

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 02 October 2018
at Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA

Attendees

Rebecca Hailes (Chair)	(RH)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
Adam Bates	(AB)	South Hook Gas
Andrew Pearce	(AP)	BP
Anna Shrigley*	(AS)	ENI
Bill Reed	(BR)	RWE Supply & Trading
Charlotte Friel*	(CF)	Ofgem
Colin Williams*	(CW)	National Grid NTS
Debra Hawkin	(DH)	TPA Solutions
Graham Jack*	(GJ)	Centrica
Henk Kreuze*	(HK)	Vermilion
James Gudge	(JG)	National Grid
John Costa	(JC)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kamila Nugumanova*	(KN)	ESB
Kirsty Ingham*	(KI)	ESB
Nicky White	(NWh)	npower
Nick Wye	(NW)	WatersWye
Penny Jackson	(PJ)	npower
Robin Cannings*	(RC)	Storengy
Sarah Chleboun	(SC)	National Grid
Sinead Obeng	(SO)	Gazprom Marketing & Trading
Steve Pownall	(SP)	Xoserve

* *via teleconference*

Copies of all papers are available at: <https://www.gasgovernance.co.uk/NTSCMF/021018>

1. Introduction and Status Review**1.1. Approval of Minutes (04 September 2018)**

RH advised of an amendment made to the original minutes item 1.2 on page 2. No further comments were received. The minutes from the previous meeting were approved.

1.2. Modifications with Ofgem

RH invited Ofgem to provide an update on the suite of 0621 Modifications - Amendments to Gas Transmission Charging Regime.

CF explained that Ofgem are on track with the compliance assessment which is due to be completed at the end of October. It was anticipated that more will be provided on the next steps at the November NTSCMF. She confirmed that all the feedback and contributions have been communicated and shared with Baringa.

JCx enquired about the comments and answers given in consultation responses in regard to

the five questions Ofgem asked to be put into the 0621 consultation document¹. CF confirmed that Ofgem are taking on board all the comments and that most comments are relevant to the impact assessment and competition; these will feed into the impact assessment.

DH enquired about the progress on the compliance assessment. CF explained that Ofgem have not yet finished this and will update on this at the next NTSCMF meeting in November. CF anticipated that a publication will be provided by Ofgem in the form of a letter along with verbal updates at relevant industry meetings.

JCx enquired about Ofgem providing an update at the November Gas and Electricity Markets Authority (GEMA) meeting. CF anticipated an update would be available for the GEMA meeting in November.

SO asked whether there has been any update from Baringa in terms of feedback from the previous meeting. CF confirmed Baringa have taken on board all the comments received.

JCx asked if there would be any further industry engagement with Baringa. She expressed concern about limiting any further dialogue to the consultation as this may be too late in the process for any additional concerns. JCx stressed there would be some merit in an update from Baringa as a sense check. CF agreed to take this suggestion away and to look at what point further industry engagement may be used. NW confirmed he had been in contact with Baringa directly as a representative of a Modification 0621 alternative proposer to provide any required clarity. He understood Baringa will be reporting at the end of October and in the report, there will be a separate document that will include all the assumptions. It was suggested it would be good for the industry to have sight of the assumptions before publication to avoid/reduce any risks as a result of the assumptions.

RHa questioned if Ofgem supported parties contacting Baring direct; CF encouraged the proposers to provide any clarity to Baringa.

CF confirmed that additional engagement will be considered by Ofgem and how and when best to engage.

DH asked if there would be an additional NTSCMF meetings to facilitate additional engagement. CF clarified that any additional engagement would look to use an existing forum.

In addition to the 0621 update, Ofgem confirmed that:

- the Article 26 preliminary consultation results are being considered.
- the urgency request for Modification 0667 had been rejected at the end of last week as the modification did not meet the urgency criteria. AB explained that this is going to be discussed at Transmission on 04 October as there are concerns about the timing of this modification. He encouraged Ofgem to attend the meeting to allow consideration of the concerns.

1.3. Pre-Modification discussions

1.3.1. Review of the changing methodology to avoid the inefficient bypass of the NTS

JG provided an updated draft Request Modification. The purpose of the Request is to conduct a review an assessment of the charging methodology that is a feature of the overall Gas Transportation Charging framework to avoid inefficient bypass of the NTS.

JG summarised the changes made. He clarified that the full scope of the review will be dependent on the group's feedback. He acknowledged some minor points regarding the level of detail and acknowledged National Grid will need to bear in mind the decision from Ofgem's 0621 impact assessment as to what the possible solutions may be. He explained that the

¹ See consultation template for Modification 0621, available here: <http://www.gasgovernance.co.uk/0621>

Impact and Costs were not yet known until the full scope and solutions are developed.

