



# Non-Transmission Charges

27 February 2023



# Welcome and Opening

Thank you for joining us today



**Ian Radley**  
**Director System Operations**

# Who will be speaking?

**Colin Williams**

Charging and Revenue  
Manager



**Ash Adams**

Code Change Lead



**Chris Logue**

Head of Markets



**Nera Lenden**

Customer and  
Stakeholder Lead



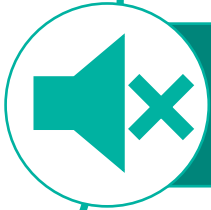
# Logistics



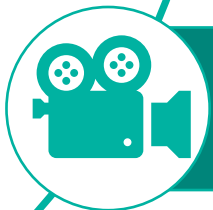
The webinar will last for approximately 45 minutes



Questions can be submitted via [slido.com](https://www.slido.com) #Charging



All attendees will be placed on mute



The slides and a recording of the webinar will be circulated

# Agenda

Non-Transmission charges and revenues

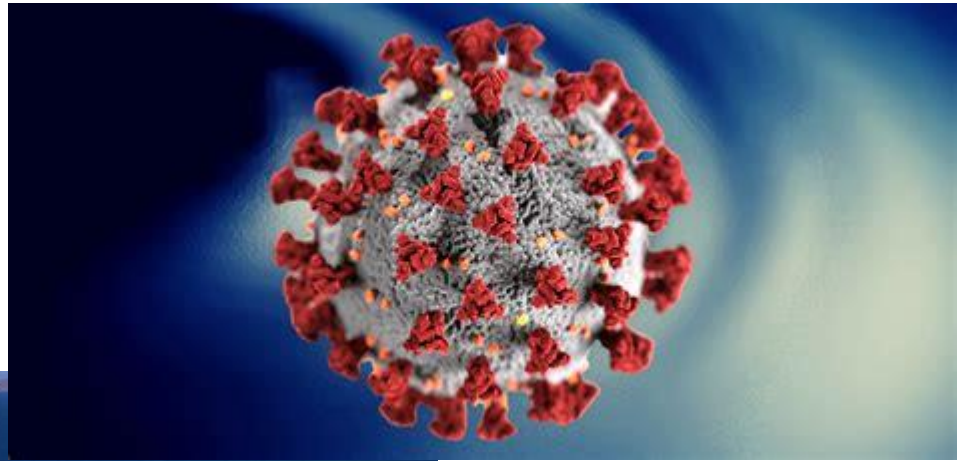
Indicative Prices – Impacts of costs and timing

Impact mitigations

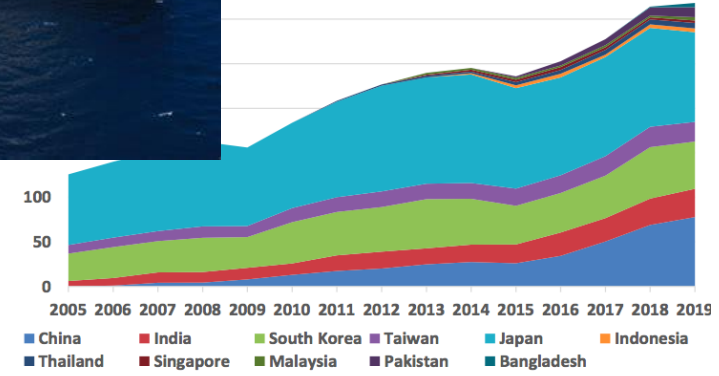
Next steps and question & answer session

