

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 02 August 2022
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Adam Bates	(AB)	South Hook Gas
Andrew Pearce	(AP)	BP
Anna Shrigley	(AS)	ENI
Anna Stankiewicz	(ASt)	National Grid
Brian McGlinchey	(BG)	Vermilion Energy
Carlos Aquirre	(CA)	Pavilion Energy
Colin Williams	(CWl)	National Grid
Chris Wright	(CWl)	Exxon Mobil
Claire Caple	(CC)	E.ON
Daniel Hisgett	(DHl)	National Grid
Daniel Wilkinson	(DW)	EDF Energy
Debra Hawkins	(DHl)	TPA Solutions
Ellie Rogers	(ER)	Xoserve
Jeff Chandler	(JCh)	SSE
Joseph Clews	(JCl)	Ofgem
Julie Cox	(JCx)	Energy UK
Laura Johnson	(LJ)	National Grid
Marion Joste	(MJ)	ENI
Nick Wye	(NW)	Waters Wye Associates
Nigel Sisman	(NS)	Sisman Energy Consulting
Oliver Weston	(OW)	Ofgem
Pavanjit Dhesi	(PD)	Interconnector
Ritchard Hewitt	(RH)	Hewitt Home and Energy
Richard Fairholme	(RF)	Uniper

Copies of all papers are available at: <https://www.gasgovernance.co.uk/ntscmf/020822>

Please note that 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. St Fergus Compression

Daniel Hisgett (DHl) noted that the St Fergus Compression discussions had now been completed and the overall consolidated presentation was published on the meeting page at: <https://www.gasgovernance.co.uk/ntscmf/020822>

DHl explained the consultation would take place during September 2022 to discuss the final option selected by Ofgem, with a further consultation following that decision. DHl stated that the Re-Opener would be approved in June 2025.

Julie Cox (JCx) asked if there were discussions with Ofgem regarding the Charging Reform, as she was not sure how a Modification could be raised without the final figures. DHi said that if the final exact figures were required that would impact on the raising of a Modification, so these would be socialised by default to enable a decision. JCx suggested this aspect should be included in the consultation and DHi agreed to encompass this within the consultation.

EF asked if there should be a specific agenda item within the NTSCMF to further discuss this area moving forward. DHi agreed this would be useful and suggested that it would be appropriate for this to be included on the September agenda, as the Report was due to be completed in the middle of September.

DHi noted that the final consultation would be issued in January 2023 and that he would be providing updates during the overall process. DHi advised that Ofgem had specifically asked for the Charging element and consequences of the change to be included, together with the impacts and Stakeholder Engagement. JCx said that these areas must be integrated into the Options Report for continuity and DHi said he would consult with the team internally to ensure this was actioned.

DHi noted that if anyone had any further questions or needed clarification, he would be happy to discuss and assist and he could be contacted via: Daniel.Hisgett@nationalgrid.com

2. Introduction and Status Review

Eric Fowler (EF) welcomed everyone to the meeting.

2.1. Approval of Minutes (05 July 2022)

The minutes from the previous meeting were approved.

2.2. Approval of Late Papers

EF noted there had been a few late papers which were in relation to information delivery, and it was agreed these were accepted.

2.3. Review of Outstanding Actions

Action 0701: National Grid (CW_i) to provide a more detailed breakdown of the non-Transmission Services revenue.

Update: CW_i confirmed that a Webinar had taken place during the last week of July, which had covered the differences between Exit and Entry Non-Transmission Charges.

CW_i noted the completed pack referred to during the Webinar, had been published which also provided links to specific information and the recording of the Webinar. CW_i explained that a further information pack was going to be circulated the first week of August 2022 in readiness for the September NTSCMF meeting.

CW_i provided an overview summary of Slides, 11, 12 and 13 within the Webinar document, (as detailed below) the full document that can be viewed via: <https://www.gasgovernance.co.uk/ntscmf/020822>

Slide 11: Updated view - General Non-Transmission Services Charges – Shrinkage Costs and SO Allowed Revenues impacts

- *This slide shows an illustration of how adjustments impact the revenues over time.*
- *Using shrinkage costs which have been the dominant driver of changes to the System Operation costs, what can be seen on the first line of the table is the latest view of shrinkage for each Regulatory Year (each April to March).*

- *The Allowed revenue for the forthcoming year (Apr 22 to Mar 23) is set back in February, using a forecast of Shrinkage from January (£286m). The updated view for the same period as of July is £660m. The value for revenues can't be adjusted for this year therefore any 'reconciliation' assuming all forecasts are correct, will adjust the next year. Therefore, the difference £374m would adjust the revenues for April 24 – Mar 25. In addition, there will be a true up for April 21 to March 22 to reflect the actuals (£206m compared to the forecast at the time of revenue setting of £190m). The difference of £16m would also impact April 24 – March 25. Therefore, in addition to the updated view of April 24 – March 25, the total shrinkage forecast to go into allowed revenues reflects the April 24 value, plus two reconciliations catching up will be approximately £889m.*
- *This shows how the reconciliations work overtime and the issues with the timing difference, in NGGs view, of when the revenues are set and the time to actually set the prices that can, when the numbers are this substantial, can store up sizeable impacts into future years.*

