

NTS Charging Methodology Forum (NTSCMF) Minutes
Monday 07 December 2020
via Microsoft Teams

Attendees

Rebecca Hailes (Chair)	(RH)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Anna Shrigley	(AS)	Eni Trading & Shipping
Bill Reed	(BR)	RWE
Brian M ^C Glinchey	(BM)	Vermilion Energy
Carlos Aguirre	(CA)	Pavilion
Christiane Sykes	(CS)	Shell
Chris Wright	(CWr)	ExxonMobil
Colin Williams	(CW)	National Grid
Daniel Hisgett	(DHi)	National Grid
David O'Neill	(DON)	Ofgem
Daniel Wilkinson	(DW)	EDF Energy
Debra Hawkin	(DH)	TPA Solutions
Ed Bentley	(EB)	Citadel
Hannah Ready	(HR)	Xoserve
Helen Bennett	(HB)	Joint Office
Jeff Chandler	(JCh)	SSE
Jennifer Randall	(JR)	National Grid
Julie Cox	(JCx)	Energy UK
John Costa	(JCo)	EDF Energy
Kamla Rhodes	(KR)	ConocoPhillips
Lucy Manning	(LM)	Grain LNG
Nick Wye	(NW)	Waters Wye Associates Ltd
Nigel Sisman	(NS)	Sisman Energy Consulting
Pavanjit Dhesi	(PD)	Interconnector UK
Phil Lucas	(PL)	National Grid
Richard Fairholme	(RF)	Uniper
Ritchard Hewitt	(RHe)	Hewitt Home & Energy Solutions Ltd
Ricky Hill	(RH)	Centrica
Samuele Repetto	(SR)	EDF Trading
Terry Burke	(TB)	Equinor
Thomas Paul	(TP)	E.ON

Copies of all papers are available at: <https://www.gasgovernance.co.uk/ntscmf/071220>

NTSCMF meetings shall be deemed to be quorate where there are at least six participants attending, of which at least two (2) shall be Shipper Users and one (1) an NTS Transporter.

1. Introduction and Status Review

Rebecca Hailes (RH) welcomed everyone to the meeting before explaining that the main aim would be to conclude the UNC Modification 0737 'Transfer of NTS Entry Capacity from a Capacity Abandoned ASEP' Workgroup Report and then undertake pre-modification discussions on the two proposed Urgent Capacity Neutrality Modifications presented by National Grid NTS.

RH advised that there would be no previous meeting minutes to approve at this meeting as this would be done at the scheduled meeting in January 2021.

2. Workgroups

2.1. 0737 – Transfer of NTS Entry Capacity from an abandoned ASEP

(Report to Panel 17 December 2020)

<https://www.gasgovernance.co.uk/0737>

3. Pre-Modification discussions

3.1. Urgent Modification Prospective Removal of Entry Capacity Revenue from Capacity Neutrality Arrangements - National Grid (CW)

In opening the onscreen review of the latest iteration of the draft Modification, Colin Williams (CW) outlined the proposed approach, initially focusing attention on the proposed timetable, which has been developed with the support of both Ofgem and the Joint Office.

When asked about the particularly aggressive timelines, and especially the Authority decision on Urgency, David O'Neil (DON) responded in the positive explaining that Ofgem would do its best to align with the proposed timescales.

During an extensive debate, the following key aspects were discussed (in no particular order of preference):

- The aim is to have an effective implementation date of either 01/01/2021 or 01/02/2021;
- RRC rate values will be included within the next iteration of the Modification either as an appendix or within the main body;
 - It is anticipated that the rates will be lower than previously published;
- When, where and how within the process potential market impacts will be assessed is of paramount importance;
- Ofgem recognises the urgency of this matter and the need for timely expedition;
 - Whilst delays in decisions around previous urgent Modification were noted, it was also recognised that in part this is due to the need to undertake Impact Assessments;
 - It is acknowledged that whilst Ofgem are not in a position to pre-empt their final decision, they will look to support a timely decision around the question of urgent status;
 - It was confirmed that Ofgem are mindful of their proposed moratorium impacting upon the proposed timelines;
- National Grid confirmed that they intend to update their future (5) year gas price forecasts, including any potential FCC gaps, in due course;
 - Currently considering how to provide information for October 2021 and beyond;

