

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 06 June 2023
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Mike Berrisford (Secretary)	(MiB)	Joint Office
Adam Bates	(AB)	SEFE Marketing & Trading
Alex Nield	(AN)	Storengy
Anthony Miller	(AM)	South Hook Gas
Andrew Pearce	(AP)	BP
Anna Shrigley	(ASh)	Eni
Carlos Aguirre	(CA)	Pavilion Energy
Christiane Sykes	(CS)	Shell Energy Europe Ltd (SEEL)
Chris Wright	(CWr)	Exxon Mobil
Claire Caple	(CC)	E.ON
Colin Williams	(CWi)	National Gas Transmission
Daniel Hisgett	(DH)	National Gas Transmission
Daniel Wilkinson	(DW)	EDF Energy
David Bayliss	(DB)	National Gas Transmission
George Moran	(GM)	British Gas
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
Marion Joste	(MJ)	Eni
Mariachiara Zennaro	(MZ)	Centrica
Nick Wye	(NW)	Waters Wye Associates
Oreoluwa Ogundipe	(OO)	Interconnector
Richard Fairholme	(RF)	Uniper
Ritchard Hewitt	(RHe)	Hewitt Home and Energy
Terry Burke	(TB)	Equinor

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.

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/060623>

1. Introduction and Status Review

Eric Fowler (EF) welcomed delegates to the meeting.

1.1. Approval of Minutes (02 May 2023)

The minutes from the previous meeting were approved.

1.2. Approval of Late Papers

EF noted that the one late paper submitted by National Gas Transmission for items 4. and 5. is a recognised late submission due to various information provision timing related aspects.

When asked, parties in attendance were happy to consider the presentation at short notice.

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: When D Bayliss (DB) advised that work remains ongoing on this outstanding action, it was agreed to carry forward the action until the 01 August 2023 meeting. **Carried Forward**

1.4. Industry Update from Ofgem

J Glews (JG) referred to the 24 May 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 now pushed back to enable further consideration

1.5. Pre-Modification discussions

None to consider.

2. Workgroups

2.1. 0847 - Introduction of a Minimum General Non-Transmission Services Charge

(Report to Panel 17 August 2023)

<https://www.gasgovernance.co.uk/0847>

3. Transmission Charging Review

Colin Williams (CWi) provided the Workgroup with an update on the latest NTS Gas Charging Discussion Document (NTS GCD 13 v1.1) which now includes the May 2023 NTSCMF feedback points. Hopefully parties have had a chance to review the latest iteration of the document as the eight (8) week consultation window closes 23 June 2023. A further update including assessment of responses will be provided at the 01 August 2023 NTSCMF Workgroup meeting.

When asked what are the potential rules surrounding commodity based charge for existing contracts where contracts are 'traded' (e.g. would the incoming shipper have to pay the commodity charge?), CWi responded by explaining that if any additional tracking is needed in order to calculate invoices then system changes would be involved (similar to the commodity charge notion of trading) although he does accept that further thinking is required in relation to the 'modelling' aspects.

When concerns were voiced that trading capacity could involve differing values and could potentially result in parties avoiding paying charges, especially where any Gemini system changes would only add even more complexity to the matter, CWi acknowledged the points being raised.

It was also noted that once you trade capacity flows change accordingly and that Option 1 could potentially cause issues when trading (i.e. entry capacity existing / non-existing could be an issue).

Building upon the concerns being put forward, J Cox (JCx) observed that the proposed options are not fully developed and lack sufficient details to understand compliance and as a consequence believes that any industry responses maybe 'light' in nature and content. She went on to suggest that it remains extremely difficult to visualise any TAR NC compatibility / compliance aspects and issues. In short, NGT short start with a proposal which is compliant to avoid the industry taking up time developing something which could result in the proposals being rejected by the Authority.

Responding, CWi acknowledged the sound points being put forward but reiterated that the purpose of the document is to invite industry comments / suggestions in order to better inform development of any proposal(s) including the compliance aspects – this is not the finished article.

