

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 04 May 2021
via Microsoft Teams

Attendees		
Rebecca Hailes (Chair)	(RHa)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Adaeze Okafor	(AO)	Equinor
Adam Bates	(AB)	South Hook Gas
Alex Nield	(AN)	Storengy
Andrew Pearce	(AP)	BP
Anna Gyóry	(AG)	Engie
Anna Shrigley	(ASh)	Eni Global Energy Markets SPA
Anna Stankiewicz	(ASt)	National Grid
Chris Wright	(CWrr)	ExxonMobil
Colin Williams	(CWi)	National Grid
Daniel Hisgett	(DHl)	National Grid
Daniel Wilkinson	(DW)	EDF Energy
Dave Bayliss	(DB)	National Grid
Debra Hawkin	(DHa)	TPA Solutions
Eric Fowler	(EF)	Joint Office
Henk Kreuze	(HK)	Vermilion Energy
Jeff Chandler	(JCh)	SSE
John Costa	(JCo)	EDF Energy
Joseph Glews	(JG)	Ofgem
Julie Cox	(JCx)	Energy UK
Kamla Rhodes	(KR)	ConocoPhillips
Kirsty Ingham	(KI)	ESB
Kieran McGoldrick	(KG)	National Grid
Laura Johnson	(LJo)	National Grid
Nick Wye	(NW)	Waters Wye Associates Ltd
Nigel Sisman	(NS)	Sisman Energy Consulting
Nitin Prajapati	(NP)	Cadent
Paul Youngman	(PY)	Drax
Pavanjit Dhese	(PD)	Interconnector UK
Richard Fairholme	(RF)	Uniper
Richard Hewitt	(RHe)	on behalf of BBLC
Sinead Obeng	(SO)	Gazprom
Terry Burke	(TBu)	Equinor
Thomas Bourke	(TBo)	Ofgem
Thomas Paul	(TP)	E.On

Copies of all papers are available at: <https://www.gasgovernance.co.uk/ntscmf/040521>

NTSCMF meetings will be quorate where there are at least six participants attending, of which at least two shall be Shipper Users and one Transporter is in attendance.

1. Introduction and Status Review

Rebecca Hailes (RHa) welcomed everyone to the meeting and introduced Eric Fowler, a new colleague from the Joint Office of Gas Transporters.

1.1. Approval of Minutes (12 April 2021)

The minutes from the previous meeting were approved.

1.2. Approval of Late Papers

No late papers to report.

1.3. Review of Outstanding Actions

0107: National Grid (CWi) to provide documented explanation and diagrams detailing the relationship between the SO /TO and TS/non-TS revenue services.

Update: In addition to the material provided at the meeting held on 12 April 2021, Colin Williams (CWi) provided an update in the form of a presentation with regards to the relationship of revenue services and revenue treatment. He highlighted the extra information added to Step 3 which clarifies the money that is being moved between two values. This shows as a reduction in SO and increase against TO. He added the two values which will be collected as Transmission Services will be treated as System Operation.

When asked for clarification, CWi advised they are Transmission Services income; he explained they will be seen as Transmission Services but for Licence recording will be seen as SO, capacity-based charges are SO Transmission.

CWi agreed to expand for the next meeting and put some of the licence text in as an explanation.

JCx highlighted that there needs to be an understanding of why there are mismatches between Code and Licence, she added that in order to implement TAR NC there should have been licence changes, that did not happen.

CWi agreed to provide more detail to show the movement of monies and expand the definitions.

Thomas Bourke (TBo) agreed with JCx and noted that Ofgem are working with National Grid in order to sort out the immediate issues.

JCh noted his concern that this is still no further forward and requested a written response to some of the actions outstanding from National Grid, adding that verbal responses are not adequate.

Richard Fairholme (RF) noted that Ofgem need to be equally proactive in terms of discussing this issue as the Licence is a National Grid issue and is not for this Workgroup to discuss.

TBo confirmed Ofgem are in discussions with National Grid and advised that if the outcome looks like a Code issue, it will be included in this Workgroup. He added there is no definite course of action yet.

