

# An Update On Charging

Monday 26<sup>th</sup> June 2023

We will start at 11.02 to allow participants to finish previous meetings and join the call

Slido.com  
#charging



**national gas  
transmission**

# Welcome and Opening

Thank you for joining us today



**Colin Williams**  
Charging & Revenue Manager

# Who will be speaking?



**Dave Bayliss**  
Revenue Lead



**Nera Lenden**  
Customer & Stakeholder  
Team



# Logistics



Should last around 60 minutes



Questions and Polls via [slido.com](https://www.slido.com) using #charging



All attendees on mute and cameras off



Slides and recording will be circulated

# Agenda

Transmission Services charges and recent publication

Key charging drivers:

- Revenues
- Forecasted Contracted Capacity

Forecasted Revenue collection & impact of recent modification UNC 0796

Next steps on Charging updates and publications & Question & Answer session

# Transmission Services charges

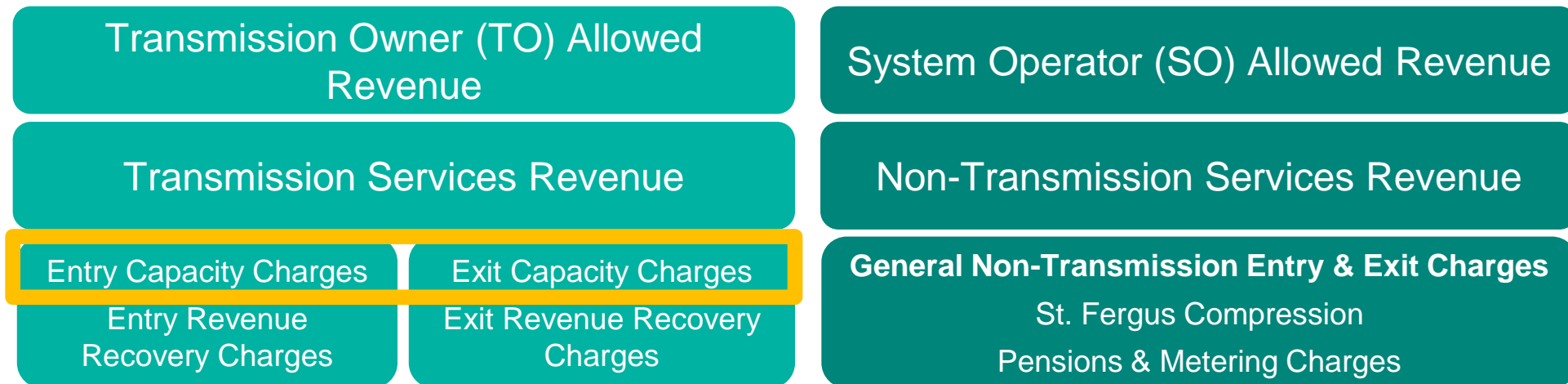
October 2023 Transmission Services Capacity Reserve Prices

# Gas Charging – Which charges are we talking about?

There are two categories of charges for Transportation:

- 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 **Transmission Services Entry & Exit Capacity charges**



# NTS Transportation Charges: October 2023

- Capacity Reserve Prices published on 31 May 2023

Transmission Services Prices (p/kWh/d)	Final	Indicative			
	23/24	24/25	25/26	26/27	27/28
Entry Capacity Reserve Price	0.0784	0.0867	0.0923	0.0828	0.0847
Entry Capacity Reserve Price for Storage (80% discount)	0.0157	0.0173	0.0185	0.0166	0.0169
Transmission Services Entry RRC	0.0000	0.0000	0.0000	0.0000	0.0000
Exit Capacity Reserve Price	0.0127	0.0286	0.0258	0.0276	0.0285
Exit Capacity Reserve Price for Storage (80% discount)	0.0025	0.0057	0.0052	0.0055	0.0057
Transmission Services Exit RRC	0.0000	0.0000	0.0000	0.0000	0.0000

General Non-Transmission Services Prices to be published by end July 2023



# NTS Transportation Charges: Drivers

Charges are calculated using two key drivers:

- Revenue - the target revenue for the required period(s)
- Forecasted Contracted Capacity

## Revenues

- The target revenue takes into account:
  - Target MAR for regulatory years (i.e. April to March) Y and Y+1
  - Revenue, actual and forecast, up to 30 September 2023 (the first 6 months of the regulatory year, based on the previous Gas Years prices)
  - Revenue profiles across the Gas Years (i.e. October to September)
  - Application of UNC Code Modification 0796

## FCC

- The amount of capacity forecast to be purchased across the Gas Year.
- The Forecasted Contracted Capacity follows the FCC Methodology in the derivation of the numbers, as per the revised methodology applied for October 2023.
- Exceptions to the methodology applied to account for recent activity.

# Key Drivers

Target Revenues

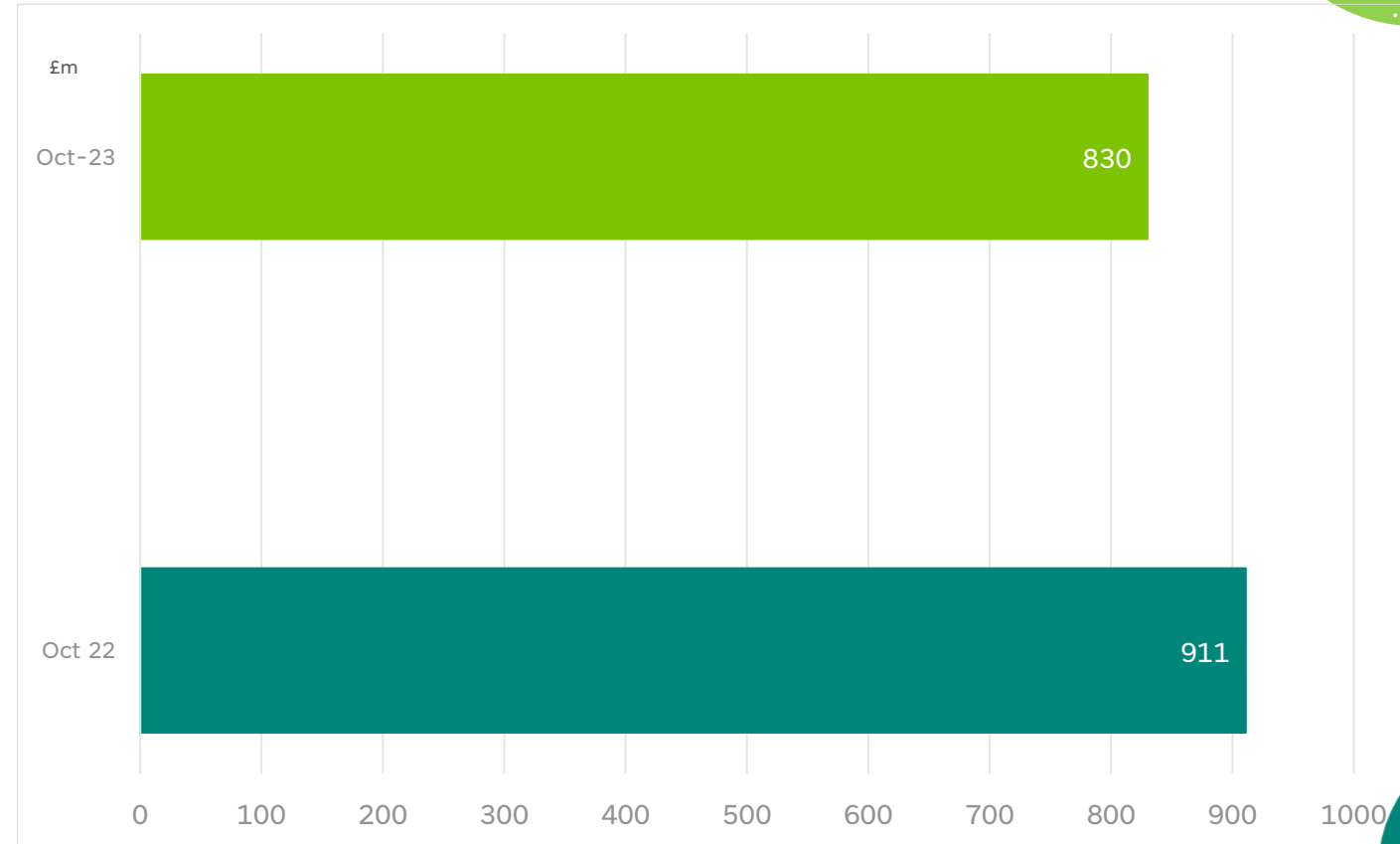
# MAR - TS Target Revenues

TO Allowed Revenue  
£1,106.9m.  
'K' 290.1m.

