Theme	Question text	Answer from NGT
Price Control related questions	Are NG compensated for deferral with a interest based return or do they additional get a return on capital?	There is no compensation beyond the time value of money adjustments provided for in the Licence and the PCFM process. Ofgem have provided confirmation that the £100m will not be subject to any penal interest should this be the contributing factor measuring recovered revenues to allowed revenues for the year ending March 2024. The time value of money interest rates applied are set out in the PCFM, and for under/over-collection of revenues is based on SONIA plus a margin of 1.15%.
Price Control related questions	What time value of money is NG proposing in relation to the one year £100m deferral?	The Price Control Financial Model (PCFM), as outlined in the Licence, provides for time value of money adjustments which are not finalised until the year in question's revenues are provided. *However, as an example, a year's adjustment for £100m using current forecast interest rates would be approx. £5.9m. It would be finalised in terms of time value of money as part of setting the revenues for 2024.*
Price Control related questions	Does the £100 million attract interest during period of deferral. If so at what rate?	Interest and time value of money adjustments are provided for as part of Ofgem's PCFM process to determine revenues where there are reconciliations year to year. Broadly, an under-collection of revenue would attract a rate of interest which is based on SONIA, with a margin of 1.15% added. (This interest rate is set at the start of the price control and would equally apply if we over-collected revenue.)
Price Control related questions	Do any of your owners potentially benefit by deferring the revenue given it is a debt/equity based cost of capital ?	There is no benefit. Deferral is a cost to NGT. The time value of money adjustments is a function of the Licence but any deferral when considering it is matching a cost, is an exposure for NGT that is spent but not recovered until a later date.
Price Control related questions	What revenue will you need to recover in FY25 to cover for that £100m deferral ? Is there any other financial benefit to NGG of doing this ?	The revenue impacts will adjust the future years prices to recover the deferral. This effectively moves £100m from the year April 2023 / March 2024 to April 2024 / March 2025. There is no benefit to National Gas to do this, this means National Gas must fund any effective shortfall for it to be recovered in a future year. The overall revenues used in setting the charges are issued in the notice for Non-Transmission charges issued here: https://www.nationalgas.com/document/144016/download
Revenue and deferral questions	Why not increase the £100 million to keep the GNTSC reasonably flat through the next 3 gas years?	*Consolidated answer:* The reason to not spread over a number of years and keep it to one year is around the unpredictability of impacts and also looking to keep the deferral a short term adjustment and looking to other changes to secure a longer term approach.
	I don't think the £100m goes far enough with smoothing	

<table>
<tr><td rowspan="5"></td><td>£100 million looks like it reduces the charge by 0.010p/kwh. Why not do £300 million to reduce it by 0.03p/kwh to keep the pricing more stable?</td><td rowspan="5">The longer any amount is spread, leaves the issues unresolved and would mean still managing this one years reconciliation in addition to any effects of future years.

More beneficial, we believe, is to address a deferral in the short term and then look for more certain reforms to help manage the revenue impacts year to year through a methodology change.

Keeping any period of reconciliation from costs being incurred to charges also keeps the period for those directly affected in those years as close as possible, i.e. not impacting Shippers where possible, where they may not have been active in the periods where costs were incurred.

The reason for £100m is to propose a reasonable value for a deferral to allowed revenues. If the value was higher then it still means the impacts of the deferral would be bigger over time leaving greater uncertainty on its potential to impact future years.

