

# An Update On Charging

Tuesday 25<sup>th</sup> June 2024

We will start just after 1pm to allow participants to finish previous meetings and join the call



**national gas  
transmission**

# Logistics



Should last around 60 minutes including Q&A



Questions via Q&A in Teams



All attendees on mute and cameras off



Slides and recording will be circulated

**Any issues please email: [box.ntsgascharges@nationalgas.com](mailto:box.ntsgascharges@nationalgas.com)**

# Welcome and Opening

Thank you for joining us today. Who will be speaking?



**Colin Williams**  
Charging & Revenue Manager



**Dave Bayliss**  
Revenue Lead



**Kieran McGoldrick**  
Senior Charging  
Officer

# Agenda

**Transmission Services charges and recent publication**

**Key charging drivers:**

- **Revenues**
- **Forecasted Contracted Capacity**

**Indicative General Non-Transmission Charges - Summary**

**Future Charging updates**

**Question & Answer session**

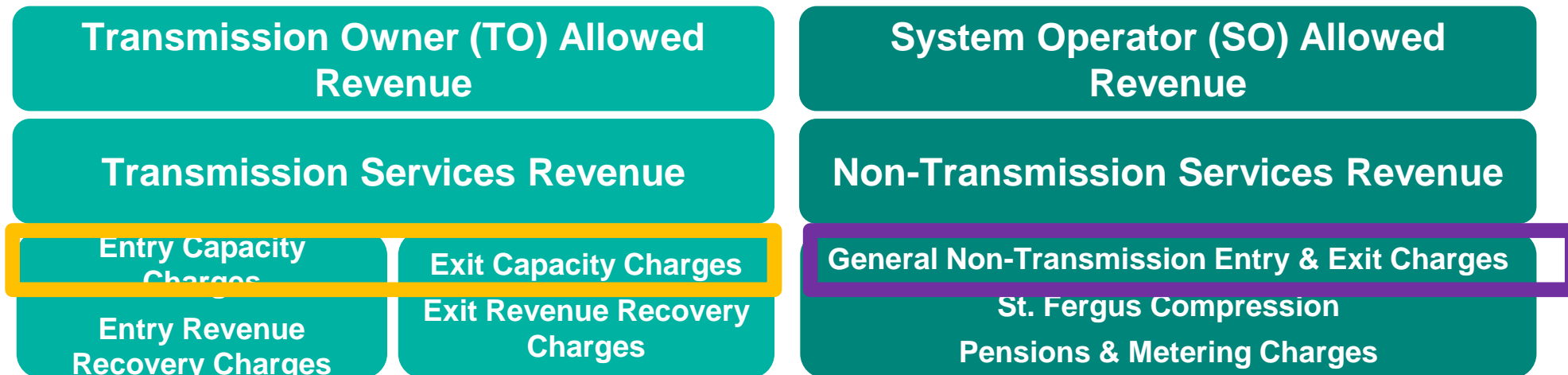


# Gas Charging – Which charges are we talking about?

There are two categories of charges for Transportation:

- Transmission Services Revenue, which broadly aligns to the Transmission Owner (TO) Revenue, will be recovered by **Transmission Services Charges**
- Non-Transmission Services Revenues, which broadly aligns to the System Operator (SO) Revenue, will be recovered by **Non-Transmission Services Charges**

This session focuses on the **Transmission Services Entry & Exit Capacity charges** and provides a summary on the indicative **General Non-Transmission charges**



# Timeline of charging publications

Some dates for the diary:

- End of May – publication of final Transmission Services prices and indicative Non-Transmission prices for October 2024
- End of July – publication of Non-Transmission Services final charges to apply from 1 October 2024
- End of August – range of supporting material in line with EU publication requirements (as embedded in UK law)
- 1<sup>st</sup> October – New charges are effective for Transmission Services (as published on 31<sup>st</sup> May) and Non-Transmission Services (to be published end of July)

# NTS Transportation Charges: October 2024

- Capacity Reserve Prices published on 31 May 2024

Transmission Services Prices (p/kWh/d)	Final	Indicative			
	24/25	25/26	26/27	27/28	28/29
Entry Capacity Reserve Price	0.1308	0.1224	0.0991	0.1141	0.0987
Entry Capacity Reserve Price for Storage (80% discount)	0.0262	0.0245	0.0198	0.0228	0.0197
Transmission Services Entry RRC	0.0000	0.0000	0.0000	0.0000	0.0000
Exit Capacity Reserve Price	0.0265	0.0311	0.0314	0.0329	0.0344
Exit Capacity Reserve Price for Storage (80% discount)	0.0053	0.0062	0.0063	0.0066	0.0069
Transmission Services Exit RRC	0.0000	0.0000	0.0000	0.0000	0.0000

# NTS Transportation Charges: October 2024

- Indicative** General Non-Transmission Services prices published on 31 May 2024

Indicative Transmission Services Prices (p/kWh)	Indicative	Indicative			
	24/25	25/26	26/76	27/28	28/29
General Non-Transmission Services	0.0083	0.0208	0.0201	0.0217	0.0229

	Tx Entry	GnTx Entry	ENTRY	Tx Exit	GnTx Exit	EXIT	TOTAL
FY24	0.0784	0.0533	0.1317	0.0127	0.0533	0.0660	0.1977
FY25	0.1308	0.0083*	0.1391	0.0265	0.0083*	0.0348	0.1739

\* Indicative Values

Final General Non-Transmission Services Prices to be published by end July 2024



# NTS Transportation Charges: October 2024

Indicative Transmission Services Prices (p/kWh)	Indicative	Indicative			
	24/25	25/26	26/76	27/28	28/29
General Non-Transmission Services	0.0083	0.0208	0.0201	0.0217	0.0229

**Allowed Revenues / Shrinkage**  
**£339m (FY25)**  
**£826m (FY24)**  
Includes £100m deferral from 23/24 -24/25

**RPT / Price**  
**£304m Apr-Sep**

**Mod 0857**  
**£127m Oct 24**  
(£35m if no 0857)  
**£734m Oct 23 Equivalent**

Final General Non-Transmission Services Prices to be published by end July 2024

# Transmission Services

# NTS Transportation Charges: Drivers

Charges are calculated using two key drivers:

- Revenue - the target revenue for the required period(s)
- Forecasted Contracted Capacity

## Revenues

- The target revenue takes into account:
  - Allowed Revenue for regulatory years (i.e. April to March) Y and Y+1
  - Revenue, actual and forecast, up to 30 September 2024 (the first 6 months of the regulatory year, based on the previous Gas Years prices)
  - Revenue profiles across the Gas Years (i.e. October to September)
  - Application of UNC Code Modification 0796

## FCC

- The amount of capacity forecast to be purchased across the Gas Year
- The Forecasted Contracted Capacity follows the FCC Methodology
  - Exceptions to the methodology can be applied

# Transmission Services Target Revenues

# Allowed Revenue - TS Target Revenues

	ENTRY	EXIT
TO Allowed Revenue (inc. 'K' & 'LK')	893.741	
Meter Maintenance	(1.910)	
Non-Ob Capacity (SO Revenue / Neutrality)	13.595	
Tx Target Revenue	905.425	
	To be split across Entry and Exit charges	

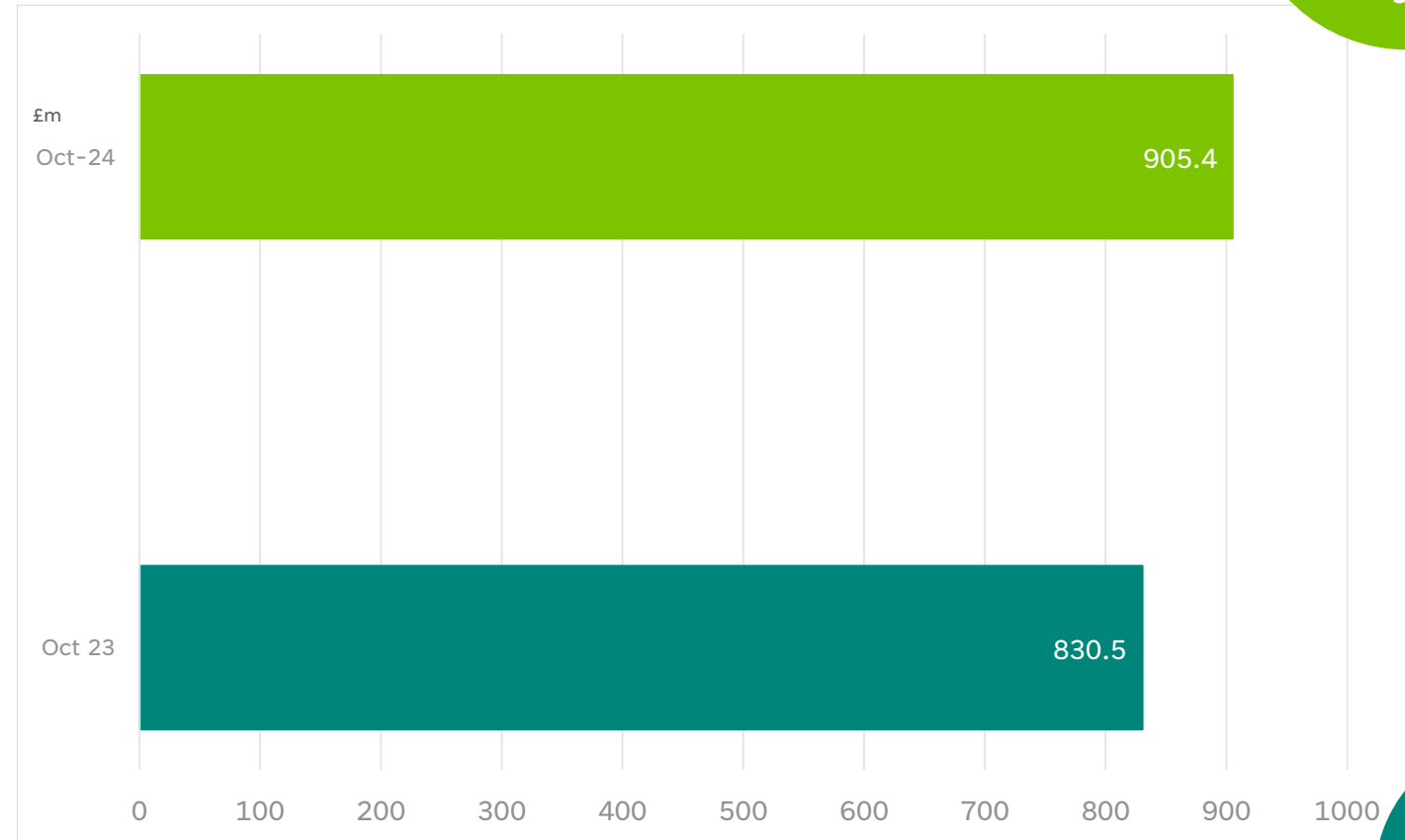
# Allowed Revenue - TS Target Revenues

FY25 TO Allowed Revenue  
£927.3m.  
'K' 33.5m.

