

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 05 September 2023
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Adam Bates	(AB)	SEFE
Alex Barnes	(Aba)	Waters Wye Associates
Alex Nield	(AN)	Storengy
Alistair Craig	(AC)	Ofgem
Amy Howarth	(AH)	Storengy
Anna Shrigley	(ASh)	Eni
Anthony Miller	(AM)	South Hook Gas
Brian McGlinchey	(PM)	Pavilion Energy
Carlos Aguirre	(CA)	Pavilion Energy
Chris Wright	(CW)	Exxon Mobil
Colin Williams	(CWl)	National Gas Transmission
David Bayliss	(DB)	National Gas Transmission
Davide Rubini	(DR)	Vitol
Emma Robinson	(ER)	E.ON
Jeff Chandler	(JCh)	SSE
Joseph Glews	(JG)	Ofgem
Julie Cox	(JCx)	Energy UK
Karen Cashio	(KC)	Ofgem
Kieran McGoldrick	(KM)	National Gas Transmission
Kirsty Appleby	(KA)	National Gas Transmission
Lauren Jauss	(LJ)	RWE
Mariachiara Zennaro	(MZ)	Centrica
Marion Joste	(MJ)	Eni
Nigel Sisman	(NS)	Sisman Consult
Oreoluwa Ogundipe	(OO)	Interconnector
Richard Fairholme	(RF)	Uniper
Stephen Huang	(SH)	CCI
Terry Burke	(TB)	Equinor
<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/050923</i></p>		

1. Introduction and Status Review

Eric Fowler (EF) welcomed delegates to the meeting.

1.1. Approval of Minutes (01 August 2023)

EF noted several changes had been requested to the 01 August 2023 minutes. The minutes from the previous meeting were approved, including a post-meeting note.

Nigel Sisman (NS) explained that because non-obligated entry capacity revenue contributes to capacity neutrality those revenues are returned to users with the consequence that another charge (i.e. the commodity charge) is inflated. This should be expected to increase costs to consumers.

Removing non-obligated entry capacity from capacity neutrality would address this issue. NS indicated it would be good if NG could agree this is the case or explain why the removal of non-obligated entry capacity from capacity neutrality would not have merit.

NS indicated a secondary issue about whether the non-obligated entry capacity revenue should contribute to System Operator recovered revenue (as per the current Licence) and it would be good to hear if NG think this is appropriate, or if not, what remedy might be desirable.

Colin Williams clarified that the discussion regarding *Action 0301: National Gas Transmission to consider the effect of the removal of non-obligated entry capacity revenue from capacity neutrality*, captures where Workgroup left it, and confirmed that National Gas will lay out the understanding of the rationale of existing arrangements and then present some impacts about what will happen in terms of *if anything was done differently*.

1.2. Approval of Late Papers

One late paper received was approved by the Workgroup, for agenda item 4

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:

Post Meeting Note:

NS has clarified that Action 0301 should not be closed and explained that the action is formulated and the sub-questions each need to be answered and believes they have not been answered to date. Action 0801 is far more open and is like action items that we have had in the past which have never been completed but which, over time, get replaced with less well-formulated actions. This is why we are making such slow progress in the pricing area.

NS suggested text for the brief discussion held on 05 September 2023 reinforces the Action 301 questions. National Gas must be clear if it declines to raise a Modification to remove the non-obligated entry from capacity neutrality and why. NS advised this is an easy decision and could not be controversial and would have obvious, albeit small in value, benefits. The secondary issue is far less clear-cut, if no subsequent action about the Licence is taken then there would be identical treatments of non-obligated entry and exit capacity from a recovered revenue perspective and National Gas must declare if it thinks that is appropriate or whether a change is desirable or necessary.

Action 0301 Carried Forward

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: David Bayliss DB provided an update on the Steps taken under the existing FCC Methodology for addressing erroneous values. For a detailed update, please refer to the published slides on the meeting page: www.gasgovernance.co.uk/NTSCMF/050923:

Tools within the FCC Methodology for addressing potentially erroneous values

DB explained how the FCC sets the forecast of capacity to be sold across the Gas Year and entry and exit, which determines the appropriate Capacity Reserve Prices. DB advised the methodology is reviewed annually, the result of which can be found here: [Gas Charging Discussion \(GCD\) Papers | National Gas](#).

DB explained that the methodology provides mechanisms at several stages to manage anomalous or erroneous values within individual steps as the process is followed and there is an overarching override facility that can be utilised should it be considered necessary in exceptional circumstances.

Please refer to the presentation published which explains each step of the process and the tools used within the Methodology to address potentially erroneous values.

In brief, the FCC is calculated as follows:

- a) Average actual historical flow per point for the previous 5 Gas Years (Y-2 to Y-6)
- b) Using the latest available forecast demand create a normalisation value which will be applied to step (a)
- c) Using previous years actual utilisation calculate a utilisation factor to be applied to (b)
- d) Consider the following:
 - Booked Capacity
 - Existing Contract Capacity
 - PARCA
- e) Use any forward-looking knowledge of the site that will not be operational in future then remove it from the FCC calculation.

When asked, DB clarified that even if a site is not flowing gas at the level of the booked capacity, if that capacity has been booked into the future it will not be discounted from the calculation because the capacity will be paid for and NGT don't want to knowingly over-collect revenue.

JCx asked whether account is taken of PARCAs for which the date may slip back. DB clarified, that due to potential date changes at Phase 2 of a PARCA, he is in touch with the Connections Team where the most up-to-date dates for the PARCA are built into the FCC. The data is taken at the latest date possible, usually the end of April.

