

GCM05 Enduring NTS Exit Capacity Indicative Prices

Gas TCMF

9th July 2008

GCM05 Proposal

- ◆ **Draft Charging paper GCM05 has been published on our website**
- ◆ *Proposal:*
- ◆ **Consistent for NTS Exit (Flat) Capacity for all UNC Mods other than 0116A, which requires no changes.**
- ◆ **Nodal Prices**
- ◆ **Interruption credits are removed**
- ◆ **Prevailing Exit Capacity Charging Methodology for NTS Exit (Flat) Capacity Prices (Transportation Model);**
 - ◆ Prevaling/Enduring NTS Exit (Flat) Capacity, charges will be set for the forthcoming Gas Year based on the supply and demand data and network model for that year;
 - ◆ Annual reserve prices, the reserve price for Gas Year N will be set based on the supply and demand data and network model for year N;
 - ◆ Daily firm reserve prices, the reserve price will be set based on the Prevaling/Enduring NTS Exit (Flat) Capacity charge in place for that Gas Day.
 - ◆ Daily interruptible/off-peak reserve prices, the reserve price will be zero.

GCM05: Defined inputs to the Transportation Model

- ◆ **Network** ~ Year of capacity release.
- ◆ **Supply Data** ~ Ten Year Statement (No Change)
- ◆ **Demand Data** ~ flow and capacity data will be based on Prevailing/Enduring NTS Exit (Flat) Capacity holding.
 - ◆ Bi-directional system points will be assumed to be in supply mode and hence will have a zero exit flow.
- ◆ **Target Revenue** ~ TO revenue calculated in accordance with the Charging Methodology and NTS Licence (No Change) Estimates for future years
- ◆ **Expansion Factor** ~ calculated in gas year N-4 based on the costs of constructing NTS capacity for 1st October in gas Year N.
 - ◆ (e.g. the expansion factor for gas year starting 1st October 2012 would be set in the summer of 2009 and would apply for all setting prices for all applications and auctions for gas year starting 1st October 2012 including daily auctions)
- ◆ **Anuitisation Factor** ~ Implied by the NTS Licence. (No Change)

Indicative Prices

- ◆ GCM05 Indicative NTS Exit (flat) Capacity prices have been generated based on a range of scenarios for 2012/13
- ◆ The key impact on Pricing of the UNC Proposals under consideration and wider exit reforms, was identified as the resulting level of NTS Exit (flat) Capacity bookings used to determine Tariffs
- ◆ Scenarios have been generated for a range of demand and exit capacity booking levels

Transportation Model Inputs

Input	Value
Network	2012/13
Supply	December 2007 TYS for 2012/13
Demand	May 2008 Forecast Demand for 2012/13 – zero for storage but capacity assumed to be booked at the baseline levels
Balancing S&D	Merit Order – storage flows have been increased to offset increased demand due to ‘interruptible’ demand
Expansion Factor	£2320/GWhkm – 1 st October 2008 Figure which will be revised Summer 2009 for 1 st October 2012/13
Anuitisation Factor	0.10272
Target Exit Revenue	Estimated based on standard year-on-year increase