TO AR 24/25  
(inc. 'K')  
£893.7m

Transmission Services / General Non-Transmission Services (DN Pension / Meter Maintenance / SO Capacity) Adjustments  
£11.7m

Target Revenue  
£905.4m



Target Revenue Increase  
£74.9m  
9%

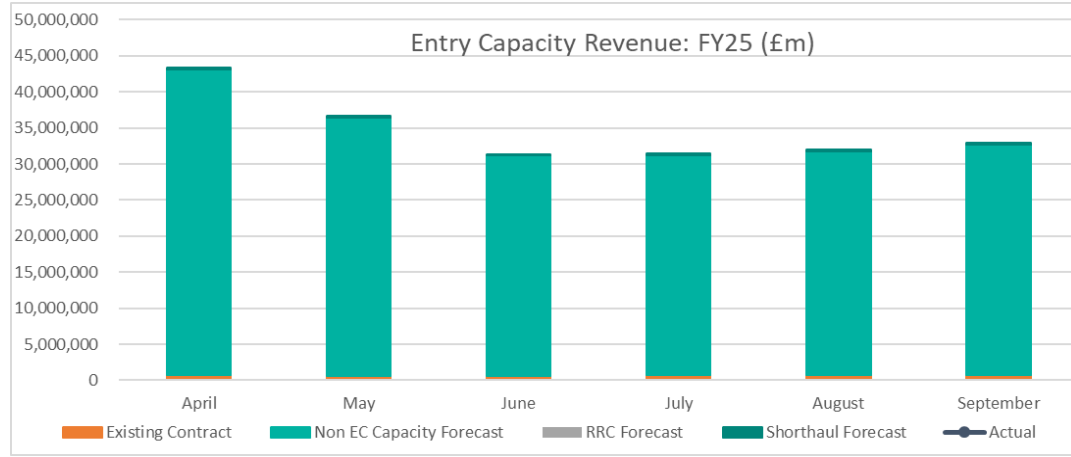
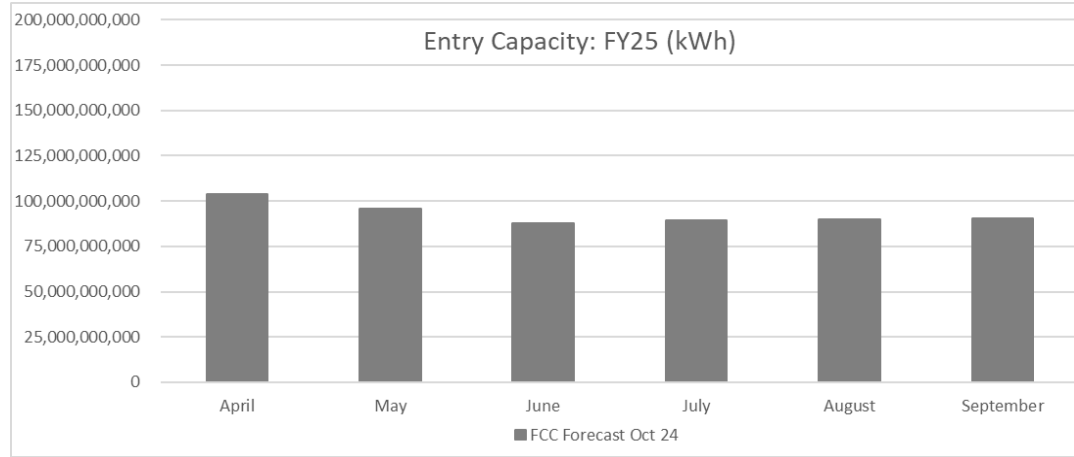
FY24 TO Allowed Revenue  
£1,106.9m.  
'K' 290.1m.



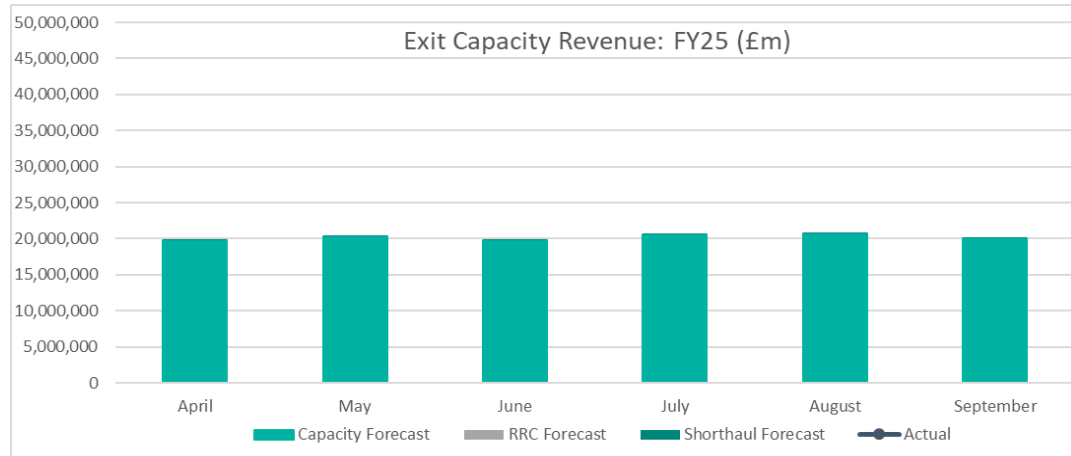
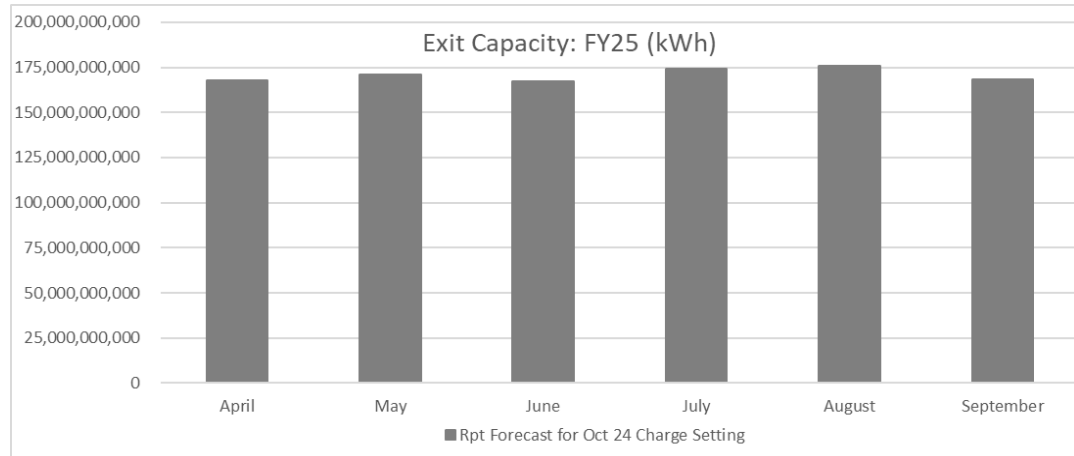
# Allowed Revenue - TS Target Revenues

	ENTRY	EXIT
TO Allowed Revenue (inc. 'K' & 'LK')	893.741	
Meter Maintenance	(1.910)	
Non-Ob Capacity (SO Revenue / Neutrality)	13.595	
Tx Target Revenue	905.425	
	To be split across Entry and Exit charges	
'K' & 'LK'	(33.532)	
TO Allowed Revenue (Minus 'K' & 'LK')	927.273	
TO Allowed Revenue (Minus Meter Maintenance)	925.363	
50/50 Entry Exit Split	462.681	462.681
Non-Ob Capacity (SO Revenue)	3.214	10.381
Entry 'K' & 'LK'	74.260	
Exit 'K' & 'LK'		(107.792)
Tx Services Target Revenue	540.155	365.270
Total	905.425	

# RPT: FY25 – April 24 – September 24

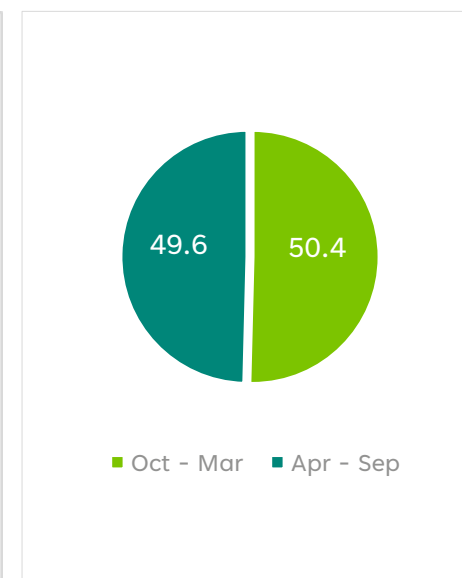
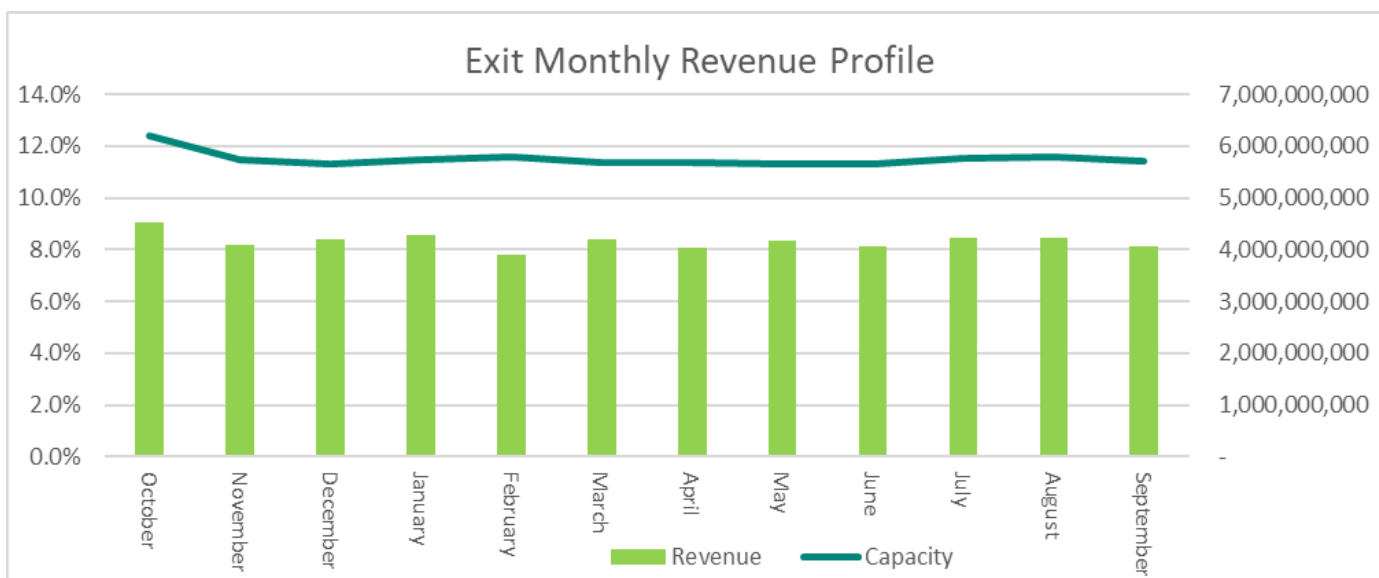
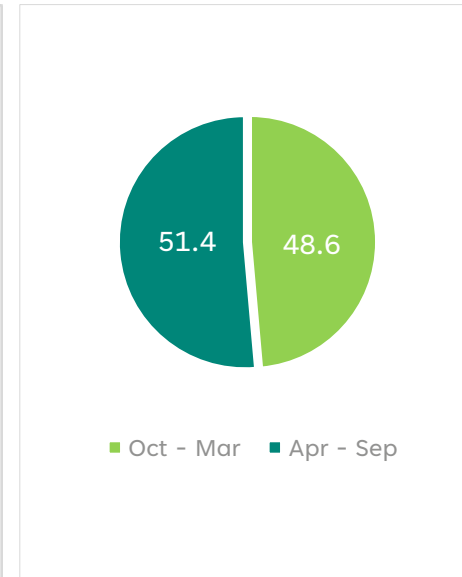
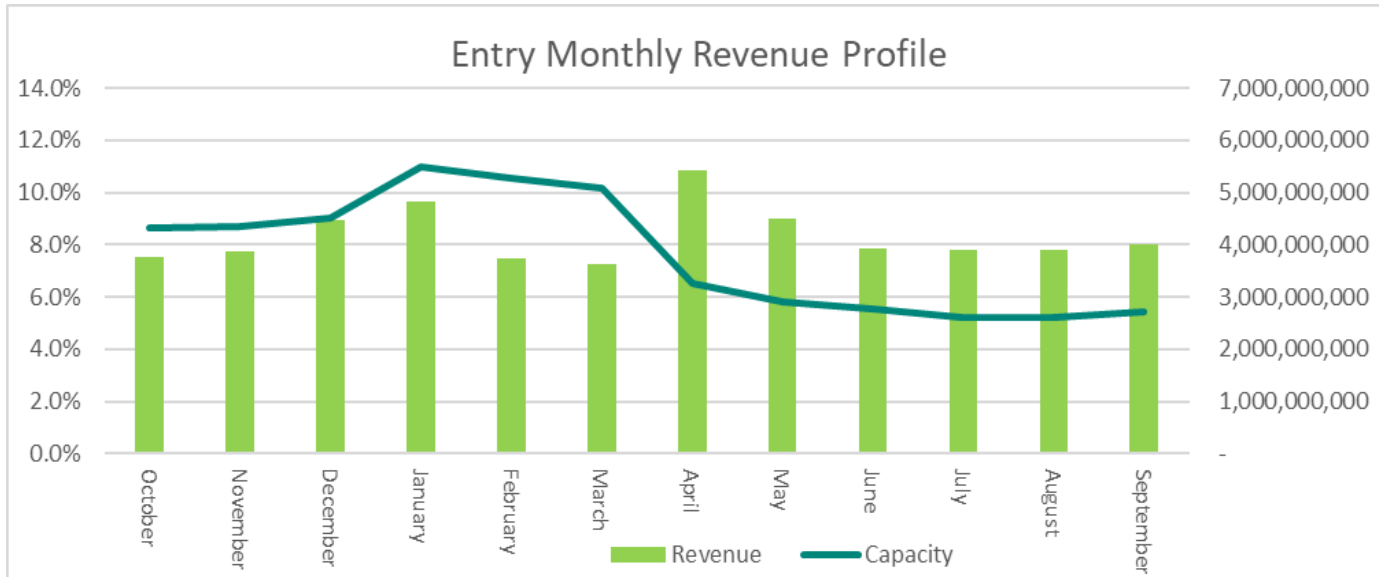


