:
 - developing UCAs for large new entry points (to April 2007) that broadly reflect incremental costs of network reinforcement
 - taking into account the current link between UCAs and reserve prices in entry capacity auctions, and considering whether an appropriate set of relative price signals is being provided

Network modelling issues

- Supply and demand scenario(s)
- Base network
- Modelling single year or multiple years
- Setting UCAs for ranges of flow increments
- Network balancing approach
 - supply substitution
 - load absorption
- Cost allocation between entry and offtake
- Treatment of connecting pipelines
- Recent or past cost data

Other potentially relevant information

- Relationship to existing UCAs and charging regime
- Milford Haven
- Differential treatment of storage
- Other information?

Way forward

- Consultation closes on 28 April 2006
- Ofgem developing initial view on appropriate approach based on:
 - consultation responses
 - any further evidence/analysis (eg, TPCR modelling work)
- NGG to undertake additional modelling work if necessary
- Ofgem/Authority to form final view on appropriate approach
- Aiming for:
 - Authority decision in June/July 2006
 - enabling LTSEC auctions for new entry points before October 2006

A large, central version of the ofgem logo is positioned in the middle of the slide. It features the word "ofgem" in white lowercase letters on a rounded orange background. The background of the slide is a faded, blue-tinted image of a gas meter and electrical components.

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