# Non-Transmission charges and revenues

# An unpredictable and unprecedented energy landscape



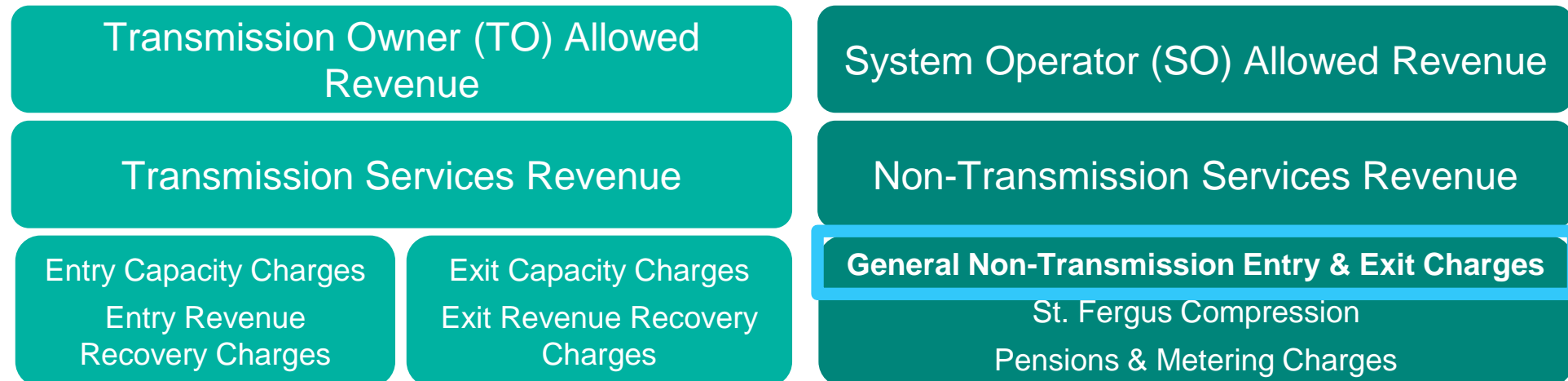
Nord Stream pipeline



Source: IEA, Platts LNG Service

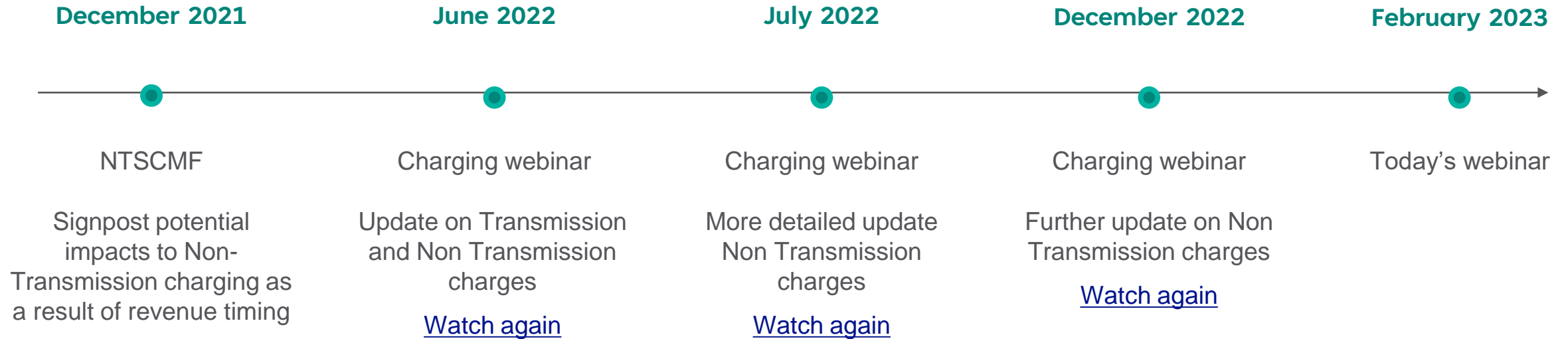
# Gas Charging – Which charges are we talking about?

- **Two types of charges:**
  - 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 **General Non-Transmission Entry & Exit charges**





# Timeline of engagement to date



# Indicative prices – Impacts of costs and timing

# Revenues and setting October 2022 charges

Illustration of how updates to revenues work through into charges

- Using the revenues used to calculate the charges published in July 2022 for October 2022 that included:
  - Final charges for October 2022
  - Indicative charges for October 2023, 2024 and 2025
- We show the impact of a change to one of the inputs (Shrinkage costs for the year April 2022 to March 2023) on both revenues and charges in order to help show:
  - The indicative impact to revenues and charges over time from October 2023
  - Identify aspects of timing and revenue / charge determination and that could benefit from a review

# General Non-Transmission Services Charges – updated indicative view

Indicative view of October 2023 using the updated information outputs

Regulatory Year Revenues	Apr 21 – Mar 22	Apr 22 – Mar 23	Apr 23 – Mar 24	Apr 24 – Mar 25	Apr 25 – Mar 26
Allowed Revenues – PCFM* Feb 2022 –updated with future year Indicative values used in charge setting for Oct 2022	£198m	£514m	£1,058m	£482m	£360m
Allowed Revenues – Updated view (December 2022)		£514m	£1,215m	£646m	£519m
Allowed Revenues – Updated view (February 2023)		£514m	£1,148m	£650m	£520m
Estimated Consumer bill contribution from SO Revenues / Total TO & SO Revenues		£2.96 / £8.15	£6.89 / £12.96	£3.80 / £9.77	£3.04 / £9.26

The latest view shows a reduction in Allowed Revenues for the period from Apr 23 – Mar 24 from the numbers shared in December. However indicative charges from October 24 are still negative. This **should not be allowed to materialise**.