<b>Entry</b>	
<b>RPT Forecast</b>	<b>£207.8m</b>



<b>Exit</b>	
<b>RPT Forecast</b>	<b>£122.1m</b>

# Revenue Profile



# 0796 Example Workings – Entry

Target Revenues as per the FY PCFM Allowed Revenues inc. K

	Y (FY)		Y+1 (FY)	
	Apr - Sep	Oct - Mar	Apr - Sep	Oct - Mar
Target Revenue (FY)	540.155		585.442	
Forecast Revenue Collection (GY-1)				
Revenue to be collected (FY)				
Derived 'K'				
Target Revenue including 'K'				
Seasonal Revenue Profile (GY)				
6 Monthly Target Revenue (Apr – Sep Y+1)				
Gas Year Target Revenue				
Forecast Revenue Collection				
Forecast Revenue Collection (FY)				
Revenue Variance to Target ('K')				

# 0796 Example Workings – Entry

Target Revenues as per the FY PCFM Allowed Revenues inc. K

Revenue Collection projection for the first six months of the FY (Apr – Sep) collected under the existing charges from FY-1

Difference between FY Target Revenue for Y and Forecast Revenue collected in the first 6 months of Y

	Y (FY)		Y+1 (FY)	
	Apr - Sep	Oct - Mar	Apr - Sep	Oct - Mar
Target Revenue (FY)	540.155		585.442	
Forecast Revenue Collection (GY-1)	207.857			
Revenue to be collected (FY)		332.298		
Derived 'K'				
Target Revenue including 'K'				
Seasonal Revenue Profile (GY)				
6 Monthly Target Revenue (Apr – Sep Y+1)				
Gas Year Target Revenue				
Forecast Revenue Collection				
Forecast Revenue Collection (FY)				
Revenue Variance to Target ('K')				

# 0796 Example Workings – Entry

Target Revenues as per the FY PCFM Allowed Revenues inc. K

Revenue Collection projection for the first six months of the FY (Apr – Sep) collected under the existing charges from FY-1

Difference between FY Target Revenue for Y and Forecast Revenue collected in the first 6 months of Y

Split of Gas Year annual revenue collected across the 6 monthly periods, (Iterative process driven by FCC, price and levels of existing contracts (at Entry)).

	Y (FY)		Y+1 (FY)	
	Apr - Sep	Oct - Mar	Apr - Sep	Oct - Mar
Target Revenue (FY)	540.155		585.442	
Forecast Revenue Collection (GY-1)	207.857			
Revenue to be collected (FY)		332.298		
Derived 'K'			(19.602)	
Target Revenue including 'K'			605.044	
Seasonal Revenue Profile (GY)		0.486	0.514	
6 Monthly Target Revenue (Apr – Sep Y+1)			310.895	
Gas Year Target Revenue		643.193		
Forecast Revenue Collection				
Forecast Revenue Collection (FY)				
Revenue Variance to Target ('K')				

Target Revenue for Y+1 plus forecast under/over recovery from Y.

Y+1 Target Revenue including K multiplied by Seasonal Revenue profile for Apr – Sep. Calculates the target revenue collection for the 2<sup>nd</sup> 6 months of the Gas Year.

Sum of 'Revenue to be collected (FY)' covering the 1<sup>st</sup> 6 months of the Gas Year and '6 monthly target revenue (Apr – Sep Y+1)' covering the 2<sup>nd</sup> 6 months of the Gas Year.



# 0796 Example Workings – Entry

	Y (FY)		Y+1 (FY)	
	Apr - Sep	Oct - Mar	Apr - Sep	Oct - Mar
Target Revenue (FY)	540.155		585.442	
Forecast Revenue Collection (GY-1)	207.857			
Revenue to be collected (FY)		332.298		
Derived 'K'			(19.602)	
Target Revenue including 'K'			605.044	
Seasonal Revenue Profile (GY)		0.486	0.514	
6 Monthly Target Revenue (Apr – Sep F+1)			310.895	
Gas Year Target Revenue		643.193		
Forecast Revenue Collection	207.857	312.696		
Forecast Revenue Collection (FY)	520.553			
Revenue Variance to Target ('K')	(19.602)			

Target Revenues as per the FY PCFM Allowed Revenues inc. K

Revenue Collection projection for the first six months of the FY (Apr – Sep) collected under the existing charges from FY-1

Difference between FY Target Revenue for Y and Forecast Revenue collected in the first 6 months of Y

Split of Gas Year annual revenue collected across the 6 monthly periods, (Iterative process driven by FCC, price and levels of existing contracts (at Entry)).

Gas Year Target Revenue multiplied by Seasonal Revenue Profile (GY) to forecast actual revenue collected in each of these 6 months.

Sum of Forecast Revenue Collection for 1) Apr – Sep of FY Y and 2) Oct – Mar of FY Y.

Difference between Forecast Revenue Collection (FY) and Target Revenue (FY). This value becomes the derived 'K' added into the Target Revenue for collection in Y+1.

Forecast under/over recovery position from Y. (Revenue Variance to Target ('K')). Iterative process based on target revenues and revenue collection.

Target Revenue for Y+1 plus forecast under/over recovery from Y.

Y+1 Target Revenue including K multiplied by Seasonal Revenue profile for Apr – Sep. Calculates the target revenue collection for the 2<sup>nd</sup> 6 months of the Gas Year.

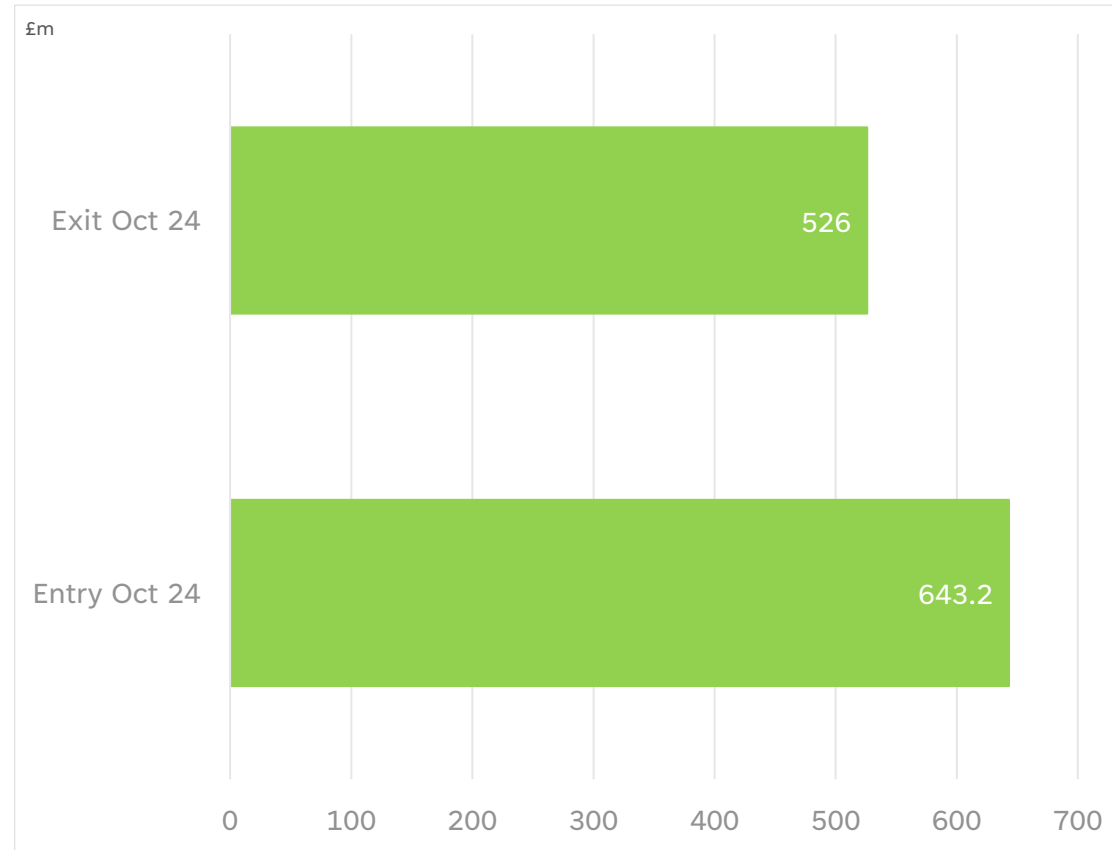
Sum of 'Revenue to be collected (FY)' covering the 1<sup>st</sup> 6 months of the Gas Year and '6 monthly target revenue (Apr – Sep F+1)' covering the 2<sup>nd</sup> 6 months of the Gas Year.

# 0796 Example Workings – Exit

	Y (FY)		Y+1 (FY)	
	Apr - Sep	Oct - Mar	Apr - Sep	Oct Mar
Target Revenue (FY)	365.270		592.608	
Forecast Revenue Collection (GY-1)	122.112			
Revenue to be collected (FY)		243.158		
Derived 'K'			22.066	
Target Revenue including 'K'			570.542	
Seasonal Revenue Profile (GY)		0.504	0.496	
6 Monthly Target Revenue (Apr – Sep F+1)			282.879	
Gas Year Target Revenue		526.037		
Forecast Revenue Collection	122.112	265.224		
Forecast Revenue Collection (FY)	387.336			
Revenue Variance to Target ('K')	22.066			

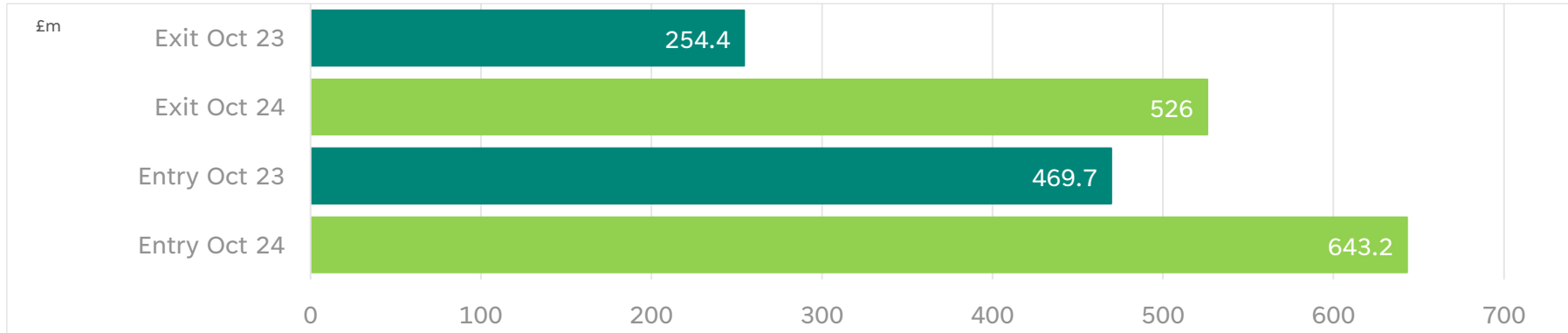
# GY Target Revenues

ENTRY
TO AR / 2 £462.7m
+ TO 'K' and SO Capacity (£77.5m) = £540.2m
- RPT £207.9m = £332.3m
+ (0796) % FY26 Allowed Revenue £310.9m = Target Revenue £643.2m

