



# Update on NTS Charge Setting Related Information Reporting

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Gas TCMF 6<sup>th</sup> November 2008

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# NTS Quarterly Reports

The screenshot shows the National Grid website at the URL <http://www.nationalgrid.com/uk/Gas/Charges/Tools/>. The page features the National Grid logo and a navigation menu with categories like 'About Us', 'Energy & Services', and 'Media'. A left-hand sidebar lists various topics, with 'Charging' expanded to show 'Methodology and Charging Statements', 'Notice of Change', 'Indicative Charge Changes', 'Charging Forum - TCMF', 'Consultations', and 'Tools & Supporting Information'. The main content area is titled 'Tools and Supporting Information' and contains two sections: 'NTS Quarterly Charge Setting Report' and 'NTS Transportation Model'. The 'NTS Quarterly Charge Setting Report' section lists two reports: 'August 2008 Report - 2008/9 Formula Year' (122 KB) and 'May 2008 Report - 2008/09 Formula Year' (107 KB), each with a 'Download PDF' link. The 'NTS Transportation Model' section lists four documents: 'Addition to Transportation Model User Guide - How to Add an Entry Point - DRAFT v2' (3083 KB), 'Addition to Transportation Model User Guide - How to Add an Exit Point - DRAFT' (1194 KB), 'Addition to Transportation Model User Guide - How to Add an Entry Point - DRAFT' (1592 KB), and 'NTS Transportation Model User Guide' (2365 KB), each with a 'Download PDF' link. A blue speech bubble is overlaid on the right side of the screenshot, containing the text: 'NTS Quarterly Charge Setting reports now on the website under Gas > Charging > Tools & Supporting Information. Next update will be available shortly.'

# SO Incentives Performance Report Now Available

Address <http://www.nationalgrid.com/uk/Gas/soincentives/AnalystArea/> Go Links >>

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### Analyst Area

The information and data published in this area is intended to assist parties in gaining a more detailed understanding of the forecasts and issues contained in any current System Operator (SO) Incentives 'Initial proposals' consultation documents. Data has been prepared in good faith and in a manner consistent with supporting the forecasts and proposals contained within the relevant consultation.

Analyst information from previous consultations can be found in the archive area.

Date	Document Title	Download Link	File Size
08 October 2008	Quarterly report on incentivised costs – Q1	<a href="#">Download Excel Spreadsheet</a>	116 KB
22 August 2008	Gas - SO Consultation Datapack	<a href="#">Download Excel Spreadsheet</a>	266 KB
10 July 2008	Electricity Transmission Losses Report	<a href="#">Download PDF</a>	375 KB

Many of the files available to download on this page are Acrobat PDF files. To access these you will need Acrobat Reader which is available from the [Adobe web site](#)

<http://www.nationalgrid.com/uk/Gas/soincentives/IndustryWork/> Internet

**NEW Quarterly NTS SO Incentives Cost report now on the website under Gas> System Operator Incentives> Analyst Area**

## Daily TO/SO Information

### Daily NTS Entry Capacity

- ◆ Revenue from the Day-ahead auctions is defined as TO revenue
- ◆ Revenue from the On-the-day auctions is defined as SO revenue

**A report is being developed to break down the NTS daily entry capacity revenue into SO and TO components on a monthly basis**

## 5 Year Forecast (Mod 0186)

**Gas TCMF Action: *“National Grid NTS to consider replicating the DNO reporting arrangements established by Modification Proposal 0186.”***

**Update scheduled for December Gas TCMF**

# Indicative NTS SO Charges 1st February 2009

## The following are the current forecasts for SO charges to apply from 1st February 2009:

- ◆ The indicative NTS SO Commodity charge, as applied to both entry and exit flows, is 0.0128 p/kWh. This is a decrease of 31%, with an estimated range around this of +/-25% which corresponds to 0.0096 p/kWh to 0.0160 p/kWh.
- ◆ The St.Fergus Compression charge levied at the Total Oil Marine (TOM) sub-terminal at St. Fergus is expected to decrease to an indicative level of 0.0135 p/kWh, a reduction of 27% on the current rate. This reduction is due primarily to effects of the recent adjustments seen in the wholesale gas prices as well as the reductions in the TOM flows. This charge is subject to similar uncertainties as the SO Commodity Charge.

# 1st February 2009 SO Price Change Drivers

**SO Charges that applied from 1 October 2008 were set on 1 August 2008 in order to give the required two months notice of the change.**

- ◆ The charges were set at roughly the peak of prompt and forward gas wholesale prices. Whilst the market continues to be volatile, average prices have since fallen by about 20% following a downturn in the global economy.
- ◆ This means that we over-estimated shrinkage costs and therefore over-estimated the charges required to recover these costs. The combined effect of our revised forecasts is a reduction in our shrinkage costs of about £20m.
- ◆ There is evidence that lower than expected volumes have been charged at the Optional Commodity rate leading to SO income greater than forecast.

**Without revising our charges, we believe the 2008/09 SO allowed revenue would be exceeded by 5% - 6%.**

- ◆ We have interpreted that the Licence obligation not to over recover by more than 4% in a formula year overrides the reasonable endeavors obligation to only set NTS commodity charges twice a year.

**Final notification of these changes will be published by 1 December 2008 to provide 2 months notice before coming effective. This will have the impact of reducing the forecast SO over-recovery to zero for 2008/09.**