

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 04 July 2023
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
Adam Bates	(AB)	SEFE
Alex Nield	(AN)	Storengy
Amy Howarth	(AH)	Storengy
Anna Shrigley	(ASh)	Eni
Anthony Miller	(AM)	South Hook Gas
Ashely Adams	(AA)	National Gas Transmission
Brian McGlinchey	(PM)	Pavilion Energy
Carlos Aguirre	(CA)	Pavilion Energy
Christiane Sykes	(CS)	Shell
Chris Wright	(CW)	Exxon Mobil
David Bayliss	(DB)	National Gas Transmission
Colin Williams	(CWi)	National Gas Transmission
Davide Rubini	(DR)	Vitol
Emma Robinson	(ER)	E.ON
Jeff Chandler	(JC)	SSE
Joseph Glews	(JG)	Ofgem
Karen Cashio	(KC)	Ofgem
Kieran McGoldrick	(KM)	National Gas Transmission
Kirsty Appleby	(KA)	National Gas Transmission
Lauren Jauss	(LJ)	RWE
Marion Joste	(MJ)	Eni
Nigel Sisman	(NS)	Sisman Consult
Oliver Weston	(OW)	Ofgem
Oreoluwa Ogundipe	(OO)	Interconnector
Richard Fairholme	(RF)	Uniper
Ricki Hill	(RHi)	Centrica
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/010823</i></p>		

1. Introduction and Status Review

Eric Fowler (EF) welcomed delegates to the meeting.

1.1. Approval of Minutes (04 July 2023)

The minutes from the previous meeting were approved, including a post-meeting note.

1.2. Approval of Late Papers

Three late papers received on 31 July 2023 were approved by the Workgroup, for agenda items 1.3, 3.0 and 4.0

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: David Bayliss (DB) provided a presentation on the impact of removing non-obligated Entry Capacity from neutrality. He provided an overview of obligated and no non-obligated capacity and the different treatments of entry and non-obligated capacity from neutrality.

DB explained that revenue from non-obligated entry capacity is passed back to the industry via the neutrality process and that revenue from exit non-obligated capacity is retained by National Gas Transmission (NGT) as part of the System Operator (SO) collected revenue mechanism.

DB explained there is no impact on the Transmission Capacity Service Charges as entry non-obligated capacity is accounted for when setting prices.

Nigel Sisman (NS) asked a series of questions to explore the points of detail and commented that the complexity of the treatment detracts from the transparency.

DB agreed with NS interpretation that because non-obligated entry capacity contributes to capacity neutrality then those revenues are returned to users with the consequence that another charge (in this case the commodity charge) is inflated. NS indicated this increases costs paid by consumers.

NS indicated that the treatment seemed strange and may detract from simplicity, transparency of tariff calculations and their replicability. Colin Williams (CWi) indicated that all treatments are in accordance with Licence and that NGT share the numbers it uses.

NS asked if NGT consider that removing non-obligated entry revenues from capacity neutrality, given that the current treatment seemed detrimental to consumers, would be helpful or, if not, what are the merits in retaining the current treatment.

Colin Williams (CWi) responded that the materiality is shown in the presentation material and is around £2million and that the information needed to replicate the calculations is published by NGT.

CWi indicated materiality should be considered and questioned whether a change was warranted. CWi also indicated that the issue ought to be considered from the perspective of SO activity. He noted that if non-obligated entry revenue was removed from capacity neutrality then those revenues would contribute to SO revenue. He wondered whether a Licence definition change would be necessary.

NS noted that the materiality is around £2million and could be more or less and that the anomaly has been present for many years. NS reiterated the text appended in the action - would NGT to consider this to be a helpful change and does NGT consider there are other necessary or desirable changes to appropriately manage non-obligated entry cashflows. NS stated that other modifications have been championed for lesser amounts, for example the recent modifications for capacity at Easington and the calculation of the optional commodity discount for shorthaul. The question is then whether this issue deserves action.

Anna Shrigley (AS) noted that non-obligated capacity revenue goes into neutrality, and so it goes back to Shippers who purchased capacity. She then asked what would happen to the National Transmission services charge if that revenue was removed? AS wondered if the treatment of non-obligated entry capacity revenues should depend on whether the treatment of non-obligated revenues should depend upon whether an over or under-recovery position is evident?

NS remarked that whilst the values were modest the industry has recently seen change proposals (e.g. entry capacity “transfers” between Easington and Rough, and calculation of OCC discounts) that had lower value but which had found sponsors. Here we have a case of consumer detriment but no sponsor for a UNC change. NS acknowledged that if non-obligated entry was to be removed from capacity neutrality then it might be desirable to contemplate some Licence refinement as had been done previously to ensure the effectiveness of UNC0748. This change had addressed the capacity neutrality issue associated with four major cashflows that had emerged in the last quarter of 2020. NS recognised that the remedy had involved actions beyond the UNC and this was the reason for the further question captured in the action “Does NGT consider that there are other necessary, or desirable changes (in UNC and/or Licence) to appropriately manage non-obligated entry cashflows?”