TO MAR 23/24  
(inc. 'K')  
£816.8m

Transmission Services / General Non-Transmission Services (DN Pension / Meter Maintenance / SO Capacity) Adjustments  
£13.7m

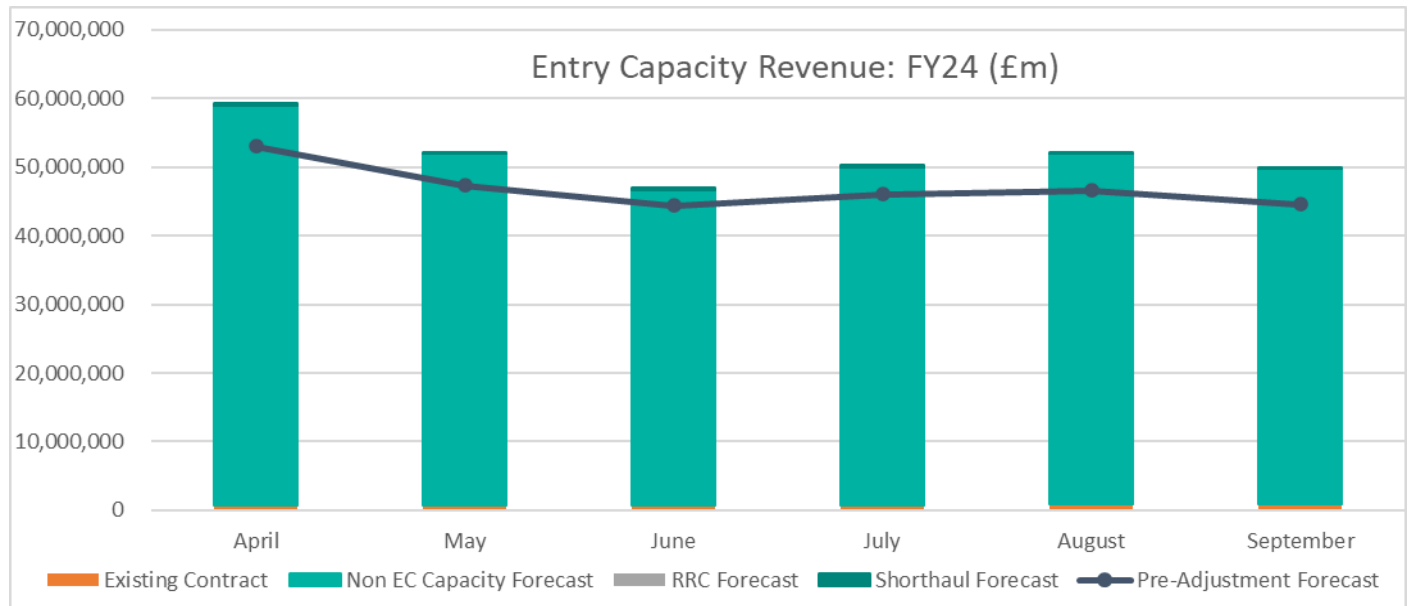
Target Revenue  
£830.5m



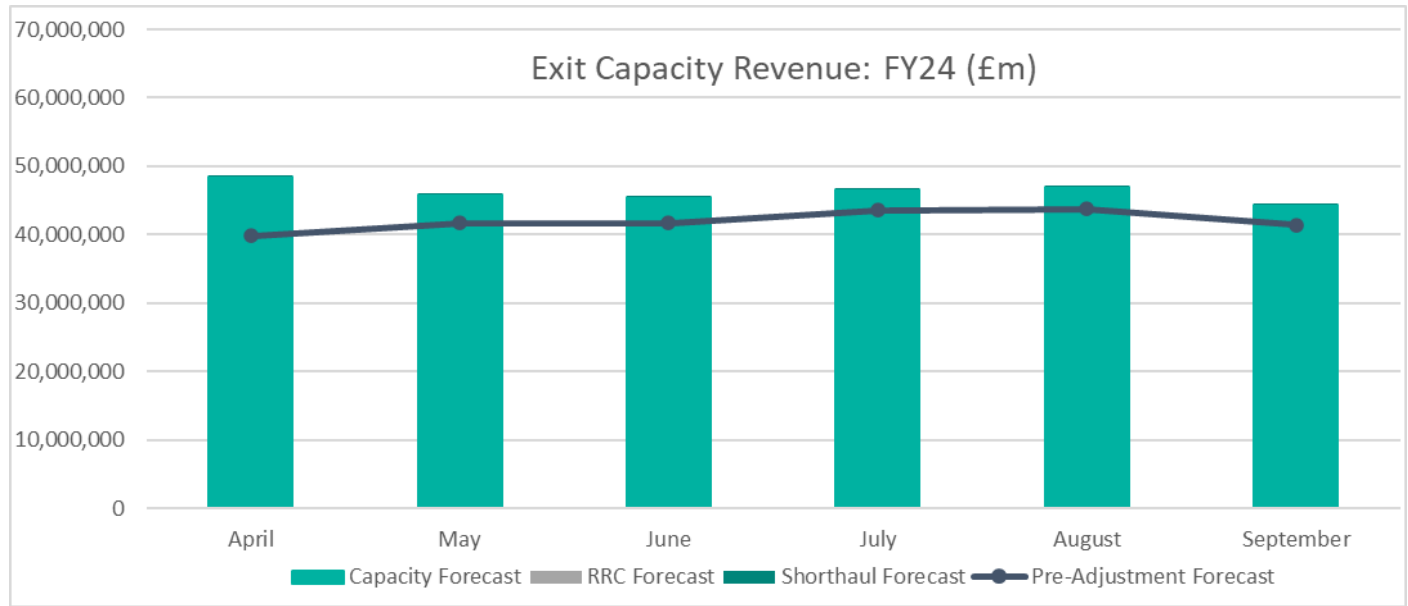
Target Revenue Decrease  
-  
£81m (8.9%)

FY23 TO Allowed Revenue  
£850.2m.  
'K' (43.5)m.