The Workgroup re-considered the composition of the Request Group and whether DNs should be listed in terms of quoracy and how non-attendance should not hold up proceedings. DH believed it would be prudent to include the DNs to avoid any polarise views which could cause problems. JCx stressed that the DNs should be encouraged to participate but they may not be required to ensure quoracy. There was an opinion that the DNs would have a useful input but were not required for quoracy. It was acknowledged that all Workgroups are open meetings and all parties are encouraged to be involved. It was suggested that a view on quoracy should be obtained from the Panel. RHa wished to encourage at least two Transporters to attend meetings from a good governance point of view. DH expressed that the scope of this review was not simply a Transmission issue and may have charging implications, she therefore encouraged DN participation. GJ expressed the view that having a balance was important and it was also important not to stall any work because of DNs not attending meetings.

BR stressed that the Request Group should clearly identify the impacts on DNs and assess what the impacts are. BR also asked about the scope of the review and ensuring compliance with the EU Tariff Network Code.

BR suggested, to aid discussions at the November meeting, all parties should be encouraged to consider any documentation previously produced on this topic and either provide useful links to these or re-publish them along-side the Request. Any such items/links can be sent to the Joint Office.

BR also asked about any analysis supporting the Request and encouraged any pre-work that has been undertaken by National Grid is shared.

DH asked about the principles. CW stressed that there should be a review of the objectives and principles, alongside considering how short-haul could be managed differently.

CW recognised there would need to be some touch points with the 0621 modifications but this Request is not completely dependent on 0621. He emphasised that the 0621 outcome may have some bearing on the Request Workgroup and that the group wouldn't want to conclude before the conclusions of 0621. CW noted if, for example, Ofgem approved the WWU 0621 modification (0621D) this would send a clear steer on the way forward for short-haul.

NW agreed a review on short-haul and whether the industry want to change the current arrangements was required, however he recognised there may be a risk that the Ofgem decision for the 0621 Modifications will have an impact on any short-haul replacement. He suggested that this Request workgroup may require fortnightly meetings to support the extent of the work required.

The NTSCMF Workgroup believed that 6-8 months would be required to undertake the review. It was anticipated that any modification(s) would be required around March 2019.

Action 1001: National Grid and Joint Office to consider the facilitation of fortnightly Request Group meetings to support the required Review of Shorthaul.

2. Standard NTSCMF topics

2.1. Update on Long Term Revenue Forecasts

Update deferred until November.

3. Workgroups

None at present.

4. Forecasted Contracts Capacity (FCC) Update

SC provided a presentation on the forthcoming work on Forecasting Contracted Capacity (FCC) and provided the background for the calculation of Transmission Services capacity

charges.

National Grid have started to look at this and look at how a point specific entry / exit capacity booking forecast can be carried out using a method which is transparent and can be published.

JCx enquired if the intention is to aim for principles or a methodology. SC suggested looking at the principles and numbers which may help feed into a methodology.

PJ asked about the input and assumptions and commercially sensitive information. SC acknowledged there may be an accuracy verses transparency issue. She suggested that the industry may have the methodology and the principles published but if there are components that are sensitive then this needs to be considered.

JCx explained that the values need to be understood. AB recognised that with the re-production of the model there may be a reluctance for parties to publish the data.

The Workgroup considered the publication of the code and the ability to re-produce the tariffs without the data that goes into the model.

JCx referred to EU Tariff Code² Article 30 which covers what needs to be published before the tariff period. It was clarified that the FCC should be published at every point, where those points are not relevant points. The information at non-relevant points should be published in aggregate. The EU Tariff Code is clear that the FCC and assumptions are required to be published. It was believed that the relevant points excluded Power stations, large industrials, and possibly storage.

The Workgroup considered the transparency of the FCC, NW suggested the first base would be to use historical data. JCx highlighted the risk of substitution, recognising that the average flows may be used and 1in20 for DNs.

NW challenged how to move away from a structured forecasting process. One option may be to consider a methodology which uses historical data.

BR acknowledged the need to make certain assumptions and the use of the UK long range forecast UKLF to determine levels.

GJ asked what the next steps would be. SC explained that National Grid are currently gathering data and welcomed views from parties if they wished to feed into the process.

SC provided a timetable for the data modeling in December.

Action 1002: National Grid and Joint Office to consider the timescales required to support FCC developments and ensure sufficient meetings are in place.

KI was keen to have a simple description of the methodology and what information is being used to understand how the model is calculated.

JCx welcomed some more information on the assumptions. SC explained National Grid are building a 'mega model'.