CWi indicated that the current treatment has been long standing and that it is not clear that the approach needs to be changed. He indicated that TO does not equate to transmission services, nor SO to non-transmission services and that non-obligated capacity revenues currently have an influence on non-transmission service pricing. CWi questioned if the the principles of capacity neutrality were being challenged for Entry or whether the problem is that some capacity revenues have an influence on another charge (i.e. general non-transmission services charges). Materiality is one element that should be considered. It was agreed that this discussion was on Entry and to understand the logic of the current treatment.

CWi confirmed there are a series of scenarios and removing any non-obligated revenue treatment from capacity neutrality will have an entry treatment impact which would mirror exit and contribute to the system operation recovery. CWi pointed out that Transmission Operator does not perfectly equal Transmission Services when comparing the UNC and the Licence. If any non-obligated (Entry or Exit) capacity-based revenue were treated as Transmission Operator as opposed to System Operation that will require a change to the licence defining the prescription for recovery of non-obligated revenue.

CWi confirmed that NGT would look into the logic, consider the materiality and were happy to debate this matter further.

NS expressed concern that nobody seems to be able to explain what capacity neutrality is about and was unclear about non-obligated entry capacity. It was noted that the SO incentive to release non-obligated capacity work as intended.

NS indicated that problems with capacity neutrality were apparent more than two and a half years ago and it would have been preferable to have resolved all capacity neutrality issues by now. However the immediate focus should be on this action item i.e. solely non-obligated entry capacity revenues. He indicated that he felt non-obligated entry capacity revenues should contribute to both transmission services revenue recovery and TO revenue recovery. He wondered whether the SO point is a red herring since a proportion of non-obligated entry revenue already features in the CCM performance measure and so incentivises the release of the non-obligated capacity?

Post Meeting Note: Whilst the incentive might be appropriate the problem here is that non-obligated entry capacity being included in capacity neutrality means those revenues are returned to users and so increase the commodity charge in an unwarranted manner. That is the problem that needs to be addressed.

Concern was expressed on the consequences on Shippers and the potential for other charges to go up. CWi confirmed recovered revenue for entry and exit non-obligated capacity goes against the System Operator (with non-obligated entry capacity returned via capacity neutrality).

CWi indicated that non-obligated is an SO activity. Making any changes requires careful consideration and may involve a substantial changes as it has the potential to impact UNC and the Licence. CWi indicated that just because there is a single view that change might be needed doesn't mean a change proposal should be made. CWi stated that there would need to be a clear statement on the objective of any change because some of the suggestions appear to change the nature of what a System Operator does. CWi agreed to outline for NTSCMF in a note some thoughts on the consequential impacts if the Non-Obligated treatment of revenue were to change.

It was relayed by a Workgroup participant that no one charge should interfere or affect another and there was a need to better understand the merit in making of making a change to take out non-entry obligated from capacity.

NS believed that the change should be straightforward and could be based upon the resolution that was used to address the obvious anomaly that was addressed via UNC0748 and the associated licence changes.

CWi said that NGT would provide an update in line with the action, including in the context of this discussion, and return to the October NTS CMF with further information. Closed.

New Action 0801: National Gas Transmission (CWi) to Provide an overview, and an understanding of the reasons underpinning the current treatment, of recovered revenue for Entry Non-Obligated capacity and its inclusion in capacity neutrality. This will also cover thoughts on the potential impacts, for discussion, of changing the treatment of Non-Obligated Entry Capacity revenue.

0701: National Gas Transmission to provide their findings to the September 2023 NTSCMF when the steps have been taken in the existing FCC Methodology for identifying sites that have erroneous values.

Update: Update due September. **Carried Forward**

1.4. Industry Update from Ofgem

Oliver Weston (OW) referring to the Ofgem Expected publication dates timetable at: <https://www.ofgem.gov.uk/publications/code-modificationmodification-proposals-ofgem-decision-expected-publication-dates-timetable> dated 05 July 2023 noted the most recent updates:

Modification	Estimated Decision Date
0696V - Addressing inequities between Capacity booking under the UNC and arrangements set out in relevant NExAs	29 September 2023
0761 - Arrangements for Interconnectors with additional Storage capability	In the final review stages. EDD TBC
0823 - Amendment to the Allocation of Entry Capacity and Flow Quantities to Qualifying CNCCD Routes	22 December 2023
0813 – Revision of Virtual Last Resort User and Contingent Procurement of Supplier Demand Event Trigger	Rejected 20 July 2023

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. NTS Gas Charging Consultation

Colin Williams (CWi) confirmed 17 responses had been received in response to the GCD13 - Impact of Existing Contracts on Transmission Services Charges Consultation, which are available at: <http://www.nationalgas.com/charging/gas-charging-discussion-gcd-papers>

CWi provided an overview of some of the themes raised. Please refer to the presentation slide for full details.