# RPT: FY23 – April 23 – September 23

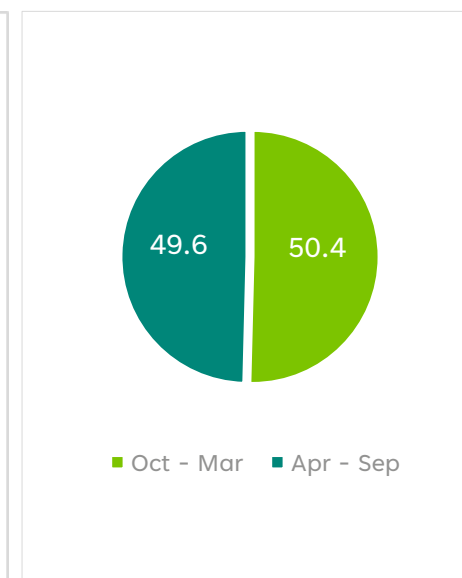
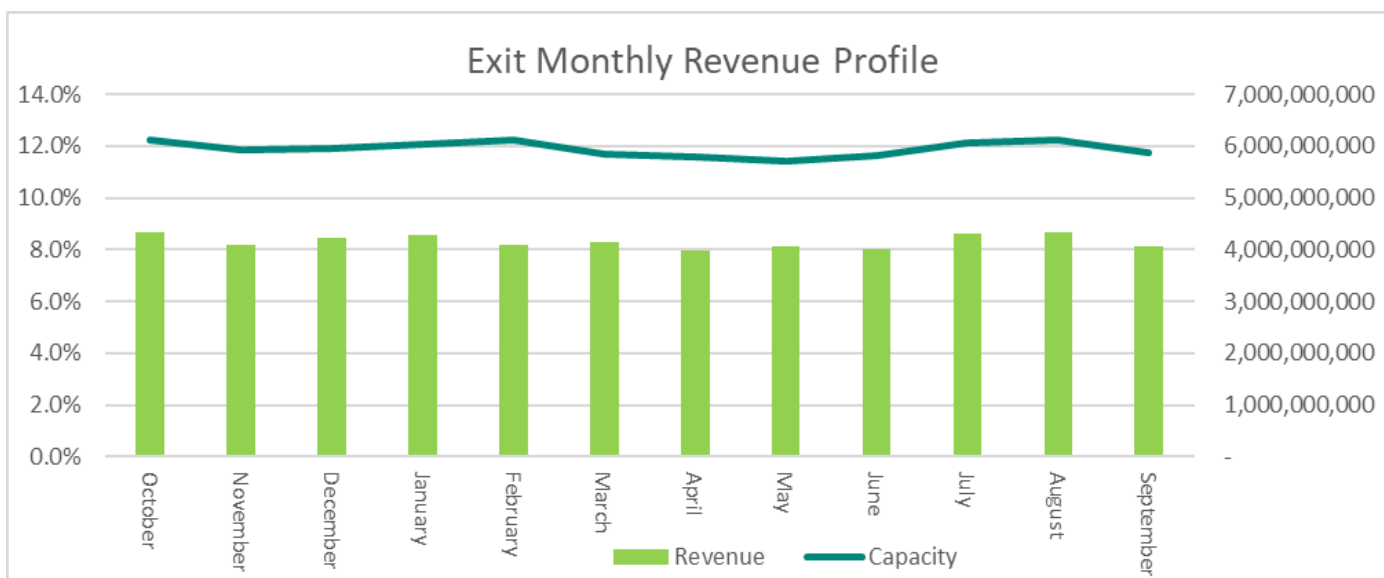
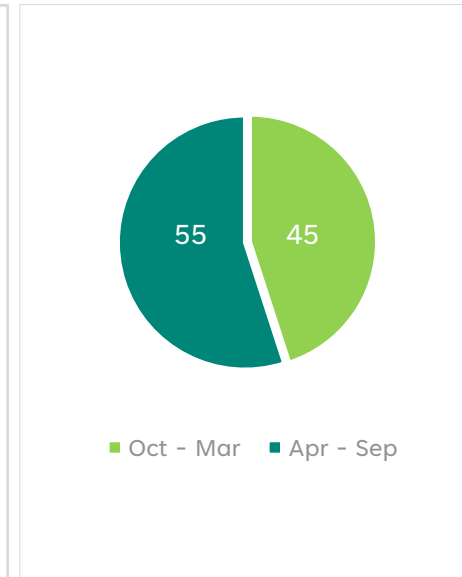
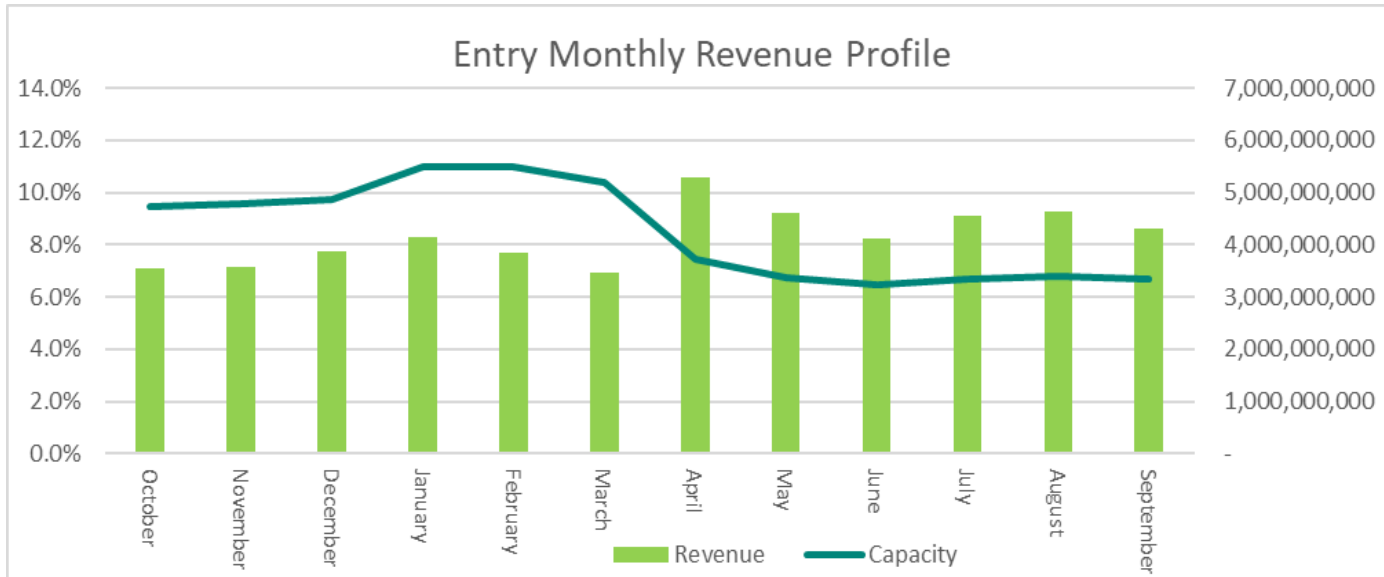


Entry	
Pre-Adjustment Forecast	£281.9m
RPT	£310.7m (+£28.8m)



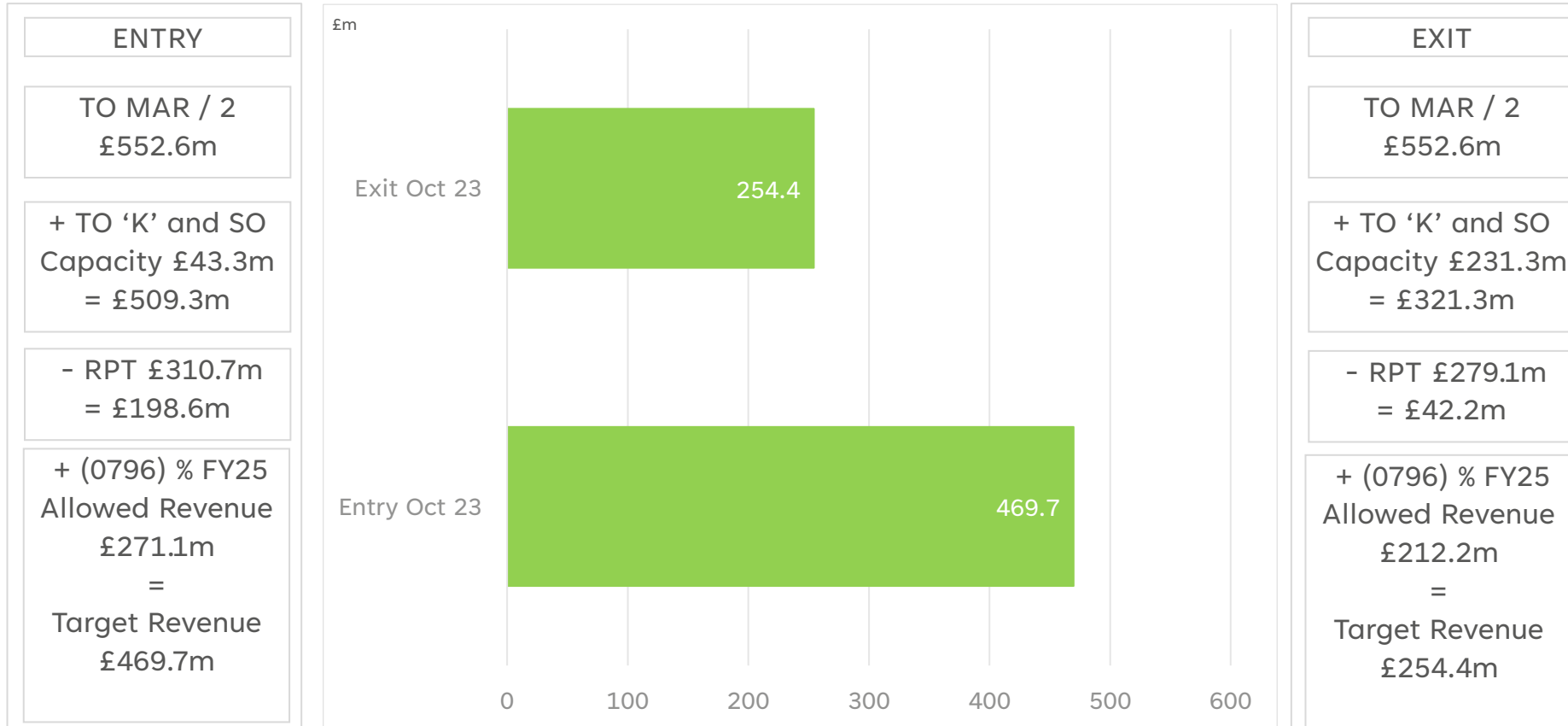
Exit	
Pre-Adjustment Forecast	£252.1m
RPT	£279.1m (+£27m)

# Revenue Profile





# GY Target Revenues



# 0796 Example Workings – Exit

Target Revenues as per the FY PCFM Allowed Revenues inc. K

Revenue Collection projection for the first six months of the FY (Apr – Sep) collected under the existing charges from FY-1

Difference between FY Target Revenue for Y and Forecast Revenue collected in the first 6 months of Y

	Y (FY)		Y+1 (FY)	
	Apr - Sep	Oct - Mar	Apr - Sep	Oct - Mar
Target Revenue (FY)	321.234		514.197	
Forecast Revenue Collection (GY-1)	279.070			
Revenue to be collected (FY)		42.163		
Derived 'K'				
Target Revenue including 'K'				
Seasonal Revenue Profile (GY)				
6 Monthly Target Revenue (Apr – Sep F+1)				
Gas Year Target Revenue				
Forecast Revenue Collection				
Forecast Revenue Collection (FY)				
Revenue Variance to Target ('K')				

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Target Revenues as per the FY PCFM Allowed Revenues inc. K

Revenue Collection projection for the first six months of the FY (Apr – Sep) collected under the existing charges from FY-1

Difference between FY Target Revenue for Y and Forecast Revenue collected in the first 6 months of Y

Split of Gas Year annual revenue collected across the 6 monthly periods, (Iterative process driven by FCC, price and levels of existing contracts (at Entry)).