Scenarios

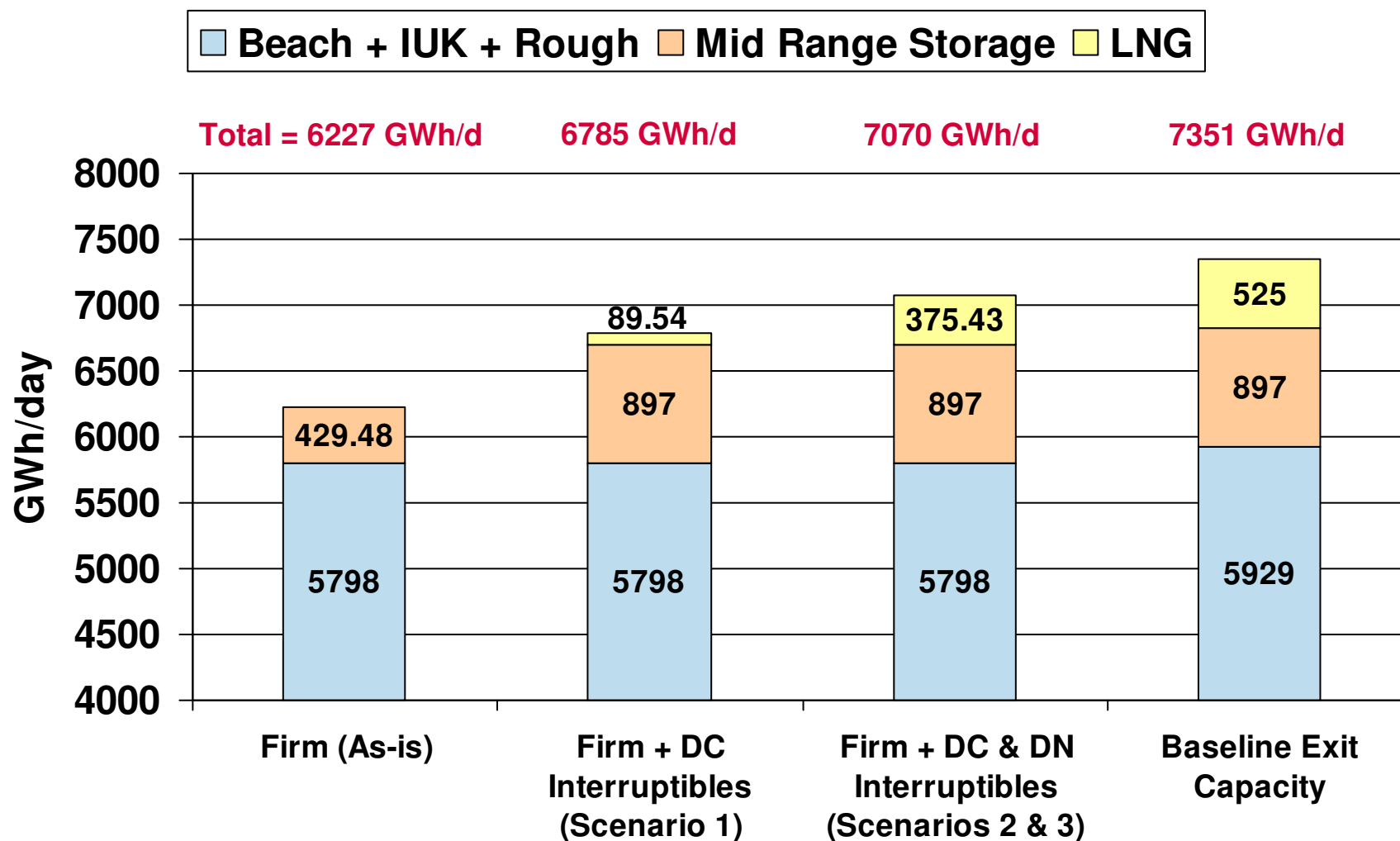
Scenario	Firm Capacity Level	Revenue
As-Is	Forecast Firm Demand (Revenue foregone collected through SO Commodity)	£235m
1	Forecast Firm Demand plus DC* Interruptible	£293m (£58m / 25% increase)
2	Forecast Firm Demand plus DC* & DN Interruptible	
3	Forecast Firm Demand plus DC* & DN with IUK** at Baseline exit	
4	DC* & DN Baseline Exit Flat Capacity as per the Licence	

**** Storage sites modelled at zero exit flow at peak with revenue recovery based on baseline exit capacity for storage injection***

***** IUK modelled at zero exit flow at peak for all scenarios but with revenue recovery based on baseline exit capacity for scenarios 3 & 4 and prevailing assumptions for scenarios 1 & 2***

