

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 02 May 2023
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
Adam Bates	(AB)	SEFE Marketing & Trading
Alex Nield	(AN)	Storengy
Anthony Miller	(AM)	South Hook Gas
Ashley Adams	(AA)	National Gas Transmission
Andrew Pearce	(AP)	BP
Anna Shrigley	(ASh)	ENI
Christiane Sykes	(CS)	Shell Energy Europe Ltd (SEEL)
Chris Wright	(CWr)	Exxon Mobil
Colin Williams	(CWi)	National Gas Transmission
Daniel Wilkinson	(DW)	EDF Energy
David Bayliss	(DB)	National Gas Transmission
Davide Rubini	(DR)	Vitol
Jeff Chandler	(JCh)	SSE
Joseph Glews	(JG)	Ofgem
Julie Cox	(JCx)	Energy UK
Kirsty Appleby	(KA)	National Gas Transmission
Kieran McGoldrick	(KM)	National Gas Transmission
Lucy Manning	(LM)	BP
Matthew Atkinson	(MA)	SEFE
Mariachiara Zennaro	(MZ)	Centrica
Nick Wye	(NW)	Waters Wye Associates
Oliver Weston	(OW)	Ofgem
Oreoluwa Ogundipe	(OO)	Interconnector
Richard Fairholme	(RF)	Uniper
Ritchard Hewitt	(RHe)	Hewitt Home and Energy
<p><i>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.</i></p> <p><i>Please note these minutes do not replicate/include detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of all papers are available at: https://www.gasgovernance.co.uk/NTSCMF/020523</i></p>		

1. Introduction and Status Review

Eric Fowler (EF) welcomed delegates to the meeting.

1.1. Approval of Minutes (04 April 2023)

The minutes from the previous meeting were approved.

1.2. Approval of Late Papers

EF noted two late papers from National Gas Transmission for items 1.5.1 and 3.0.

1.3. Review of Outstanding Actions

0301: National Gas Transmission to consider the effect of the removal of non-obligated entry capacity revenue from capacity neutrality.

Update: Colin Williams (CWi) anticipating no changes in price setting this year requested this action is carried forward for updates in June and August. **Carried Forward.**

1.4. Industry Update from Ofgem

Oliver Weston (OW) referred to the 25 April 2023 expected publication dates timetable at: <https://www.ofgem.gov.uk/publications/code-modificationmodification-proposals-ofgem-decision-expected-publication-dates-timetable>, noting the estimated decision dates for:

Modifications	Estimated Decision Date
0761 - Arrangements for Interconnectors with additional Storage capability	28 April 2023 To be updated
0823 - Amendment to the Allocation of Entry Capacity and Flow Quantities to Qualifying CNCCD Routes	22 December 2023

1.5. Pre-Modification discussions

1.5.1. Introduction of a minimum General Non-Transmission Services (GNTS) Charge

Ashley Adams (AA) explained that under certain circumstances, the methodology used to calculate the GNTS charge can produce a negative value. At present, the UNC does not prohibit a negative GNTS Charge from being set. This proposal will provide certainty that negative charges are not able to materialise under any circumstances and will create alignment with the principal Transmission Services charges.

The risk of negative charges occurring has been very low historically. A negative GNTS charge would, in effect, result in National Gas Transmission paying users of the system to flow gas. This would create a perverse incentive for users to flow gas which would likely drive unpredictable behavioural changes and impacts for all Stakeholders.

Introducing a minimum GNTS charge will also align them with the primary Transmission Services charges where there already exists minimum Entry and Exit Capacity Reserve Prices.

Steps will be taken in the coming months to address the issues with GNTS charging which will also help to mitigate the risks of negative charges. The principal objective will be to ensure that zero or negative GNTS charges cannot materialise in the event that other mitigation measures fail to prevent them.

It is proposed that an additional paragraph is appended to UNC TPD Section Y to introduce a minimum General Non-Transmission Services Charge of 0.0001p/kWh.

AA provided a workplan to:

- Raise an Authority Direction Modification for May's UNC Panel Meeting
- Workgroup Assessment between June and August
- Panel Consideration September 2023
- Ofgem Decision required by July 2024 (for October 2024 charge setting)

An Appendix was provided to illustrate the indicative GNTS revenues and charges.

Colin Williams (CWi) confirmed that National Gas Transmission (NGT) is taking stock over the next couple of months, which will be considered against a deferral approach for 2023. CWi clarified there will be no changes to the method for this year. The deferral would be a deliberate under-recovery relative to the target in full knowledge of Ofgem and the industry.