JCx noted there is little point in Industry looking at this until it is agreed as to what is covered in Licence and what is covered in UNC.

RHa suggested that once National Grid provides a clearer explanation in written form, then it will be clear where the issues are.

New Action 0501: National Grid (CWi) to provide detailed explanation of (mis)alignment between Code and Licence including GAP analysis.

Nick Wye (NW) advised the issue is the way charges are set and the way revenue is allocated to National Grid. Industry needs an understanding of the issues and where there is anything in Licence that will impact Shipper's charges. **Carried Forward.**

0301: National Grid (CWi) to provide detailed information regarding the cash flows around capacity neutrality.

Update: CWi confirmed this will be provided as part of the Modification 0765 discussions (<https://www.gasgovernance.co.uk/0765>). **Closed**

0401: National Grid (CWi) to consider the definition of TS-Related NTS System Operation Revenue within UNC TPD Section Y paragraph 1.5.1 (d) and whether it could be better defined.

Update: CWi advised there is no further information at present. Further clarity and understanding is required. The point that is to be discussed is the phrase 'as determined'. Workgroup confirmed the view that this should not be determined by National Grid.

Richard Fairholme (RF) asked if a modification were raised to remove the phrase from TPD Section Y 14.5.1, what effect would it have?

RHi advised it would be helpful to understand the need to flexibly move some capacity sales from SO to TO revenue streams (pre-TAR NC). CWi advised there was no intention to do that flexibly, the need to get it right was greater. **Carried Forward.**

0402: National Grid (CWi) to provide an explanation of what the gas SO does and what it receives revenue for.

Update: CWi advised the revenue generated is a function of the price control. The way in which this is collected is through a series of charges and asked what sort of breakdown is required? Jeff Chandler (JCh) advised a diagram which has arrows with accompanying sums of money from the examples showing where the money flows to and from would be helpful.

JCx advised that the diagram should explain itself in terms of the operational activities, it should be self-evident. CWi agreed to provide a written response for this action.

Carried Forward

0403: Ofgem (TB) to provide an update on SO incentive performance.

Update: TBo advised that Ofgem recognises National Grid will experience significant revenues and work is currently underway to devise an option to rectify this. He confirmed Ofgem will update the industry as soon as possible.

JCx asked for timescales, TBo advised that there are none available. **Carried Forward.**

0404: National Grid (CWi) to confirm whether to expect any outcome from the CMA appeal to affect prices and/or allowed revenue

Update: CWi provided a verbal update: This is around the timing of any potential CMA decision. National Grid can only work within the rules they have. The process that determines adjustment to allowed revenues is the annual iteration process. If any decision were to fall outside of the window, (once prices are set), prices cannot be changed until the next opportunity.

When asked, CWi agreed to provide a written update.

It was confirmed that allowances for 2021/22 are set and cannot be changed, if there is a determination that there should have been more allowances, that would be processed during the next licence year (2022/23). It was confirmed that 30 October 2021 is the deadline set by CMA for this appeal decision. **Closed.**

0405: National Grid (CWi) to provide clarification of how debits and credits will be processed under Modification 0765.

Update: CWi confirmed this will be provided as part of the Modification 0765 discussions (www.gasgovernance.co.uk/0765/040521). **Closed.**

1.4. Modifications with Ofgem

Thomas Bourke (TBo) advised that Ofgem are going to be publishing expected decision dates on their website as advised at the April 2021 UNC Panel and confirmed the expected decision date will apply to any modification awaiting Ofgem decision.

The following brief updates were provided for the Modifications with Ofgem:

[0764 \(Urgent\) UNC TPD Section Y \(Part A-I\) amendments to Kt to align to RII02 Licence](#)

Consultation for this modification closed on 05 May 2021, the results will be considered at the extra-ordinary UNC Panel meeting being held on 13 May 2021, see here for the agenda: <https://www.gasgovernance.co.uk/Panel/130521>.