Ritchard Hewitt (RHe) referring to the 5-year review of transportation charges asked what could be included in the 5-year cycle.

Ricky Hill (RHi) wished for the Workgroup to consider the timing of the review and the potential industry resource that would be engaged for a problem which should fall away.

Anna Shrigley (AS) noted of the 15 companies that submitted responses; 11 respondents were of the opinion that the “do nothing” option was best. Only 3 respondents supported a change in the charging regime that would reduce price differentials between existing and new capacity contracts. Only 1 respondent supported a change in the charging regime was a signatory to the UNC. The other 2 supporters for a change in the regime were BBL and INT, who both operate commercial pipelines adjacent to the NTS and are not signatories to the UNC.

CWi agreed to consider the comments when composing a response, confirming that the next steps will be to look at the detail, the proportionality of the comments received and the views provided on proceedings.

4. Capacity and Revenue Monitoring

David Bayliss (DB) provided the Capacity and Revenue Monitoring Report summarising the entry capacity and revenue actuals against the forecast.

5. Any Other Business

5.1. St Fergus Compression – Cost Recovery.

Christiane Sykes (CS) enquired about the St Fergus compression upgrade project and if this will be addressed in the September NTSCMF i.e., how the costs will be recovered, and the future works at St Fergus being linked to the uncertainty mechanism.

CWi anticipated an update will be provided later this year, noting there are a couple of triggers, for example when a decision is made by Ofgem on the final options which will set the path.

In terms of the options CWi believed this would be focussed on the investment needs case and level of certainty required.

6. 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 05 September 2023	5pm Friday 25 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	National Gas Transmission to consider the effect of the removal of non-obligated entry capacity revenue from capacity neutrality. <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>	August 2023	National Gas Transmission (CW <i>i</i>)	Closed
0701	04/07/23	4.0	National Gas Transmission to provide their findings to the September 2023 NTCSMF when the steps have been taken in the existing FCC Methodology for identifying sites that have erroneous values	September 2023	National Gas Transmission (DB)	Carried Forward
0801	01/08/23	1.3	National Gas Transmission (CW <i>i</i>) to provide an overview, and an understanding of the reasons underpinning the current treatment, of recovered revenue for Entry Non-Obligated capacity and its inclusion in capacity neutrality.	October 2023	National Gas Transmission (CW <i>i</i>)	Pending

UNC Workgroup 0847 Minutes
Introduction of a Minimum General Non-Transmission Services Charge
Tuesday 01 August 2023
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
Adam Bates	(AB)	SEFE
Alex Nield	(AN)	Storengy
Amy Howarth	(AH)	Storengy
Anna Shrigley	(ASh)	Eni
Anthony Miller	(AM)	South Hook Gas
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Brian McGlinchey	(PM)	Pavilion Energy
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Davide Rubini	(DR)	Vitol
Emma Robinson	(ER)	E.ON
Jeff Chandler	(JC)	SSE
Joseph Glews	(JG)	Ofgem
Karen Cashio	(KC)	Ofgem
Kieran McGoldrick	(KM)	National Gas Transmission
Kirsty Appleby	(KA)	National Gas Transmission
Lauren Jauss	(LJ)	RWE
Marion Joste	(MJ)	Eni
Nigel Sisman	(NS)	Sisman Consult
Oliver Weston	(OW)	Ofgem
Oreoluwa Ogundipe	(OO)	Interconnector
Richard Fairholme	(RF)	Uniper
Ricki Hill	(RHi)	Centrica
Ritchard Hewitt	(RHe)	Hewitt Home and Energy

The Workgroup Report is due to be presented at the UNC Modification Panel by 17 August 2023
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/0847/010823>

1. Introduction and Status Review

Eric Fowler (EF) welcomed delegates to the meeting, which was quorate.

1.1. Approval of Minutes (06 June 2023)

The minutes from the previous meeting were approved.

1.2. Approval of Late papers

EF noted a minor typographic amendment to the presentation for item 2, otherwise, there were no late papers to consider.

1.3. Review of Outstanding Actions

None to consider.

2. Consideration of Updated Presentation / Information

Ashley Adams (AA) provided an update on the progression of the Modification, providing a couple of slides to provide an illustrative example of the effect of the Modification if the price becomes negative. A further breakdown was provided with the charges split down over 6 months.

For the full details please refer to the presentation slides published.

3. Consideration of Amended Modification

Modification has not been amended.

4. Consideration of Legal Text

Considered July.

5. Completion of Workgroup Report

The Workgroup undertook an onscreen review of the draft Workgroup Report and concluded the report.

6. Next Steps

EF confirmed the submission of the Workgroup Report to the August UNC Modification Panel.

7. Any Other Business

None raised.

8. Diary Planning

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

No further meetings planned