

**NATIONAL GRID GAS**  
**UPDATES TO THE STATEMENT OF GAS TRANSMISSION**  
**CONNECTION CHARGING**  
**INFORMAL CONSULTATION DOCUMENT**

**14<sup>th</sup> DECEMBER 2016**

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## **1.0 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 document sets out for discussion National Grid’s proposal for updating The Statement of Gas Transmission Connection Charging, (the “Charging Statement”) in respect of the NTS Connection Application Fee Charges.

This informal consultation document is being issued to industry to obtain views and comments for the introduction of new Connection Application categories for :-

- Disconnection and Decommissioning
- Minor Modifications
- Re-assessment of lapsed Full Connection Offers

and, the proposed uplifted Connection Application Fees for :-

- Complex
- Medium
- Simple

The consultation response proforma document is available in appendix 2. The closing date for submission of your responses is 25th January 2017; however we welcome any responses ahead of this date.

## **2.0 GOVERNANCE FOR UPDATING THE STATEMENT OF GAS TRANSMISSION CONNECTION CHARGING**

Updates and any amendments to the Statement of Gas Transmission Connection Charging are consistent with the Application to Offer process (A20) (i.e. UNC Mod 0373, under Section V13.1.1b). National Grid is not proposing any changes to the PARCA Application fees at this time.

## **3.0 BACKGROUND**

### **3.1 Overview of the Current Application Fee Structure**

The current A20 application structure was implemented in June 2012 under UNC Modification 0373. The fees were developed using the resource rates from the Transmission Investment Handbook for Labour Rates 2011/12. The current application fees are as follows:-

Table: 1

Category	Current Fee
Complex	£400k
Medium	£121k
Simple	£62k

The Application Fees have been reviewed annually following implementation but not updated.

## 4.0 PROPOSED CHANGES/UPDATES

### 4.1 Disconnections and Decommissioning

Our aim is to introduce and provide our customers with clearly defined disconnection and decommissioning services, with associated application fees that are cost reflective and reconcilable.

The category areas for disconnection and decommissioning services have been defined, and are detailed below:-

Table: 2

Disconnection (physical)	Decommissioning (complete removal)
<p>Positive Isolation from the NTS and the Customers Facilities.</p> <ul style="list-style-type: none"><li>Physical air-gap between the two assets</li><li>Gas is unable to flow</li><li>National Grid maintain site</li><li>Site moves into a mothballing state</li></ul>	<p>Site returned to original state</p> <ul style="list-style-type: none"><li>All assets disconnected and removed including the removal of pipeline</li></ul>
<p><b>Mothballing</b></p> <ul style="list-style-type: none"><li>Following disconnection of the assets National Grid will conduct ongoing site maintenance to ensure the site is safe and preserved if in the event the customer wishes to bring the site back 'on stream'</li><li>As this is a customer driven request costs for maintenance will be agreed with the customer</li></ul>	<p><b>Mothballing</b></p> <ul style="list-style-type: none"><li>May be required if the assets are disconnected and the customers timeline for decommissioning is significantly later</li><li>National Grid will conduct ongoing site maintenance to ensure the site is safe</li><li>As this is a customer driven request costs for maintenance will be agreed with the customer</li></ul>

The disconnection and decommissioning application fees have been developed using the Transmission Investment Handbook for Labour Rates 2016/17.

### 4.2 Minor Modifications

The new minor modification category will cover the following activities:-

- Any requests for a ramp rate study over 50 MW per minute will trigger a study. This may include a transient study where appropriate
- Change in Meter Settings
- Adjusting Regulator Settings

National Grid has reconciled customers application requests whereby their actual costs were significantly lower than the application fee due to the scope of their requirements and hence we are proposing the introduction of this new category.

### 4.3 Mechanism to Re-assess lapsed Connection Offers

On occasion, National Grid has received re-application requests from customers who have received a Full Connection Offer (FCO), but the offer validity period has lapsed. In some cases their requirements are unchanged from the original application. The approach applied to facilitate these requests has been to advise customers to re-apply through the standard A20 process.

Currently the UNC allows, under Section V 13.6.2, for a modification to a customer’s FCO, this is also defined in the charging statement whereby a customer can request an amendment to their connection offer and the fee will be either agreed with the customer (applicant) and National Grid or the fee will be 75% of the cost of the original (FCO) and pay the relevant fee.