[0686 - Removal of the NTS Optional Commodity Rate with adequate notice](#)

Ofgem have de-prioritised this Modification.

[0728/A/B/C/D \(Urgent\) - Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS](#)

Ofgem have approved *Modification 0728B (Urgent) - Introduction of Conditional Discount for Avoiding Inefficient Bypass of the NTS with 28km distance cap*, their decision letter can be found here: <https://www.gasgovernance.co.uk/0728>

[0729 - Applying a discount to the Revenue Recovery Charge at Storage Points.](#)

Ofgem is considering this Modification. A decision will be made in due course.

[0737 - Transfer of NTS Entry Capacity from a Capacity Abandoned ASEP.](#)

Ofgem is considering this Modification. A decision will be made in due course.

[0739 - Aggregate overrun regime for Original Capacity held at the Bacton ASEPs.](#)

Ofgem is considering this Modification. A decision will be made in due course.

Several Workgroup Participants highlighted that a lack of a decision on some of these Modifications is causing uncertainty within the market.

1.5. Pre-Modification discussions

There were no Pre-Modifications to be discussed.

2. Workgroups

2.1. 0765 - New retrospective debit and credit charges to reflect changes to the treatment of Entry Capacity Revenue between October and December 2020

(Report to Panel 21 October 2021)

<https://www.gasgovernance.co.uk/0765>

3. Issues

None.

4. Forecasted Contracted Capacity (FCC) Monitoring

4.1. Update on Capacity bookings vs FCC with potential impact on Revenue Recovery Charges (RRC)

No update provided for this meeting.

4.2. FCC Monitoring

JCx advised she has issued an email to CWi regarding the agreement for routine reporting for FCC vs Bookings and what that might mean for RRC. She confirmed that as a Workgroup, NTSCMF is now in a position to be monitoring it.

CWi apologised and advised he is developing a Capacity Report to cover this area which will be shared in due course.

5. Long Term Revenue Forecasts

5.1. RIIO-2 Charging Implications

No update provided for this meeting.

5.2. RIIO-2 Modification National Grid to speak with Ofgem and the Joint Office in relation to the full text from RIIO-2

No update provided for this meeting.

JCh asked when the new tariffs can be expected. CWi advised National Grid are aiming to publish these on 28 May 2021.

CWi confirmed the allowed revenues for each year and the new tariffs, including K under recovery, will be provided

6. Any Other Business

6.1. User Representative Appointment Process

RHa wished to note that the User Representative Appointment Process would be commencing during May with a reminder for organisations to update their Single Points of Contacts (SPoCs) and by 01 July an invitation will be issued to these contacts for nominating representatives for the various Committees and Panel.

6.2. St Fergus Emissions works / Charging considerations

In order to raise awareness for Stakeholders and provide opportunities to share any views alongside developments, CWi provided a brief overview of the St Fergus Emissions work and charging considerations. He advised that emissions compliance at St Fergus was referred to in the RIIO-2 Final Determinations:

https://www.ofgem.gov.uk/system/files/docs/2021/02/final_determinations_-_nggt_annex_revised.pdf

CWi advised that options will include potential charging arrangements that, if done through Transportation Charges differently to the arrangements in place in the prevailing methodology, would require UNC changes to accommodate. This could include targeted charging arrangements for capital works.

CWi highlighted that National Grid will bring back further developments as they have them to future NTSCMF meetings and other applicable stakeholder engagement forums.

Questions

TBo highlighted that if a modification is used for this, Ofgem would want consideration of how to ensure a fair distribution across NTS Users if the use of the assets declines. Will the charge be targeted to relevant Users?

When asked, CWi confirmed the compression is on the NTS, before the Terminal. JCh noted that there are different arrangements at different terminals and asked for there to be clear definition of potential beneficiaries. Alongside consideration of the potential for stranded assets.

CWi confirmed the *Modification 0728 (Urgent) - Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS*, reserve price calculations are being processed now and that they will accommodate some assumptions.

