Gas Transmission

Workshops

Charging Reforms: Additional Entry Charge

26 October 2021

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Next Steps with Additional Charge / Revenues

- Focus in this pack is on addressing a few extra pieces of information that were considered helpful to share following the previous workshop on 14 October
  - Impacts if considering the conditional discount arrangements (i.e. shorthaul)
  - Illustrating why there is a different target revenue / revenue profile under with this proposed change compared to the current methodology.
- We've used these workshops to be able to share the workings and spreadsheets to support the understanding of the calculations. On the spreadsheets we have not had many comments to date on what's been shared. If there are any please do let us know.

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Charging Reforms: Additional Entry Charge further details on potential impacts

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Additional Charge – Indicative Aggregate Impact on Shorthaul Route Charges

		Pre Shorthaul	Shorthaul	Shorthaul + Additional Charge	Shorthaul + AC (Shorthaul Excluded)
Forecast of Aggregate Eligible Flows for all Routes	Total of forecast eligible capacity for all routes for the Gas Year.	93,450,889,625			
Entry Shorthaul Eligible Flows	Removal of Existing Contract Capacity at Entry.	37,419,952,303			
Forecast Aggregate cost of "New" Capacity for Entry	Entry Eligible capacity multiplied by cost of "New" Capacity: 0.0927 (pre-shorthaul and shorthaul) and 0.0444 additional charge. Shorthaul discounts applied to each rate for shorthaul and shorthaul + additional charge.	£34.7m	£3.9m	£1.9m	£1.9m
General Non-Transmission for Eligible Entry Flows	Entry shorthaul eligible flows multiplied by Gnon-Tx rate at Entry (0.0092).	£3.4m	£3.4m	£3.4m	£3.4m
Additional Charge	Entry shorthaul eligible flows multiplied by Additional Charge rate (0.0176).	-	-	£6.6m	-
Indicative TOTAL (Entry Shorthaul Eligible)		**£38.1m**	**£7.3m**	**£11.9m**	**£5.3m**
Existing Contracts Capacity	Existing Contract used to validate a route (for Exit Shorthaul) capacity multiplied by Av. Weighted Price of EC Capacity.	£2.2m	£2.2m	£2.2m	£2.2m
Existing Contracts General Non-Transmission	Shorthaul route eligible (for Exit) flows from Existing Contracts multiplied by the Gnon-Tx rate at Entry (0.0092)	£5.2m	£5.2m	£5.2m	£5.2m
Existing Contracts Additional Charge	Shorthaul route eligible (for Exit) flows from Existing Contracts multiplied by Additional Charge rate (0.0176 / 0.0184).	-	-	£9.9m	£10.3m
Indicative TOTAL Including Exit Eligible but Non Entry Shorthaul Existing Contract Capacity		**£45.5m**	**£14.8m**	**£29.1m**	**£23.0m**

Consequential Impact on Additional Charge rate if Shorthaul Entry Eligible Flows are excluded – 0.0184 (from 0.0176)

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Additional Charge – Indicative Impact of Additional Charge (2)