Table: 3

Principles Re- Assessment of lapsed FCO/Application Fee	% Discount Application Fee
<p>National Grid will guarantee a % discount Application Fee for Re-assessment requests received &lt;12 months from date FCO lapsed National Grid will guarantee % discount Application Fee</p> <p>Subject to meeting the following assessment criteria:-</p> <ul style="list-style-type: none"> <li>• There is no impact of other National Grid projects or programmes</li> <li>• No network changes since FCO lapsed</li> <li>• No material changes to customer requirements</li> <li>• Customer programme dates are realistic</li> </ul> <p>Any re-assessment requests &gt;12 months from date FCO lapsed customers are required to re – apply and pay the full application fee.</p>	<p>Minimum 25% discount will be applied</p>

#### 4.3.1 Discount Structure

It is proposed the % Discount structure will apply to the level of activity that will be undertaken by National Grid for the activities associated with the re-assessment of the lapsed FCO

Table: 4

Activity	Discount
Default – Minimum Discount applied	25%
Feasibility not repeated	+Up to 10%
Ramp Rate not repeated	+Up to 5%
Conceptual Design Study not repeated	+Up to 30%
Costs not updated	+Up to 10%

#### 4.3.2 Example – Discounted application following a Customer application request to re-assess a lapsed FCO:-

Application received for a re-assessment of lapsed FCO, the validity period of the offer expired 2 months prior, category medium connection.

Following initial competency assessment against the pre-determined assessment criteria contained within Table 3, the re-assessment request met all elements of the assessment criteria. As no significant changes have been identified the following discount profile will apply:-

Table: 5

Activity	Discount	Example Discount Profile
Default – Minimum Discount applied	25%	25%
Feasibility not repeated	Up to 10%	10%
Ramp Rate not repeated	Up to 5%	5%
Conceptual Design Study not repeated	Up to 30%	30%
Costs not updated	Up to 10%	10%
<b>TOTAL DISCOUNT</b>		<b>80%</b>

Therefore the customer will receive an 80% discount of a Medium Application Fee

Current Medium Application Fee	£121K
- 80% discount	
- Application Fee payable	<u>£24.2K + VAT</u>

#### 4.4 A20 Connection Application Fees Uplifts

The fees in the current charging statement dated February 2015 are based upon the labour rates from 2011/12, therefore the sensible approach was to apply the resource rates from the latest handbook and uplift the current A20 Application Fees, to ensure consistency and alignment to the new proposed categories.

Summary of Connection Applications received:-

Table: 6

	2013/14	2014/15	2015/16
<b>Simple</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>Medium</b>	<b>3</b>	<b>5</b>	<b>3</b>
<b>Complex</b>	<b>0</b>	<b>1</b>	<b>0</b>
<b>Total</b>	<b>4</b>	<b>8</b>	<b>6</b>

- The majority of the medium connection applications for NTS existing sites received would now be categorised as minor modifications.
- The remaining applications in these categories have pushed the fee limit.
- National Grid has only received one complex connection application since the implementation of the A20 application process.
- Fees are reconcilable and customers have told us they value a single reconcilable application for:-
  - Increased certainty of a single payment
  - Residual value can be refunded or put towards the build phase of the works.

#### 4.5 PROPOSED CONNECTION APPLICATION STRUCTURE/ FEES

Table: 7

Category	Timescales to provide a Full Offer	Application for a new NTS minimum offtake connection in a 'green-field' site	Application for any other category of new or existing NTS Connection		
		Exit	Entry	Exit	Storage
Simple Connection	Up to 6 months	£73,000*	n/a		
Medium Connection	Up to 9 months	n/a	£151,000#		
Complex Connection	Up to 9 months	n/a	£449,000#		
Disconnection	Up to 6 months	n/a	£73,000#		
Decommissioning	Up to 9 months	n/a	£157,000#		
Minor Modifications	Up to 6 months	n/a	£52,000##		

**\*Feasibility studies are not required for this category type**

**# A feasibility study is required for this category type and the cost is included in the Application Fee.**

**## A Ramp Rate study (and/or Transient Study where appropriate) is required for this category type, the cost is included in the Application Fee**

## 5.0 **IMPLEMENTATION TIMESCALE**

The estimated timeline for implementation of the proposed updates to the charging statement are:-

<b>Issue Informal Consultation Document</b>	<b>14<sup>th</sup> December 2016</b>
<b>Informal Consultation Period</b>	<b>14<sup>th</sup> Dec 2016 to 25<sup>th</sup> January 2017</b>
<b>Informal Consultation Closed</b>	<b>25<sup>th</sup> January 12.00hrs</b>
<b>Response review Period</b>	<b>Commence 26<sup>th</sup> January 2017</b>
<b>Notice of change issued</b>	<b>1<sup>st</sup> February 2017</b>
<b>Notice Period</b>	<b>1<sup>st</sup> February – 28th February 2017</b>
<b>Updated Charging Statement effective from</b>	<b>1<sup>st</sup> March 2017</b>

## 6.0 **RESPONSES**

Please complete and submit the response proforma document, (*appendix 2*) no later than 12:00 hrs 25<sup>th</sup> January 2017, to Andrea Godden, Commercial Contracting Manager, [andrea.godden@nationalgrid.com](mailto:andrea.godden@nationalgrid.com), however we welcome any responses ahead of this date.

If in the event you have any queries please contact Andrea Godden direct using the email address above or 07790039502.

Information arising from the consultation will be shared with Ofgem and aggregated feedback will be shared at the Transmission Workgroup.

## **APPENDIX**

- 1.0 Draft Document – The Statement for Gas Transmission Connection Charging Rev 5
- 2.0 Response Proforma Document