7. 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 01 June 2021	Via Microsoft Teams	Standard Workgroup Agenda

10:00 Tuesday 06 July 2021	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 03 August 2021	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 07 September 2021	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 05 October 2021	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 02 November 2020	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 07 December 2021	Via Microsoft Teams	Standard Workgroup Agenda

Action Table (as of 04 May 2021)					
Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0107	05/01/21	5.0	National Grid (CW <i>i</i>) to provide documented explanation and diagrams detailing the relationship between the SO /TO and TS/nonTS revenue services.	National Grid (CW <i>i</i>)	Carried forward
0301	02/03/2021	1.0	National Grid (CW <i>i</i>) to provide detailed information regarding the cash flows around capacity neutrality	National Grid (CW <i>i</i>)	Closed
0401	12/04/2021	1.3	National Grid (CW <i>i</i>) to consider the definition of TS-Related NTS System Operation Revenue within UNC TPD Section Y paragraph 1.5.1 (d) whether it could be better defined.	National Grid (CW <i>i</i>)	Carried forward
0402	12/04/2021	1.3	National Grid (CW <i>i</i>) to provide an explanation of what the gas SO does and what it receives revenue for.	National Grid (CW <i>i</i>)	Carried forward
0403	12/04/2021	1.3	Ofgem (TB) to provide an update on SO incentive performance.	Ofgem (TBo)	Carried forward
0404	12/04/2021	1.3	National Grid (CW <i>i</i>) to confirm whether to expect any outcome from the CMA	National	Closed

			appeal to affect prices and/or allowed revenue	Grid (CWi)	
0405	12/04/2021	1.5.2	National Grid (CWi) to provide clarification of how debits and credits will be processed under Modification 0765	National Grid (CWi)	Closed
0501	04/05/2021	1.3	National Grid (CWi) to provide detailed explanation of (mis)alignment between Code and Licence including GAP analysis	National Grid (CWi)	Pending

UNC Workgroup 0765 Agenda

New retrospective debit and credit charges to reflect changes to the treatment of Entry Capacity Revenue between October and December 2020

10:00 Tuesday 04 May 2021

via Microsoft Teams

Attendees		
Rebecca Hailes (Chair)	(RHa)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Adaeze Okafor	(AO)	Equinor
Adam Bates	(AB)	South Hook Gas
Alex Nield	(AN)	Storengy
Andrew Pearce	(AP)	BP
Anna Gyóry	(AG)	Engie
Anna Shrigley	(ASh)	Eni Global Energy Markets SPA
Anna Stankiewicz	(ASt)	National Grid
Chris Wright	(CWr)	ExxonMobil
Colin Williams	(CWi)	National Grid
Daniel Hisgett	(DHi)	National Grid
Daniel Wilkinson	(DW)	EDF Energy
Dave Bayliss	(DB)	National Grid
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Eric Fowler	(EF)	Joint Office
Henk Kreuze	(HK)	Vermilion Energy
Jeff Chandler	(JCh)	SSE
John Costa	(JCo)	EDF Energy
Joseph Glews	(JG)	Ofgem
Julie Cox	(JCx)	Energy UK
Kamla Rhodes	(KR)	ConocoPhillips
Kirsty Ingham	(KI)	ESB
Kieran McGoldrick	(KG)	National Grid
Laura Johnson	(LJo)	National Grid
Nick Wye	(NW)	Waters Wye Associates Ltd
Nigel Sisman	(NS)	Sisman Energy Consulting
Nitin Prajapati	(NP)	Cadent
Paul Youngman	(PY)	Drax
Pavanjit Dhesi	(PD)	Interconnector UK
Richard Fairholme	(RF)	Uniper
Richard Hewitt	(RHe)	on behalf of BBLC
Sinead Obeng	(SO)	Gazprom
Terry Burke	(TBu)	Equinor
Thomas Bourke	(TBo)	Ofgem
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1.0 Outline of Modification

As Proposer, Colin Williams (CWi) introduced the modification and provided suggested Workgroup discussions to be considered at the June and July 2021 Workgroup meetings:

