

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 06 November 2018
at Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW

Attendees

Rebecca Hailes (Chair)	(RH)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Alastair Tolley	(AT)	EP UK Investments
Alex Nield*	(AN)	Storengy
Alison Langford	(AL)	Exxonmobil International Ltd
Alsarif Satti	(AS)	Ofgem
Andrew Pearce	(AP)	BP
Anna Shrigley	(AS)	ENI
Bill Reed	(BR)	RWE Supply & Trading
Charlotte Friel	(CF)	Ofgem
Colin Hamilton	(CH)	National Grid
Colin Williams	(CW)	National Grid
Debra Hawkin	(DH)	TPA Solutions
Gerry Hogan	(GH)	Scottish Power
Graham Jack	(GJ)	Centrica
Iwan Hughes*	(IH)	Vitol - VPI Immingham
James Gudge	(JG)	National Grid
Jeff Chandler	(JC)	SSE
John Costa	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kamla Rhodes	(KR)	Conoco Phillips
Kirsty Ingham	(KI)	ESB
Mark Rixon*	(MR)	Engie
Nick Wye	(NW)	Waters Wye
Nicky White	(NW _h)	Npower
Nitin Prajapati	(NP)	Cadent
Paul Youngman	(PY)	Drax
Pavanjit Dhesi*	(PD)	Interconnector
Richard Fairholme*	(RF)	Uniper
Scott Keen*	(SK)	Triton Power
Sinead Obeng	(SO)	Gazprom Marketing & Trading
Smitha Coughlan*	(SC)	Wales & West Utilities
Steve Pownall	(SP)	Xoserve
Wenche Tobiasson	(WT)	Intergen
Will Webster	(WW)	Oil & Gas UK

* via teleconference

Copies of all papers are available at: <https://www.gasgovernance.co.uk/NTSCMF/061118>

1. Introduction and Status Review

1.1. Approval of Minutes (02 October 2018)

Rebecca Hailes (RH) advised of an amendment made to the original minutes in relation to Action 1003 on page 4 where the word 'shorthaul' was replaced with 'Forecasted Contracted Capacity before seeking further comments. Julie Cox (JCx) asked for a correction to the minutes under Agenda item 4.0. The following paragraph on page 4:

"JCx referred to EU Tariff Code 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 is published in aggregate."

was amended as follows:

"JCx referred to EU Tariff Code¹ 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 minutes from the previous meeting were approved subject to the above changes.

1.2. Modifications with Ofgem

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

Charlie Friel (CF) explained that the Ofgem compliance assessment continues to progress and remains on-track. Ofgem expects to reach a decision around mid-November and the findings will be published shortly after this. She also confirmed that whilst the core work has been completed, the quality assurance work is on-going.

It is expected that the consultation on the implementation of TAR NC will last for at least the minimum duration of 8 weeks, subject to confirmation at the time of publication

In response to a question, CF confirmed that Ofgem will be holding a workshop during the consultation phase to seek views on the modelling work.

CF said she expected the Ofgem standard Christmas publication moratorium will last from 18 December 2018 to early January. This will be shortly be officially confirmed in the usual manner.

Workgroup participants emphasised the need for adequate time for industry to respond to consultation and expressed concern at the tight timetable, seeking clarification that a decision will be made in the last quarter of 2018.

Richard Fairholme (RF) also expressed concern about the overall timeline and whether there will be sufficient time to investigate any material issues identified through consultation and what if any impact this might have on achieving a decision by April 2019. In addition, some Workgroup participants raised concern that the knock-on implications of any delay may impact National Grid's 2019 auction (QSEC/AMSEC etc.) pricing announcements. In response, CF commented that Ofgem believes that there is enough time to consider views in time for the TAR deadline but the Ofgem decision may be delayed if substantive issues are identified. She also confirmed that Ofgem is working closely with NG to align key actions such as pricing.

Anna Shrigley (AS) suggested that it may be helpful for National Grid to provide a diagram to highlight the timetable giving a clear picture of what to expect and when. Colin Williams indicated that this could be done but it would only be a provisional diagram as not all

¹ EU Tariff Code 2017/460 <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32017R0460&from=EN>

dependencies could be included.

