

Gas
Transmission

Gas Transportation Charges Update

10 November 2020



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Logistics



Should last for approximately 60 min



Questions via [slido.com #32428](https://www.slido.com/join/default.aspx?roomid=32428)



All callers will be placed on mute, please also turn off cameras



We will circulate the slides and a recording of this webinar

Who we are...



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Manager



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Commercial Codes
Change Manager

Welcome from Chris Logue

- The new gas charging regime (UNC678A) came into effect from 01-Oct-20
- Monitoring and reflecting on the impacts of the new regime from October had been planned post implementation
- Even though new regime has been in place for just over a month, we believed it necessary to share this update at the earliest opportunity
- This, and subsequent Webinars, provide the opportunity for National Grid to start sharing relevant data on Charging, observations and impacts and where it is considered necessary, updates and remediating actions

Agenda

- This Webinar is split across four areas:
 1. Reminder of the Regulatory changes implemented from October 2020
 2. Review of October and some of the observations
 3. The impacts within the context of Charging
 4. Next Steps
- We will close with a Q&A session – questions can be raised via [slido.com #32428](https://www.slido.com/join/default.aspx?roomid=32428)

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Regulatory Changes from October 2020

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Regulatory Changes from October 2020

- Changes to Gas Transportation charging following Ofgem's decision on 28 May 2020 to implement UNC0678A with effect from October 2020 (https://www.ofgem.gov.uk/system/files/docs/2020/05/unc678_-_decision_0.pdf)
- New framework focuses on Capacity charges to recover Transmission Revenues with a new methodology to calculate capacity reserve prices

Changes:

- Uniform Network Code (UNC) Modification proposal 0678A: Postage Stamp pricing for Transmission capacity reserve prices (i.e. one Entry and one Exit price irrespective of geographic location) with the payable price changing each year
 - Except for long term Entry capacity booked before 6 April 2017
- All capacity reserve prices the same (annual, daily, etc) except:
 - 10% discount to reserve prices for interruptible / off peak capacity
 - 50% discount to reserve prices for Storage Capacity
- Managing Transmission Revenue Recovery within year via capacity-based charges.
- Non-Transmission Charges (broadly aligning to SO) recovered via a commodity charge.

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Summary of October 2020

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October Financials - recovery position to date

- This is reviewing the TO and SO revenue recovery position up to October

Period	Revenue Variance per period (%)
April 2020 to Sept 2020	-5%
October 2020 only	-36%

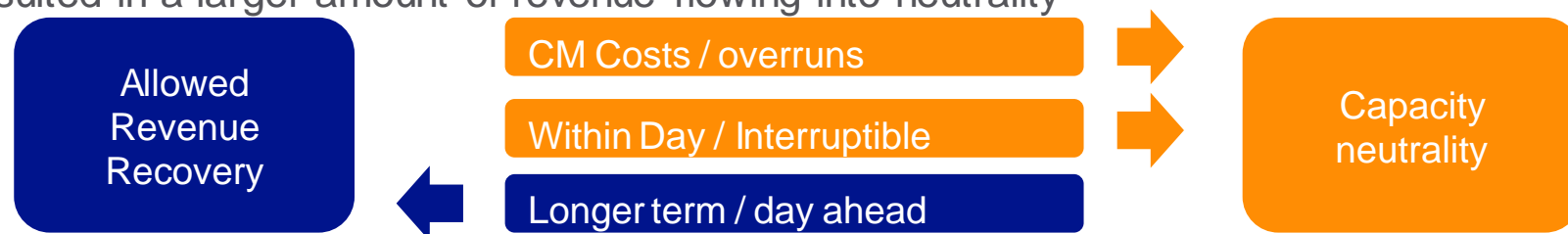
- Managing a revenue under or over recovery is business as usual for charging purposes and managed via the use, within year, using the available adjustable charges.
- The under recovery position for October is predominantly driven by:
 - Booking patterns varying from forecast, more evident across the daily capacity products, particularly when assessing the revenue variances

Entry Capacity	Volume Variation from Forecast
Long Term and Day Ahead	5%
Within Day and Interruptible	-40%
Total Entry Capacity	-3%

Exit Capacity	Volume Variation from Forecast
Long Term and Day Ahead	-1%
Within Day and Off Peak	-45%
Total Exit Capacity	-10%

Main reasons for under recovery

- Deviation from forecast used in setting capacity reserve prices
 - for capacity bookings which could include the amount and the profiling across the month(s)
 - Capacity bookings can vary across the range of capacity products on Entry and Exit including those attracting discounts under the new regime
- Capacity neutrality
 - Revenues which flow through capacity neutrality do not contribute towards collection of Maximum Allowed Revenue (MAR)
 - The value of revenues which have historically flowed through capacity neutrality have been low
 - The removal of zero price capacity, combined with a shift in behaviours for specific capacity products beyond anticipated levels has resulted in a larger amount of revenue flowing into neutrality



- Whilst logic of capacity neutrality may have been suitable to a certain set of market conditions, and as such is in need of review

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Impacts

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Impacts of managing under recovery

- The Gas Transportation Charges are set to recover within a Regulatory Year, at target revenue, the Maximum Allowed Revenue that covers each of the Transmission Owner (TO) and System Operator (SO) Revenues
- This is also a Licence objective to follow to minimise the impacts of carrying forward large under or over recoveries into subsequent years
- Should there be an anticipated under or over recovery the methodology has charges that can be used to manage revenue recovery within year
- Carrying large under or over recovery amounts would mean significant impacts on the charges into subsequent years
- The potential scale of the under recovery has meant National Grid needed to act at the earliest opportunity to put into place necessary updates through updating available charges

Impacts related to Capacity Neutrality

- Through November Entry Capacity invoices, Shippers will have seen the impact of the capacity neutrality process for October
- The process for capacity neutrality is covered in Section B of the UNC
- This is likely to have been unexpected for Shippers in terms of the impact
- Given the changes to the regime, the response in terms of capacity booking patterns, and a review of the purpose of capacity neutrality against the way in which revenues are charged and collected, we believe it is in need of review via a UNC change

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Next Steps

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Next Steps / Timeline

What	Detail	When
Further analysis on the recovery position and capacity data	Analysis all the available data that can further inform the capacity booking information relative to forecast, the revenue recovery position and the implications for the use of the available charges to manage them.	November, to inform charging updates
UNC Proposal(s)	Review of the Capacity Neutrality and how it is incorporated into the Revenues. A review of how any interactions with the Licence will also be carried out.	November, urgency to be requested.
Industry Engagement to share the outputs and discuss impacts	Use of Webinars / Ad-hoc Publications to Industry Engagement to share the outputs and discuss impacts	During November
	Charging Forum (NTSMCF https://www.gasgovernance.co.uk/ntscmf) is an additional forum to discuss charging matters including charging centred modifications to the UNC	1 December
	Discussions with National Grid on a bilateral basis. Opportunity to discuss with National Grid bilaterally if desired	November onwards
Charge Calculations	Determining required changes to all available charges	Calculations being run during November as all the components are finalised
Charge Publication(s)	Charging notices for the impacted charges and the timing of when they will be effective	By 01 December, implemented from earliest effective with under-recovered revenues to be collected through period up to and including Mar 2021
Future Years Charging	Charge Setting for April 21 and October 21 and the required inputs will be able to take account of the data to date	January 21 and April/May 21

Q & A



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