

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 04 June 2019
at Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW

Attendees		
Rebecca Hailes (Chair)	(RH)	Joint Office
Helen Cuin (Secretary)	(HC)	Joint Office
Adam Bates	(AB)	SouthHook Gas
Andrew Pearce	(AP)	BP
Anna Shrigley	(AS)	Eni
Bill Reed	(BR)	RWE Supply & Trading
Colin Williams	(CWl)	National Grid
Daniel Hisgett	(DH)	National Grid
David O'Neill	(DON)	Ofgem
Debra Hawkin	(DH)	TPA Solutions
Graham Jack	(GJ)	Centrica
Henk Kreuze*	(HK)	Vermilion
James Gudge	(JG)	National Grid
Jeff Chandler	(JCh)	SSE
John Costa	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kamla Rhodes	(KR)	ConocoPhillips
Kirsty Ingham	(KI)	ESB
Niall Coyle*	(NC)	E.ON
Nick Wye*	(NW)	Waters Wye
Nicky White	(NWl)	npower
Sinead Obeng	(SO)	Gazprom Marketing & Trading
Steve Pownall	(SP)	Xoserve
Terry Burke	(TB)	Equinor
* via teleconference		

Copies of all papers are available at: <http://www.gasgovernance.co.uk/ntscmf/040619>

1. Introduction and Status Review

1.1. Approval of Minutes (30 April 2019)

The minutes from the previous meeting were approved.

1.2. Modifications with Ofgem

DON acknowledged that the 0678 Final Modification Report had been provided to Ofgem. However, there was no further update available from Ofgem at this stage.

1.3. Pre-Modification discussions

None raised.

2. Forecasted Contracted Capacity (FCC) Update

JCx provided a number of considerations for the FCC. She explained that when the FCC values

were published a number of concerns were raised, some of which were addressed at the time. Others were noted but the industry did not have time for a deeper dive. JCx highlighted some weaknesses in the FCC methodology and some uncertainties regarding the consistency of data. She believed now would be a good time to come back and look at these issues and see if these can be addressed in time for the Article 26 the ACER final consultation.

CWi provided a high-level overview of the FCC Methodology explaining the exception rules and the means of applying some form of discretion. He clarified that an approach had been taken to use a mix of existing forecast information and historical information, applying some additional logic.

CWi suggested he would provide a response to each of the points provided. RHa agreed to provide the points raised in a spreadsheet to log the responses. This will be published at <http://www.gasgovernance.co.uk/ntscmf/020719>). RHa invited all parties to provide comments to each of the items.

JCx confirmed a survey of Energy UK members had been undertaken and the general response was this is a reasonably significant issue with some indications made that the FCC methodology should be in the UNC.

The Workgroup started to look at each item in the paper provided by JCx. After an initial discussion on the first two items, it was agreed this would be considered further at the July NTSCMF once actions from today's meeting had been addressed. In preparation for this July meeting National Grid would provide a response to each point raised and provide a detailed timeline to illustrate the application of the FCC methodology.

Action 0601: National Grid to respond to each of the FCC issues and provide a detailed timeline with a a Walkthrough of the practical application of the FCC methodology calculation and how it will feed into tariffs.

Methodology issues:

- CWi confirmed that the current method takes previous years' data, for capacity values, and that the forecast comes from an updated forecast.
- CWi confirmed that feedback had been provided by industry that it would be best not to simply use historical or forecast data, therefore an attempt had been made to find a hybrid.
- JCx suggested the Workgroup should look at the end to end application to understand how, where and when.
- CWi confirmed if one of the 0678 Modifications is implemented, the values will be shared as soon as available.
- GJ recognised some behaviours may change as a result of a change in the methodology.
- GJ welcomed the discretion elements to ascertain sensible values as long as the principles are clearly articulated.
- BR believed there was an element missing as to how the methodology would be produced and utilised. There was no clear cut-off point indicating how long the values would be valid for and it was not clear how the process would work in practice.
- BR highlighted the need to ensure tariff clarity, noting there appears to be some volatility. He wished for further clarity on how the calculation will feed into the tariff, how tariffs will be calculated and how subsequent challenges will be managed when it comes into force. He also wanted to understand if there will be any exceptions or impacts on future bookings. He acknowledged the methodology was a pragmatic way to calculate forecasts but the industry needs to understand how this will be applied in practice. Industry is looking for robustness.
- It was suggested a Walkthrough on the practical application would be helpful, for example,

milestones, and a detailed timeline.