In noting the points, JCx felt that industry views on compliance could / would differ from Ofgem's view before suggesting that a view on these matters from Ofgem would be welcomed by the industry along with a more proactive approach to becoming involved in any development discussions. The wider timing aspects and lack of clarity around compliance aspects remains a concern for industry parties – these are points raised previously, which have remained largely unanswered and are therefore now in danger of 'timing out'.

When it was suggested that early Ofgem engagement alongside seeking a legal view on contracts and compliance aspects would be beneficial, J Glews (JG) explained that Ofgem are mindful of making early judgements on extremely complex matters such as these, especially as they are resource intensive which would place a burden upon Ofgem at this time.

JG went on to remind parties that compliance aspects were reviewed as part of the deliberations undertaken for the Modification 0790 (Urgent) decision process. He went on to point out that any changes to the existing process would need consideration whilst Ofgem would also welcome clarity from industry prior to focusing on any compliance aspects. When JCx countered by reiterating that industry parties believe it would be beneficial to obtain an Ofgem view on compliance earlier in the process, especially when being mindful of the fact that historical information and precedents do not guarantee compliance. In short, whilst Ofgem are 'driving' the initiative, they seem reluctant to provide the early strategic guidance which industry desperately needs.

Acknowledging the concerns being raised and the points being put forward, JG explained that he is not 100% certain that he could commit to a change in approach at this time, although he might be able to undertake more nonbinding discussions.

JCx suggested that perhaps adopting an approach similar to the electricity side may prove beneficial especially as it is acknowledged that industry does not have the available resources to deliver a definitive view on compliance – historically, industry and Ofgem have held differing views on the compliance question with industry time and effort ultimately being wasted in pursuing the matter.

In noting the points, JG acknowledged that whilst the UNC is an efficient mechanism for addressing smaller matters, it falls short on the wider (global) market aspects. However, he believes that whilst the industry might not be able to provide a timely answer to the specific compliance issue, as part of these discussions, it could potentially help later discussions on the matter. JCx suggested that whilst accepting we (the industry) has an issue it remains unclear as to whether they can provide an informed view in the time available.

In noting the previous 'laboured' industry discussions around the compliance matter, JG acknowledged that we may not be able to resolve all the associated issues and concerns at this time.

At this point A Shrigley (ASh) observed that consideration of shorthaul discount aspects appear to be missing which is another concern (current shorthaul regime and the Bacton high export of new capacity revealed little difference in prices between existing v's new capacity prices). Responding, CWi pointed out that as far as the proposals for the commodity based option are concerned, parties would need to carefully think about the pre 2020 shorthaul aspects. However, in terms of the discussions document, he does not believe there is anything else that needs to be included in relation to shorthaul.

A Miller (AM) advised that in sharing JCx's concerns he had also struggled with the documents content (inc. commodity charging aspects and capacity bundled under different options) and believes that consideration of potential consumer impacts is also needed. CWi responded by advising that the documents objectives 'mirror' the 0790 (Urgent) ones, so on the grounds that the Modification was previously rejected, he would be more than happy to (re)consider the broader objectives aspects.

R Hewitt (RHe) went on to suggest that changing the Entry / Exit split and EC issues should be considered together because changing the split (according to the GCD 13 document) could significantly reduce the difference between charges levied on existing Capacity and the reserve prices levied on new Entry Capacity sales.

R Fairholme (RF) pointed out that as far as the consultation process is concerned, it is the Relevant Objectives that are important, and care would be needed to avoid creating new objectives. He went on to advise that at the previous day's Energy UK meeting, the matter of the entry / exit split was considered, and it was concluded that this is potentially a massive topic which should not be approached lightly and should be the subject of a separate consultation.

RHe suggested that it is important that the Relevant Objectives are met whilst also ensuring that the UK remains a competitive market, therefore as a consequence judging the proposed options requires extreme care.

