

## MEMORANDUM

TO: GTAC Stakeholders  
FROM: First Gas  
DATE: 21 August 2018  
RE: Block 2 Outputs – 5 Transmission Incentive Fees

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This memo describes details of the proposed changes to Transmission Incentive Fees in the GTAC following on from discussions at the workshop on Tuesday 9 August 2018 as documented in the Draft Minutes issued by the GIC on 17 August 2018.

The proposed changes to the GTAC are provided in appendix 1 of this memo. This is open for consultation until 3 September 2018. If stakeholders wish to comment on these proposed changes, this can be done during the Workshop Block occurring September 4 to 6 (which will enable discussion of the topics with First Gas) or comments can be submitted to First Gas through the GIC website prior to 3 September.

### **Final Assessment Paper (FAP) findings**

The findings of the FAP on Transmission Fees were summarised in the GTAC work programme as follows:

- Incentive charges (daily overruns/underruns) not symmetrical (12)
- Level of incentive charges too high (12)
- May encourage inefficient pipeline usage decisions or excessive efforts for nominations accuracy (54)
- Higher fees should not apply at congested delivery points when congestion is not evident (13, 55)
- High incentive charge reduces competition as it is not cost reflective (13, 60)
- Disproportionately high in non-congested situations (60)
- Hourly overrun fees and rebates

Please note that the last point on hourly overrun fees will be treated with Peaking.

## Positions reached

The following positions were reached during the workshop. The way these points have been addressed is given in the table below.

Item	Addressed by
<b>August 9</b>	
2.2.1 The aggregate level of incentive fees would be reduced by reducing “F” from 2 to 1.5. The incentive fees would be made symmetrical by changing the underrun fee to F-2 (the formula in section 11.4(b) of the GTAC)	Changes to the values of F in s. 11.4 and the formula for underrun in s. 11.4 (b). The value for F when a delivery point is congested has been changed to F=7.5 using the same scale as before (i.e. 5x). Conforming changes have also been made to ensure that the underrun can also be a credit as well as a charge in s. 11.20.
2.2.2 At a congested delivery point First Gas would notify at every nomination cycle if congestion is likely to occur.	Changes to the notifications required from First Gas for each nominations cycle in s. 4.14 and a consequent change to information provided in Schedule 2.
2.2.3 The increased incentive fees that apply to a congested delivery point will apply when First Gas gives notice of congestion.	The provisions for the charging to be applied has been inserted in s. 11.4.