

2008 Work Plan & Survey

Gas TCMF

5th February 2008

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Potential Changes to the NTS Charging Methodology 2008

- ◆ There are a number of potential amendments to National Grid's NTS Transportation Charging Methodology which might;
 - ◆ Better achieve relevant objectives
 - ◆ Support implementation of the Transmission Price Control Review outcome (TPCR) and
 - ◆ Implications of Trade & Transfer processes
 - ◆ Support implementation of UNC Modification Proposal including
 - ◆ Interruption changes
 - ◆ Enduring NTS offtake arrangements

Potential Changes to the NTS Charging Methodology 2008

- ◆ Enduring Exit Arrangements
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- ◆ Rebates for Entry Points with Negative LRMCS
- ◆ Optional (Short-haul) Commodity Charge
- ◆ SO Storage Commodity Charge
- ◆ “Spare Capacity”

Enduring Exit Arrangements

- ◆ NTS GCD 01/02/03
 - ◆ In response to Exit Reform UNC Proposals, National Grid Transmission issued pricing discussion papers
 - ◆ GCD01 , Flat exit capacity pricing.
 - ◆ GCD02 , Flex exit capacity pricing.
 - ◆ GCD03 , exit revenue recovery.
 - ◆ Support subject to Flat charges being adjusted to collect exit target TO revenue
- ◆ Way Forward
 - ◆ In respect of new consultations, National Grid Transmission anticipates undertaking formal consultations on proposed changes to the Charging Methodology to support implementation of enduring NTS Offtake arrangements, in the event of (potential) implementation of any future UNC Modification Proposal.

Entry Discounts and Interruptible Pricing

- ◆ NTS GCD 04
 - ◆ In response to industry concerns, National Grid Transmission issued pricing discussion paper GCD04 in 2007, covering entry capacity reserve price discounts.
- ◆ Way Forward
 - ◆ National Grid Transmission anticipates undertaking further consultations on whether it is appropriate to continue applying discounts to the day ahead and on the day entry capacity reserve prices for firm and interruptible capacity later in 2008. The consultation would take account of the Ofgem baseline review, further development of NTS entry capacity trade & transfer and substitution processes and the discretionary release of Interruptible entry capacity.

Rebates for Entry Points with Negative LRMCs

- ◆ E.ON UK draft proposal: “Rebates for Entry Points with Negative LRMCs”.
 - ◆ *‘For entry points which have a negative LRMC in the Transportation Model, it is proposed that an ex-post rebate is paid to capacity holders; provided they have demonstrated at that specific entry point that they were flowing gas on peak demand days. The User would only see a benefit when flowing gas when and where it is genuinely needed at a negative LRMC entry point.’*
- ◆ Way Forward
 - ◆ Charges are generally defined within the UNC and the methodology for defining the charge rate is defined within the charging methodology. National Grid Transmission would therefore bring forward charging proposals in response to any UNC proposals raised in this area recognising the potential interaction with the constrained LNG credits already paid.

Optional (Short-haul) Commodity Charge

- ◆ The Optional Commodity Charge, frequently referred to as the short-haul charge
 - ◆ designed to ensure that the charges associated with Transportation over short distances are reflective of the costs associated with a separate pipeline and hence might disincentivise inefficient and uneconomic by-pass of the NTS.
 - ◆ an area of the charging methodology that has not been reviewed for some time
 - ◆ may be changes that could be introduced that might mitigate some of the concerns raised by E.ON UK in regard to negative LRMCs.
 - ◆ The issue of 'short-haul' flows not attracting the TO Entry Commodity charge was also raised in response to the TO over recovery proposal GCM10 & GCM11 and this aspect of short-haul charges could also be included as part of the review.

SO Storage Commodity Charge

- ◆ NTS GCM 03
 - ◆ consultation covered the potential introduction of an SO Commodity Charge on Users of NTS Connected Storage Facilities to seek to better target relevant SO costs.
 - ◆ subsequently vetoed by the Authority
- ◆ Way Forward: NTS GCD 05
 - ◆ in response to the issues raised within the Ofgem decision letter, National Grid Transmission has issued a further discussion document (GCD05) and will raise subsequent consultation documents as required.

“Spare Capacity”

- ◆ NTS GCM 06
 - ◆ consultation covered potential changes to the entry input data for the Transportation Model for the setting of capacity prices.
 - ◆ proposal sought to take into account potential spare capacity by using forecast flows rather than obligated capacity levels but was vetoed by the Authority.
- ◆ Way Forward
 - ◆ Further proposals will be brought forward as required.
 - ◆ The focus on spare capacity is presently through the development of Trade & Transfer UNC proposals and the substitution process. If these changes optimise the use of spare capacity, the extent of any further charging proposals required in this area may be limited.

Summary

- ◆ National Grid Transmission will be issuing a survey covering the TCMF.
- ◆ Seek views on;
 - ◆ The Gas TCMF arrangement
 - ◆ Work Plan 2008 & Priorities
 - ◆ Charging Information Publication / Website