- It was challenged that a revision is required to set out how this process will work.
- DH believed the industry need to consider materiality.
- AS expressed the need to understand the probability, what is the variation that would trigger revenue recovery charges being applied within-year, or what is the secondary impact of under/over recovery into the following period. She emphasised that the mechanism is required for sharing information with the User community as they need to know the prospect of charges being changed. This should be added as an issue. It was agreed that Under/Over recovery needs to be considered.
- BR wished to highlight that there is no assurance process, monitoring or reviews planned to learn from the practical application of the methodology. He suggested it should be reviewed regularly and an assurance process should exist to ensure accuracy. RHa suggested this should be added as a further issue.
- It was acknowledged that this will potential be a material change to the process; historical data could not be used and the best intelligence would be from application.

3. Update on Long Term Revenue Forecasts

CWi confirmed that the Revenue Forecast is now available, and a presentation will be and published for discussion at the July NTSCMF.

CWi advised that the forecast is based on formula years, allowed revenue is for the period April-March translated into October prices. He highlighted a see-saw/zig-zag pattern will still be present.

JCx expressed that tariff instability is a concern and this should be addressed. The Workgroup discussed the volatility and that this needs further consideration. CWi clarified that nothing is off the table. It was suggested that National Grid and Ofgem need to further consider how this should be managed to drive more stable, predictable charges.

<p>Action 0602: National Grid and Ofgem to consider solutions to tariff uncertainty associated with change in allowed revenue, due to Tariff vs Regulatory Year, e.g. licence changes, 'softening' of over/under recovery.</p>

It was agreed to have a standing Agenda Item 'Tariff Vs Regulatory Year'.

4. PARCA Application Process

JG confirmed no feedback had been provided on the Application Process, counter signatory or acceptance periods (see Action 0401). CWi explained that further clarity was provided last month, and feedback had been requested on changes parties required or any problems that are being encountered.

JCx understood that when the PARCA is issued for signature it fixes the value. However, she wished to understand what would happen if the party doesn't sign it within a reasonable window. CWi again clarified the discretion on the signatory period and that the security would not be re-calculated. JCx challenged what would happen if there was a cross over into a new price year, how long can the signatory be left outstanding. CWi confirmed if there was a stepped change this

would be discussed with the parties involved.

5. Workgroups

5.1. 0670R - Review of the charging methodology to avoid the inefficient bypass of the NTS
(Report to Panel 15 August 2019)
<http://www.gasgovernance.co.uk/0670>

6. Issues

None.

7. Review of Outstanding Action(s)

Action 0401: All to provide details on any specific gaps in the PARCA Applications process which need to be addressed.

Update: See item 4.0. CWi confirmed that no feedback had been provided. Further clarification was provided on the process and the Workgroup agreed closure of this action. **Closed.**

8. Any Other Business

8.1. User Representatives Appointment Process

RHa provided a brief overview of the upcoming UNC User Representative Appointment Process drawing attention to the key dates:

- Single Point of Contacts - the registration process to update or provide new SPoCs will close on 28 June 2019. Parties have been reminded to update their contacts and the industry has been encouraged to provide new SPoC registrations.
- By 01 July 2019 – Registered SPoCs will be invited to nominate Modification Panel/UNCC and Sub-Committee representatives. The nomination process will last no longer than 3 weeks.
- By 01 August 2019 – Registered SPoCs will be advised if an election is required. Elections will last no longer than 3 weeks.
- By 01 September 2019 - Joint Office will issue notification of the elected candidates.
- From 01 October 2019 - elected members will take up positions on the UNC Modification Panel/UNCC and Sub-Committees.

9. Diary Planning

Further details of planned meetings are available at: <https://www.gasgovernance.co.uk/events-calendar/month>

Time / Date	Venue	Workgroup Programme
10:00 Tuesday 02 July 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Standard Workgroup Agenda Tariff Vs Regulatory Year
10:00 Tuesday 30 July 2019	Elaxon, 350 Euston Road, London NW1 3AW	Standard Workgroup Agenda
10:00 Tuesday 03 September 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Standard Workgroup Agenda

10:00 Tuesday 01 October 2019	Elexon, 350 Euston Road, London NW1 3AW	Standard Workgroup Agenda
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Action Table as at 04 June 2019

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0401	30/04/19	6.0	All to provide details on any specific gaps in the PARCA Applications process which need to be addressed	All	Closed
0601	04/06/19	2.0	National Grid to respond to each of the FCC issues and provide a detailed timeline with a a Walkthrough of the practical application of the FCC methodology calculation and how it will feed into tariffs.	National Grid (CW _i)	Pending
0602	04/06/19	3.0	National Grid and Ofgem to consider solutions to tariff uncertainty associated with change in allowed revenue, due to Tariff vs Regulatory Year, e.g. licence changes, 'softening' of over/under recovery.	National Grid (CW _i) and Ofgem	Pending