	Y (FY)		Y+1 (FY)	
	Apr - Sep	Oct - Mar	Apr - Sep	Oct - Mar
Target Revenue (FY)	321.234		514.197	
Forecast Revenue Collection (GY-1)	279.070			
Revenue to be collected (FY)		42.163		
Derived 'K'			86.108	
Target Revenue including 'K'			428.090	
Seasonal Revenue Profile (GY)		0.504	0.496	
6 Monthly Target Revenue (Apr – Sep F+1)			212.278	
Gas Year Target Revenue		254.441		
Forecast Revenue Collection				
Forecast Revenue Collection (FY)				
Revenue Variance to Target ('K')				

Target Revenue for Y+1 plus forecast under/over recovery from Y.

Y+1 Target Revenue including K multiplied by Seasonal Revenue profile for Apr – Sep. Calculates the target revenue collection for the 2<sup>nd</sup> 6 months of the Gas Year.

Sum of 'Revenue to be collected (FY)' covering the 1<sup>st</sup> 6 months of the Gas Year and '6 monthly target revenue (Apr – Sep F+1)' covering the 2<sup>nd</sup> 6 months of the Gas Year.

# 0796 Example Workings – Exit

Target Revenues as per the FY PCFM Allowed Revenues inc. K

Revenue Collection projection for the first six months of the FY (Apr – Sep) collected under the existing charges from FY-1

Difference between FY Target Revenue for Y and Forecast Revenue collected in the first 6 months of Y

Split of Gas Year annual revenue collected across the 6 monthly periods, (Iterative process driven by FCC, price and levels of existing contracts (at Entry)).

Gas Year Target Revenue multiplied by Seasonal Revenue Profile (GY) to forecast actual revenue collected in each of these 6 months.

Sum of Forecast Revenue Collection for 1) Apr – Sep of FY Y and 2) Oct – Mar of FY Y.

Difference between Forecast Revenue Collection (FY) and Target Revenue (FY). This value becomes the derived 'K' added into the Target Revenue for collection in Y+1.

	Y (FY)		Y+1 (FY)	
	Apr - Sep	Oct - Mar	Apr - Sep	Oct - Mar
Target Revenue (FY)	321.234		514.197	
Forecast Revenue Collection (GY-1)	279.070			
Revenue to be collected (FY)		42.163		
Derived 'K'			86.108	
Target Revenue including 'K'			428.090	
Seasonal Revenue Profile (GY)		0.504	0.496	
6 Monthly Target Revenue (Apr – Sep F+1)			212.278	
Gas Year Target Revenue		254.441		
Forecast Revenue Collection	279.070	128.271		
Forecast Revenue Collection (FY)	407.341			
Revenue Variance to Target ('K')	86.108			

Forecast under/over recovery position from Y. (Revenue Variance to Target ('K')). Iterative process based on target revenues and revenue collection.

Target Revenue for Y+1 plus forecast under/over recovery from Y.

Y+1 Target Revenue including K multiplied by Seasonal Revenue profile for Apr – Sep. Calculates the target revenue collection for the 2<sup>nd</sup> 6 months of the Gas Year.

Sum of 'Revenue to be collected (FY)' covering the 1<sup>st</sup> 6 months of the Gas Year and '6 monthly target revenue (Apr – Sep F+1)' covering the 2<sup>nd</sup> 6 months of the Gas Year.

# Key Drivers

Forecasted Contracted Capacity (FCC)



# Forecasted Contracted Capacity

- The FCC forecasts the volume of capacity that will be purchased at Entry and Exit for the forthcoming gas year. This is used to drive the reference price for capacity to collect allowed revenues.
- Latest FCC methodology has been applied to the FCC for use in setting charges from Oct 23.
- However, this methodology is based on historic flow data (Y-2 to Y-6), and the most recent years FES forecasts (published July 2022), neither of which account for some of the activity we have seen over recent months

# Exceptions to Methodology – Revisions to FCC

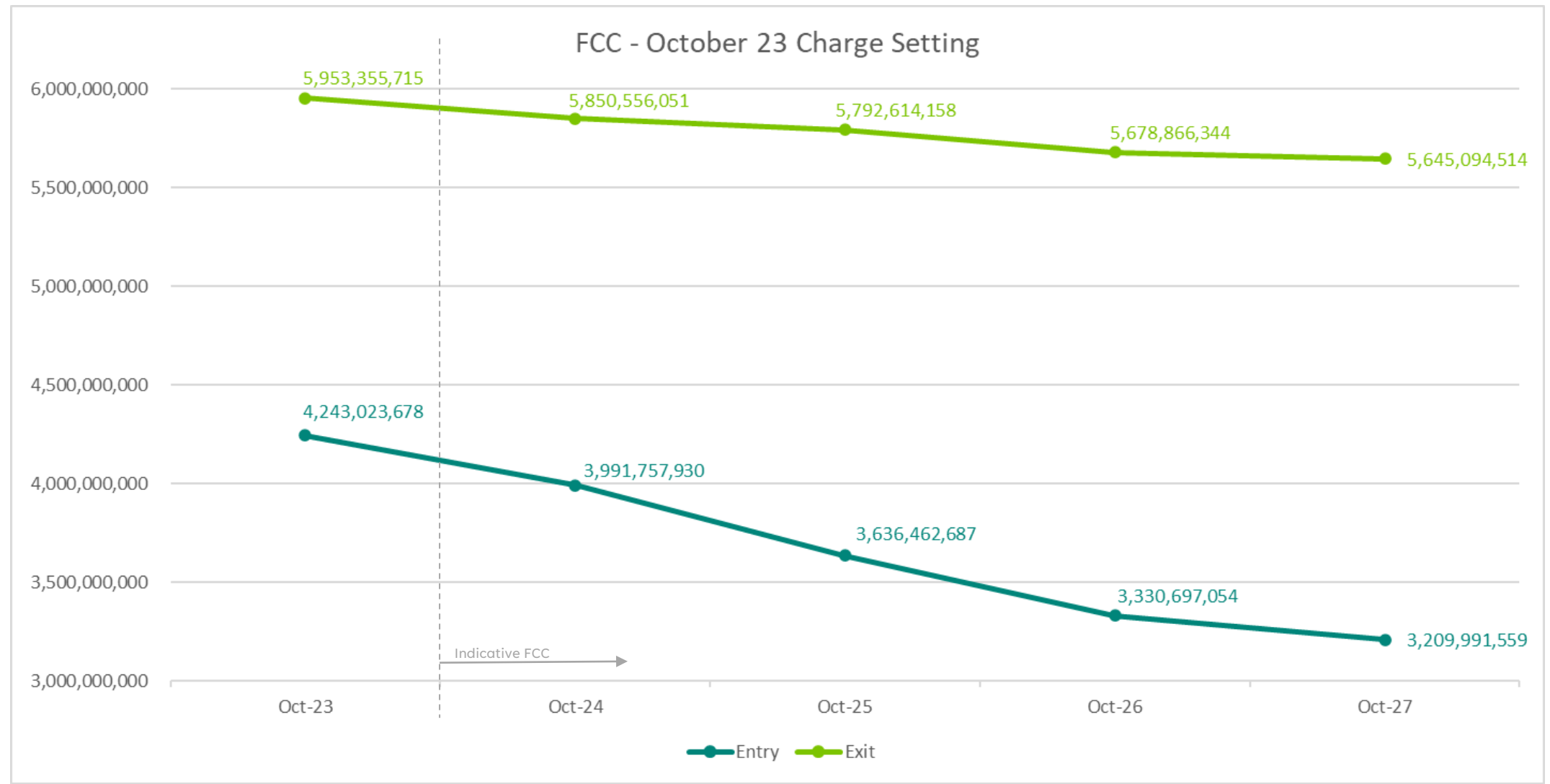
## Demand

- Revised LDZ demand down (Domestic and I&C)
- Increased Power Generation forecast