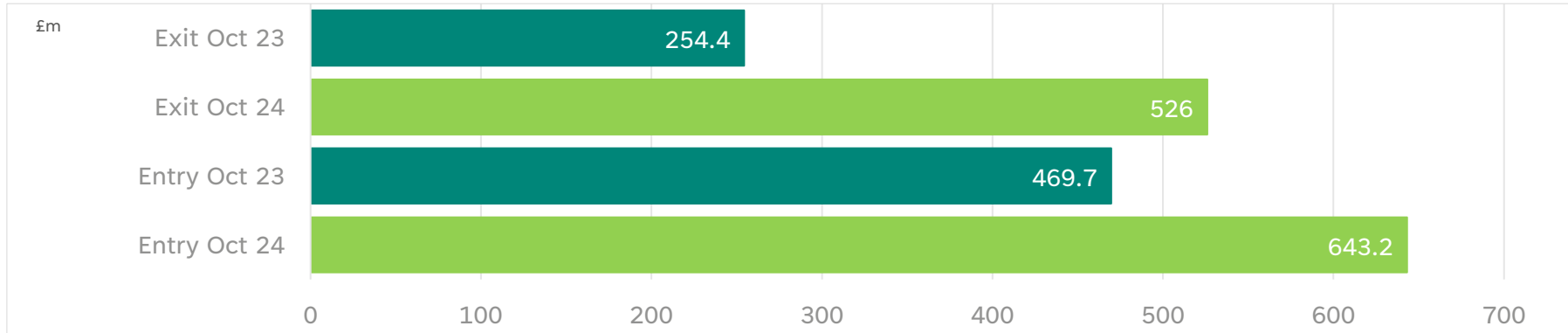


EXIT
TO AR / 2 £462.7m
+ TO 'K' and SO Capacity £97.4m = £365.3m
- RPT £122.1m = £243.2m
+ (0796) % FY26 Allowed Revenue £282.8m = Target Revenue £526.0m

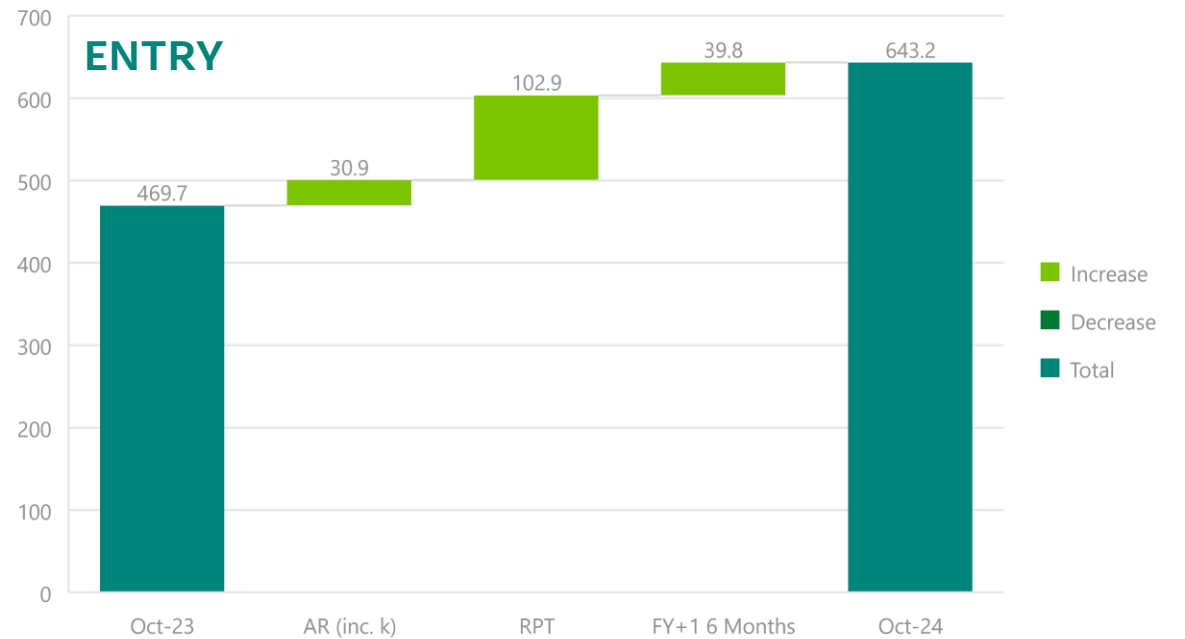
# GY Target Revenues



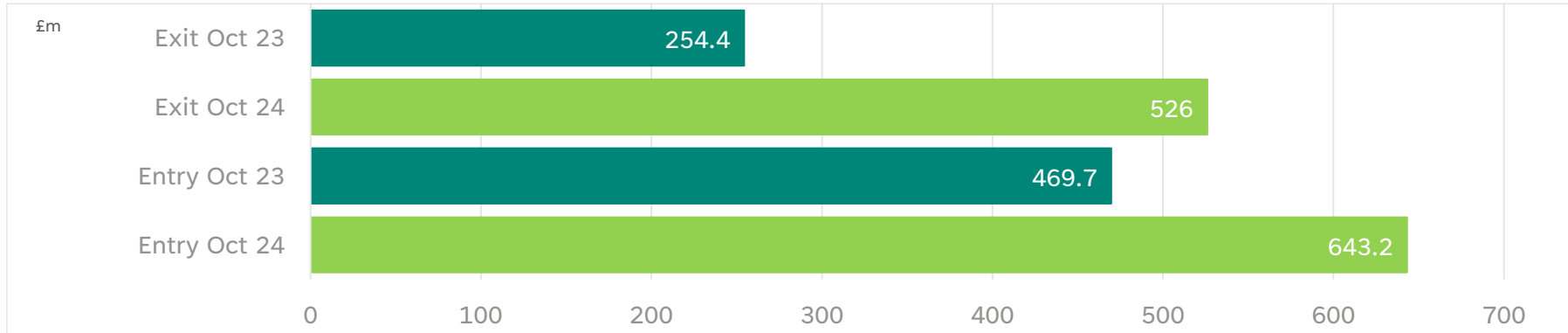
# GY Target Revenues



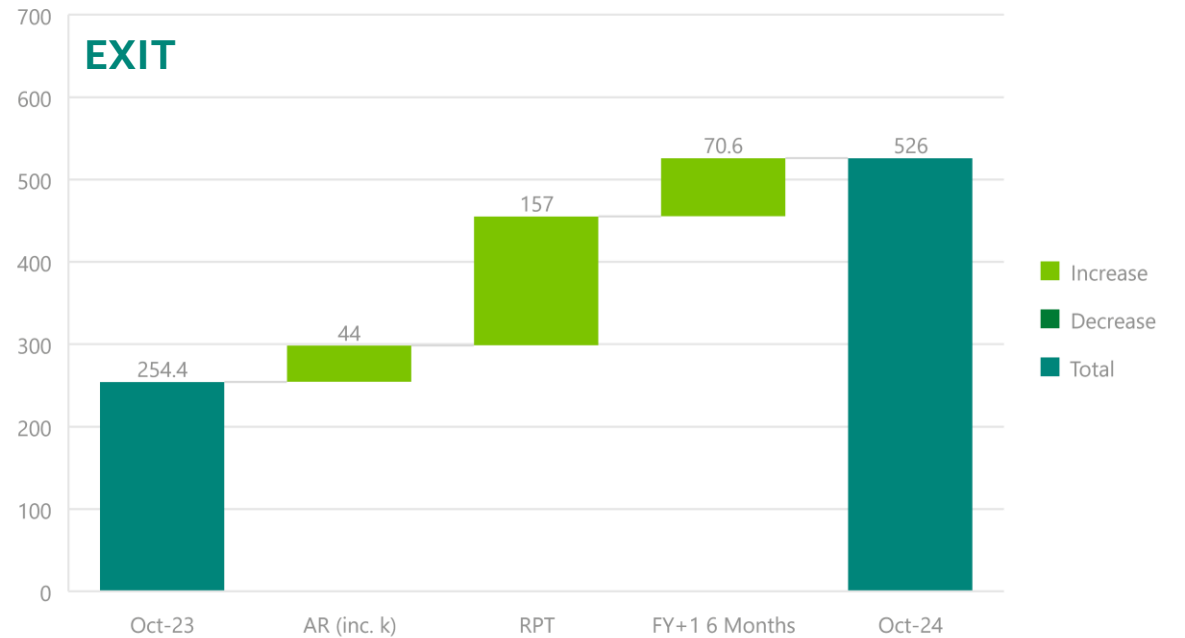
ENTRY	Oct 23	Oct 24	Variance	
Entry Revenue (inc. K)	509.259	540.155	30.896	
RPT	310.722	207.857	102.865	
FY+1 6 Months	271.143	310.895	39.752	
GY Target	469.681	643.193	173.512	37%
EC Revenue	58.082	50.339		
Via Tx Charge	411.599	592.854	181.255	44%



# GY Target Revenues



EXIT	Oct 23	Oct 24	Variance	
Exit Revenue (inc. K)	321.234	365.270	44.036	
RPT	279.070	122.112	156.959	
FY+1 6 Months	212.278	282.879	70.601	
GY Target	254.441	526.037	271.596	107%





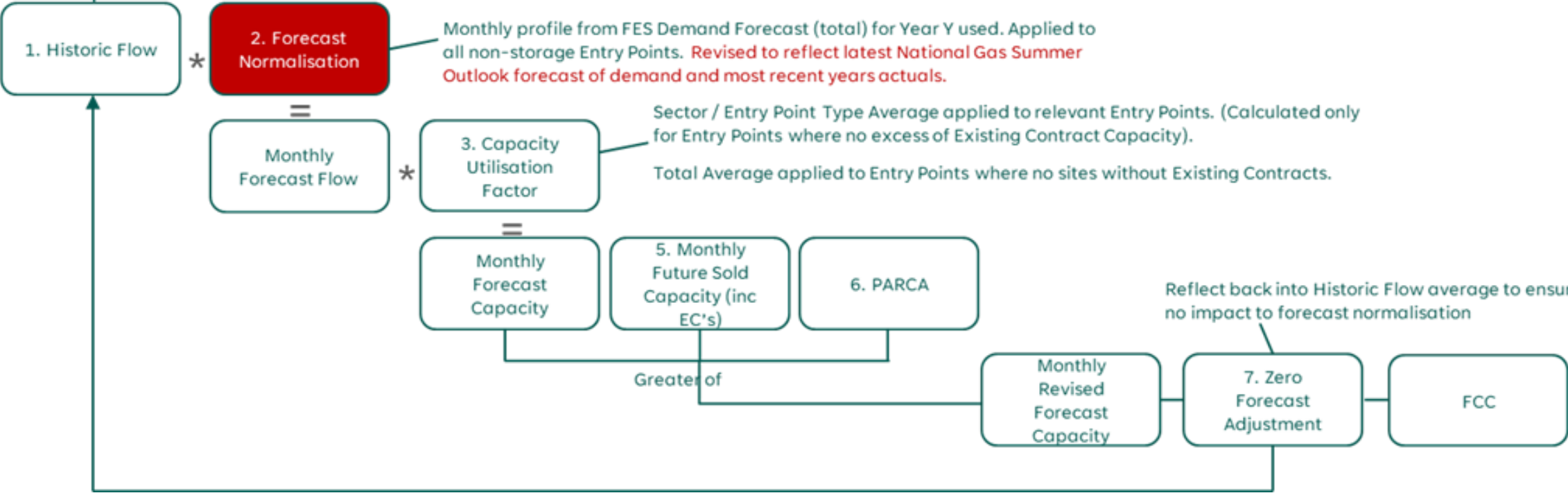
# Transmission Services Forecasted Contracted Capacity (FCC)

# Forecasted Contracted Capacity

- The FCC forecasts the volume of capacity that will be purchased at Entry and Exit for the forthcoming gas year. This is used to drive the reference price for capacity to collect allowed revenues.
- Latest FCC methodology has been applied to the FCC for use in setting charges from Oct 24.
- However, this methodology is based on historic flow data (Y-2 to Y-6), and the most recent years FES forecasts (published July 2023), neither of which take account of the activity seen over recent months.
- National Gas can revise these data inputs used to derive the FCC:
  - Adjustments made to demand forecasts to revise in line with most recent actuals and Summer Demand forecast.