Proposed Workgroup discussions:

01 June 2021

- Any Modification updates
- Analysis updated as needed from 04 May 2021
- ROM discussion (requested)
- Legal text review
- Retrospectivity
- Solution proposed in UNC0765
 - Cashflow illustration on capacity neutrality
- Workgroup Report

06 July 2021

- Any necessary updates from previous workgroup/actions
- Workgroup Report

Overview - Objective

CWi advised in order to reflect the removal of revenues recovered from daily interruptible and within day Entry Capacity (obligated only) from Capacity Neutrality arrangements between 01 October 2020 and 31 December 2020 (inclusive), the purpose of the Modification is to create new debit and credit charges consistent with the prospective change introduced from 01 January 2021 by *Modification 0748 - (Urgent) - Prospective Removal of Entry Capacity Revenue from Capacity Neutrality Arrangements*.

The proposed charges are as follows:

- The debit charge will recover from relevant Users part of the revenue which was distributed to them as a consequence of the Capacity Neutrality mechanism.
 - These Users inadvertently received a payment arising from the treatment of that part of the Capacity Revenue Neutrality Charges associated with interruptible and within day obligated Entry capacity during the period October to December 2020.
- The credit charge will re-distribute the revenue collected via the transitional debit charges to all holders of Fully Adjusted Entry Capacity (except Existing Available Holding) over the period 01 February 2021 to 30 September 2021 (inclusive).
 - Each relevant User will receive transitional credit charges proportional to their capacity holdings over that period.

Overview

CWi confirmed that this modification will only impact the Entry Users who received a credit charge via the Capacity Neutrality mechanism for the period October 2020 and December 2020 (inclusive) and any Entry Users that have Fully Adjusted Capacity (Excluding Existing Available Holdings) on any day between 01 February 2021 and 30 September 2021

(inclusive). CWi also highlighted, for the avoidance of doubt, this modification has no impact on Exit charges.

Solution

CWi explained that Capacity Neutrality debit is based on the removal of:

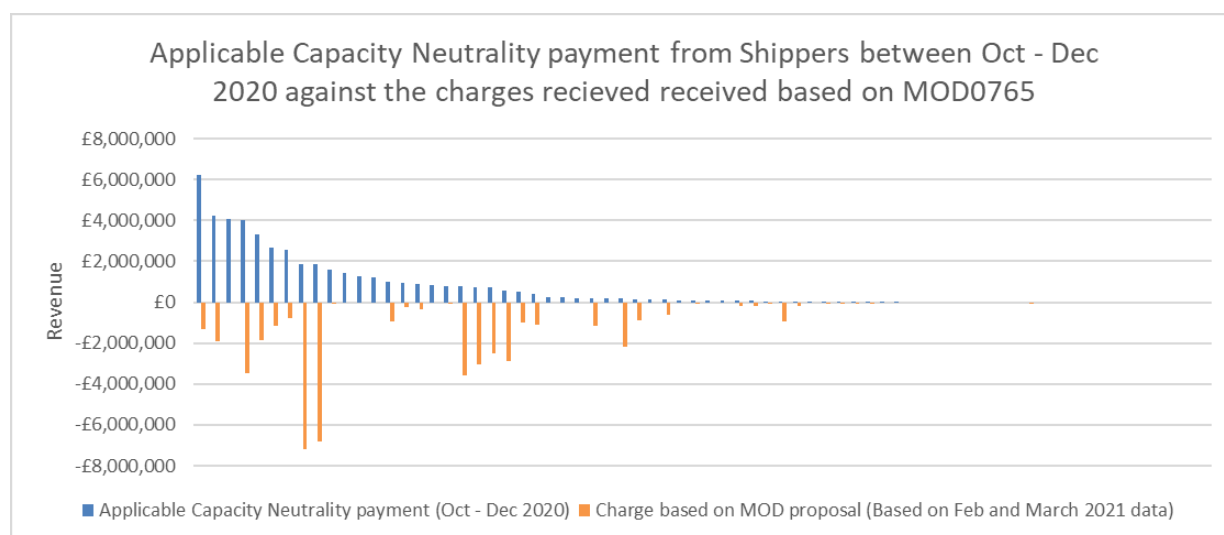
- Daily NTS Entry Capacity.
- Daily Interruptible NTS Entry Capacity.
- NTS Entry Capacity allocated in any IP Interruptible Rolling Day ahead Auction or IP Within Day Auction
 - Note this does not include any Non-obligated Daily NTS Entry Capacity

