

GAS TCMF SURVEY 2008

**Survey Seeking Feedback on the Gas TCMF and
2008 Charging Development Work Plan**

NTS TCMF SURVEY 2008

5th February 2008

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1 Introduction

This document sets out areas of potential future development of the Gas Transmission Transportation Charging Methodology (the “Charging Methodology”) and includes a survey seeking feedback on the Gas TCMF process and the Gas TCMF work plan for 2008.

The closing date for submission of your responses is **Tuesday 4th March 2008**. Your response should be e-mailed to:

box.transmissioncapacityandcharging@uk.ngrid.com

or alternatively sent by post to

Eddie Blackburn, Regulatory Frameworks, National Grid, National Grid House, Gallows Hill, Warwick, CV34 6DA.

If you wish to discuss any matter relating to this survey then please call Eddie Blackburn ☎ 01926 656022, Debra Hawkin ☎ 01926 656317 or Jemma Spencer ☎ 01926 654212.

Responses to this consultation will be incorporated within National Grid’s conclusion report. If you wish your response to be treated as confidential then please mark it clearly to that effect.

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

2 Background

National Grid is obliged to keep its Charging Methodology under continual review to seek to achieve the transportation Charging Methodology “relevant methodology objectives” as set out in Standard Special Condition A5.5 of National Grid NTS’s Gas Transporter Licence. These are:

- (a) Except where (aa) or (d) applies, use of the Charging Methodology should result in charges that reflect the costs incurred by the licensee in its transportation business;
 - (aa) Where prices are determined via auctions, that either no reserve price is applied or that the reserve price is set at a level best calculated to promote efficiency and avoid undue preference in the supply of transportation services and to promote competition between gas suppliers and between gas shippers;
- (b) So far as is consistent with (a), properly take account of developments in the transportation business;
- (c) So far as is consistent with (a) and (b) facilitate effective competition between gas shippers and between gas suppliers;
- (d) The Charging Methodology reflects any alternative arrangements put in place in accordance with a determination made by the Secretary of State.

Assessment against EU Gas Regulations

Charging arrangements are also covered by the EU gas regulations. EC Regulation 1775/2005 on conditions for access to the natural gas transmission networks (binding from 1 July 2006) are summarised below. The principles for network access tariffs or the methodologies used to calculate them shall:

➤ Reflect actual costs incurred for an efficient and structurally comparable network operator	➤ Take into account the need for system integrity and its improvement	➤ Provide incentives for investment and maintaining or creating interoperability for transmission networks
➤ Be transparent	➤ Facilitate efficient gas trade and competition	➤ Not restrict market liquidity
➤ Be applied in a non-discriminatory manner	➤ Avoid cross-subsidies between network users	➤ Not distort trade across borders of different transmission systems

Gas TCMF

National Grid established the industry forum referred to as the Gas Transmission Charging Methodologies Forum ("Gas TCMF") in January 2006. All presentations, analysis and papers relating to the Gas TCMF can be found on the following website:

www.nationalgrid.com/uk/Gas/Charges/TCMF

The Gas TCMF will continue to provide the opportunity for National Grid to discuss progress in respect of development of its charging methodologies and for industry participants to raise relevant issues for discussion. It is National Grid's continued intention that the TCMF provides the means for Users to raise issues they feel worthy of review and provides the opportunity for Users to provide comment on National Grid proposed modifications to its charging methodologies. These ongoing discussions with the industry may therefore result in further proposed amendments to the Charging Methodology.

3 2008 Areas for Development

There are a number of potential amendments to National Grid's NTS Transportation Charging Methodology to support implementation of the Transmission Price Control Review (TPCR) and the enduring NTS offtake arrangements that are likely to require implementation during 2008.

Enduring Exit Arrangements

In respect of new consultations, National Grid anticipates undertaking formal consultations on proposed changes to the Charging Methodology to support implementation of enduring NTS Offtake arrangements, in the event of implementation of any UNC Modification Proposal.