# Forecasted Contracted Capacity

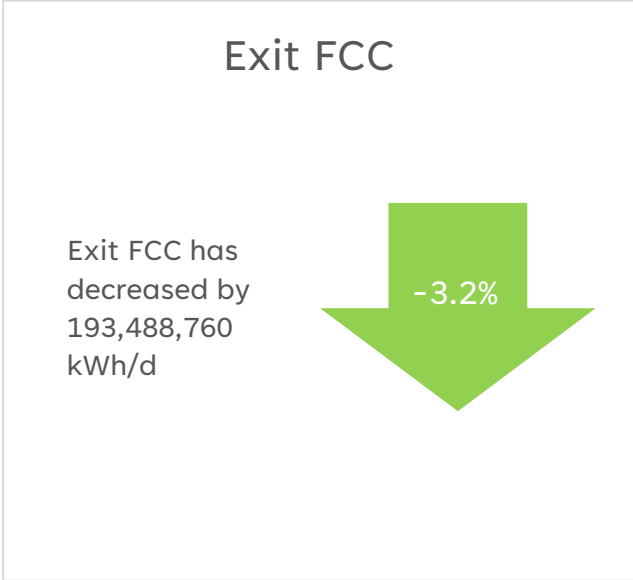
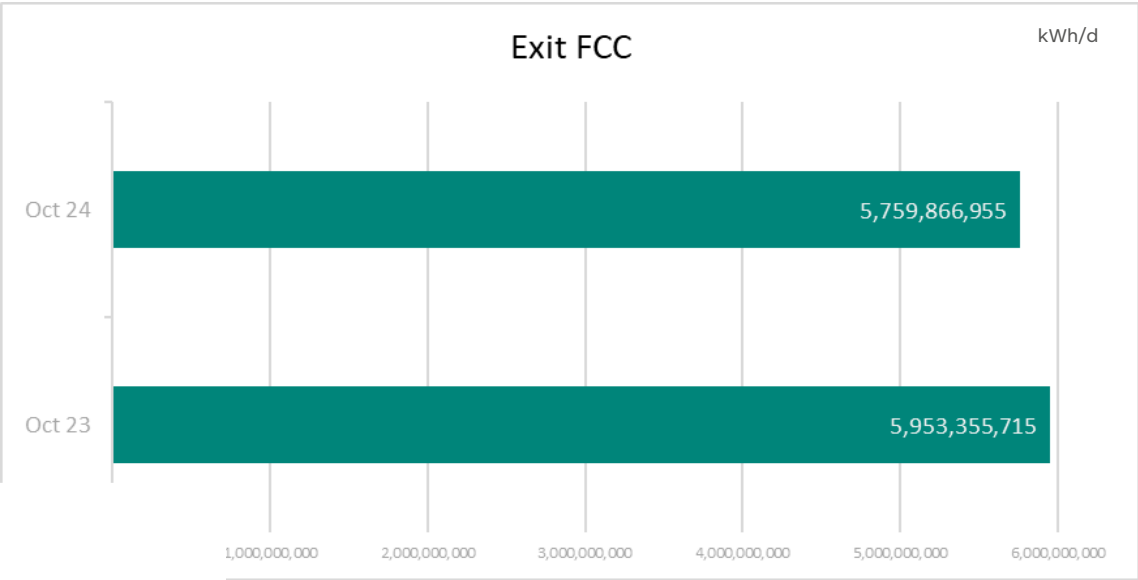
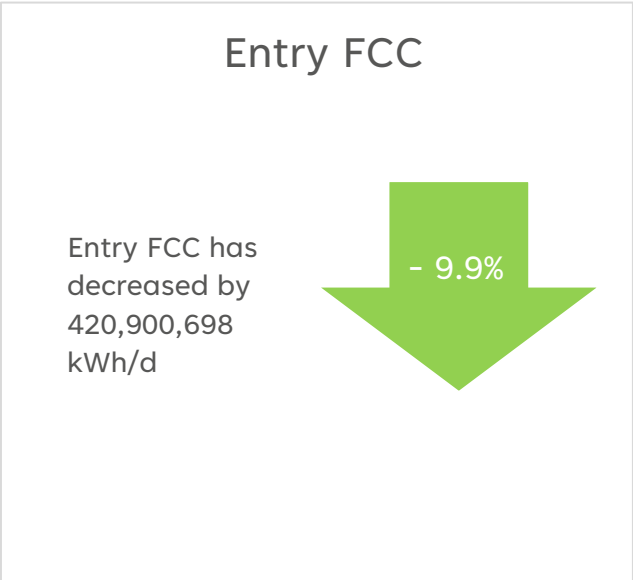
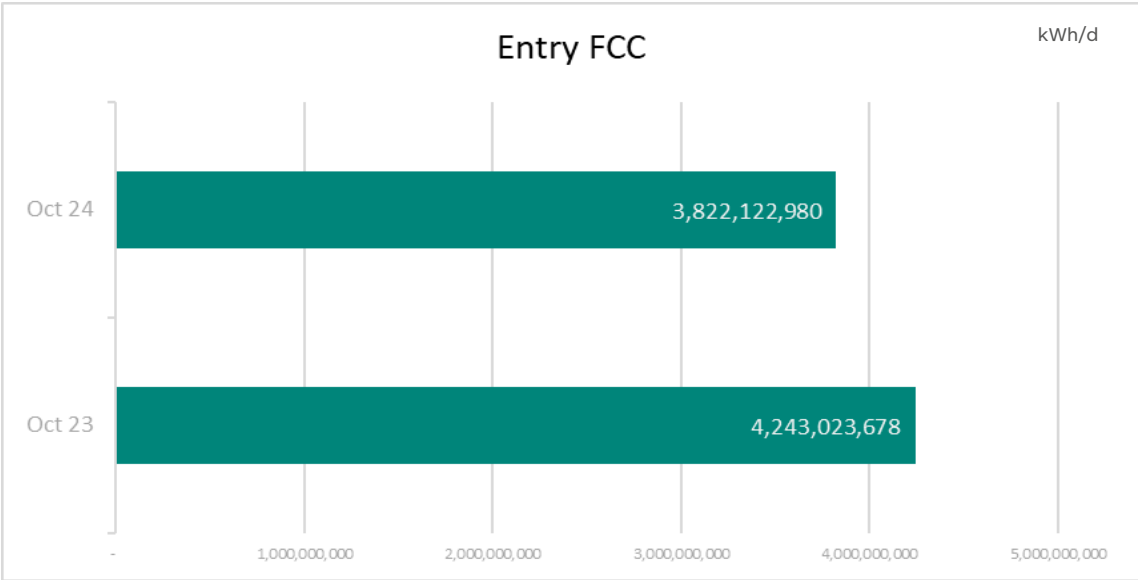
Collated by Entry Point at a monthly profile over 5 years (Y-2 to Y-6) of historic flows,



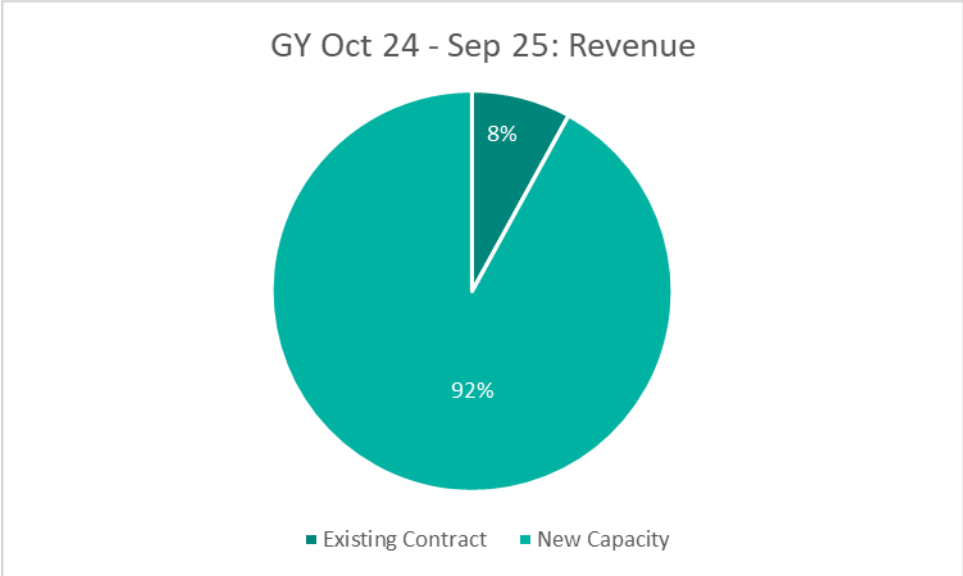
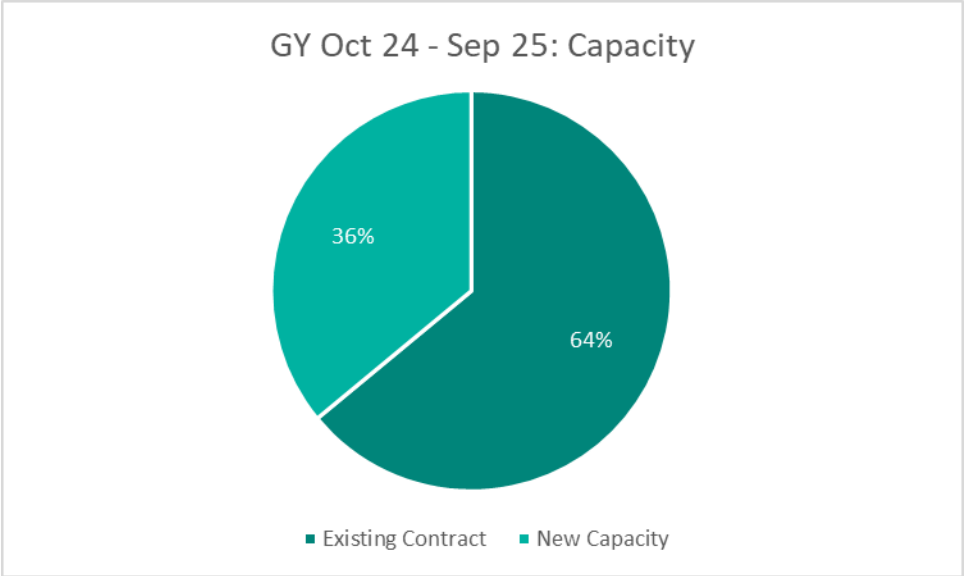
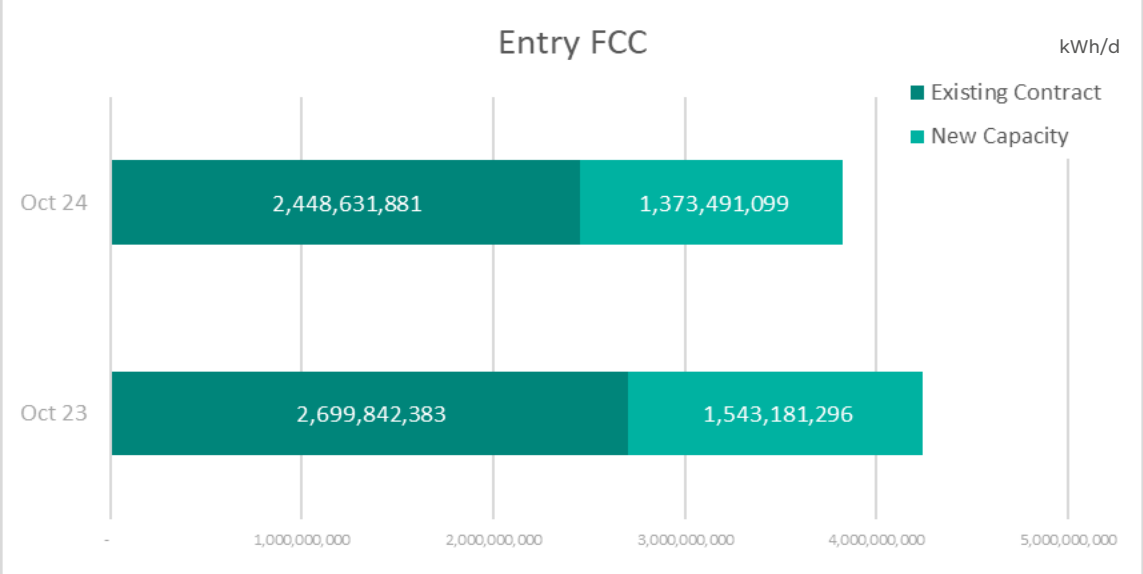
# Demand Forecast – Revisions to FCC