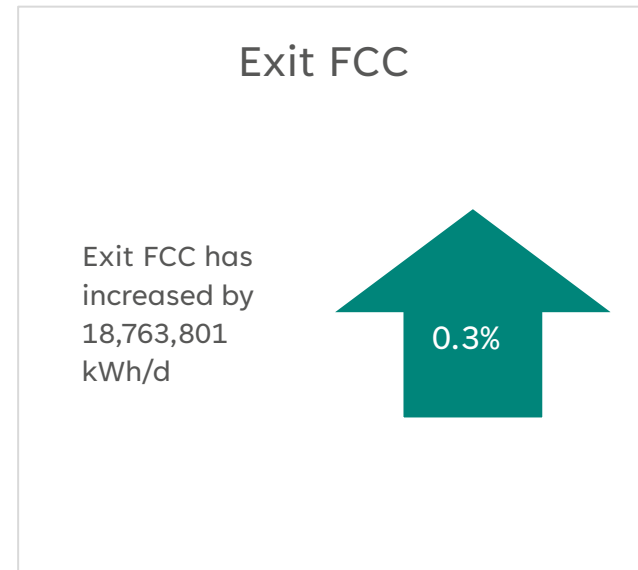
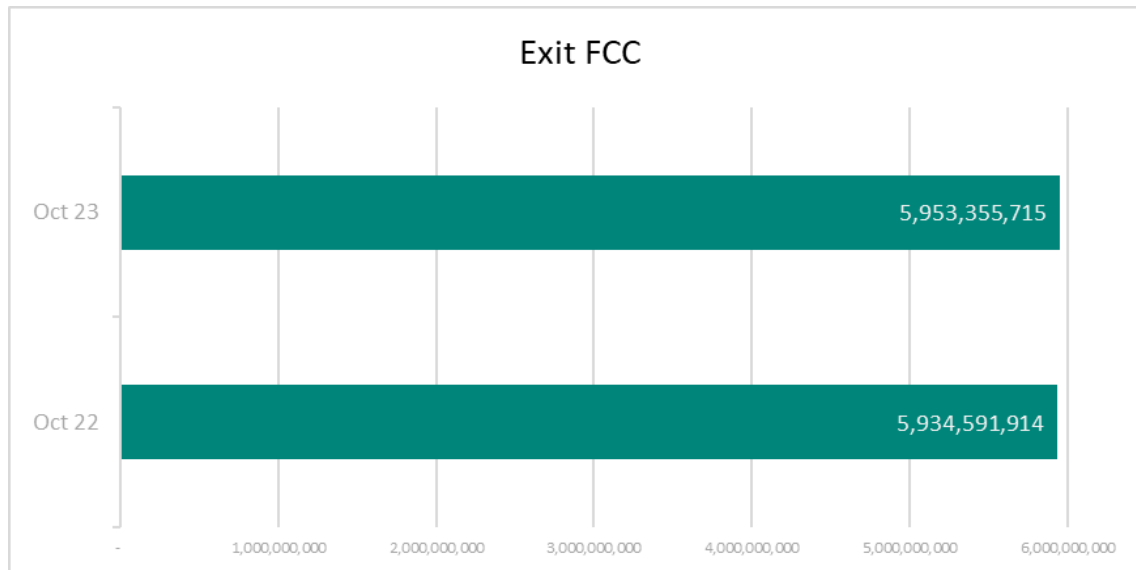
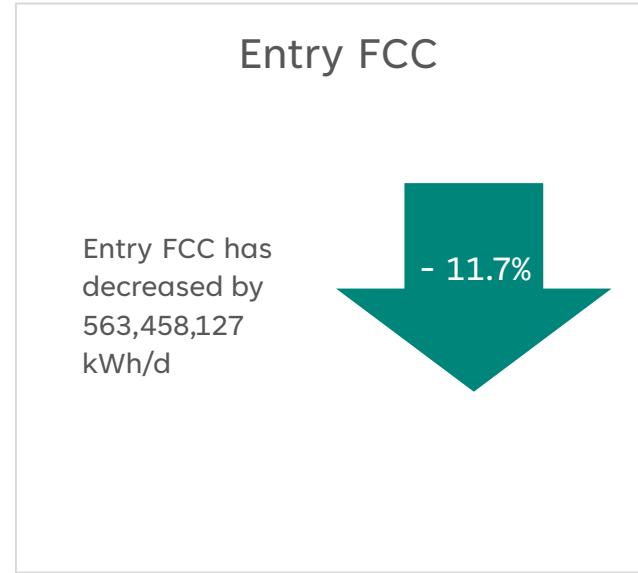
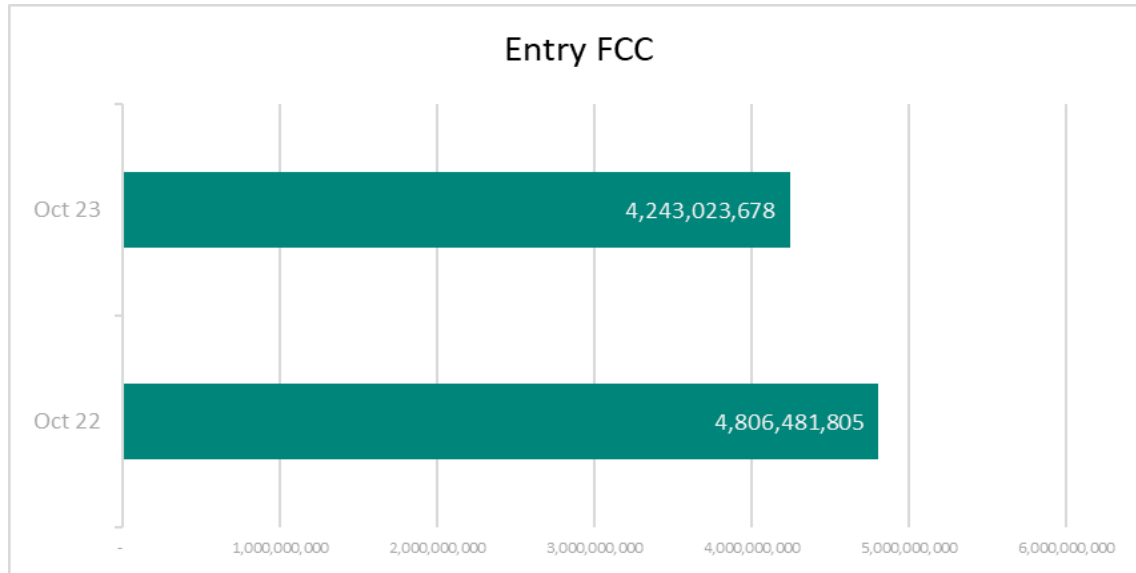
## Increased Interconnector Export

- Bacton IP exit flows forecast aligned with Summer Outlook publication, extrapolated out across next Gas Year.
- Flows to remain higher than historic, dropping to c66% of actual flows over previous 12 months.
- Additional Entry gas requirements to be met predominantly via Milford Haven, Isle of Grain, and Beach.

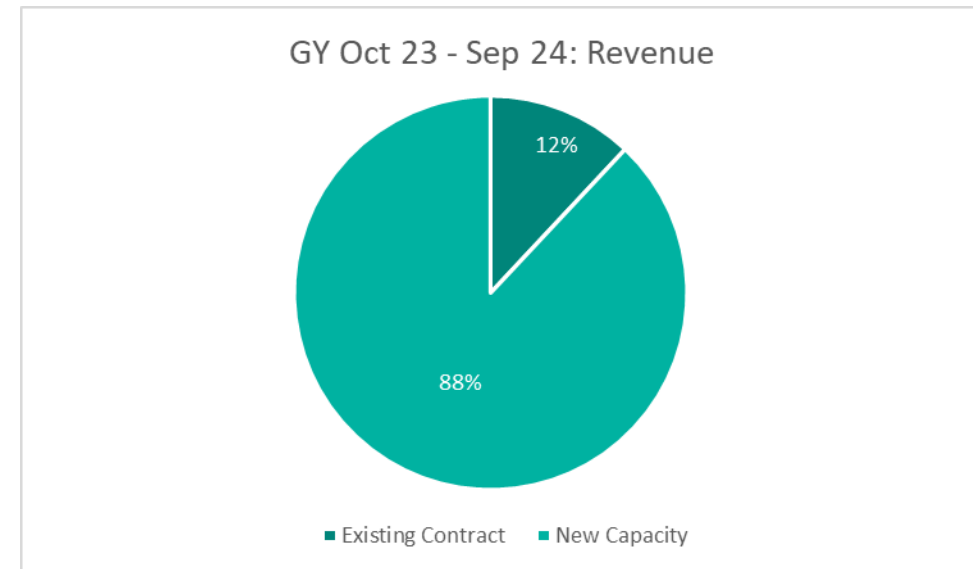
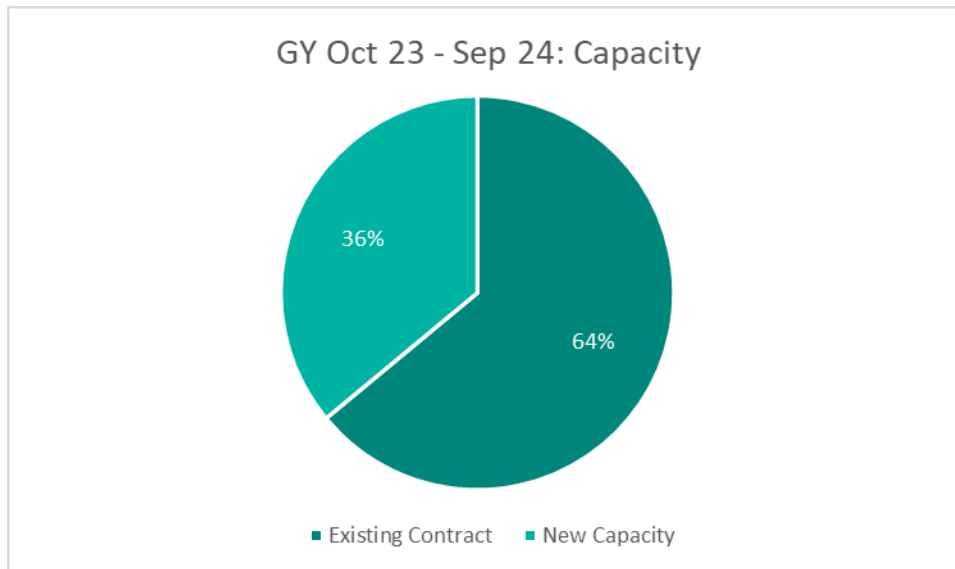
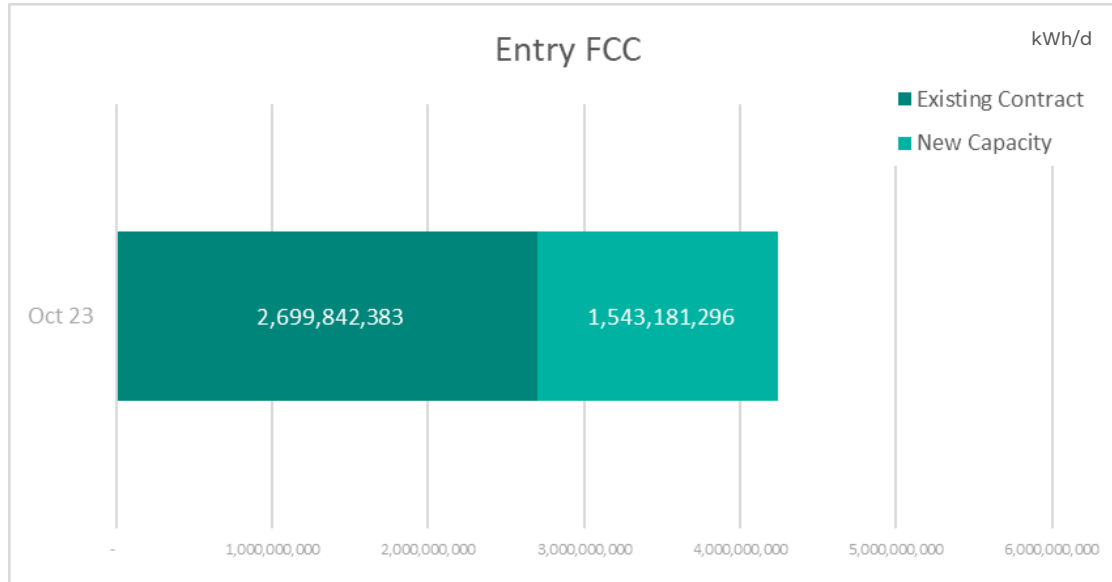
# October 2023 FCC