Capacity Neutrality credit is based on the amount payable to each User for each month (from 01 February 2021 to 30 September 2021) and will be determined on the basis of the formula as highlighted on slide 5 (of 10) of the material provided for the Workgroup.

CWi further clarified the impact is being felt by parties who are paying Entry Recovery Charges, the credit that will be applied will offset the amount that Users are currently paying. The credit that will be applied will not affect any published rates or Revenue Recovery Charges (RRC).

Laura Johnson (LJ) provided a graphical overview of the Analysis, based on data available to date for February 2021 and March 2021 and confirmed this data has been used as the denominator for the credit to be issued to impacted Users.

LJ advised the current data (March 2021) has been applied to the graph which was shown at NTSCMF on 12 April and also shown at the April 2021 UNC Panel. On slide 9 of 10 it shows the orange bars (please see below) that represent the amount of credit that would be redistributed to Shippers under Modification 0765, based on current data for February 2021 and March 2021.



LJ confirmed the denominator value has been applied to this graph and that she will be producing an updated graph for the June 2021 Workgroup.

When asked, it was further clarified that the blue is the debit which will be paid from a User to National Grid NTS (Debit TEAC) and the orange is the credit which will be paid by National Grid NTS to the User (Credit TEAC).

RH clarified that for the Workgroup Report in July 2021, this should reflect the data up to and including May 2021. CWi confirmed that the principle will be clear even if not all of the data is in by the June 2021 Workgroup.

Anna Shrigley (ASh) noted that the information shown and being built upon will only be accurate once the invoice has been produced for September 2021 and suggested this information currently looks misleading as more new capacity will be sold over the Summer months and that therefore this graph will change significantly.

ASh also asked what the justification is for this modification and highlighted that, historically, when capacity credits have been issued previously, retrospection has not been applied, she added that this is now proposing to be a retrospective adjustment, using a completely different method.

CWi clarified that Modification 0748 is forward looking (and has now been implemented) and that the information provided is clear.

Thomas Bourke (TBo) also clarified that the graph showing Applicable Capacity Neutrality payment from Shippers between October and December 2020, against the charges received based on Modification 0765 will change and the principle is clear: the modification addresses misallocations from 2021. TB also suggested that the retrospection aspect needs to be addressed.

It was suggested that the next meeting should focus on National Grid's justification for raising the modification and consideration of the counter arguments.

CWi advised that there are two elements to RRC:

1. The under-recovery position (BAU)
2. Capacity neutrality

JCx noted that the market worked perfectly as it should in line with the rules in place at the time and asked for more of a breakdown in the analysis being presented and suggested:

- o Existing Contracts and other
- o Money total that goes through neutrality
- o What % of RRC will be returned through this process

New Action 0501: National Grid, CWi, to provide a breakdown of the analysis so far presented: Existing Contracts and other; Money total that goes through neutrality; What % of RRC will be returned through this process.

ASh advised that Users who booked capacity on a long-term basis will have a need to book a lot of capacity over the 2021 Summer period and advised that information is not showing in the graph yet, the proportions will change / reduce for Users booking large quantities on a short-term basis.

CWi confirmed National Grid do have this data and will consider a way which it can be presented and clarified this data will meet confidentiality requirements.

NW added that when the rate is set, it sets the expectation and believes there will be an overhang of monies not charged to the capacity holders during this period.

RHa requested that a full description of the graphs presented is provided for the Workgroup Report.

