

**NTS Charging Methodology Forum (NTSCMF) Minutes  
Tuesday 04 August 2020  
Via Teleconference**

<b>Attendees</b>		
Rebecca Hailes (Chair)	(RH)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Adam Bates	(AB)	South Hook Gas
Anna Shrigley	(ASh)	Eni Trading & Shipping
Bill Reed	(BR)	RWE
Chris Wright	(CW <sub>r</sub> )	Exxon Mobil
Colin Williams	(CW)	National Grid
Dan Hisgett	(DH <sub>i</sub> )	National Grid
Daniel Wilkinson	(DW)	EDF Energy
Dave Bayliss	(DB)	National Grid
David O'Neill	(DON)	Ofgem
Debra Hawkin	(DH)	TPA Solutions
Henk Kreuze	(HK)	Vermilion Energy
Jeff Chandler	(JCh)	SSE
Julie Cox	(JC <sub>x</sub> )	Energy UK
Julia Haughey	(JH)	EDF Energy
Kamla Rhodes	(KR)	Conoco Phillips
Kamila Nugumanova	(KN)	ESB
Laura Johnson	(LJ)	National Grid
Nick Wye	(NW)	Waters Wye Associates Ltd
Nitin Prajapati	(NP)	Cadent
Paul Youngman	(PY)	Drax
Pavanjit Dhesi	(PD)	Interconnector
Richard Fairholme	(RF)	Uniper
Ricky Hill	(RH)	Centrica
Sinead Obeng	(SO)	Gazprom
Steve Pownall	(SP)	Xoserve

Copies of all papers are available at: <http://www.gasgovernance.co.uk/ntscmf/040820>

**1. Introduction and Status Review**

Rebecca Hailes (RH) welcomed everyone to the meeting and invited introductions.

**1.1. Approval of Minutes (07 July 2020)**

The minutes from the previous meeting were then approved.

**1.2. Approval of Late Papers**

None for NTSCMF.

### 1.3. Modifications with Ofgem

David O'Neill (DON) provided an update on the following Modifications, as detailed below:

**Modification 0727** (Urgent) - Increasing the Storage Transmission Capacity Charge Discount to 80%. DON said this Modification was under consideration. He confirmed that Ofgem would need to consider the Article 29 and 32 issues raised in the Ofgem July UNC0728 letter and implementation date would be part of the 0727 decision.

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**Modification 0728/A/B/C/D** (Urgent) - Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS. DON explained that CEPA were undertaking an Impact Assessment, using the new Future Energy Scenarios provided by National Grid and that he would keep NTS CMF updated.

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Pavanjit Dhesi (PD) asked when the Impact Assessment would be completed and published, as he said this information was required as a matter of urgency. Jeff Chandler (JCh) also concurred with this comment and said that an overall decision was required in the shortest timeframe possible. DON said he was aware of the urgency of this urgent Mod and that Ofgem would make their decision as soon as possible, noting they were doing an Impact Assessment on which they would need to consult.

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**Modification 0716/A** - Revision of Overrun Charge Multiplier. DON said that this Modification was under consideration and that Ofgem were working through the representations as detailed in the Final Modification Report.

**Modification 0686** - Removal of the NTS Optional Commodity Rate with adequate notice. DON said the final Impact Assessment was being worked on and there was no decision date. He noted that this Modification had been deprioritised as previously discussed.

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### 1.4. Pre-Modification discussions

There were no Pre-Modifications discussions.

## 2. Workgroups

### 2.1. 0729 – Applying a discount of the Revenue Recovery Charge at Storage Points

(Report to Panel 17 September 2020)

<https://www.gasgovernance.co.uk/0729>

## 3. Forecasted Contracted Capacity (FCC) Review

### 3.1. FCC Methodology Issues Log

Colin Williams (CW) reiterated his comments from the June 2020 meeting and explained that the FCC values had now been published on 05 June 2020 alongside the prices and he had nothing more to add at the present time.

## 4. Long Term Revenue Forecasts

CW explained that the Long-Term Revenue Forecasts had been published on the Joint Office and National Grid's websites, and if anyone had a specific question then they should contact National Grid directly.

Julie Cox (JCx) raised some concerns in relation to the RIIO-2 draft determinations and the uncertainty mechanisms. CW said that National Grid were presently investigating this area, along with how to accommodate the potential timings involved, and he added that this was being undertaken as a priority.

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JCx said that it would be really helpful if this information was available prior to the 04 September 2020 deadline, so to provide clarity on the timings and the re-openers for this year and 2021 year, in respect of the changes in revenue allowances being reflected in the costs.

Bill Reed (BR) asked CW if he had a view on this mechanism and how this react with the capacity revenue charge and the uncertainty of the revenue charges. CW said that it was too early at the present time to know how these would work. BR said that this area must be resolved for 2021 and directed this comment to National Grid and Ofgem respectively. DON said that whether any change in allowed revenues in the context of RIIO-2 re-openers could or should be accommodated using the RRC or needed to go through the Art 29/32 process would need to be considered at some point. He reminded Workgroup participants that re-openers would have to go through a process and there may be time in the process to ensure that changes in revenues and charges could slot into the Art 29/32 process.

BR requested that this topic needed to be documented in detail in relation to the Charging Methodology and the UNC Network Code, as to how these two areas would interact, especially regarding the re-openers. JCx agreed with this comment and added that there was no certainty at all until Ofgem made their decision. DON agreed to investigate this area.