# Forecasted Contracted Capacity (FCC)

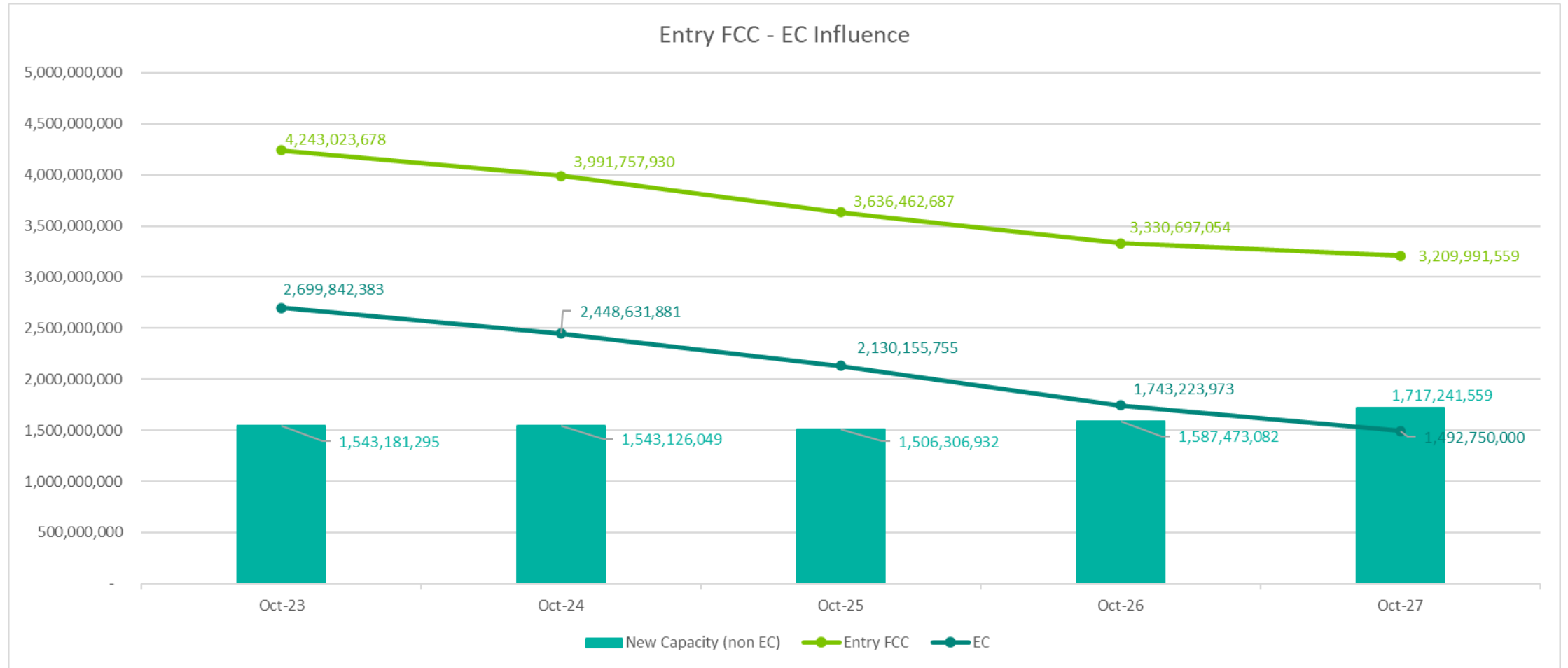


# FCC – Entry Adjusted for Existing Contracts





# Existing Contract Capacity Influence on Entry Capacity Reference Prices



# Forecasted Revenue collection

Revenue collection assumed in charging & impact of UNC  
Modification 0796

# NTS Transportation Charges: UNC0796

## Purpose of UNC 0796 (<https://www.gasgovernance.co.uk/0796>)

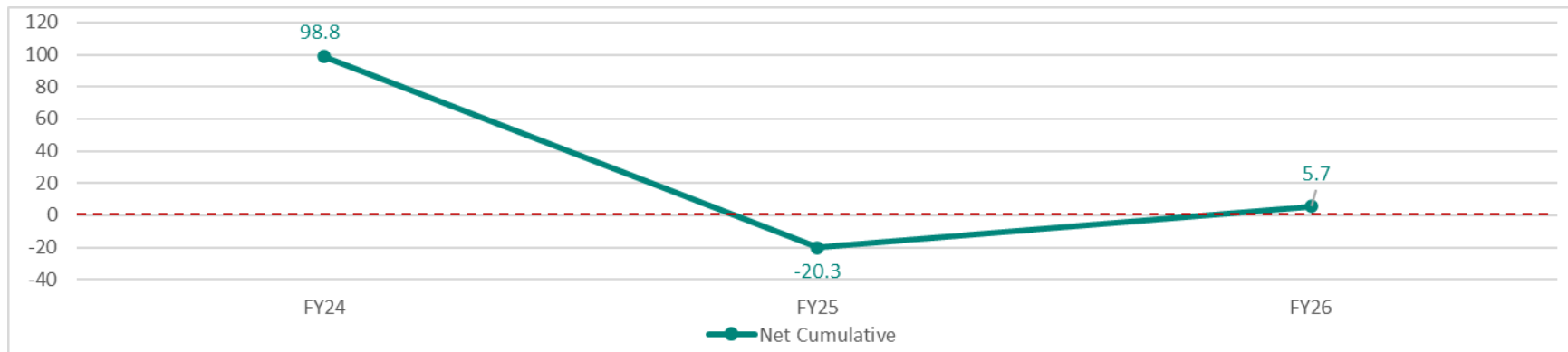
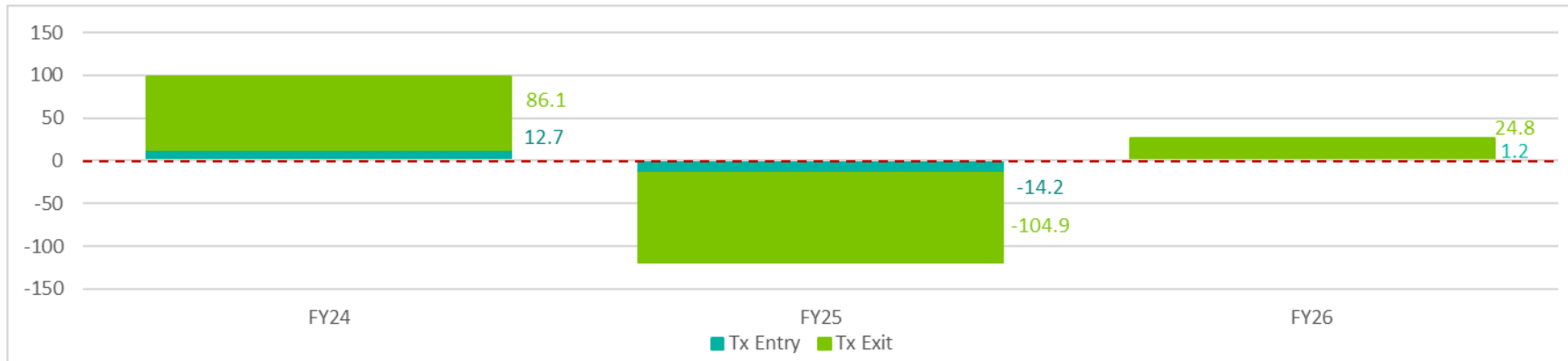
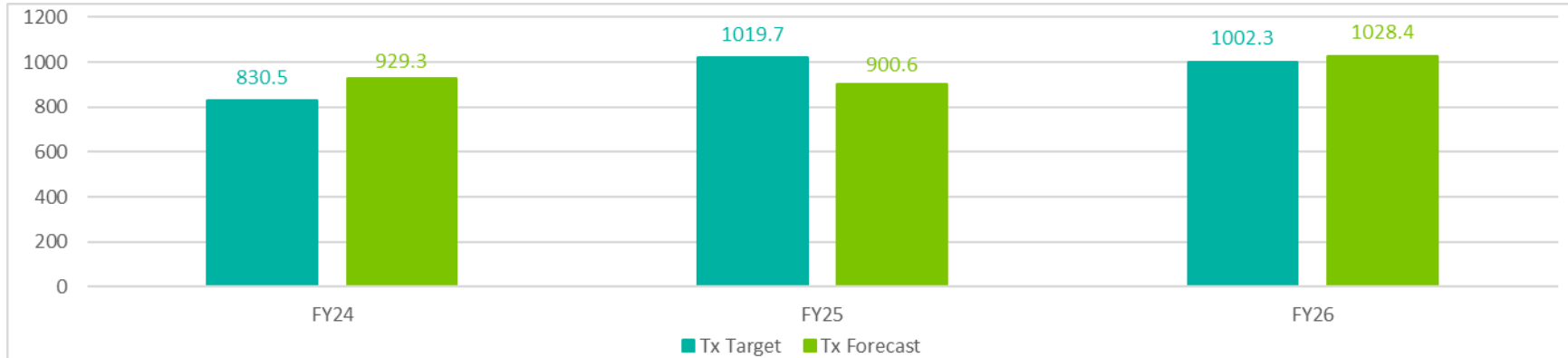
- Revision to the Determination of Target Revenue for Transportation Charging, focused on Transmission Services.
- To reduce, not remove, revenue changes that would otherwise impact volatility of Transmission Services Entry and Exit prices. E.g. when revenue variances Regulatory year to Regulatory year can have significant price impacts (which are effective over a Gas Year)