The options for October 2024 will be considered over the next few months during Workgroup development in view of the options.

2. Workgroups

None to consider.

3. Transmission Charging Review

Colin Williams (CWi) provided the Workgroup with an NTS Gas Charging Discussion Document (NTS GCD) to update the Workgroup on the impacts of existing contracts on Transmission Services Charges. For full details please refer to the document published.

A copy of this document is available on the National Gas website at: <http://www.nationalgas.com/charging/gas-charging-discussion-gcd-papers>

CWi provided an overview of the document, highlighting the key points. The purpose of the document is to gather views on some key areas of, and potential changes to, Gas Transportation Charging arrangements. Notably, this is around how Existing Contracts are accommodated in the charging methodology and the impact they have. CWi wished to utilise the NTCSMF as a vehicle to discuss the document and enable the formulation of suitable UNC Modifications. Additional material may be published alongside this consultation if requested within the 8-week period.

The consultation on the document is open from 28 April 2023 with an opportunity to discuss at the NTSCMF on 02 May and 06 June 2023. Responses are invited by 23 June and should be sent to: colin.williams@nationalgas.com and box.gsoconsultations@nationalgrid.com

Contact for questions on the document should be directed to: box.gsoconsultations@nationalgrid.com or Colin Williams, Charging & Revenue Manager, 07785 451776, colin.williams@nationalgas.com

CWi outlined that whilst Modification 0790 looked to address the differential between Existing Contracts and new capacity the rejection letter issued by Ofgem set an expectation for a more compliant solution to be brought forward. In drafting this consultation document NGT has posed some questions seeking views to inform a broader conversation including the entry/exit split.

CWi drew attention to the questions set out on page 5 and 6.

Referring to questions 3&4 further clarification was requested to better understand them. CWi gave some examples with existing contracts and asked if there should be specific treatment, and whether this could be judged as compliant and fair. CWi explained that parity may not be the answer, for example, if existing contracts pay a higher charge and newer contracts have a lower charge would this be considered fair or unfair? Nick Wye (NW) observed that Ofgem viewed the discount applied to existing contracts as not positive for competition and the question should be about the achievement of the relevant objectives and promotion of competition rather than fairness. CWi agreed that the question should be rephrased.

The Workgroup considered the questions relating to the 50:50 split of entry and exit charges. Davide Rubini (DR) voiced that companies will differing opinions depending on their commercial vested interest and that perhaps the more relevant question is whether the existence of existing contracts affects the transparency and predictability of tariffs.

NW pointed out that the 50:50 split has not been fundamentally reviewed in 20 years so is overdue. CWi responded that NGT does not expect the split to be part of this review which has a focus on the effects of Existing Contracts but accepted that any views expressed could launch a new conversation. Several Workgroup participants voiced that the issues interact and that any reviews should proceed in the same timeframes. In concluding the discussions, CWi agreed to refine some of the questions and republish the consultation document with markup.

4. Issues

4.1. Industry Issues Tracker Update

EF referred Workgroup to the published Issues Tracker and invited updates from participants (<https://www.gasgovernance.co.uk/ntscmf>). Noting some of the topics/items in the tracker are being considered within the charging review consultation EF suggested deferring a review of the tracker until July.

5. Forecasted Contracted Capacity (FCC)

Update expected 06 June 2023 (please see: <https://www.nationalgas.com/charging/gas-charging-discussion-gcd-papers>).

6. Long-Term Revenue Forecasts

No update this month.

7. Any Other Business

None raised.

8. 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 June 2023	5pm Monday 30 May 2023	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 04 July 2023	5pm Monday 26 June 2023	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 01 August 2023	5pm Monday 24 July 2023	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 05 September 2023	5pm Monday 28 August 2023	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 03 October 2023	5pm Monday 25 September 2023	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 07 November 2023	5pm Monday 30 October 2023	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 05 December 2023	5pm Monday 27 November 2023	Via Microsoft Teams	Standard Workgroup Agenda

NTCSMF Action Table

Action Ref	Meeting Date(s)	Minute Ref	Action	Reporting Month	Owner	Status Update
0301	07/03/23	1.3	<p>National Gas Transmission to consider the effect of the removal of non-obligated entry capacity revenue from capacity neutrality.</p> <p><i>Would NGT consider this to be a helpful change? Does NGT consider that there are other necessary, or desirable changes (in UNC and/or Licence) to appropriately manage non-obligated entry cashflows?</i></p>	June and August 2023	National Gas Transmission (DAB)	Carried Forward