Responding to the points, CWi advised that whilst no one is trying to invent any new (charging) objective(s), perhaps a wider industry review of the entry / exit split might prove beneficial. From a broader perspective he believes that considering what the charges are there to achieve remains a valid consideration and this exercise is an opportunity for industry to provide (high-level) views on directions to possibly follow without actually placing a UNC Modification 'on the table' – in essence, it is a 'bridge' between a debate and an actual Modification and therefore any views would be welcomed so please feel free to contact him or a colleague within National Gas Transmission to discuss the matter in more detail.

In referring to the TAR NC (5yr) reviews, it was suggested that perhaps a single Charging Tariff review exercise would be feasible to which JG advised that Ofgem had looked at this and are currently considering what might be required. Furthermore, Ofgem do not believe that the TAR NC provisions should prevent the GB market looking at their own charging review requirements. JG noted that if we try to bundle everything into a single (holistic) review (inc. TAR NC aspects) the industry runs the risk of increasing complexity and impinging on delivery timing aspects, especially when other Countries views remain unknown.

Accepting the points, A Bates (AB) observed that overlap between individual Modifications and constraints within the Modification process only serve to make matters worse.

JCx advised that once clarity around the TAR process becomes clearer, it would be shared with industry as a matter of urgency.

When JCx explained that she had not received any responses to her TAR email issued after the last Workgroup meeting and that in her opinion there are some strange omissions in the TAR Methodology related elements, JG advised that Ofgem are considering this but do not have an answer as yet, but would look to provide one in due course.

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>

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

4. Forecasted Contracted Capacity (FCC)

D Bayliss (DB) provided a brief verbal overview of the 'FY24 Capacity and Revenue Monitoring – Monthly Update' presentation, during which the key points were noted (by exception), as follows:

Capacity Reserve Prices – October 2023

To be reviewed in more detail at the forthcoming Webinar.

Entry Capacity & Revenue FY24 – at April 2024

April Entry Capacity: FY24 (kWh) value slightly lower than expected due in part to end of the month timing issues.

Modification 0796 provisions result in under / over collection of revenues.

Exit Capacity & Revenue FY24 – at April 2024

Tracking to continue over the next few months and more detail to be available at forthcoming Webinaire.

(please see: <https://www.nationalgas.com/charging/gas-charging-discussion-gcd-papers>).

5. Long-Term Revenue Forecasts

Please refer to item 4. above for more details.

6. Any Other Business

6.1. National Gas Transmission Webinaire

It was agreed to investigate the possibility of holding the Webinar on Monday 26 June 2023 taking the form of a Teleconference only style meeting between 13:00 – 15:00.

6.2. Ofgem St Fergus Compressor Emissions Final Preferred Option Paper

In drawing parties attention to the paper published by Ofgem ([St Fergus Compressor Emissions - Final Preferred Option | Ofgem](#)), CWi requested that should there be any specific questions in relation to National Gas Transmission please contact him direct.

When asked whether the paper includes charging aspects, D Hisgett (DH) advised that there is a one-line statement relating to NTSCMF Charging considerations.

When asked whether there are any other matters parties should consider, CWi suggested that perhaps the commercial side direction, but only as a ‘springboard’ to other discussions in due course.

JG advised that he would look to obtain some information internally from the St Fergus Lead Team within Ofgem and provide a response to JCx on potential charging aspects.

When asked about the associated timeline aspects, CWi advised that funding decisions for 2026 would be based on 2023/24 expectation dates. Revenues flowing through could potentially involve a ‘do nothing’ approach unless there is an appetite to do something different.

When asked about potential reopener aspects, CWi responded by suggesting that these could be considered within the NTSCMF investment option considerations.

6.3. UNC Election 2023-24 – User Representation

EF provided a brief resume of the presentation during which the key process dates were highlighted.

7. 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 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 (as at 06 June 2023)						
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