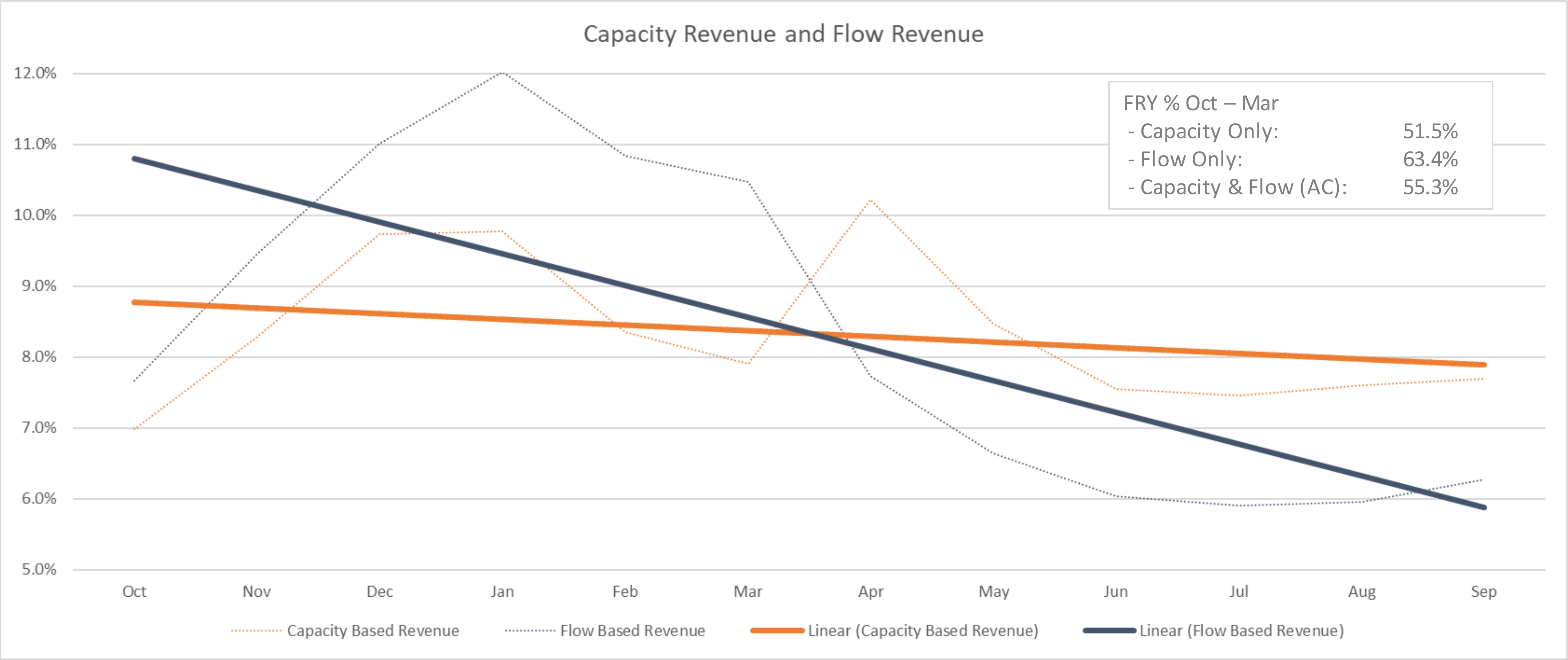
	Current Regime £m	Current Regime %	Existing Contract Capacity	Forecast "New" Capacity	Forecast Eligible Flow	Additional Charge £m	Additional Charge %
Storage Site	£7.5	1.6%	444,536,850,000	5,929,681,589	0	£7.1m	1.7%
Interconnection Point	£28.9	6.3%	10,466,874,270	36,323,068,701	0	£16.8m	3.9%
Beach Terminal	£365.7	80.0%	304,431,731,398	440,387,326,564	708,235,994,161	£343.2m	80.6%
Onshore Field	£4.4	1.0%	0	4,816,376,696	4,205,804,669	£3.2m	0.7%
Biomethane Plant	-	-	0	0	0	-	-
LNG Importation Terminal	£50.9	11.1%	373,118,400,000	48,657,562,947	117,308,073,296	£55.3m	13.0%
TOTAL	**£457.4**		1,132,553,855,668	536,114,016,497	829,749,872,126	**£425.6**	

Fry – Why Additional Charge Changes the Gas Year Revenue Target

- Gas Year Revenues (Oct – Sep) are set based on
  - Formula Year Target (Apr – Mar);
  - Minus Revenue Collected in the period Apr-Sep (remaining revenues to be collected across Oct – Mar to meet FY target);
  - * FRY (Profile of REVENUES collected across the period Oct – Mar within the Gas Year);
  - *2.
- Under existing capacity only regime – profile of revenues collected across the Gas Year is flatter - due to the volume of Existing Contract capacity over the period Oct – Mar (at a lower price), resulting in lower revenues collected across this period than capacity profiles would suggest.
- The Additional Charge proposal introduces a flow based charge to collect a proportion of the Gas Year Revenue. These flow based revenues are directly proportional to forecast flows, which have a greater winter / summer split, resulting in more revenue being collected across the period Oct – Mar than under a capacity only regime.

Fry – £457m GY Target (Capacity only) to £426m (Additional Charge)

- Gas Year Revenues:
  - FY Target: £470.9m
  - Rpt (Revenue collection Apr-Sep): £235.7m
  - Target revenue collected (Oct – Mar): £235.2m



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  - Target revenue collected (Oct – Mar): <u>£235.2m</u>

<u>Capacity Revenue Only</u>

Target Oct – Mar: £235.2

FRY
- (Oct - Mar): = 51.5%
- Av per month GY / Av per month (Oct – Mar)
  - 0.8333 / 0.8583
  - FRY: 0.9708

Gas Year Revenue:
£235.2 * 0.9708 * 2 = £456.6m
£456.6 * 51.5% = £235.2m

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Gas Year Revenue:
£235.2 * 0.9708 * 2 = £456.6m
<u>£456.6 * 51.5% = £235.2m</u>

<u>Capacity & Flow Revenue (Additional Charge)</u>

Target Oct – Mar: £235.2

FRY
- (Oct - Mar): = 55.3%
- Av per month GY / Av per month (Oct – Mar)
  - 0.8333 / 0.9211
  - FRY: 0.9047

Gas Year Revenue:
£235.2 * 0.9047 * 2 = £425.6m
<u>£425.6 * 55.3% = £235.2m</u>

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Contact

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