

# NTS TO & SO Revenue Information Reporting

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Gas TCMF

11<sup>th</sup> June 2008

# Issue

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- ◆ Industry information requests relating to Commodity Charge Setting
  - ◆ *Particularly SO Commodity*
- ◆ Need to improve transparency of the Charge setting processes
  - ◆ Additional information has already been added to the Charging Methodology Statement regarding TO & SO allowed and actual revenue formulae
- ◆ We intend to produce a quarterly report which seeks to provide greater transparency to the processes and data used by National Grid Gas NTS (“National Grid”) to set the NTS System Operation (SO) and Transportation Owner (TO) Commodity Charges.

# SO Allowed & Collected Revenue

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- ◆ Focus on SO Commodity Charge Setting as this has generated the most questions
- ◆ Allowed Revenue
  - ◆  $SOMR_t = SOEIRC_t + SOExIRC_t + SOOIRC_t + SOIntIRC_t + SORA_t + BBIOCA_t + DELINC_t - SOK_t$
- ◆ Actual Revenue
  - ◆  $SOR_t = SOROC_t + SORCAP_t + SOExRF_t + RCOM_t$
- ◆ We set charges to seek to collect our allowed revenue ...

# Table 1: SO Allowed Revenue

## Terms used for Final notification of April 2008 charges

| Description  | Term                    | Value (£m)   |
|--|-------------------------|--------------|
| SO entry incentives, costs and revenues                | SOEIRC <sub>t</sub>     | 42.8         |
| SO exit incentives, costs and revenues                 | SOEXIRC <sub>t</sub>    | 83.2         |
| SO external incentives, costs and revenues             | SOOIRC <sub>t</sub>     | 148.9        |
| SO internal incentives, costs and revenues             | SOIntRC <sub>t</sub>    | 64.3         |
| SO income adjusting event adjustment                   | SORAt                   | 0.0          |
| SO buyback overall incentive collar adjustment         | BBIOCA <sub>t</sub>     | 0.0          |
| SO accelerated incremental capacity delivery incentive | DELINC <sub>t</sub>     | 0.0          |
| Revenue adjustment term for prior year                 | SOK <sub>t</sub>        | (2.4)*       |
| <b>Maximum NTS SO allowed revenue</b>                  | <b>SOMR<sub>t</sub></b> | <b>341.6</b> |

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\* SOK<sub>t</sub> is deducted in the SOMR<sub>t</sub> formula. Therefore any under recovery is shown as ( )

## Tables 2&3: SO Actual Revenue – Associated SO Charges

| Description               | Term               | Value (£m) |
|---------------------------|--------------------|------------|
| Adjustment for Neutrality | SOROC <sub>t</sub> | 17.8+A     |

| Description                       | Term                | Value (£m) |
|-----------------------------------|---------------------|------------|
|                                   |                     |            |
| Entry Capacity Investment Revenue | SORCAP <sub>t</sub> | 27.8       |
| Exit Capacity Investment Revenue  | SOExRF <sub>t</sub> | 8.9        |

## Table 4: SO Actual Revenue – Other (RCOM<sub>t</sub>) Charges

| Description                                   | Term                            | Value (£m) |
|---|---------------------------------|------------|
| St Fergus Compression Revenue                 | RCOM <sub>t</sub><br>Components | 18.0       |
| Shorthaul Revenue                             |                                 | 10.0       |
| Capacity Neutrality Buyback Revenue           |                                 | 12.0       |
| Capacity Neutrality Components (credits)      |                                 | -A         |
| <b>Adjustment for other Commodity Charges</b> |                                 | 40-A       |

## Table 5: SO Calculation

| Term  | Value (£m)       |
|---|------------------|
| Maximum Allowed NTS SO revenue (SOMR <sub>t</sub> )                                   | 341.6            |
| ...less associated SO charges   | 17.8+A           |
| ...less sales of incremental capacity   | 36.7             |
| ...less other charges   | 40.0-A           |
| <b>(A) Remainder of RCOM i.e. revenue to be collected through SO Commodity Charge</b> | <b>247.1</b>     |
| <b>(B) Throughput (GWh)</b>   | <b>1,920,053</b> |
| <b>SO Commodity Charge [A divided by B multiplied by 100] (p/kWh)</b>                 | <b>0.0129</b>    |