

# GCM01 Decision

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Gas TCMF

1<sup>st</sup> May 2007

# Ofgem GCM01 Decision Document

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- ◆ “In summary, Ofgem considers that the Proposal better facilitates the achievement of the relevant charging methodology objectives than the current methodology, however we consider that it would be in the interests of consumers to include spare capacity in the model, as described by option 2a of NGG’s consultation document. This would improve cost reflectiveness and better ensure the economic and efficient use of network assets. It would reduce the risk of underutilised assets and inefficient investment elsewhere on the network. This is a significant issue that Ofgem would urge NGG to consider in the immediate future through further modification proposals to the charging methodology. It may be that there are better solutions available which NGG can consider over the longer term, through its duty to review the suitability of the Methodology for achieving the relevant objectives.”

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# GCM01 Option 2b

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- ◆ Initial analysis of the Base Case scenario – Exit Prices
- ◆ Entry baseline price generated from separate entry point specific analysis where the baseline/obligated level is different to the base case flow modelled
  - ◆ The Base Case scenario involves adjusting some supplies down in order to match the 1 in 20 forecast demand.
  - ◆ The entry point specific analysis involves adjusting the modelled entry point flow to the baseline level and adjusting the entry point or points furthest from the entry point being considered in order to maintain the supply and demand balance.
  - ◆ *All entry points are expected to be analysed separately.*

# GCM01 Option 2a

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- ◆ Initial analysis of the Base Case scenario – Exit Prices
- ◆ Entry baseline price generated from separate entry point specific analysis where the maximum base case level is different to the base case flow modelled
  - ◆ The Base Case scenario involves adjusting some supplies down in order to match the 1 in 20 forecast demand.
  - ◆ The entry point specific analysis involves adjusting the entry point back to the maximum base case level and adjusting the entry point or points furthest from the entry point being considered in order to maintain the supply and demand balance.
  - ◆ *The entry point specific analysis will only apply to those entry points that have been scaled back to achieve a supply and demand balance.*
  - ◆ *The entry points analysed separately are expected to be storage points, interconnectors and LNG importation facilities where the maximum flow for the purposes of charging would be based on the facility maximum deliverability.*

# Way Forward

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- ◆ National Grid NTS will be raising a further charging methodology consultation to consider this change;
  - ◆ Why?
    - ◆ GCM01 Final decision on 2a/2b finely balanced
    - ◆ There were more respondents to the Ofgem IA than the original GCM01 process
    - ◆ New obligations on National Grid NTS in regard to baseline transfers trades and substitution may make the use of forecast maximum flow, rather than baseline/obligated level, in the charging methodology the more cost reflective and stable way forward.
    - ◆ National Grid obligations in regard to
      - ◆ Developing an efficient and economic pipeline system
      - ◆ Continually reviewing the charging methodology

## Further ('2a') Baseline Entry Capacity Charging Proposed Timeline

Milestone	Date
Raise Proposals	4 <sup>th</sup> May 2007
Consultation Ends	1 <sup>st</sup> June 2007
Consultation Conclusions inc. Final Proposals	8 <sup>th</sup> June 2007
Ofgem veto period ends (Assumes no Impact Assessment and agreement to implement a charging methodology change less than 28 days after final proposals are submitted)	29 <sup>th</sup> June 2007
Notice of Prices	
Implementation	September 2007

***NB Change from 2b to 2a would only affect baseline entry prices and would have no impact on exit prices.***

# The Transportation Model

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- ◆ The Model is available
  - ◆ Details are available on our website
- ◆ The UNC proposal to release demand data is being considered
- ◆ The IECR proposals will incorporate Transportation model based pricing
- ◆ National Grid NTS are further developing the interface and would welcome ideas and feedback