Slide 12: General Non-Transmission Services Charges – indicative view of October 2022

- *CWi explained the revenue table at the top of the slide shows the updated view in the first of the green lines. As can be seen the £514m is the same as has been shown previously, this is because it was set per the PCFM processes back in February. The value for April 23 (£1,056m) shows the impact from the previous slide of how the shrinkage reconciliation is playing through, giving a large increase in the allowed revenues. The next two years reflect updated views of shrinkage playing through and not like in April 23 – March 24 that includes previous years reconciliations.*
- *Also shown are, using the revenues, estimates on consumer bill impacts too.*
- *The bottom table shows the impacts to Non-Transmission Services charges. Focus is on the two main charges, General Non-Transmission Services charges, and St Fergus compression charges. Both have drivers shared in the increases to Gas prices impacting the costs of System Operation.*
- *Focusing on the General Non-Transmission Services Charges – 0.0343, 0.0658, etc), the impacts to the revenues above are shown here. These charges are set to recover revenue for a Regulatory Year (April to March) but will apply for a Gas Year (October to September). Therefore, when there is a very high revenue, the rates will be high and can potentially over recover the revenue for the following year before the prices are set (as in this example of indicative rates) which has the potential to send the price below zero.*
- *This level of oscillation in the prices NGG believe should not be allowed to materialise due to the impacts to Customer charges and the volatility presented.*
- *How this could be addressed is discussed on Slide 13 below.*

Slide 13: Challenges and Next Steps

- *Ways to manage or address the volatility to avoid the ranges of prices and volatility from October 2023 and beyond:*
 - *NGG believe changes to the Licence are necessary to help facilitate the reduction in volatility. A review of the UNC provisions on Non-Transmission charging will also be needed to review areas that could also reduce volatility.*
- *NGG plans to engage with Customers and Stakeholders on working on ways to manage the challenges listed (timing of revenue updates, volatility, levels of unpredictability)*
- *There will be a further webinar in September to go into the details of the presentation/rates in more detail. CWi noted that NGG welcome any questions ahead of this. CWi advised he would also use the NTSCMF as the main change vehicle for UNC related matters and updating on charging options and development.*
- *CWi explained that NNG also plan to provide more regular updates on costs and how they could impact prices over time.*

Nick Wye (NN) asked if the indicative Shrinkage wholesale charges are taken into consideration as to how the gas is bought, from a purchase date, the market price and how much is left. NN said more detail was required to allow transparency in relation to Shrinkage costs and how these progress over the year.

Ritchard Hewitt (RH) also questioned The General Non-Transmission Services Charge (GNTSC) that National Grid Gas (NGG) was predicting for gas year 2023 / 24 which was much higher than the current rates and then the same charge forecast for 2024 / 25 was a negative charge.

CWi suggested that this was due to a requirement on it to recover costs built up in 2022 and 2023 during the first half of the 2023/24 Gas Year (i.e., up to April 2024). CWi stated that during the second half of Gas Year 2023/24 the GNTSC charge rate would then over-recover as the forecast Formula Year costs for the Formula Year 2024/25 (starting in April) would be lower, but the GNTSC charge is unchanged.

CWi stated this therefore leads to NGG forecasting an over-recovery position at the start of Gas Year 2024/25 and therefore the GNTSC for Oct 2024 is forecast to be a negative rate. RH asked how NGG might mitigate this volatility in charges. RH noted that NGG use a Revenue Recovery Charge (RRC) type of arrangement during the period April 2024 to Oct 2024 to off-set the over recovery?

NN discounted this because he said the RRCs were only allowed to be used for Capacity charges. NN then suggested that NGG was not prevented from changing the GNTSC within year and NGG could therefore look to do this during the current volatile market conditions.

CWi confirmed they were allowed to revise the GNTSC charge rate within year but not the revenue amount. JCx then cautioned that there was a balance to be struck between stability of charges (that do not change within year) and volatility (with big changes year on year). RH suggested that the restriction on changing the revenue amount within year would suggest that NGG's room for manoeuvre was limited at present. CWi said he understood the comments and would consider them as they work on the next steps process. CWi confirmed this action was carried forward. **Carried forward.**

Action 0702: Joint Office (RH) to publish the Mapping Document on the main NTSCMF webpage.