DH asked if there might be merit in initially going back to the principles. SC confirmed that National Grid will be bringing the principles, assumptions and the data to the Workgroup to understand how the assumptions may have an impact.

It was agreed to review the existing principles and assumptions document ahead of the next NTSCMF meeting.

Action 1003: All parties to review the one page principles and assumptions summary for Forecasted Contracted Capacity from 21 April 2017, available on the NTSCMF Documents Library at:

² EU Tariff Code 2017/460 <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32017R0460&from=EN>

<http://www.gasgovernance.co.uk/index.php/ntscmf/subg1page>

5. Issues

RH highlighted that Issue ISS066 – Implications of decommissioned Exit/Entry points is being considered by the Transmission Workgroup.

6. Review of Outstanding Action(s)

NTSCMF 0801: National Grid (CW) to provide an update at the November meeting on Long Term Revenue Forecast.

Update: Deferred to November. **Carried Forward**

NTSCMF 0901: National Grid (CW) to confirm if PARCA applications are made before 01 October which charge will apply (i.e the live charge before 01 October) and to clarify when the charges are published and go live.

Update: CW provided a [slide](#) to confirm which charges apply to PARCAs and when these apply (this is available at <http://www.gasgovernance.co.uk/ntscmf/021018>). JCx asked National Grid to confirm what the key dates are and the date at which the charges apply. JCx wished to understand what date of the PARCA process triggers the security amounts. CW confirmed further clarity would be provided. **Carried Forward**

7. Any Other Business

7.1. Analysis to compliment Mod 0621 Impact Assessment (Julie Cox, Energy UK)

JCx referred to the graph incorporated into Energy UK’s response for Modification 0621 on page 23³. JCx explained since the production of this graph, there have been some further entry capacity bookings and asked whether the additional impact of these bookings, should be taken into account. JCx explained that the Graph shows the postage stamp model, to pull out the average price for entry prices and the average price paid for existing contracts.

JCx asked if parties wanted to review the graph and provide some analysis to Ofgem and Baringa, and whether parties should look at existing contracts signed since April 2017.

JCx suggested National Grid should be able to provide data to update the graph for it to include more recent contract data and recent QSEC auctions.

The Workgroup considered the value of updating the analysis.

Action 1004: National Grid (SC) to provide the updated contract data to Energy UK to enable an update to the Average Price Comparison graph for recent QSECs.

SC confirmed Baringa are being provided with analysis from National Grid.

8. Diary Planning

Further details of planned meetings are available at:

<https://www.gasgovernance.co.uk/events-calendar/month>

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:00 Tuesday 06 November 2018	Elxon, 350 Euston Road, London NW1 3AW	Standard Workgroup Agenda Forecasted Contracted Capacity (FCC) Update

³ Energy UK’s consultation response for Modification 0621 is available here: <https://www.gasgovernance.co.uk/0621/Reps>

		PARCA Application Action Update
10:00 Tuesday 04 December 2018	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Standard Workgroup Agenda
10:00 Thursday 10 January 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Standard Workgroup Agenda
10:00 Tuesday 05 February 2019	Elexon, 350 Euston Road, London NW1 3AW	Standard Workgroup Agenda
10:00 Tuesday 05 March 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Standard Workgroup Agenda
10:00 Tuesday 02 April 2019	Elexon, 350 Euston Road, London NW1 3AW	Standard Workgroup Agenda

Action Table as at 02 October 2018

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
NTSCMF 0801	01/08/18	2.1	National Grid (CW) to provide an update at the November meeting on Long Term Revenue Forecast.	National Grid NTS (CW)	Carried Forward
NTSCMF 0901	04/09/18	7.1	National Grid (CW) to confirm if PARCA applications are made before 01 October which charge will apply (i.e the live charge before 01 October) and to clarify when the charges are published and go live.	National Grid NTS (CW)	Carried Forward
NTSCMF 1001	02/10/18	1.3.1	National Grid and Joint Office to consider the facilitation of fortnightly Request Group meetings to support the required Review of Shorthaul.	National Grid NTS & Joint Office	Pending
NTSCMF 1002	02/10/18	4.0	National Grid and Joint Office to consider the timescales required to support FCC developments and ensure sufficient meetings are in place.	National Grid NTS & Joint Office	Pending
NTSCMF 1003	02/10/18	4.0	All parties to review the one page principles and assumptions summary for shorthaul from April 2017, available on the NTSCMF Documents Library at: http://www.gasgovernance.co.uk/index.php/ntscmf/subg1page	All11	Pending
NTSCMF 1004	02/10/18	7.1	National Grid (SC) to provide Energy UK (JCx) the updated contract data to Energy UK to enable an update to the Average Price Comparison graph for recent QSECs.	National Grid NTS (SC)	Pending