

TRANSMISSION PRICES – ROLES AND RESPONSIBILITIES

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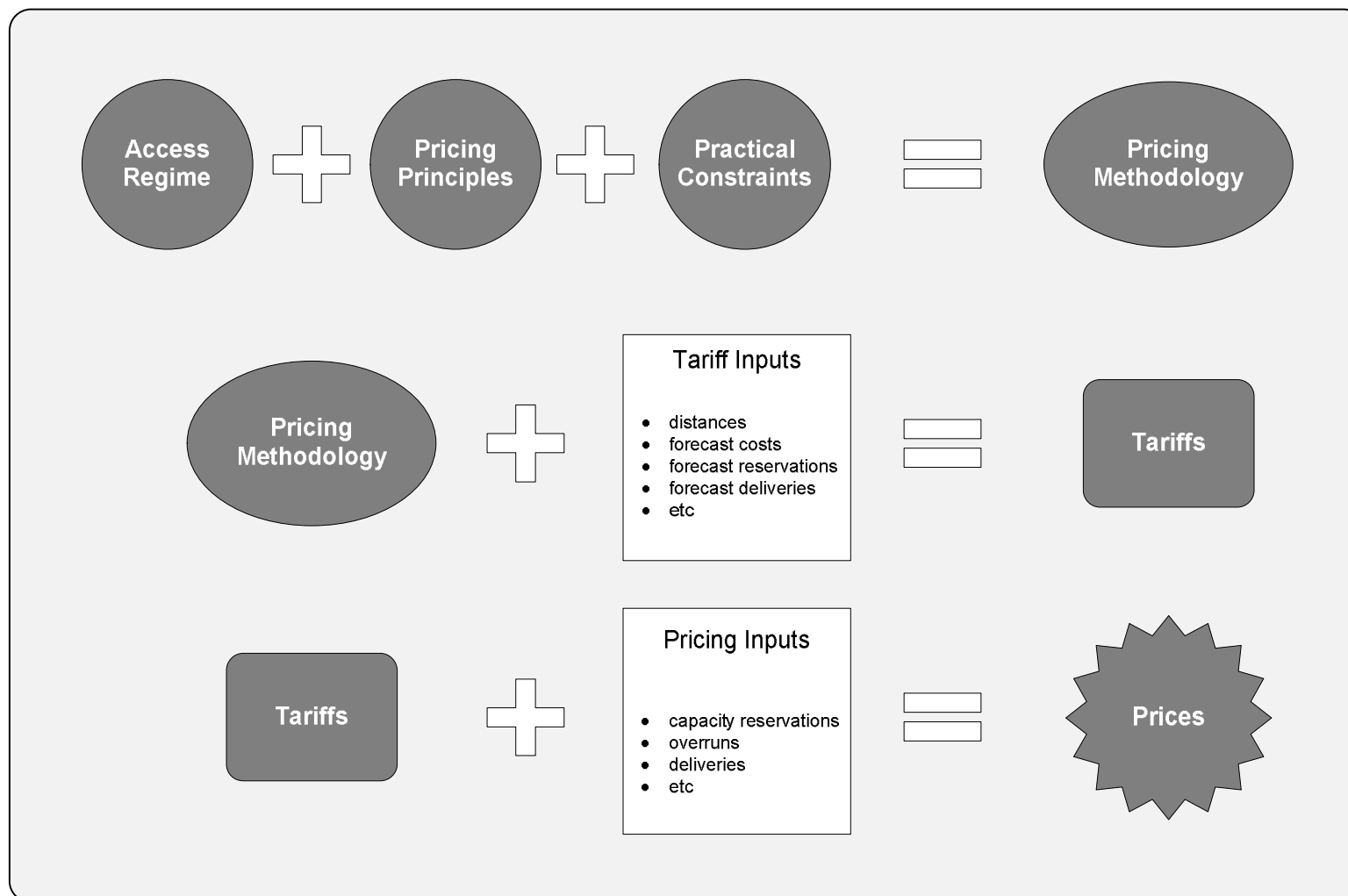
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Terminology



Pricing principles

- s2.5.2 of CC's IM Determination sets out Pricing Principles:
 - Prices to:
 1. Signal economic costs
 2. Use Ramsay pricing to make up shortfall between incremental cost and allowed revenue
 3. Discourage uneconomic bypass and allow for negotiation
 4. Be transparent, promote price stability, have regard to effect on customers

Pricing methodology

- GTB to develop Pricing Methodology (consistent with overseas practice)
- No requirement for methodologies to meet principles but CC's ID Determination requires each GTB to:
 - disclose Pricing Methodology
 - explain whether Pricing Methodology is consistent with the Principles

Pricing powers

- CC has explicit power to set prices and quality standards and to set Pricing Methodologies (unless that power is expressly given to another authority, as it is to the EA)
- GIC only has power to recommend gas governance regulations prescribing reasonable terms and conditions for access
- GIC best placed to work with stakeholders to develop new terms of access & CC best placed to regulate the Pricing Methodology and/or prices, if that becomes necessary. The two organisations will continue to work closely together to avoid potential 'regulatory conflict' on these matters