- RIIO 2 Price Control Release aspects are also under consideration;
 - Further information expected around January 2021;
- The proposals are not expected to directly impact upon Exit or General Non-Transmission Services Charge related information;
- Concerns voiced relating to the re-calculation of RRC values being inconsistent with Uniform Network Code (Code) requirements;
 - Discussion centred around the proposed approach and the interaction and tension between both Code and Transporter Licence obligations;
 - National Grid agreed to consider the issue of changes to the charges being made that are potentially not strictly in accordance with Code;
- National Grid confirmed that they had based assumptions around re-calculated Capacity figures, which would be covered in more detail during the proposed 08 December 2020 Webinar;
- RH reiterated that the aim is to complete pre-modification discussions by no later than 14:00 in order that the Modification could be formally raised before close of play;
- A more detailed review of the Modification was then undertaken;
 - Amendments to '*Section 1 – Summary*' outlined by CW during which an overview of the '*How*' statement was also provided;
 - It was highlighted that paragraph 3 within the '*Justification for Urgency*' statement within '*Section 2 – Governance*' now included actual values;
 - Examining the '*Justification for Authority Direction*' statement it was noted that this aims to minimise potential impacts wherever possible;
 - Concerns were voiced around the Code and NC TAR 1 (or 2) month notification requirements, whereupon CW confirmed that the Modification would need to include this – *reference given to 'Section 5 – Solution'*;
 - In a general response to the concerns being voiced, DON pointed out that this is a relatively focused Modification that seeks to reduce the RRC impacts which is expected to have a positive effect, and the question around the recovery period is a separate matter at this time;
 - Some parties felt that the Transmission / Non-Transmission Revenue (i.e. TO / SO revenue mappings etc.) remain unclear, including compliance aspects and re-classifying revenues and whether the GB is not compliant with the NC TAR objectives;
 - To be discussed in more detail at the proposed National Grid-led 08 December 2020 Webinar;
 - Some parties also feel that the Modification lacks clarity around the neutrality aspects (i.e. relating to National Grid not over recovering on capacity that is already sold);
 - Acknowledging that revenue alignment can be a potential minefield, CW advised that this would also be discussed in more detail at the proposed 08 December 2020 Webinar;

- Concerns voiced that there appears to be a ‘mismatch’ between the Code and Licence obligations;
- When asked, CW confirmed that all capacity products utilised to calculate the FCC would be included in Transmission Services Revenue;
- In requesting that the normal 2 month notice period be waived (ref: TPDY paragraph 3.3 provisions) for the purposes of this Modification, CW confirmed that this is NOT intended to be an enduring position and would be ‘time bound’;
 - CW reiterated that National Grid intends to issue the formal notification as soon as an Authority decision is forthcoming, with a view to a 01 February 2021 effective implementation date – *it was requested that this is ‘time bound’ with additional concerns voiced raised around market stability*;
 - CW anticipated that the ‘transitional’ aspects of the legal text would ‘cover off’ these concerns in due course;
 - During a brief onscreen review of UNC TPD Section B, paragraph 2.13.2(a)(i)(1) & (2), CW explained that the intention is to remove both sub-paragraphs (1) & (2), and as a consequence does include incremental capacity elements;
 - One party suggested that as long as this does not include non-obligated capacity, the model could work – *it was noted that whilst this was not accommodated within the October 2020 figures, it would be going forwards*;
 - It was recognised that timely provision of suitable legal text to support the consultation process is of paramount importance – *a point acknowledged by CW*;
 - However, a (National Grid NTS) legal opinion on the NC TAR compliance aspects **should not** be expected, but may be covered off by a more general caveated supporting statement;
- Some parties believe that more clarity around capacity neutrality changes (i.e. why is Use It, or Loose It capacity being utilised for revenue purposes etc.) is needed and better justification of the neutrality aspects would be beneficial – *responding, CW explained the ‘top down’ approach to revenue setting and how it potentially impacts this matter*;
- Whilst noting the importance of this area, others also pointed out that they believed that National Grid also needs to consider any potential materiality aspects (i.e. whether interruptible is included or not) – *noting the point, DON pointed out that Ofgem **would not** be in a position to ‘select’ aspects of the proposals when looking to make their final decision*;
- Examining the RRC table, and specifically the 0.0405 value, one party enquired as to why there appears to still be a significant under recovery predicted, to which CW responded by explaining that this is due to the potential variance in capacity neutrality v’s variance proposals – *this will also be discussed the proposed 08 December 2020 Webinar*;

- Concluding discussions, CW indicated that he would look to enhance elements of ‘Section 6 – Impacts & Other Considerations’ before formally submitting the Modification to the Joint Office later in the day.

3.2. Urgent Modification Retrospective New charge to reflect changes to the treatment of Entry Capacity Revenue from October 2020 - National Grid (CW)

Opening discussions, CW explained that this retrospective Modification aims to deliver a similar solution to the prospective Modification, but simply back dated to October 2020, and as a consequence, many of the aspects discussed under agenda item 2.1 above, apply here also.

