

# Charging Issues

CISG

16 May 2005

# Notice Periods

- User suggestions that a 2 month notice period is insufficient
- Implication of extension to 6 months considered
- Relies on Ofgem's agreement to relax the relevant licence conditions governing under and over recovery and tolerance band
- Increased risk for a reconciliation mid year
- Uncertainty associated with the Price Control:
  - What will the target revenue figure be?
  - When will the figure be disclosed to NGC?
  - How will that affect charge setting and notice periods?
  - Unlikely to accommodate a 6 month notice period

# Notice Periods (2)

- Impacts and Risks (Transport and Tariff models):
  - 3 month charge setting timetable to run from July - September
  - Generation and network data for transport model to be taken from the April or July updates to SYS as opposed to the October update - less robust data set
  - No changes for demand data
  - A licence change may be required to change the RPI Index used - currently May - Oct
  - Expansion Constant calculated using previous year's data
  - Less up to date cost information

# Notice Periods (3)

- Impacts and Risks (Maximum Allowed Revenue):
  - Potential for huge volatility for forecasting kt and GB target revenue
  - No TRIAD data or NHH demand data will be available
  - Scottish TOs would be required to submit forecasts for their respective target revenue recovery by end of August. Will require licence changes
- Not credible for 06/07

# Deterministic Zoning Criteria

- Differing views on whether an automatic 'zoning' program is the longer term solution
- Suggestions of an 'automated' program being used as a tool for 'aiding decisions' as opposed to 'making decisions'
- Industry preference for further transparency on the current zoning process
- Concerns about relaxing the zonal spread - Users on both sides of the fence

# Deterministic Zoning Criteria (2)

- To provide further transparency, NGC propose to:
  - Consult on any zonal changes required as early as possible prior to the January notification
  - Publish future year tariffs with potential zonal changes as part of October SYS updates
  - Highlight and consult on 'exceptional circumstances' as soon as possible
  - 'Exceptional' defined as anything which compromises the cost reflectivity of tariffs
  - Target date for publication of October 2005
- If the methodology changes, zones will change