



# **Forecasted Contracted Capacity (FCC) Methodology Consultation Document**

**03 March 2022**

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## 1 Executive Summary

This document is being issued by National Grid Gas plc (“National Grid”) in its role as holder of the Gas Transporter Licence (the “Licence”) in respect of the National Transmission System (NTS).

This consultation document sets out the Forecasted Contracted Capacity (FCC) Methodology which will be used to calculate the FCC in any future charge setting publications.

This consultation document contains:

- The approach and governance used to update the FCC;
- Industry engagement which has taken place;
- Proposed methodology
- Consultation Questions

The closing date for submission of your consultation responses is **24 March 2022**, however we welcome any responses ahead of this date.

## 2 Governance for updating the FCC Methodology

The FCC Methodology has been reviewed with industry at National Transmission System Charging Methodology Forum (NTSCMF) meetings since the 07 December 2021 until 01 March 2022.

This document is a consultation on the proposed changes to the FCC Methodology and will be consulted on in time for the final FCC Methodology to be published not less than 40 Business Days before the Transmission Services Capacity Reserve Prices are required to be published before the Annual Yearly Auction in July for the following Gas Year, as per UNC TPD Section Y 2.5.2.

An updated FCC Methodology is required to improve the current Methodology such that it can be applied to produce the FCC values that are used in setting the Entry and Exit Transmission Services Capacity Reserve Prices. We believe the changes needed are material enough to warrant industry development and consultation prior to its use in line with these UNC Obligations.

Governance Process for Final FCC	When
Issue FCC Methodology for Consultation	03 March 2022
Closing date for FCC Methodology Consultation responses	24 March 2022
Aim to publish a report on the responses plus issue the FCC Methodology	31 March 2022

### 3 Development and Engagement

Since 07 December 2021<sup>1</sup> discussions on the FCC Methodology have taken place at NTSCMF<sup>2</sup> and discussions on the changes to the FCC Methodology have been developed based on the discussions with industry parties at NTSCMF and using data which is currently available. The FCC Methodology values for each Entry and Exit Point will be used as an input into the Postage Stamp (PS) model for setting of final Transmission Services Reference and Reserve Prices for the following Gas Year and the indicative Transmission Services Reference and Reserve Prices for future Gas Years.

The material which was presented to NTSCMF is available to view on the [Joint Office website](#) under the applicable month's meeting.

The discussions within NTSCMF have helped develop and check the logic of the FCC Methodology amendments proposed to ensure that this is as accurate as possible, based on the information we have available ahead of the Gas Year it is applicable for.

Given the substantive changes to the methodology in 2020 ahead of setting charges from 01 October 2021, and the encouraging performance of the forecast measured against actuals (as reported on at NTSCMF meetings) for those values used from 01 October 2021, there are only small changes proposed as part of this change for the Gas Year 2022/23 onwards.

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<sup>1</sup> <https://www.gasgovernance.co.uk/ntscmf/071221>

<sup>2</sup> <https://www.gasgovernance.co.uk/ntscmf>

## 4 Proposal

The FCC Methodology proposal is called Forecasted Contracted Capacity (FCC) Methodology v2.1 at: <https://www.nationalgrid.com/uk/gas-transmission/charging/gas-charging-discussion-gcd-papers> under the 2022 Forecasted Contracted Capacity (FCC) Methodology Consultation header.

The proposal has been developed based on the discussion with industry parties at NTSCMF and using the data which is available currently. Building on the more substantive changes applicable from Gas Year 2021/22, the proposed changes for Gas Year 2022/23 onwards are minimal and serve mainly to provide an update to Gas Distribution Network (GDN) capacity inputs and alignment with monthly granularity for Exit to match Entry.

The key principals which make this FCC Methodology proposal more aligned to the way the NTS is accessed compared to the previous version of the FCC Methodology are:

- GDN Exit using the Long Term Development Statement (LTDS) produced by each GDN rather than Future Energy Scenarios (FES) as the LTDS more closely align to the Capacity bookings which have been seen for 2021/22 Gas Year<sup>3</sup>. The LTDS are produced at Local Distribution Zone (LDZ) level and National Grid will use the capacity bookings for the previous Gas Year to pro rate the LTDS LDZ values into the individual Exit Points.
  - For Gas Year 2022/23 the FES produced in July 2021 would have previously been used, the LTDS is published in October 2021 would be used for the input into the calculation of the GDN FCC values. The LTDS is produced closer to the publication of FCC so would use the latest available information.
- Within the Exit FCC Methodology amendment to using the monthly values and then sum to an annual value, this will be aligned to the current Entry FCC Methodology calculations which were applicable from 2021/22 Gas Year onwards.

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<sup>3</sup> <https://www.gasgovernance.co.uk/sites/default/files/ggf/2022-02/5.%20NTSCMF%2001.03.22%20FCC%20presentation%20v0.1.pdf>

## **5 Future Discussions related to FCC Methodology**

National Grid will continue to monitor the FCC as set via the FCC Methodology against the flow and actual capacity booking data which is seen in the applicable Gas Year.

The FCC will be discussed at NTSMCF on an ongoing basis and if any party feels a review of the FCC Methodology could be required before the production of the next Gas Years Transmission Services Reserve Prices, this can be reviewed.

## 6 Questions for discussion and contacts

National Grid would welcome responses to the following questions, with any appropriate details:

**Question 1: Do you support the use of the principles within the FCC Methodology?**

**Question 2: Do you agree that this FCC Methodology is an improvement on existing FCC Methodology which is in place currently?**

As part of your responses to questions 1 and 2 above, it would be helpful to have views into whether this FCC Methodology if applied would give a capacity value in aggregate which more closely aligns to capacity bookings made on the NTS, particularly around Gas Year 2022/23.

The closing date for submission of your responses is **Thursday 24 March 2022**. Your response should be e-mailed to:

[box.gsoconsultations@nationalgrid.com](mailto:box.gsoconsultations@nationalgrid.com)



## **7 Next Steps**

Following receipt of the responses to this consultation National Grid will publish a report and issue a revised FCC Methodology that will be used for setting the FCC going forward.