## Method of UNC 0796

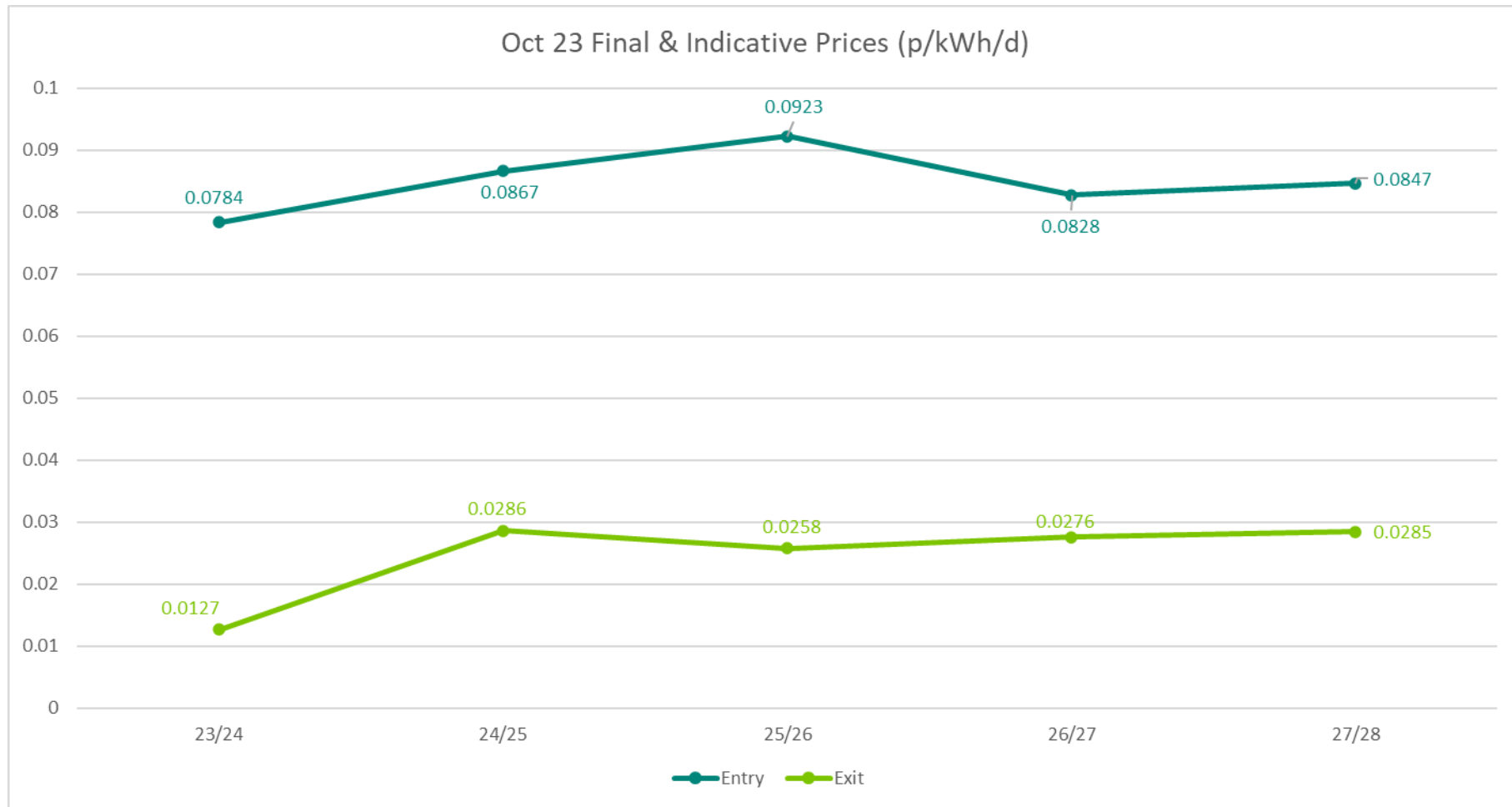
- Prior to UNC 0796, the Transmission Services charges aimed recover revenues associated to a regulatory year, in that period. This meant it focused on periods ending March which can trigger sizeable volatility and oscillation of charges which continues without intervention.
- UNC 0796 takes a proportion of revenue from the two Regulatory Years that bridge the Gas Year that TS Entry and Exit prices are being set for.

- This was a significant structural change to the methodology, implemented in 2022.

