

TRANSCO PRICING DISCUSSION DOCUMENT PD6

1999 NTS Capacity Charge Rebalancing

SUMMARY

This discussion paper presents a partial rebalancing option for Transco's NTS capacity charges. Capacity charges have been calculated using Transcost in conjunction with the Long Run Marginal Cost (LRMC) methodology. In previous years capacity charges have been calculated using Falcon.

The proposals are based around an average reduction in NTS capacity charges of 10.3% based upon a 65:35 capacity commodity split.

The rebalancing is carried out in line with both 1999 and 1998 Transcost LRMC's. Capacity charges are re-balanced only when a consistent change is demonstrated by both sets of LRMC's. Within this constraint entry charges have been capped to a maximum increase of 4%. Exit charges have not been increased. No limit has been placed on exit charge reduction.

Rebalancing enables Transco to improve the cost reflectivity of NTS capacity charges. Improved cost reflectivity promotes efficiency in investments in line with the PGT licence requirements.

Transcost represents a significant improvement in the calculation of capacity charges.