A brief discussion took place following a question from Nick Wye (NW) seeking more information on Ofgem's latest thinking in relation to the three issues highlighted by the Agency for the Cooperation of Energy Regulators (ACER):

- Transitional period
- Short-haul
- Interim contracts.

CF stated that Ofgem are not in a position to respond yet and that this should not prevent a broader look at inefficient bypass. She indicated that the review of the charging methodology to avoid the inefficient bypass of the NTS (Modification 0670R) should therefore continue.

Concern was also raised about the potential for a new modification(s) if none of the 0621 suite of modifications is implemented. CF stated that Ofgem cannot prejudice what the next steps would be. RH reminded Workgroup participants that Ofgem also has the power to raise a modification.

CF also confirmed that Ofgem continues to have dialogue with ACER and with CRU (the National Regulatory Authority for Ireland (EIRE))².

Workgroup participants re-iterated earlier questions about the timetable, seeking assurance as to whether the mid-November decision by the Gas and Electricity Markets Authority (GEMA) would still happen as planned and when a final decision would be made. CF stated that Ofgem expect to return to GEMA before making a final decision and confirming that the GEMA report will be subject to consultation.

RH suggested that Ofgem could consider providing a confirmatory timetable.

National Grid Preliminary Consultation on EU Commission Regulation 2017/460

Colin Hamilton (CH) provided a walkthrough of the paper provided for the meeting (Summary of responses to preliminary consultation on EU Commission Regulation 2017/460 (EU Tariff Code)). He highlighted the background to the consultation and the key points from the consultation responses before providing some feedback on the options discussed. He reminded Workgroup that this was a parallel consultation to that of UNC 0621 and this might have contributed to the low response as only 4 responses were received.

In conclusion, CH reported that it was difficult to identify general themes due to the small sample size. However, there was a consistent request for more detailed analysis including justification for proposed changes.

He also reminded Workgroup participants that this was a preliminary response and that the final formal consultation is expected to receive a greater participation.

CH confirmed that the responses (from SSE, Energy UK, Vermillion and Storengy UK Ltd) will shortly be made available on the National Grid website.

In response to a question from JCx about whether the template would be used for the final ACER consultation, CF confirmed that Ofgem recognises that the template is not fit for purpose and will consider an alternative template.

Bill Reed (BR) suggested that 2 separate templates may be appropriate as there are 2 separate questions; one around compliance which is technical in nature and the other around which modification is considered to be better. CF stated that they do regard it as 2 separate pieces of work but they will run on the same timeframe.

Workgroup participants reiterated the need for industry time to respond to consultations and suggested that having an Ofgem 'minded-to position' might help to reduce the size of the consultation document and therefore, allow industry more time to respond and give each

²Eire NRA: Commission for Regulation of Utilities <https://www.cru.ie/>

0621 modification the opportunity for proper and adequate assessment.

1.3. Pre-Modification discussions

None.

2. Standard NTSCMF topics

2.1. Update on Long Term Revenue Forecasts

CW confirmed that the material on Long term Revenue Forecasts is still not ready so the update was deferred until December.

JCx asked National Grid for more explanation of why the published charges have gone up. CW confirmed that the detail will be provided in the updated forecast and the annual Price Control Financial Model (PCFM) document from Ofgem. NW suggested that it would be helpful to include a supporting commentary spreadsheet alongside and at the same time as the published information so that industry can see the detailed breakdown.

New Action 1101: National Grid (CW) to explain why the charges are going up and to provide supporting information to provide industry with a more detailed breakdown.

3. Workgroups

3.1. 0670R - Review of the charging methodology to avoid the inefficient bypass of the NTS

(Report to Panel 16 May 2019)

<http://www.gasgovernance.co.uk/0670>

4. Forecasted Contracted Capacity (FCC) Update

CW stated that there was no update for this month and that a full update would be provided for either the December or January 2019 meeting.

Kirsty Ingham (KI) emphasised the importance of having a full description of the methodology including which options were considered and discounted. CW confirmed that a written narrative will be provided on the numbers and the assumptions used.