**New Action 0801:** Ofgem (DON) to see if he can give clarification on the effect of any re-openers (and subsequent changes to allowed revenue) on charges and the timings of any changes, together with clarification as to whether the use of Revenue Recovery Charge (RRC) for recovery of such a change, is likely to be compliant with EU TAR.

## 5. Issues

Deferred until the September meeting.

## 6. Review of Outstanding Action(s)

**Action 0602:** Ofgem (DON) to provide clarification of any whole systems approach to the capacity bookings, with the aim of encouraging efficient locational bookings by the GDNs.

**Update:** DON explained that Ofgem had now published the RIIO-2 draft determinations and referred to Chapter 2 of the Gas Distribution Annex where this specific issue was covered: [https://www.ofgem.gov.uk/system/files/docs/2020/07/draft\\_determinations\\_-\\_gd\\_sector\\_0.pdf](https://www.ofgem.gov.uk/system/files/docs/2020/07/draft_determinations_-_gd_sector_0.pdf).

Paul Youngman (PY) asked if the determinations removed the specific incentive on the networks and licence. DON referred to previous answer. JCx enquired if the information available was sufficiently comprehensive regarding distribution and transmission and how this was monitored. DON said that this was something that could be covered in responses to the RIIO-2 draft determinations consultation.

DON then confirmed this action could be closed. **Closed.**

**0701:** National Grid (CW) to summarise the approximate changes to capacity charges in totality for LDZ offtakes (i.e. total per LDZ zone) under the prevailing arrangements and those with effect from 01 October 2020.

**Update:** CW and Dan Hisgett (DH) provided a summary of the approximate changes to capacity charges as detailed below:

- Total approximate charges per LDZ zone (payable by the GDNs) at the LDZs. These will consider only capacity-based charges.

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<https://www.ofgem.gov.uk/publications-and-updates/riio-2-draft-determinations-transmission-gas-distribution-and-electricity-system-operator>

- Uses October 2019 Exit Capacity charges and the published Exit Postage Stamp prices for October 2020, issued June 2020.
- Capacity data from the Long-Term Summary Reports and FCC:
  - September 2019 LTSR for 2019/20 data, July 2020 LTSR for 2020/21 data
  - FCC data from those used in Setting October 2020 Postage Stamp price
- Intended to provide an approximate view, that illustrates the potential scale of changes to Transportation charges to support any questions/comments to GDNs and their pricing forecasts

PY questioned if this charge would be present on every consumers' bill in two years' time and he said that the number of consumers by LDZ was known, so this information was available.

CW said it would depend on how it played through with regards to pre and post implementation of Modification 0678A in relation to the mechanisms within the GDNs. JCx said as this was such a huge change and wondered whether this would feed through in two years' time or was there a mechanism to do it prior to this time, and she also enquired if there something the GDNs or Ofgem could do in relation to this area. RH proposed a new action was raised for the DNs and Ofgem to provide clarity on this matter. CW then confirmed this action could be closed. **Closed.**

**New Action 0802:** DNs and Ofgem to provide clarification of charge setting in the RIIO-2 period given the Modification 0678A change; and if there are any proposed changes with the mechanics of setting allowances and true-ups. Response required by 20 August 2020.

## 7. Any Other Business

### COVID-19 Liquidity Relief Scheme

PY said that at the July Distribution Workgroup meeting there was a published document showing which suppliers were involved in the costs of Network Relief Scheme (COVID-19 Liquidity Relief) he noted that the only blank area was in relation to transmission. PY asked if this information could be supplied.

**New Action 0803:** National Grid (CW) to provide relief NTS figures regarding the COVID-19 liquidity relief, with the value and percentage of cap per network.

**Post Meeting update:** The data relating to the uptake of the COVID-19 Liquidity Relief Scheme is available on the JO website under Charges information here:

<https://www.gasgovernance.co.uk/NTSCovidReliefScheme>

and

<https://www.gasgovernance.co.uk/DNCovidReliefScheme>

## 8. Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/events-calendar/month](http://www.gasgovernance.co.uk/events-calendar/month)

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:00 Tuesday 08 September 2020	Via Teleconference	Standard Workgroup Agenda

Action Table (as at 04 August 2020)

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0602	02/06/20	3.0	Ofgem (DON) to provide clarification of any whole systems approach to the capacity bookings, with the aim of encouraging efficient avoiding locational bookings by the GDNs.	Ofgem (DON)	Closed
0701	070720	4.0	National Grid (CW) to summarise the approximate changes to capacity charges in totality for LDZ offtakes (i.e. total per LDZ zone) under the prevailing arrangements and those with effect from 01 October 2020.	National Grid (CW)	Closed
0801	04/08/20	4.0	<u>Ofgem (DON) to see if he can give clarification on the effect of any re-openers (and subsequent changes to allowed revenue) on charges and the timings of any changes, together with clarification as to whether the use of Revenue Recovery Charge (RRC) for recovery of such a change, is likely to be compliant with EU TAR.</u>	Ofgem (DON)	Pending
0802	04/08/20	6.0	DNs and Ofgem to provide clarification of charge setting in the R110-2 period given the Modification 0678A change; and if there are any proposed changes with the mechanics of setting allowances and true-ups. Response required by 20 August 2020.	DNs and Ofgem (DON)	Pending
0893	04/08/20	7.0	National Grid (CW) to provide relief NTS figures regarding the COVID-19 liquidity relief, with the value and percentage of cap per network.		Pending

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