Indicative Non-Transmission Charges	October 2021	October 2022	October 2023	October 2024	October 2025
Prices as published for October 2022	0.0092^	0.0343^	0.0638	-0.0123	0.0368
General Non Transmission Services Charge Unit rate (p/kWh)	0.0092^	0.0343^	0.0724	-0.0026	0.0454
St Fergus Compression Charge (p/kWh)	0.0169^	0.0514^			

<sup>^</sup>Actual prices published for applicable period

# Mitigating impacts

# Slido Poll

Do you agree with the Principles?

- Yes
- Somewhat
- No

Please explain

Go to [Slido.com](https://www.slido.com) and use code #Charging



# Principles and outcomes

## When setting charges for a gas/tariff year negative charges should not be possible

- Prevents creation of perverse incentives on use of the system and associated behavioural changes
- Consistency with Transmission Services Reserve Price tariffs
- Provides certainty that negative charges will never materialise

## Updating Allowed Revenues closer to updating charges

- Inclusion of the most up to date costs into the Allowed Revenues and charges
- More accurate charges, helping to mitigate carryover into subsequent years

## Updating all or some revenues within year

- Updating all/some costs after charges are set for October
- Charges to adjust in line with costs and revenues
- Closer recovery of Allowed Revenues through charges
- Charges more reflective of costs incurred at the time use
- Parties active in a given year pay for costs in that year

## Minimising, as much as possible, reconciliations that span multiple years

- Problems less likely to be “stored up” for future years
- Parties in future years less impacted by additional costs from prior periods
- Impacts of reconciliations on future years bills minimised

# Licence changes

Ofgem have approved changes to the Licence on Allowed Revenue republication timelines to be implemented from 10 April 2023

- Enabling revenues to be set closer to the time of publishing Transportation charges will allow a more up to date forecast of costs than status quo
- This will help reduce ‘carry over’ revenue adjustments

## Decision on modifications to the Gas Transporter Licence held by National Grid Gas Plc

Decision



### Publication date

10 February 2023

### Company

[National Grid Gas Plc](#)

We published a consultation on 2 December 2022 proposing to modify the Gas Transporter Licence held by National Grid Gas Plc (NGG), as well as the GT2 Price Control Financial Handbook.

The consultation closed on 9 January 2023 and we have decided to implement the modifications as set out in the notice below. The licence modifications will come into effect on 10 April 2023.



# Proposed Strategy

Three main steps looking at what we can do now to prevent negative prices in October 2024 and what options can be explored for the period beyond 2023.

Consideration of a deferral of revenue from FY24 to FY25

Raise a UNC Modification to introduce a minimum price

Consider the merits of further changes for 2024 and beyond

Revised method of  
Target Revenue  
determination

More frequent  
updates to the  
Shrinkage element  
of the Charges.

Aggregate  
Recovery Positions  
across both the TO  
and SO

Future deferrals

Other stakeholder  
suggested options

# Next Steps

- Charges applicable from October 2023 to be published in July including notice of any revenue deferral
- Raise a UNC Modification to introduce a minimum General Non-Transmission Services price
- Approach for beyond 2023 to be discussed and developed with stakeholders.

# Slido Question

Did you find this webinar useful?

How would you like to be updated in future?

- Webinars
- Video Updates/Recordings
- Publications posted on our website
- Other – please explain

Go to [Slido.com](https://www.slido.com) and use code #Charging

# Questions

# What next?



You will receive the recording and material from today's session



If you have any further questions or would like to discuss anything specific please get in touch with [nera.lenden@nationalgrid.com](mailto:nera.lenden@nationalgrid.com)



Feedback is important to us, therefore if you have not already taken part, we would like to put you forward for a survey

**Thank you for joining us**