	Actual Apr 23-Mar 24	June 2023 Forecast for GY25	Charge Setting GY25
LDZ Demand	458.3	521.5	469.4
Power Generation	171.3	107.2	160.9
NTS Industrial	9.5	16.6	10.8
Exports to Ireland	58.4	76.6	65.1
Exports to Europe	97.3	162.9	54.5
NTS Shrinkage	3.4	3.4	3.4
<b>TOTAL Demand</b>	<b>798.3</b>	<b>888.3</b>	<b>764.0</b>

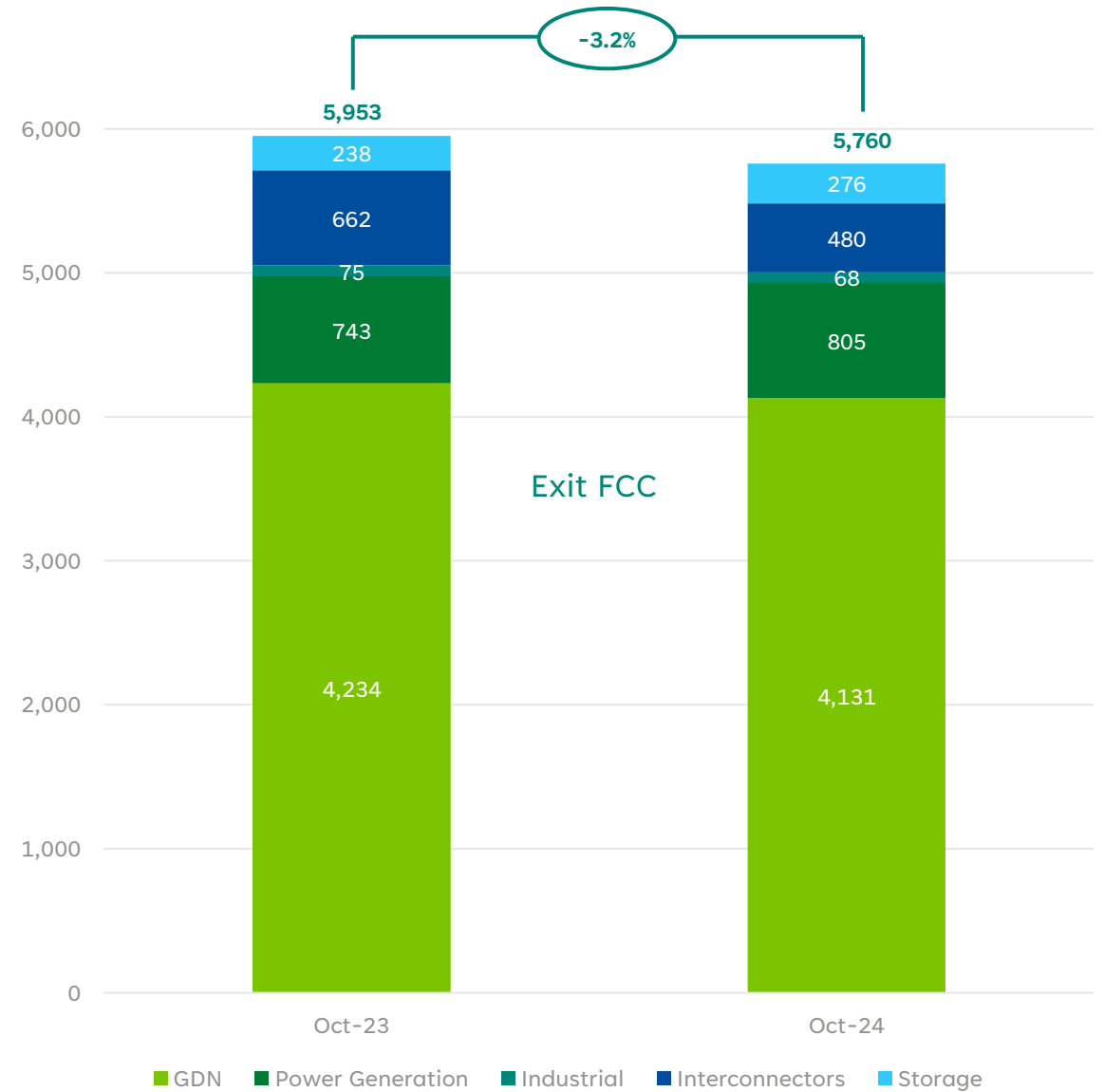
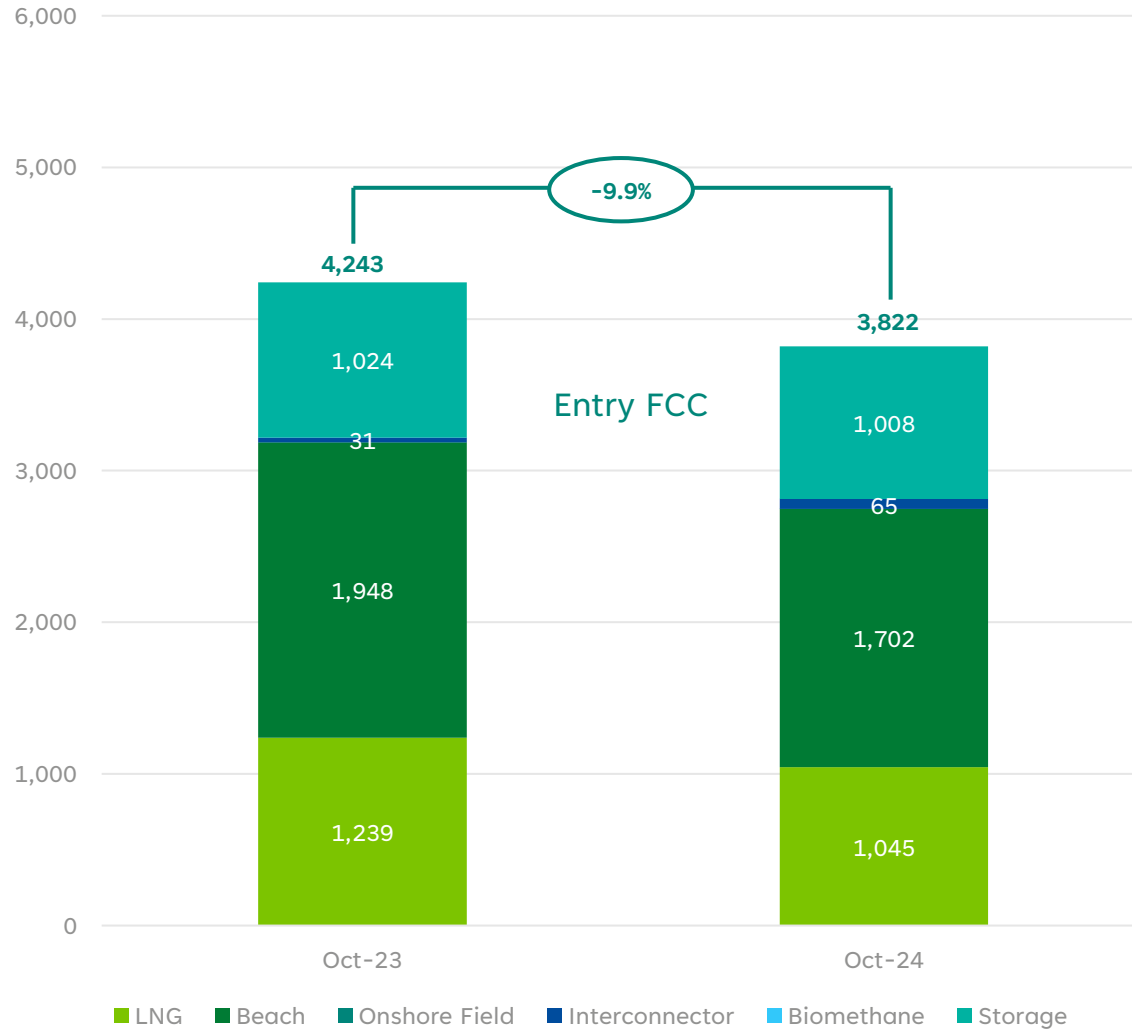
# Forecasted Contracted Capacity (FCC)



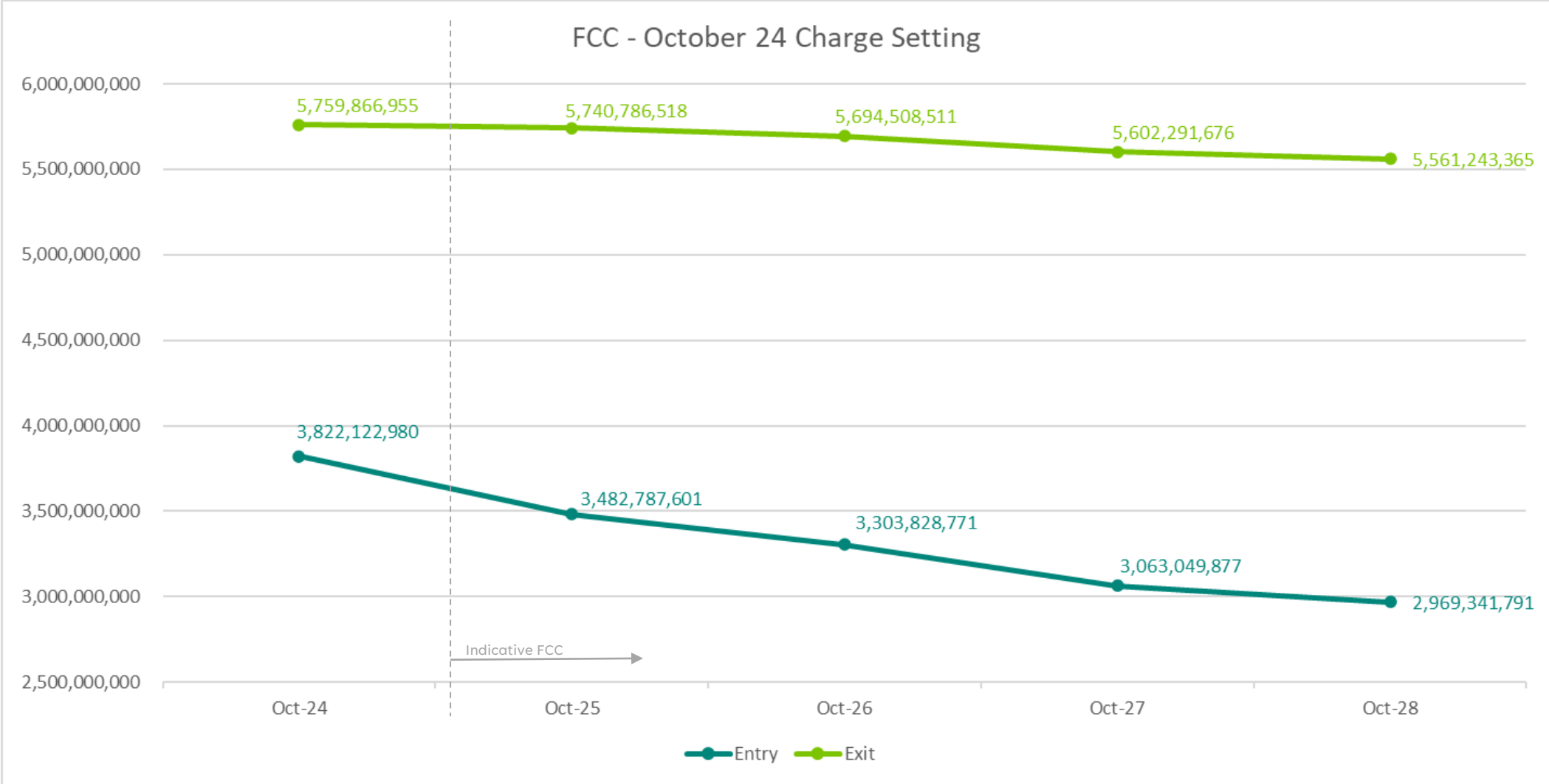
# FCC – Entry Adjusted for Existing Contracts