Richard Fairholme (RF) noted that if the retrospective element is allowed, this increases the perception of risk going forward in that Shippers will be generally feeling there may be further changes going forward.

When asked, CWi clarified that each Shipper will know if they have a RRC liability and should know whereabouts they are on the graph and added he does not intend giving Shippers specific impact information.

RF asked if there will be a break down at shipper level in order to provide invoices. CWi advised the expectation is there will be itemised debit or credit invoices.

RHe highlighted that Shippers will not actually know what their position will be. CWi explained that the data, in terms of the final data, will be known by the end of October 2021. Many Workgroup Participants agreed that there remained an unanswered question as to when it will be appropriate to consult with the Industry when the full picture is likely to be unknown at the point of producing the Workgroup Report.

It was explained that, even if capacity bookings are lower than expected in Summer 2021, the expectation is that RRC will deliver more than £47million which Users will have overpaid during February to September. The calculation is done in such a way that the overpayment is paid back, that is how the net effect will work.

Nigel Sisman (NS) clarified his understanding that this will be refunding to all Shippers the amount they will be overpaying from February to September, this addresses an inter-Shipper distortion.

JCh noted that retrospection will create a risk and a precedent and that will open a path for modifications which SSE would never have considered raising before, such as:

1. Charges that Storage pay – 80% discount not coming into effect until October 2021, they would look to recover excess paid in 2020 when there was a 50% and not 80% discount.
2. RRC is applied to all Users in its entirety even though storage is exempt – they would look to reclaim surplus amounts paid in 2020.

From the retrospection point of view, RF noted that *Modification 0341 – Manifest Errors in Entry Capacity Overruns*, Ofgem decision letter rejected a workable solution due to the retrospection impact and it is generally noted that retrospective adjustments should be considered only in very limited situations.

RHa urged Workgroup to read the Ofgem Guidance on Code Modification Urgency Criteria: <https://www.gasgovernance.co.uk/mods> and the Ofgem decision letter for Modification 0341: <https://www.gasgovernance.co.uk/0341/> prior to the next meeting.

Terry Burke (TBu) said that the shape of the graph will change significantly as progress is made through the Gas Year and he is not sure the individual Shippers will fully understand the impact. TBu is concerned if the consultation is made too early and he suggested consultation should not commence until after the October 2021 invoices have been processed which would be mid-November 2021.

CWi asked Workgroup to read the Relevant Objectives for the modification and the Initial Representation submitted by Energy UK before the next meeting.

New Action 0502: Workgroup to read the Relevant Objectives for the modification and the Initial Representation submitted by Energy UK before the next meeting.

2.0 Initial Discussion

2.1. Issues and Questions from Panel

2.1.1. Confirmation that there are no leakage effects across to Exit charges.

CWi confirmed there is no impact on Exit charges, as confirmed in the material provided by National Grid.

2.1.2. Consider justification for retrospectivity

CWi confirmed this will be covered in the June Workgroup.

2.2. Initial Representations

Julie Cox (JCx) was invited to provide an overview of the content of the Initial Representation submitted by Energy UK, the areas that it covers are as follows:

- Governance and regulatory risk

- Market impacts
- Customer impacts
- Shipper impacts and competition
- Compliance
- Incentives
- Cash flows

JCx suggested it is better to interweave the topics covered with future meetings and maybe use the headings from the Initial Representation in the Workgroup Report to make sure all the points have been addressed as Workgroup progresses.

JCx highlighted that fundamental to the modification is whether competition and compliance are current issues and asked if you can you go backwards and make competition and compliance better, retrospectively. It was clarified that Relevant Objectives d) and g) may address this point.

NS suggested the modification is assessed on different levels, such as:

- The problem that needs to be addressed
- Retrospection and if that is such an impediment
- What is the actual proposal and does it have any merits

It was noted that the Industry must have progressed into a problem without considering how *Modification 0678A - Amendments to Gas Transmission Charging Regime (Postage Stamp)*, would impact the charging regime. *Modification 0748 (Urgent) - Prospective Removal of Entry Capacity Revenue from Capacity Neutrality Arrangements* was raised to correct the Capacity Neutrality arrangements, therefore, there must have been something wrong in the first place.