Entry Discounts and Interruptible pricing

In response to industry concerns, National Grid issued pricing discussion paper GCD04 in 2007, covering entry capacity reserve price discounts. National Grid anticipates undertaking further consultations on whether it is appropriate to continue applying discounts to the day ahead and within 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 has brought forward a draft proposal, via the Gas TCMF, entitled “Rebates for Entry Points with Negative LRMCs”. The purpose of the proposal is to reward locationally beneficial entry points on the NTS where a genuine, measurable benefit is being provided by incremental flows. 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.

Charges are generally defined within the UNC and the methodology for defining the charge rate is defined within the Charging Methodology. National Grid 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, was 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.

This is an area of the Charging Methodology that has not been reviewed for some time and there 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

The 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. This proposal was subsequently vetoed by the Authority and in response to the issues raised within the Ofgem decision letter, National Grid has issued a further discussion document (GCD05) and will raise subsequent consultation documents as required.

Spare Capacity

The NTS GCM 06 consultation covered potential changes to the entry input data for the Transportation Model for the setting of capacity prices. This proposal sought to take into account potential spare capacity by using forecast flows rather than obligated capacity levels but was vetoed by the Authority. 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.

4 Gas TCMF Survey 2008

Please take a few moments to provide some feedback on the NTS Charging Development and Gas TCMF processes

Please fill out your contact details.	
Name	
Company	
Telephone	
Email	

GAS TCMF MEETINGS: Please indicate your level of agreement/disagreement with each statement.					
The Gas TCMF meetings....	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
Provide the required information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Improve understanding of the NTS charging processes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provide an opportunity to influence the development of the NTS Charging Methodology	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Timing: The Gas TCMF meetings....					
should follow other relevant meetings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
should be planned on adjacent days to other relevant meetings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Should be held on a fixed date or day within the month	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Should be planned to fit in with consultations etc	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please rate your satisfaction with the quality of the information provided at the Gas TCMF meetings					
	Dissatisfied	Somewhat dissatisfied	Neutral	Satisfied	Very Satisfied
	1	2	3	4	5
Meeting Presentation					
Level of detail	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Layout	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ease of Understanding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comment:					
Meeting Handouts					
Level of detail	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Layout	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ease of Understanding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comment:					
Meeting Reports					
Level of detail	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Layout	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ease of Understanding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comment:					

Please rate your satisfaction with the quality of the NTS Pricing Consultation & Discussion Papers & Reports					
	Dissatisfied	Somewhat dissatisfied	Neutral	Satisfied	Very Satisfied
	1	2	3	4	5
Level of detail/content	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Layout	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ease of Understanding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comment:					

Please rate your satisfaction with the quality of the TCMF & Consultation areas of our Website¹					
	Dissatisfied	Somewhat dissatisfied	Neutral	Satisfied	Very Satisfied
	1	2	3	4	5
Level of detail/content	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Layout	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ease of Use	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comment:					

¹ Relevant areas of the website are... <http://www.nationalgrid.com/uk/Gas/Charges/TCMF/> , <http://www.nationalgrid.com/uk/Gas/Charges/consultations/> and <http://www.nationalgrid.com/uk/Gas/Charges/statements/>

Please rate your overall level of satisfaction with the Gas TCMF.					
	Dissatisfied	Somewhat dissatisfied	Neutral	Satisfied	Very Satisfied
	1	2	3	4	5
What is your overall level of satisfaction with the Gas TCMF?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comment					

Please explain what you would like to see us do to improve the Gas TCMF?

Please indicate your views on the areas of the NTS Charging Methodology identified for development.

	Please indicate what <u>priority</u> you think we should place on each item.			Development is required to meet the following objectives/ Please select <u>as many as you feel are appropriate</u> .		
	Low	Medium	High	Reflect the costs incurred	Take account of business developments	Facilitate effective competition
Enduring Exit Arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Entry Capacity Discounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interruptible Entry Capacity Pricing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rebates for Entry Points with Negative LRMCs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Optional (Short-haul) Commodity Charge	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SO Storage Commodity Charge	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Spare Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Other... please specify</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Other... please specify</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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