

SO Commodity Charge for NTS Storage Users

Gas TCMF

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SO Commodity charge – current arrangements

- ◆ Present level of 0.0121 p/kWh derived from target revenue (SO) divided by expected input and output flows
- ◆ The charge is levied on all beach entry flows and supply point / exit point flows, but storage points are excluded
- ◆ Storage sites attract SO commodity charge only in respect of storage own use gas (“SUG”)

SO Commodity Charging - storage issues

◆ NTS Storage

- ◆ Approval of PC73 provides for SO commodity charge to be applied at all exit & entry points
- ◆ However, storage users do not incur SO Commodity charge due to rejection of previous mod proposals
- ◆ Ofgem desire to see development of discounted rate, hence has been considered as part of review
- ◆ Currently 9 NTS storage and CLNG sites
- ◆ Level of foregone revenue (for '04/05) was £4.5m (compared to SO commodity revenue of £225m)

SO Commodity Charge – SO cost drivers

Cost Category	Compressor gas	Internal Cost	Unaccounted for gas	Operating Margins	Revenue Adjustments ²	Exit Capacity TO Costs ³	Total
Scale of Cost (£m) ¹	90	58	32	21	-15	56	242
Entry/exit pts exc storage	Yes	Yes	Yes	Yes	Yes	Yes	242
Storage - Now	No	No	No	No	No	No	0
Storage – Proposed	No	Yes	Yes	No	Yes	Yes	131

¹ Based on 2006/7 figures

² Such as 'K', incentive losses/profits

³ recovered through SO charges (e.g. 1/15th interrup. rebate)

SO Commodity Charge – initial thoughts for NTS storage sites

- ◆ Discounted SO commodity charge to apply on all storage flows (inputs & outputs), in same form as standard SO commodity charge (i.e. flat p/kWh)
- ◆ Precise level of charge to be derived from forecast of relevant SO costs and expected flows, but expected to c.50% of standard full rate
- ◆ Introduction of new charge would require a modest reduction in standard rate (of 2.5%)
- ◆ Single combined under/over-recovery mechanism for both discounted and full SO commodity charge
- ◆ Storage Own Use Gas to continue to attract full SO commodity charge
- ◆ Charge to apply from 1 April 2007