

Email to: box.gsoconsultations@nationalgrid.com

30th March 2021

Dear Colin,

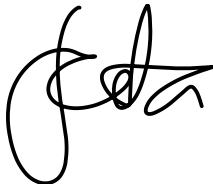
Forecasted Contracted Capacity (FCC) Methodology Consultation

EDF is the UK's largest producer of low carbon electricity. We operate low carbon nuclear power stations and are building the first of a new generation of nuclear plants. We also have a large and growing portfolio of renewable generation, including onshore and offshore wind, as well as coal and gas stations and energy storage. We have around five million electricity and gas customer accounts, including residential and business users. EDF is committed to building a smarter energy future that will support delivery of net zero carbon emissions, including through digital innovations and new customer offerings that encourage the transition to low carbon electric transport and heating.

We welcome the opportunity to respond to National Grid Gas Plc consultation on a revised FCC methodology used in calculating NTS (transmission) charges. FCC was introduced under Gas Transmission charging modification UNC678a and is the basis for determining how Allowed Revenue (AL) is converted into NTS Entry/ Exit prices. As such it is a critical part of the process in calculating Postage Stamp prices, which if not accurate could lead to over or under recovery each year. Since taking effect on the 1st October 2020 we have witnessed significant under-recovery because the FCCs were set too high based on higher expectations of Entry and Exit capacity bookings and thus revenues than actually took place. This under-recovery is then recovered via Revenue Recovery Charges based on capacity bookings and therefore might lead to cross-subsidies between NTS Users.

We therefore support NGG's early review of FCC at this stage to rectify the problem ahead of the new gas charging year in October and based on the short review we broadly support the steps taken. We have provided our detailed responses to the questions in the consultation in the appendix below and hope you find them useful however should you wish to discuss any of the issues raised in our response or have any queries, please contact me on 020 89352793.

Yours sincerely



John Costa
Senior Advisor

Appendix – consultation questions

Question 1: Do you support the use of the principles within the FCC Methodology?

We broadly agree with the principles being used in the new proposed methodology based on the information received in this short consultation. Using a combination of 5 year historical average flows that are then normalised each quarter using FES demand scenarios and then further adjusted each month using a capacity utilisation factor is a more sophisticated way of estimating how much capacity might be bought and thus the level of Revenue Recovery. This should lead to better cost targeting, less under-recovery and less cross-subsidy between different NTS users.

We feel however there could be more transparency on how NTS charges will pan out using this new methodology given no example prices were produced in the models NGG issued. For example, on the Exit side we recognise this new methodology leads to FCC being 18% lower on average but it is not clear whether this translates into new prices going up by 18%? We understand that this was intentional as the review was about the methodology not outturn prices but a) Postage Stamp is in place so there would be little competitive advantage or disadvantage amongst different NTS Users having estimations at this stage, b) stating how low the FCC would be would help Shippers prepare ahead in being able to estimate the outturn prices themselves (all things being equal such as Allowed Revenue) and c) would avoid Shippers making mistakes trying to calculate prices themselves.

Question 2: Do you agree that this FCC Methodology is an improvement on existing FCC Methodology which is in place currently?

Based on the limited data we have had to work with in the 5 months since the beginning of Oct.2020 and supporting this new FCC methodology being proposed we broadly agree it represents a better, more accurate reflection of the actual capacity bookings/ revenue collection that might take place and should correct the large level of under-recovery currently being experienced.

We understand this is an iterative process and NGG is working with the actual data they have received and there are still the summer months to go in order to understand how the FCC denominator might reflect actual bookings. However these proposals seem an improvement and we look forward to further analysis from NGG to present any further analysis and learnings as they become available. In the meantime it would be helpful to have an estimation of the new NTS Entry and Exit charges this methodology might produce as soon as possible, possibly at the April or May NTSCMF meetings at the latest.