# FCC Oct 24 vs Oct 23

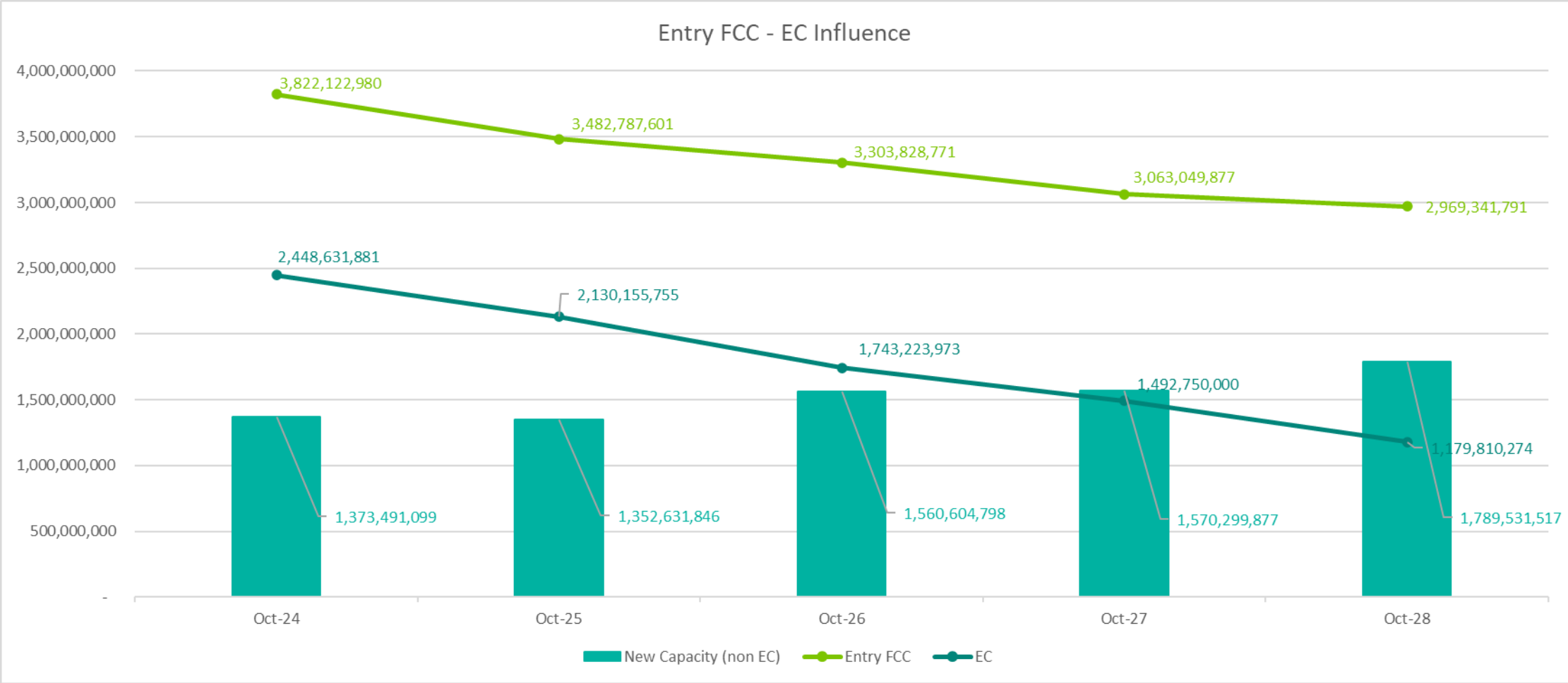


# October 2024 FCC





# Existing Contract Capacity Influence on Entry Capacity Reference Prices



# Discounted Product Influence on Entry Capacity Reference Prices

	% of Capacity	(WA) Price	% Discount
Existing Contract	64%	0.0056	96%
Shorthaul	2%	0.0270	79%
Storage	2%	0.0262	80%
Storage Interruptible	-	0.0235	82%
Interruptible	1%	0.1177	10%
Reserve Price	31%	0.1308	-