Action 0701 Closed

0801: National Gas Transmission (CW) 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.

Update: Update due October 2023. **Carried Forward**

1.4. Industry Update from Ofgem

Joseph Glews (JG) 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 17 August 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	Rejected 24 August 2023
0808 - Reverse Compression	TBC
0823 - Amendment to the Allocation of Entry Capacity and Flow Quantities to Qualifying CNCCD Routes	22 December 2023
0839 - Revision of the Modification Panel Membership Cessation Provisions	12 January 2024

0846 - Use of Entry Capacity Holdings at Easington at the Rough Storage ASEP in Winter 2023/2024

14 September 2023

1.5. Pre-Modification discussions

1.5.1. Revision to the Determination of Non-Transmission Services Gas Year Target Revenue

Colin Williams introduced a pre-modification to revise the determination of Non-Transmission Services Gas Year Target Revenue.

CWi advised that the current methodology only looks at the regulatory year that ends in the tariff year for which the charges are being set. However, certain external factors, e.g. the war on Ukraine and the impact on shrinkage costs, are impacting general non-transmission services prices.

CWi explained this Proposal would revise the method used to determine Gas Year target revenue by considering the Allowed Revenue for both Formula Years that make up the Gas Year instead of only focusing on the Formula Year that ends in the Gas Year as is currently done. Taking into account two formula years and therefore two revenue values to take into account would lessen the significance of changes.

The Modification will form part of NGT's wider strategy to manage Non-Transmission charge volatility as discussed in their latest Non-Transmission Services focused webinar: <https://www.nationalgas.com/electricity-transmission/document/144011/download>.

Next Steps

CWi concluded his presentation by confirming the intention to present the proposal to the 21 September 2023 UNC Modification Panel recommending that Authority Direction procedures be followed.

To implement in time for setting 2024 charges, a decision will be required by the end of May 2024

When Alex Barnes (ABa) sought clarification that in the longer term, it is proposed to review the methodology in more detail CWi confirmed National Gas Transmission's commitment to bring forward a constructive discussion with the Industry regarding the longer-term approach.

2. Workgroups

None

3. NTS Gas Charging Consultation

GCD13 - Impact of Existing Contracts on Transmission Services Charges Consultation, which is available at: <http://www.nationalgas.com/charging/gas-charging-discussion-gcd-papers>.

CWi clarified that a review of progress was provided at the August 2023 NTSCMF and advised that National Gas Transmission are concluding its write-up and will provide their minded-to thoughts based on the consultation feedback.

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.

DB highlighted the differences in behaviours concerning capacity bookings for Entry and Exit.

Exit Capacity & Revenue FY24 – at June 2024

DB noted that actual Exit Capacity bookings are slightly higher than forecast and that the Exit Capacity flows are a lot lower than forecast with Power stations flows being around 60% lower than forecast but bookings are higher.

When Eric Fowler (EF) asked if the reduction of Power Station flows could be linked with the generation of renewables and CCGT, DB advised this could be a factor to consider and that they may book capacity in case they are called on to generate.

When Richard Fairholme noted that high commodity prices make Shippers very risk averse and that Users may just be over-buying capacity to make sure they can generate, DB clarified that with Exit, it is very often a single Shipper at a single Exit point which raises questions as to why purchase a lot more than what you are intending to flow.

Lauren Jauss commented that it is interesting that the FCC is based on flows and that it is not the case that bookings and flows will match.

DB confirmed that the FCC recognises this and through the Capacity Utilisation process in the methodology, a forecast of the levels of capacity purchased above flows is built into the FCC calculations based upon historic levels of capacity purchased and actual flows for each point.

DB advised Workgroup he will monitor this over the coming months.

Entry Capacity & Revenue FY24 – at June 2024

DB noted that actual flows, capacity bookings and revenues are lower than forecasted. This is driven by a reduction in demand from lower flows at Power Generation and at Bacton exit IP than forecast, and the far closer alignment to matching capacity bookings with flows at Entry points than is seen at Exit.

5. Gemini Sustain Plus Update

Kirsty Appleby (KA) advised that regular updates are provided at the Transmission Workgroup and the DSC Change Management Committee and that National Gas Transmission submitted a Change Proposal ([XRN5564](#)) to undertake a significant upgrade of the Gemini application which is scheduled for delivery in September 2024.

The scope of the upgrade will include:

- Conversion of all the current Gemini functionality and code into modern (Java Microservices) code
- Delivery of existing functional requirements, and taking the opportunity to deliver enhanced and new functionality to reflect customer feedback and changing commercial markets
- Enhancing the User Interface experience reflecting modern technology
- Consolidation and re-design of Gemini screens
- Implementation of Azure cloud infrastructure components (including replacing the current Oracle database)

KA advised that National Gas Transmission are keen to encourage Customer engagement within this programme and is beginning this by running the first **Focus Group** starting **25 September 2023**. Details and invitations to participate have been issued and can be found at [Gemini Sustain Plus](#).

There will be a dedicated Focus Group to discuss the programme and National Gas Transmission strongly encourage all companies that use Gemini to attend.

- The series of Focus Groups will provide valuable insight into operational and technical developments within the programme including demonstration of screen changes/improvements, enhanced user experience and technical updates as part of the delivery.

6. Any Other Business

None raised.

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 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>)	Carried Forward
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)	Closed
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