Update: EF explained that he and CWi were presently refining the Mapping Document and that it would be published during the second week of August 2022. EF confirmed this action was carried forward. **Carried forward.**

2.4. Industry Update from Ofgem

Joseph Clews (JCI) provided an overview of the up-to-date Ofgem Modifications timetable <https://www.ofgem.gov.uk/publications-and-updates/code-ModificationModification-proposals-ofgem-decision-expected-publication-dates-timetable>,

JCI stated there had been no updates since the last meeting in July and when the EDD was published on 22 July 2022.

EF asked if there were any other areas of discussion that anyone wanted to share with Ofgem, specifically in relation to the High Price Forecast. No discussion took place.

JCI stated that regarding the Non-Transmission Charging issue, Ofgem think there is merit in reviewing when the PCFM can be republished. However, Ofgem believe there is a trade-off between giving the market long notice about the revenue values that will be used for tariff setting and making sure that NGG can use up-to-date cost forecasts. JCI noted that any licence changes would be signposted to industry when the consultation is launched.

2.5. Pre-Modification discussions

No pre-Modification discussion.

3. Workgroups

None.

4. Issues

4.1. Industry Issues Tracker Update

EF stated that he was aware Rebecca Hailes (RH) (previous meeting Chair) had provided a comprehensive walkthrough of the Industry Issues Tracker and the July meeting, and appropriate updates were discussed and noted in the tracker as applicable. The updated issues tracker was published after the meeting.

EF asked if there were any further questions for discussion to note for this month.

JCx proposed that Issue CMF003 and CMF0088 were added to the September agenda to ensure these were reviewed and EF agreed.

- CMF003 – Capacity Neutrality
- CMF008 – Differences in Treatment for Entry and Exit regimes

The NTSCMF Issues Tracker can be found here: <https://www.gasgovernance.co.uk/ntscmf>

5. Forecasted Contracted Capacity (FCC)

5.1. FCC Methodology

CWi stated there was no update on this topic presently.

5.2. FCC Monitoring

This item was not discussed.

6. Long Term Revenue Forecasts

CWi advised this was a standard agenda item for the charging centric revenue forecast updates. Laura Johnson (LJ) noted that the Issue CMF004 SO Incentive Performance, could now be closed as the relevant information had now been supplied as requested and detailed below.

CMF004 SO Incentive Performance

Action Wording: Request for greater transparency of reporting to understand National Grid performance in nearer to real-time against the particular metrics. Ofgem has consulted on RIIO PCFM reporting. National Grid to check whether additional reporting will appear on the NTS operations webpage / Operational Forum.

LJ confirmed the links below would access the SO Incentive Performance data.
<https://www.nationalgrid.com/gas-transmission/about-us/system-operator-incentives>

incentives@nationalgrid.com

7. Next Steps

EF confirmed the next meeting would encompass the St Fergus Compression 'Option Report', together with Issues; CMF003 – Capacity Neutrality, CMF008 – Differences in Treatment for Entry and Exit regimes and the standard agenda items.

8. Any Other Business

8.1. New Format of Rough Order of Magnitude (ROM) Requests

Ellie Rogers (ER) provided an overview of the newly design ROM Template and explained that Xoserve had re-designed it to make it more customer friendly. ER advised and that she would be taking it to the Transmission and Distribution Workgroups, as well as sharing it with individual customers to gain feedback.

8.2. Pre-Modifications for the September meeting

LJ confirmed that National Grid Gas would be presenting two new Pre-Modifications at the September 2022 meeting (either NTSCMF or Transmission Workgroup), one of which would be a link to a previous Licence reference within TPD Section I and the other one, would be specifying the decimal place for the Conditional NTS Capacity Charge Discount (CNCCD) percentage with UNC to align to the UNC0728B Modification text. LJ confirmed the exact titles would be supplied in due course.

8.3. Modification 0802S - Clarification of ‘Annual Update’ for impacted Users in relation to CNCCD Election(s)

LJ explained there is an annual process for the Conditional NTS Capacity Charge Discount (CNCCD) which takes place no later than 01 August, to notify Users if their discount or eligibility criteria had changed. LJ confirmed there were no changes, for awareness purposes.

9. Diary Planning

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

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Tuesday 06 September 2022	5pm Monday 29 August 2022	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 04 October 2022	5pm Monday 26 September 2022	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 01 November 2022	5pm Monday 24 October 2022	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 06 December 2022	5pm Monday 28 November 2022	Via Microsoft Teams	Standard Workgroup Agenda

Action Table (as of 02 August 2022)

Action Ref	Meeting Date(s)	Minute Ref	Action	Reporting Month	Owner	Status Update
0701	05/07/22	1.0	National Grid (CW <i>i</i>) to provide a more detailed breakdown of the non-Transmission Services revenue.	September 2022	National Grid (CW <i>i</i>)	Carried forward
0702	05/07/22	3.1	Joint Office (RH) to publish the Mapping Document on	September 2022	Joint Office (RH)	Carried forward

			the main NTSCMF webpage.			
--	--	--	-----------------------------	--	--	--