# Indicative Impact on Prices: Oct 23 – Oct 24

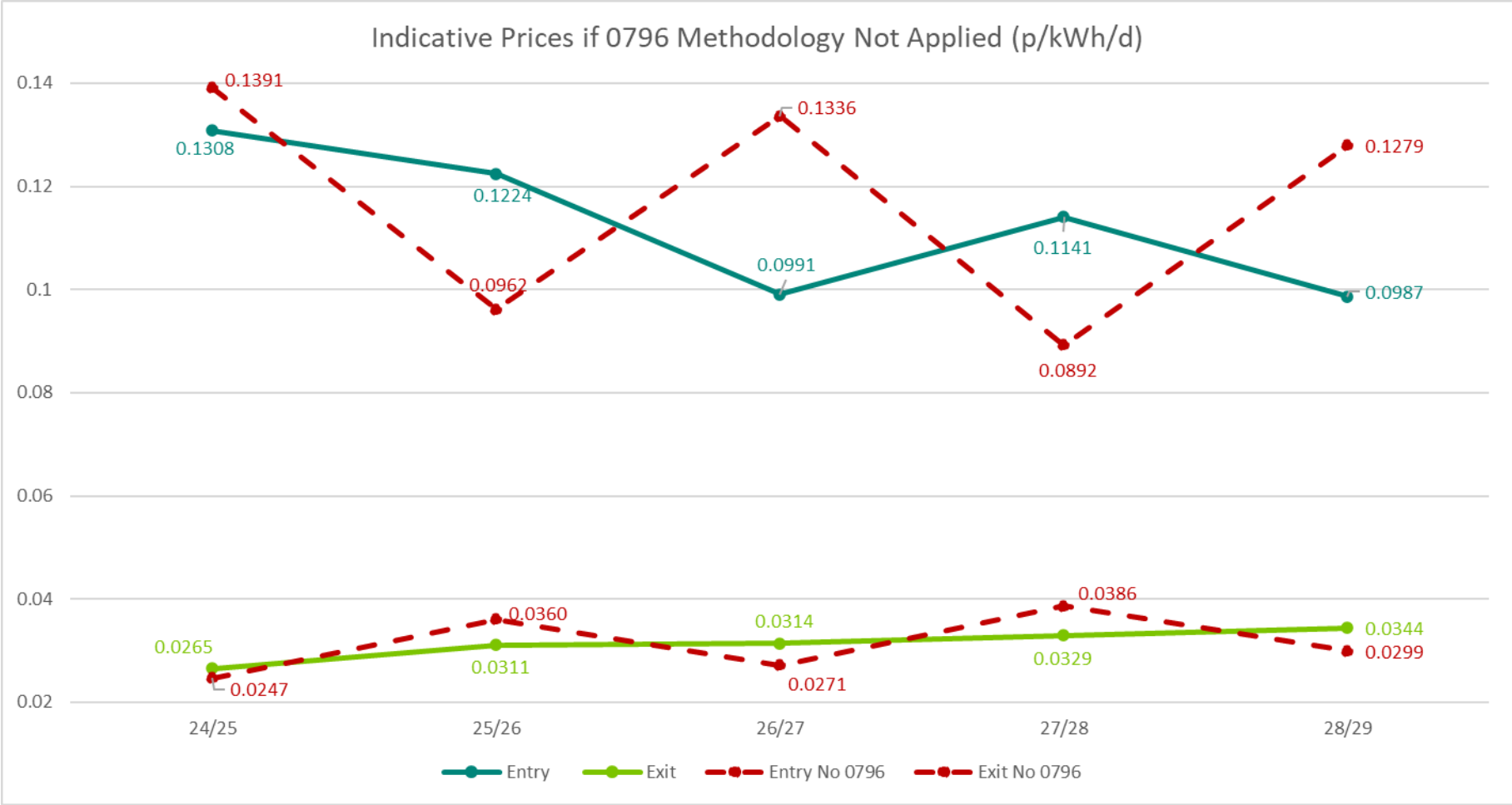
Entry



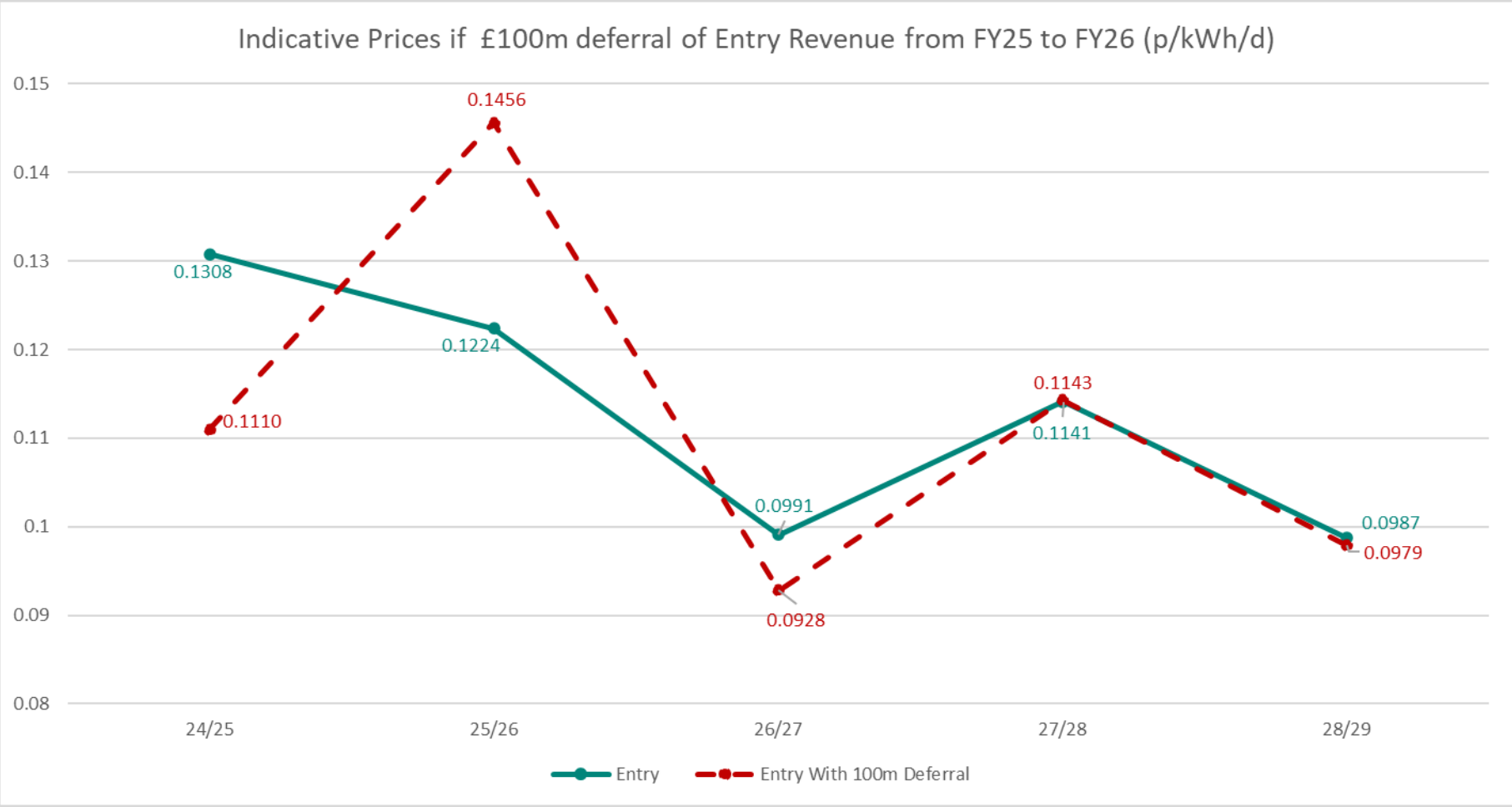
Exit



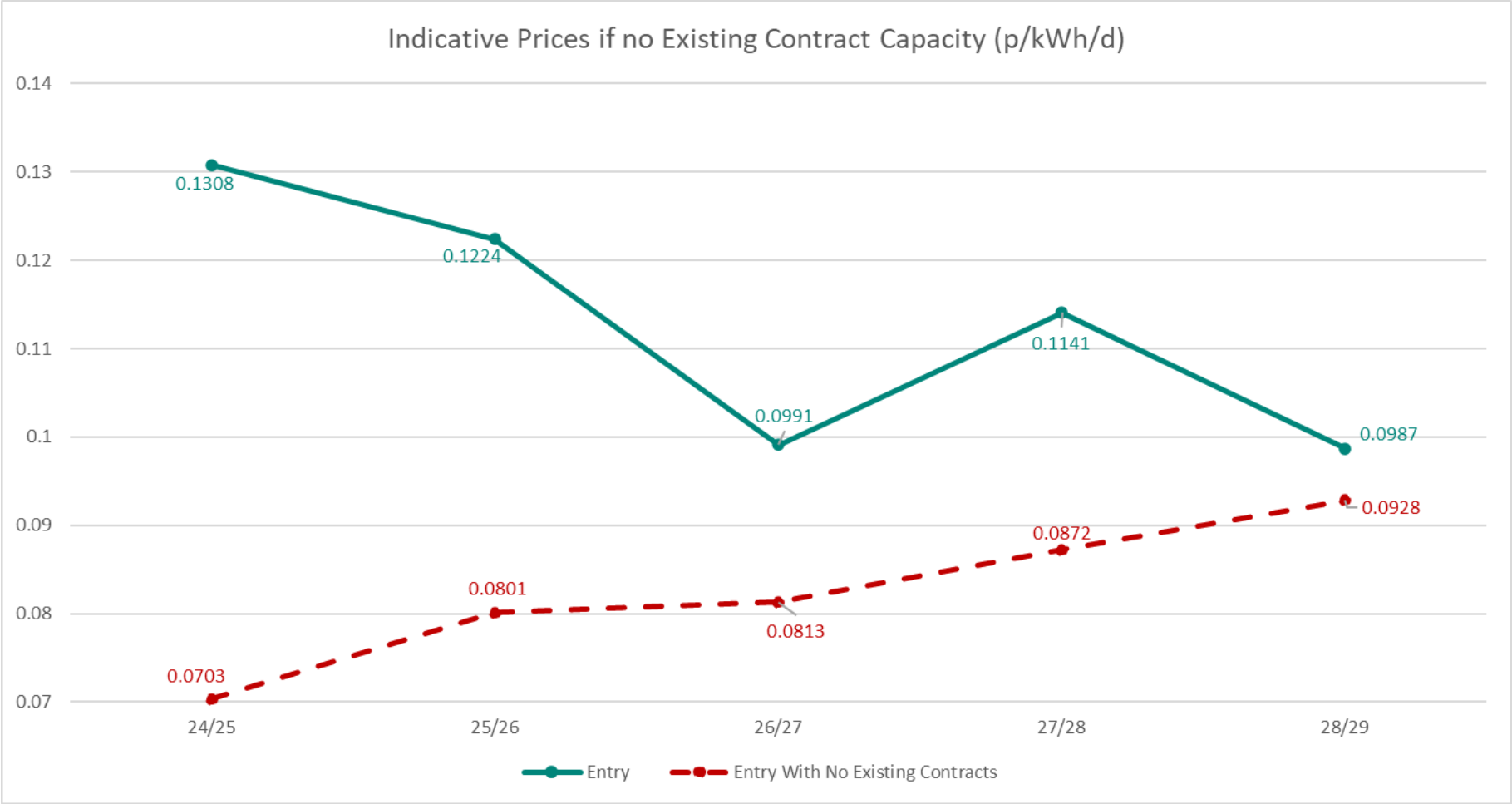
# Impact of no 0796 on Entry Prices



# Impact of a Deferral on Entry Prices



# Impact of Existing Contracts on Entry Prices



# Transmission Services Forecast Revenues

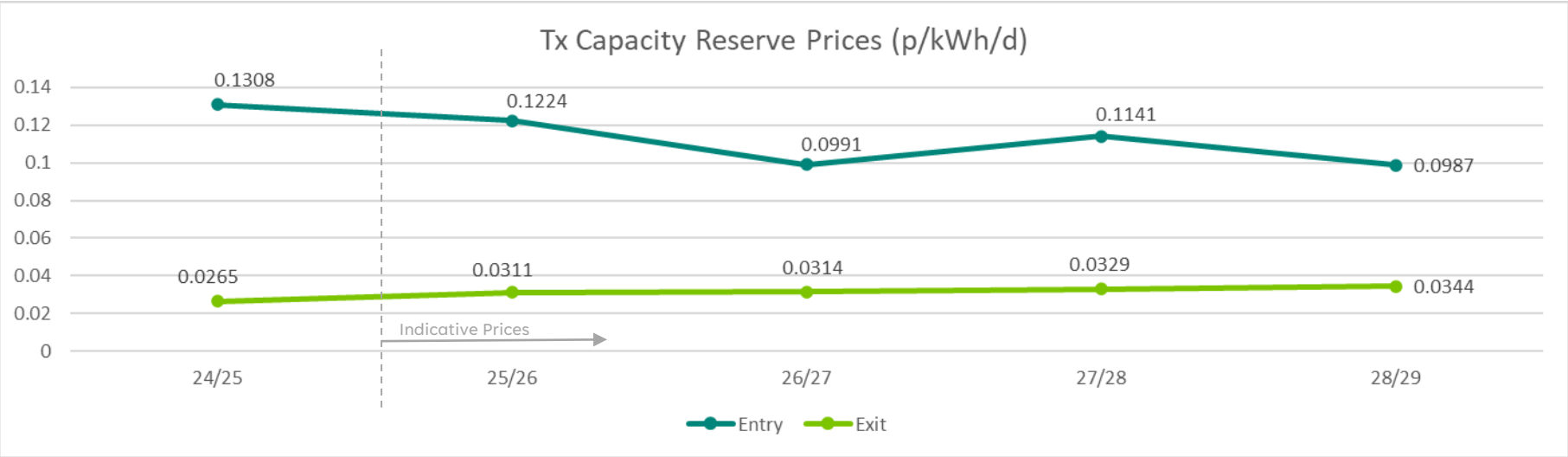
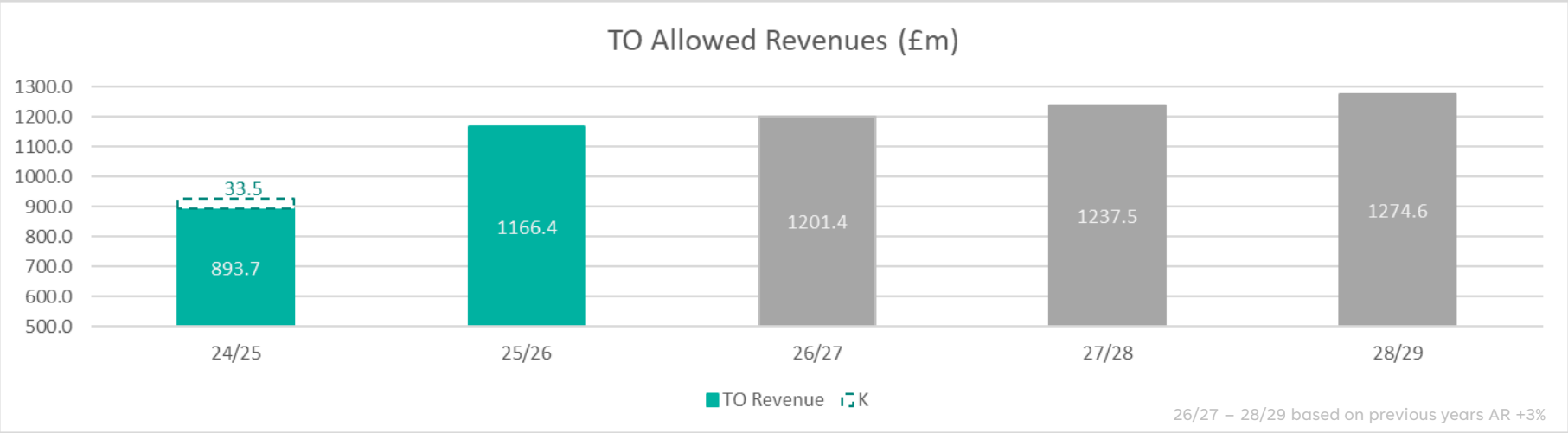
# FY25 Under/Over-Collection

FY25 Forecast Revenue Summary	ENTRY		EXIT	
Tx Target Revenue	905.424			
	540.155		365.270	
Forecast Collection	520.553 (19.602)		387.336 22.066	
	907.889 2.464			





# Revenue & Prices: 2024/5 – 2028/29



# Summary and Future Charging updates

# Charging updates and discussions

- **Summary**

- Revenue Smoothing modifications UNC0796 for Transmission Services is delivering on its objective. For Non-Transmission UNC0857, implemented in time for October 24 charges, is doing the same.
- Revenue & volume drivers in the methodology – notably on Entry will continue to yield high prices

- **Further Developments & Charging Discussion**

- Main forum to discuss charging developments and proposals as the NTS Charging Methodology Forum <https://www.gasgovernance.co.uk/ntscmf>
- Webinars, such as this, can sometimes be used to help support developments and seeking input

- **Current topics of discussion**

- Currently the topic of the Entry / Exit split is being discussed seeking views on what impacts there might be if it were changed using a range of values
  - The ‘split’ is the proportion of Allowed Revenue recovered through Entry and Exit Capacity charges
- Non-Transmission charges has recently been discussed resulting in two implemented modifications: 0857 (Revenue smoothing) and 0847 (Minimum Price for General Non-Transmission)

**Feedback**

**What can we do differently**

# Feedback

Please scan the QR Code below to let us know how you found the event today.



Please note; this survey is an ongoing pilot that National Gas are conducting to determine the best method of collating feedback from our customers and stakeholders. This feedback will not contribute to our CSAT score but will be reviewed and actioned internally. Any data collected will not be used outside of the pilot trial except for qualitative feedback which may be shared internally for actioning purposes.

# Q&A

## Please use the Q&A Feature in MS Teams

Any issues please email your question to:  
[box.ntsgascharges@nationalgas.com](mailto:box.ntsgascharges@nationalgas.com)



# What next?



You will receive the recording and materials from today's session.



If you have any further questions or would like to discuss anything specific on Charging matters please get in touch:  
[box.ntsgascharges@nationalgas.com](mailto:box.ntsgascharges@nationalgas.com)



Feedback is important to us, therefore if you have not already taken part, please share your views on where we can improve

Please scan the QR Code below to let us know how you found the event today.



# Thank you