5. PARCA Application Action Update

CW provided an update on action 0901 in relation to which charges apply to PARCAs and when they apply. He provided a brief presentation detailing additional clarification. JCx suggested that the situation is still not clear as there is ambiguity in that the security amounts are based on the prices in the prevailing charging statement effective at the time the PARCA is to be issued but if there is a delay in signing the PARCA agreement beyond October then which numbers would apply? CW referred to part of Section Y which gives the example of the phasing of the security amounts as shown in the supporting slide JCx asked where this is referenced in the UNC. It was agreed that more clarification to address the question above about issuing a PARCA in September and signing in October was required so this action was carried forward.

6. Average Price Comparison Graph Update

JCx provided a presentation in relation to action 1004 - National Grid (SC) to provide Energy UK (JCx) the updated contract data to enable an update to the Average Price Comparison graph for recent QSECs. The presentation included 4 comparison slides which help to illustrate the impact. She informed the Workgroup that some errors were found in the existing contract data sections of the 0621 Modification models.

The purpose of the analysis was to determine if there is a distortion in the market and Energy UK's view is that there is a distortion and she suggested that this was also Ofgem's view but Ofgem were not present to acknowledge this. In addition, she suggested that as the TAR NC

has now been finalised, the issue of existing contracts needs to be addressed and minimising any distortions should be a key focus for Ofgem. Workgroup agreed that the question of whether existing contracts should be included or excluded with FCC in the price calculations needs to be addressed.

New Action 1102: Energy UK to liaise with Ofgem to enable consideration of potential evidence of distortion in relation to the impact assessment of the suite of 0621 Modifications.

7. Issues

None.

8. Review of Outstanding Action(s)

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

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

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: See agenda item 4.0 above. **Carried Forward**

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

Update: RH stated that this will be kept under review and additional meetings will only be added if it was clear that Workgroup participants considered there to be a clear need for them. The plan submitted by National Grid in relation to Modification 0670R includes additional meetings in February, March and April 2019 (see minutes for Workgroup 0670R available at: www.gasgovernance.co.uk/0670). This item was therefore closed. **Closed**

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

Update: Awaiting further clarification from National Grid. Deferred to December. **Carried Forward**

1003: All parties to review the one page principles and assumptions summary for Forecasted Contracted Capacity from April 2017, available on the NTSCMF Documents Library at: <http://www.gasgovernance.co.uk/index.php/ntscmf/subg1page>

Update: RH reminded Workgroup participants of the reference documents available on the website and to allow further time for review this action was carried over. **Carried Forward**

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.

Update: See agenda item 6 above. This action was therefore closed and a new action raised. **Closed**

9. Any Other Business

None.

10. Diary Planning

RH sought participants views on whether the meeting scheduled for 02 January 2019 should be moved to the following week. It was agreed that the meeting should be moved to Thursday 10 January 2019.

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 04 December 2018	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Standard Workgroup Agenda Forecasted Contracted Capacity (FCC) Update PARCA Application Action Update
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 06 November 2018

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
NTSCMF0801	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 Update expected 04 December
NTSCMF0901	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 Update expected 04 December
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	Closed
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	Carried Forward
NTSCMF 1003	02/10/18	4.0	All parties to review the one page principles and assumptions summary for Forecasted Contracted Capacity from April 2017, available on the NTSCMF Documents Library at: http://www.gasgovernance.co.uk/index.php/ntscmf/subg1page	All	Carried Forward
NTSCMF 1004	02/10/18	7.1	National Grid (SC) to provide Energy UK (JCx) the updated contract data to enable an update to the Average Price Comparison graph for recent QSECs.	National Grid NTS (SC)	Closed
NTSCMF 1101	06/11/18	2.1	National Grid (CW) to explain why the charges are going up and to provide supporting information to provide industry with a more detailed breakdown.	National Grid NTS (CW)	Pending
NTSCMF 1102	06/11/18	6.0	Energy UK to liaise with Ofgem to enable consideration of potential evidence of distortion in relation to the impact assessment of the suite of 0621 Modifications.	Energy UK (JCx)	Pending