We believe a better approach is to propose some more structural reforms as we laid out, for 2024 and beyond is the most suitable way to deal with the issues to hand on revenue related volatility caused by shrinkage costs and the timeliness of when these can be recovered. This is an approach for the near term and we propose further reforms to be considered for longer term management of cost recovery for shrinkage.</td></tr>
<tr><td>Possible to reconcile the 100 m£ over 2 years, ie. FY25 and FY26? If yes, how would the GNTSC cost profile look like?</td></tr>
<tr><td>Could you show the impact of £200m and £300m?</td></tr>
<tr><td>What does the £100m charge deferral increase the charge in FY25 ?</td></tr>
<tr><td>Since your revenues are guaranteed, why not spread over e.g. 3 years?</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>Change impacts</td><td>a more general question on charging but why are UK network usage costs (Capacity & GNTSC) so much higher than France/Germany/Holland...? The No's are multiples</td><td>Charges will differ across markets. For the UK the process for access (capacity) are part of the methodology in place. Prices will vary year to year as a result of a number of drivers such as revenues, forecasted capacity and the levels of Existing Contracts (for Entry). The methodology for Transmission is always under review. For Transmission Entry and potentially Exit there are some discussions under Gas Charging Discussion Document (GCD13): https://www.nationalgas.com/charging/gas-charging-discussion-gcd-papers

For usage (flow related) costs, i.e. the General Non-Transmission charges, these are calculated using the required target revenue values divided by the forecasts of flows to</td></tr>
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		which they will be applied. The potential to change year to year can depend heavily on these values. Other markets may calculate differently however the methodology and how it is working, we welcome any comments and feedback.
Change impacts	What structural reform do you have in mind?	Whilst change could take a range of options, one example could be to separate out the Shrinkage costs component in the Licence so it is treated and potentially charged out separately to the rest of the Transportation charges, for which the revenue values are more stable.
Change impacts	Who is best placed to manage the revenue/cost uncertainties NG or shippers?	Taking on board the volatility we have seen recently since the war in Ukraine, National Gas has been holding the additional cost from last year of c.£400m that still needs to be recovered. Our costs are ultimately passed on to Shippers over time, just a matter of when. Reviewing the stability and timeliness of recovery is something we recognise that can be beneficial for all parties.
Change impacts	could you give an update on the discussions covering proposals to reduce the price discrepancy between legacy & "new" capacity	Next steps will be laid out through an initial report on the consultation to be published soon. Responses and the consultation itself (and the report to be issued soon) are available on the National Gas website (under GCD13): https://www.nationalgas.com/electricity-transmission/charging/gas-charging-discussion-gcd-papers Future developments, as they may be taken forward will be part of NTSCMF.
Change impacts	Change proposal 3 will put burden onto shippers who are unlikely to be able to pass through changes to costs to customers. Shippers take on cost or price risk	We welcome and encourage participation in any potential change. Hearing views and the potential impacts is important to us to help facilitate the discussions and development. It is part of the debate we feel is necessary and want to have with Stakeholder input.
Shrinkage inputs	What was the average price paid for shrinkage gas during FY23 ? Was it reflective of DA/WD prices or was some of it bought Month ahead and/or further ahead ?	National Gas bought at a range of timescales across the year including Month-ahead, day-ahead and within-day for which prices will vary. Historical pricing, WAP data, is published the Procurement Guidelines Report available here: https://www.nationalgas.com/about-us/how-were-regulated/gas-industry-compliance

Shrinkage inputs	Does NGT need to be be much more transparent about its gas purchasing strategy and approach to price risk management to win industry support for its proposals?	National Gas is open to have discussions in this respect. It might be more suited to a Price Control discussion such as around incentives. Our performance against market prices overall is positive. Historical pricing, WAP data, is published the Procurement Guidelines Report available here: https://www.nationalgas.com/about-us/how-were-regulated/gas-industry-compliance
Shrinkage inputs	What exactly are the NBP price and NTS volume assumptions behind the indicative charges for the years 2022-23 to 2025-26? Are they published somewhere?	Values underpinning the shrinkage forecasts in terms of spot prices as of late June were 138p/Th, 136p/Th and 108p/Th. National Gas Transmission does not publish the values however are able to share underlying prices used from Argus when Shrinkage forecasts are updated and used in the process to set Transportation charges.
Shrinkage inputs	Why use inconsistent assumptions for FY24 costs and FY25,FY26?	This is an approach taken due to the changes in values for future years. For the immediate year the method has taken the latest forecast using a spot price. For future years (i.e. for indicative charges) we have used an average across the last six months of forecasts. This is a different approach and will be kept under review. We believe this is a sensible proposal for the indicative years given the potential for changes to come.