During an onscreen review of the draft Modification and the extensive debate that ensued, the following key aspects were discussed (in no particular order of preference):

- CW advised that National Grid would no longer be looking to raise this Urgent Modification following today’s meeting, preferring instead to take time to consider the points already raised;
 - In response to concerns around the proposed timetable, CW explained that whilst the aim remains to have shortened time-critical ‘start’ and ‘end’ phases for the Modification, the consultation phase could be eased enabling more time for industry parties to seek legal views before providing their responses;
- Some parties remain of the view that this should **NOT** be raised as an urgent Modification on the grounds that industry should be allowed sufficient time to consider the wider ranging potential impacts, especially when bearing in mind that ‘retrospection’ is not normally seen as a good precedent;
- Concerns voiced that RRC has the potential to impact beyond the April 2021 date and therefore becomes a balancing act between rushing through this Modification v’s actually achieving something beneficial for the industry;
- One party believed that further consideration around potential alternative solutions would / could also prove beneficial;
- In response to a question around the proposed ‘*Solution End Date*’, CW advised that this would be after 01 October 2020 and upon the value becoming zero. He went on to explain how the ‘*are no longer treated as Relevant Capacity Revenues*’ statement and how this is dependent upon the ‘*prospective*’ Modification having gone before, in order that this Modification can have an effective end date – it was acknowledged that producing suitable supporting legal text might be tricky;
 - Concerns were then raised about the impact of a situation whereby the ‘*prospective*’ Modification is NOT implemented and whether this then means that the solution proposed for this Modification becomes an enduring one by default – however, N Sisman (NS) suggested that in reality, should this Modification be implemented and the ‘*prospective*’ one not, then the net effect would be that nothing changes (i.e. there would be no effective ‘trigger point’);
 - CW acknowledged the points raised and agreed to consider the relationship dependencies (i.e. the ‘*retrospective*’ Modification appears to be dependent upon the ‘*prospective*’ Modification, but not the other way around) between the two Modifications in due course;

- When asked, CW confirmed that potentially a party that may have received a payment under a Capacity Neutrality related Modification, could end up receiving an invoice under this proposed Modification (from a Capacity Neutrality only perspective) which should be slightly less value compared to what they received in the 'original' payment;
 - It was suggested that perhaps it would be preferable to look to spread the RRC over a 5 month period – a point CW agreed to consider in due course;
- It was suggested that Shippers with onward facing contracts that pass through to a 3rd party, might not be able to recoup the monies and therefore care is needed to ensure that the correct parties are 'targeted', especially from a credit / debit perspective;
 - Responding, CW explained that currently National Grid NTS can only liaise directly with payers of the neutrality charges and would hope that any unforeseen impacts are highlighted within respective industry consultation responses in due course;
- When asked about the smearing of neutrality incentive monies and whether the expectation is that these would also be recouped, CW suggested that this is more of a licence related discussion which he anticipates would take place at some point in the future;
- When asked about the potential capacity constraint management incentive gains that National Grid NTS appears inline to receive, DON advised that Ofgem are currently considering whether there have been any potential 'windfall' gains or losses (from an SO perspective especially), although he did not have a view on the matter at this point;
 - Concern was voiced that there is a danger that National Grid NTS might benefit from the situation, especially as any licence changes needed to address the matter would take considerably longer than any proposed Code changes;
 - When asked, CW confirmed that 'buy back costs' from capacity neutrality would stay 'as-is';
 - CW also advised that he would consider whether there could be any potential Shipper credit related impacts;
- B Reed (BR) pointed out that the prospective elements of both Modifications are essentially the same, and that it is only the retrospective elements that differentiates them, so why not adopt an 'either / or' based approach, especially as one Modification is not an alternative to the other at this point – it was noted that BR always has the option to raise an alternative Modification should he wish to;
- In recognition of the concerns being voiced, especially around retrospective changes and how these potentially impact on GB Market stability, CW accepted that National Grid NTS would need to take the points away and consider any wider market related impacts before looking to raise the Modification;
- When it was suggested that neither Modification appears ready to be formally raised, especially as there could be further debate at the following day's National Grid NTS Webinar, CW responded by pointing out that the main focus of the event would be to present the position the industry is in and how the calculations have been made, and on what assumptions;

- CW went on to explain that whilst RIIO 2 sets revenues for April 2021 onwards, National Grid NTS will need to also consider the potential impacts of this further before formally commenting;
- RIIO 2 post-April 2021 charges are based on the previous National Grid NTS Business Plan values.

4. Next Steps

RH outlined the next steps as being:

- National Grid NTS to raise the 'prospective' Modification by close of play;
- Further consideration (including Urgency status) on the 'retrospective' Modification will be carried out involving National Grid NTS, Ofgem and the Joint Office in due course;
- National Grid-led NTS Webinar will take place on Tuesday 08 December 2020; and
- RIIO 2 decision is due Tuesday 08 December 2020.

5. Diary Planning

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

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:00 Tuesday 05 January 2021	Via Microsoft Teams	Standard Workgroup Agenda