NS said that he has little doubt the rules were applied faithfully, but questions if the rules been wrong and wrong for a long time.

NS also noted, the introduction of this modification could correct the position that some Users may be several million pounds down in comparison to their peers.

JCh queried what the route cause was, is it having a dual regime? He said if there were no legacy contracts all Shippers would have been treated the same and asked if that should be the issue Workgroup should be looking at.

JCx highlighted that the total RRC to be recovered is £146million and only a third of that affects neutrality which must mean the forecasting is inaccurate.

NW clarified that the sanctity of the Code needs to be respected and if correcting something, will it always be the case that retrospectively it gets changed, and added this undermines the contract.

RHe supported NW and added, historically, large modifications have been raised with significant money flows, those modifications did not look to retrospectively adjust. Every large modification has some unforeseen consequences that usually leads to alternative modifications.

ASh noted that Workgroup developing new charging regime rules has highlighted the problem with neutrality and it was assumed that National Grid would complete an administrative correction. ASh then provided the following information to support her comment:

The link to Draft Modification Report 0621 where it was identified that:

"Workgroup participants noted that any income from sales of Interruptible capacity would contribute to Non-Transmission Services Charges. Workgroup expressed the view that, logically, that Interruptible capacity should be a Transmission Service charge and revenue

should feed into the Transmission Owner price control but that is constrained by the current price control arrangements. Some viewed this as a compliance issue:

<https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2018-05/Part%20I%20Draft%20Modification%20Report%200621%20ABCDEFHJKL%20v1.0.pdf>

NW added he does not think that the existence of existing contracts has led to distortion.

Debra Hawkins (DH) noted that National Grid incentives are being looked at, the position is now some Shippers have had money given back to them and some Shippers are paying for something they have already paid for, this issue has got to be looked at very carefully.

It was also mentioned that the reason RRC is high is because the Forecasted Contracted Capacity was forecasted incorrectly and that new capacity purchases are paying more because they do not have existing contracts.

This concluded the initial discussion.

2.3. Terms of Reference

As matters have been referred from Panel a specific Terms of Reference will be published alongside the Modification at www.gasgovernance.co.uk/0765/

Workgroup accepted the individual Terms of Reference.

3.0 Next Steps

RH confirmed that the next meeting agenda will include the suggestions by CWI:

- Any Modification updates
- Analysis updated as needed from 04 May 2021
- ROM discussion (requested)
- Legal text review
- Retrospectivity
- Solution proposed in Modification 0765
 - Cashflow illustration on capacity neutrality

RH confirmed that worked examples need to be embedded in the modification.

Workgroup agreed, given the critical nature of this modification, the next meeting should focus purely on retrospection.

Paul Youngman (PY) asked if everything within the modification that is looking to be done is compliant with TAR NC. It was confirmed this is covered under Relevant Objective g).

4.0 Any Other Business

None.

5.0 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	Paper Publication Deadline	Venue	Programme
10:30 Tuesday 01	5pm Thursday	Microsoft	Detail planned agenda items.

June 2021	20 May 2021	Teams	<ul style="list-style-type: none"> • Any Modification updates • Analysis updated as needed from 04 May 2021 • ROM discussion (requested) • Legal text review • Retrospectivity • Solution proposed in Modification 0765 <ul style="list-style-type: none"> • Cashflow illustration on capacity neutrality • Development of Workgroup Report
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Action Table (as at 04 May 2021)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0501	04/05/2021	1.0	National Grid, CWI, to provide a breakdown of the analysis so far presented: Existing Contracts and other; Money total that goes through neutrality; What % of RRC will be returned through this process.	National Grid (CWI)	Pending
0502	04/05/2021	1.0	Workgroup to read the Relevant Objectives for the modification and the Initial Representation submitted by Energy UK before the next meeting	Workgroup	Pending