# Future Over & Under Collection of Revenues

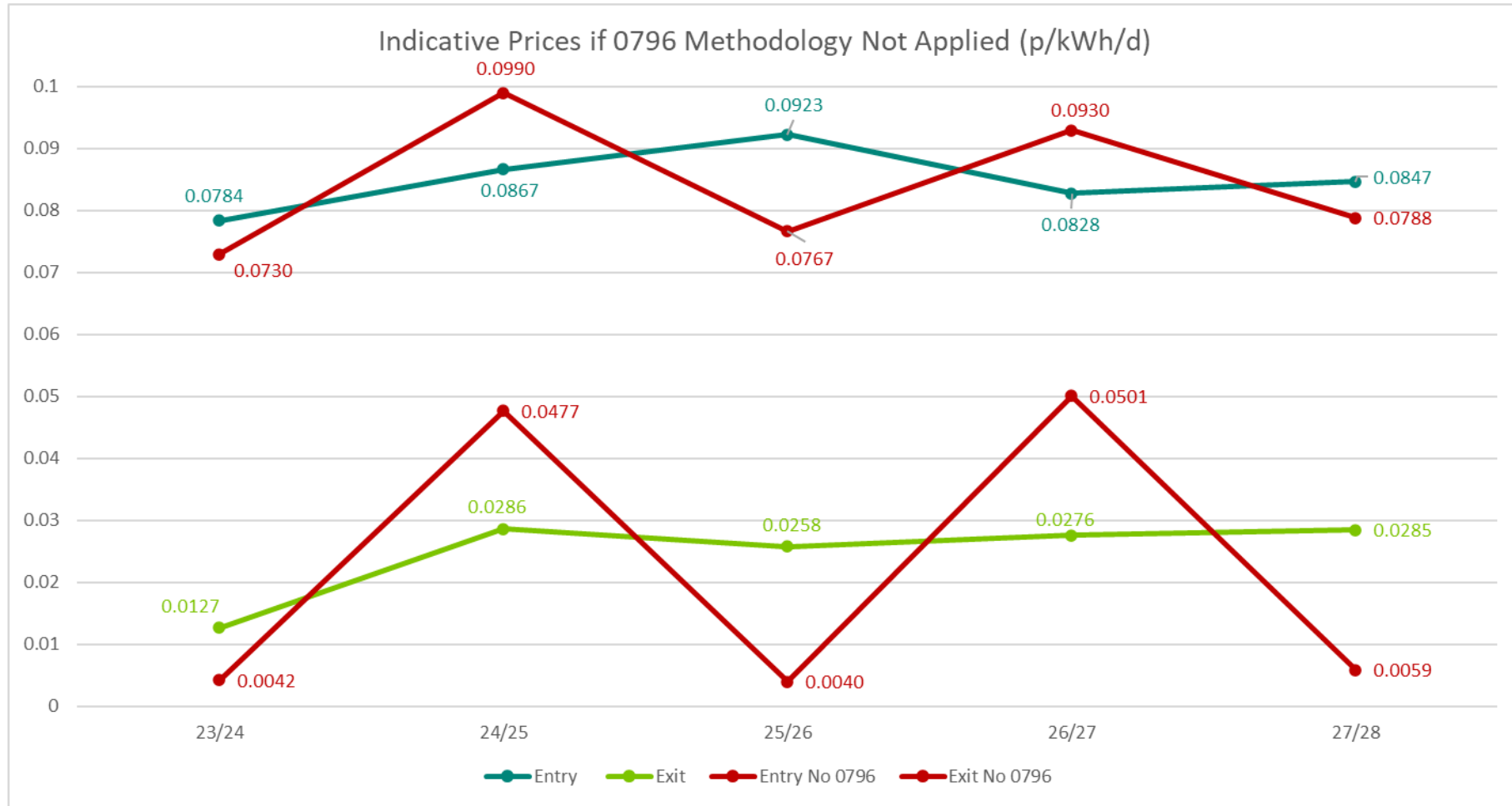


# 0796 – Impact on Prices

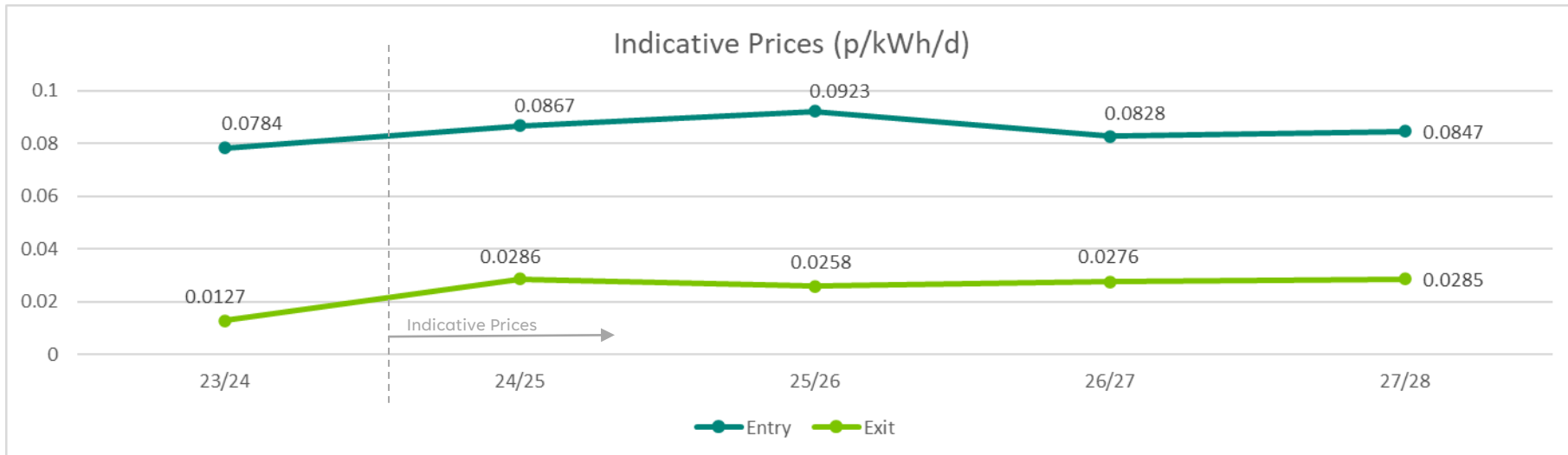
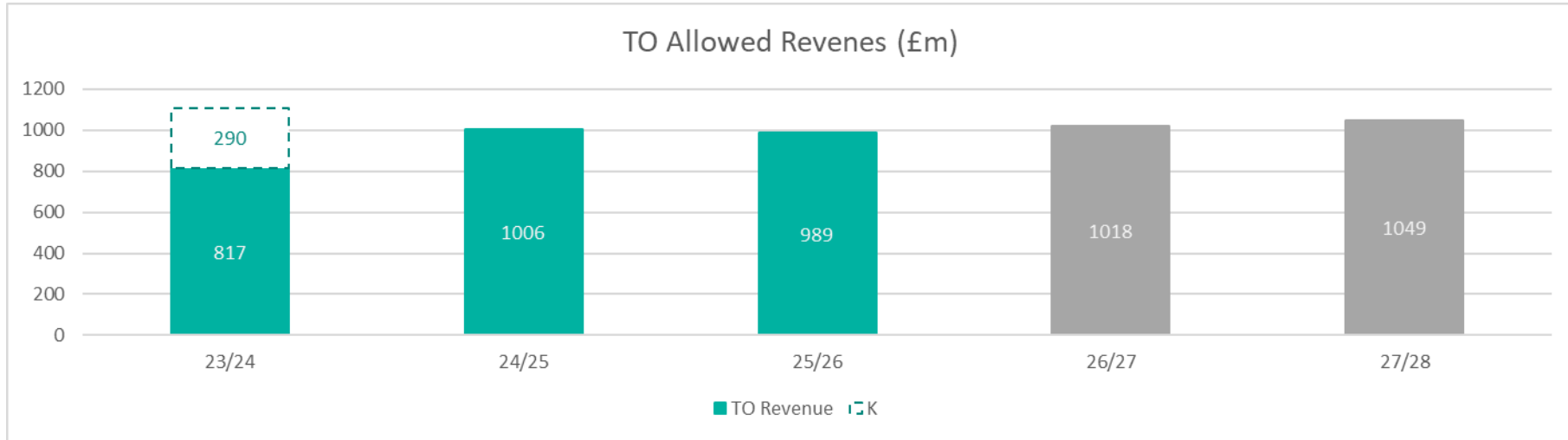




# With no 0796 – Impact on Prices



# Revenue & Prices: 2023/4 – 2027/28



# Transmission Services charges - Summary

- Transmission Services charges published are:
  - October 2023 actuals, Indicatives for future years, RII02 ends March 2026
  - Both TS Entry and Exit have seen the updated revenue determination deliver on objectives of UNC 0796 changes in setting October 2023 prices and seen in profile of indicatives.
  
- Continuing commitment to review and potential change
  - Gas Charging Discussion Document GCD13 – has been reviewing if further changes can be of further benefit, focusing on TS Entry. Consultation closed 23<sup>rd</sup> June, National Gas will soon publish report on this and consider next steps.
    - <https://www.nationalgas.com/charging/gas-charging-discussion-gcd-papers>

# Future Charging Updates

Upcoming charging publications

# Non-Transmission charges

Non-Transmission Charges that will be effective from October 2023 are due to be published by the end of July 2023

## Discussions on change

- Thinking for Non-Transmission charges plus what may happen in setting 2023 charges have focused on considering the impacts of a revenue deferral
- (<https://www.nationalgas.com/charging/transmission-system-charges> - under Supporting information)
- Signposting 2024 potential options for change to methodology

## Engagement

- Ahead of publication, in July, National Gas Transmission will be using a webinar on Non-Transmission Charges, our views on revenue deferrals for 2023 and any more substantive changes for 2024 and beyond to the methodology
- An invitation to this, will be sent in early July to signpost the event.

# Quick Poll



Was this webinar useful?



The background consists of a dense pattern of overlapping circles. Each circle is filled with a gradient of concentric lines, transitioning from a dark blue on the left to a bright green on the right. The circles are arranged in a somewhat regular grid but overlap significantly, creating a textured, layered effect.

# Q&A

[Slido.com](https://www.slido.com)

[#charging](https://twitter.com/slido)

# Quick Poll – Results



Was this webinar useful?



# What next?



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



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



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

# Keep up to date



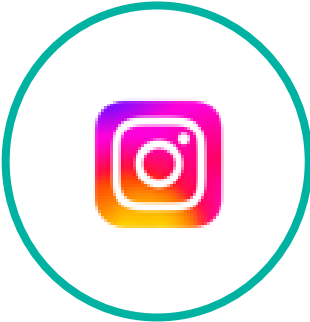
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**Thank you**



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