nationalgrid

Supply & Demand



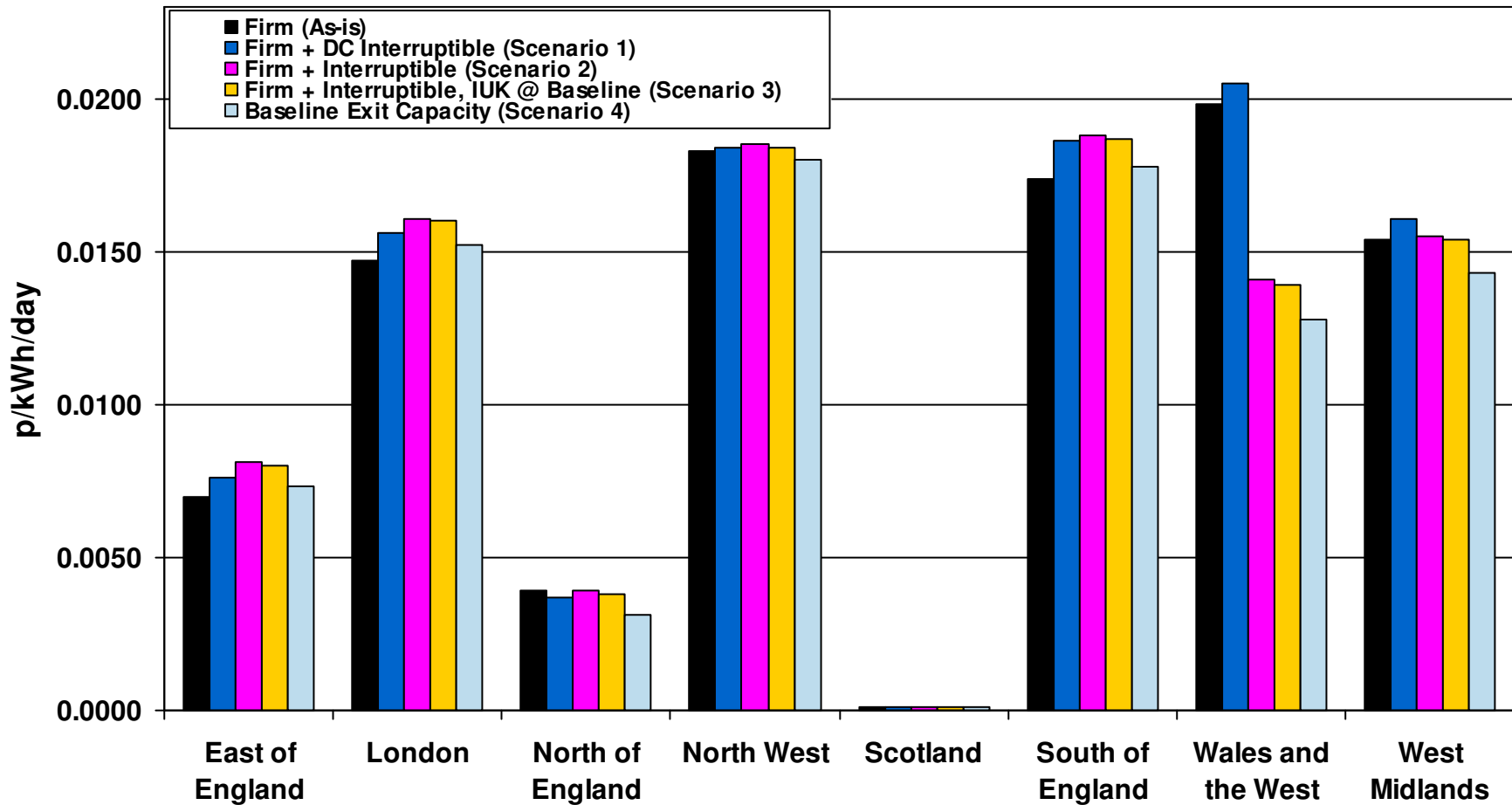
Results

- ◆ While all Exit Reform* Capacity & Prices will be at nodal level, graphical results are shown by DN average for ease of geographical comparison only
- ◆ All Indicative NTS Exit (flat) Capacity Prices will be made available on the National Grid website
- ◆ The impact of the removal of 'revenue foregone' triggered by Exit Reform has been estimated as a reduction of 0.0030 p/kWh to the SO standard commodity rate

