



# Responses to Consultation Paper NTS GCM 13

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Gas TCMF

5<sup>th</sup> February 2009

**nationalgrid**

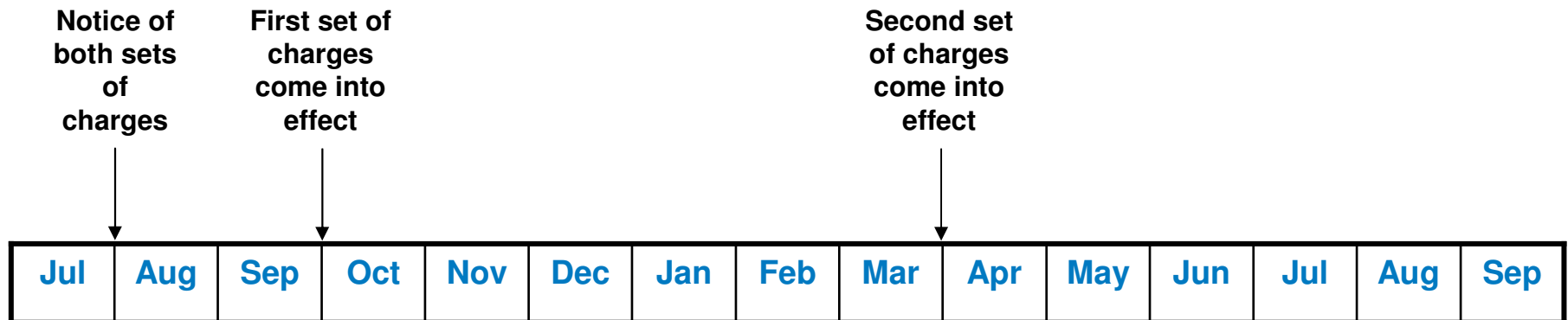
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# Summary of Responses

<b>AEP</b>	<b>Not in Support</b>
<b>British Gas Trading</b>	<b>In Support</b>
<b>EDF Energy</b>	<b>Not in Support</b>
<b>E.ON UK</b>	<b>Not in Support</b>
<b>RWE</b>	<b>In Support</b>
<b>Scotia Gas Networks</b>	<b>Not in Support</b>
<b>Scottish and Southern Energy</b>	<b>Not in Support</b>

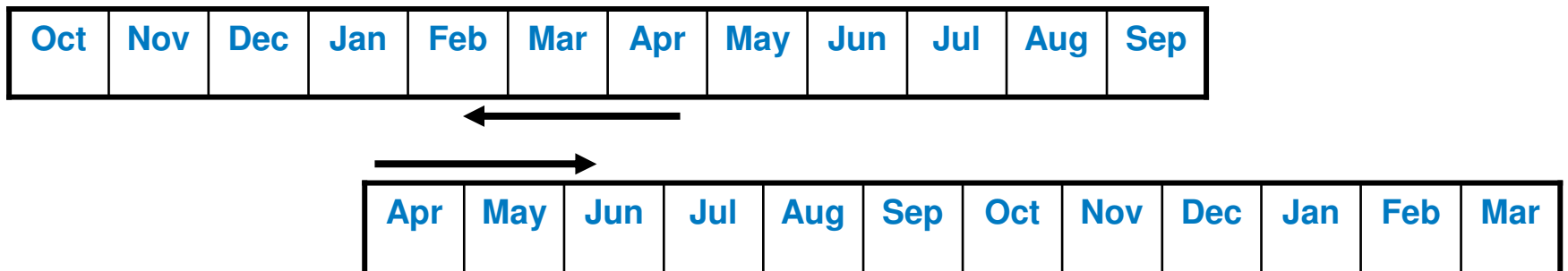
# Set Charges in August for October and April

- ◆ “EDF Energy believes that there may be a value in developing a charging methodology that allows NGG to set prices on 1 October and 1 April, when they issue their final notice of charges on 1 August.”
- ◆ National Grid can consider this suggestion as it wouldn't require a Charging Methodology change



# Align the Gas Year and the Formula Year

- ◆ “There is now a misalignment of charge changing dates between the DNs and the NTS. The DNs now change their charges in April and the NTS changes its exit capacity charges in October. This misalignment needs to be considered before the implementation of Exit Reform when the DNs start paying the exit capacity charges.” SGN
- ◆ Views are invited, through the Gas TCMF Survey, on aligning the gas year and the formula year.



# Final Proposal

- ◆ “Overall, as both a Shipper and a Supplier we value greater predictability of charges rather than reduced volatility...” E.ON UK
- ◆ SSE noted that “...revenue rebalancing is no longer required as a revision of AQ values returned expected revenues to allowed levels. With the expected implementation of Exit Reform revenues will be based on actual bookings from 2012 onwards which should remove further uncertainty associated with AQ levels.”
- ◆ RWE wrote that “Whilst National Grid’s desire to reduce volatility of transportation charges is well meaning we believe that with the publication of the transportation model, National Grid’s licence obligation to change prices typically only once each year and separate entry and exit over/under recovery, shippers are now better able to mitigate their exposure to volatility by making informed predictions of future prices.”
- ◆ In light of the responses received National Grid does not intend to raise a final proposal for GCM13 but will produce a Conclusions Report

# Potential Causes of Volatility

- ◆ **AEP “...considers that there may be other underlying causes of volatility in charges that arise from the methodology rather than fundamental supply / demand changes and we would support further investigation of these.”**
- ◆ **EDF “...would note that whilst this misalignment does create some volatility in charges the major cause of volatility in exit and entry capacity prices is being driven by changes to the supply and demand balance as a result of updates to the Ten Year Statement.”**
- ◆ **National Grid is progressing work on Supply and Demand Balancing Rules in the Transportation Model and plans to release a discussion paper in February.**