* *Excluding UNC 0116A*

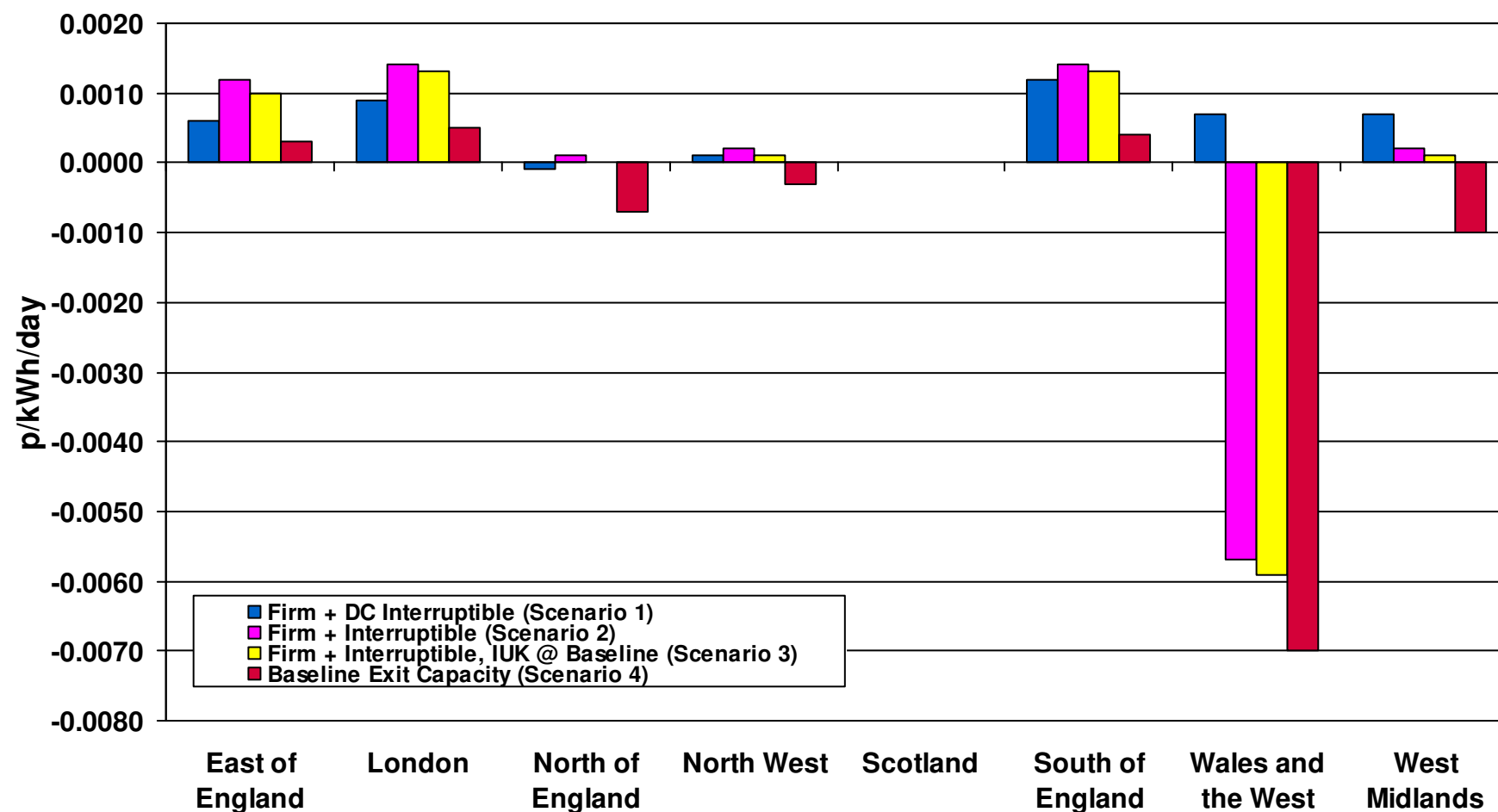
DN Average Prices

(Impact on Exit Prices of including “Interruptibles”)



Change in DN Average Prices

(Impact on Exit Prices of including “Interruptibles”)



Views Invited

- ◆ GCM05 Document Content
- ◆ Presentation of Indicative Prices
- ◆ Timing of Consultation