

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 05 March 2024
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Nikita Bagga (Secretary)	(NB)	Joint Office
Adaeze Okafor	(AO)	Equinor
Adam Bates	(AB)	SEFE Marketing & Trading
Amy Howarth	(AH)	Storenergy
Anna Shringley	(AS)	ENI
Alex Nield	(AN)	Storenergy
Christiane Sykes	(CS)	Shell
Chris Wright	(CWr)	Exxon Mobil
Colin Williams	(CWl)	National Gas Transmission
Carlos Aguirre	(CA)	Pavilion Energy
David Bayliss	(DB)	National Gas Transmission
David Eccles	(DE)	North Sea Mid Stream Partners
Davide Rubini	(DR)	Vitol
Donald Lam	(DL)	Ofgem
Jeff Chandler	(JC)	SSE
Joseph Glews	(JG)	Ofgem
Julie Cox	(JCx)	Energy UK
Kieran McGoldrick	(KMc)	National Gas Transmission
Kirsty Appleby	(KA)	National Gas Transmission
Lauren Jauss	(LJ)	RWE
Lynsey Chambers	(LC)	Ofgem
Mariachiara Zennario	(MZ)	Centrica
Marion Joste	(MJ)	ENI
Nick Wye	(NW)	Water Wye Association
Nigel Sisman	(NS)	Sisman Energy Consultancy Limited
Pavanjit Dhesi	(PD)	Interconnect UK
Richard Fairholme	(RM)	Uniper
Ritchard Hewitt	(RH)	Hewitt Home and Energy Solutions

NTSCMF meetings will be quorate where there are at least six participants attending, of which at least two shall be Shipper Users and one NTS Transporter is in attendance.

Please note these minutes do not replicate 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 these are available at: <https://www.gasgovernance.co.uk/NTSCMF/050324>

1.0 Introduction and Status Review

Eric Fowler (EF) welcomed delegates to the meeting.

1.1. Approval of Minutes

EF presented the minutes from the January meeting and the February meeting to the Workgroup and advised that as there were post meeting requests to amend the notes it will be helpful to understand what discussions have occurred and what needs to be done.

11 January minutes

Nigel Sisman (NS) drew attention to a change made to the first paragraph on page 7. Following a discussion that confirmed the Workgroup interpretation of the notes that this paragraph is a comment made by NS and does not state an NGT position CWi explained he is happy for the words 'from NS view' to be deleted.

It was agreed amongst the Workgroup that any further discussion on these minutes would be parked for the time being.

6 February minutes

EF showed the published minutes from the meeting in February.

CWi advised the importance of the Committee having visibility when amendments are made and the changes suggested by CWi are for the purpose of providing clarity and assisting with the flow of the text. CWi drew attention to the third paragraph from the bottom of page 3, advising that the sentence after the wording in italics should be removed. As it sits the wording suggests that parties should not critique the process and NGT does not hold that view. There were no objections from the Workgroup regarding this amendment.

NS drew attention to the closure of Action 0301 during the last meeting and requested clarification from NGT as to how the Workgroup came to this conclusion. CWi responded that this action was closed following the information presented and the responses obtained from the Workgroup. If further actions were to be raised, there is nothing to prevent this, however it was suggested that it would be helpful to have some information relating to the rationale as to why a Change was required or what the concerns are. The particular piece considered during the last meeting was in relation to "Non-Obligated Entry Capacity" and during the meeting, the conclusion that was reached was that it would not be beneficial to customers to consider further.

Julie Cox (JCx) advised that her recollection of the meeting was that the Workgroup agreed to the closure of the action on the basis that a more general consideration would be given to Capacity Neutrality which did not appear to have been captured as an Action or an agenda item. CWi agreed.

JCx and CWi discussed considering a review of Capacity Neutrality. JCx advised that the issue is this has been in place for around 20 years and has not yet been considered for a review. Given the discussions and debates that have occurred, this may be an appropriate time and forum to consider the elements, particularly following on from Modification 0748. JCx advised that this should've progressed more rapidly and as it is absent from the minutes and the agenda, it is not a full record of the meeting (from February).

The Workgroup discussed Capacity Neutrality further with JCx beginning to carve out questions in relation to compliance with EU Code as there does not appear to be an equivalent to entry point tariffs. Further questions included considering whether the concepts and principles on which Capacity Neutrality were originally based on, are still correct and applicable.

CWi advised that these are the sort of questions NGT are looking for as a basis to consider this topic further. CWi advised that the questions posed are likely to have layers – one level is in relation to the compliance of entry charges being different to exit charges. NGT would want to consider this further and focus on why it might contradict the principle. Jeff Chandler (JC) raised his concerns regarding the differing tariff charges for entry and exit and explained he is unsure how this is compliant. JC advised he is happy to be educated further but indicated a keen interest in understanding any non-compliance.

JCx explained that she believed NGT were pushing back on this request to review Capacity Neutrality and wanted to better understand where the monies flow. CWi explained that the Workgroup needs to consider the rationale as to why Capacity Neutrality is defunct and therefore

needs to be reviewed instead of picking it apart as this may not answer the questions and the concerns that the industry have. CWi suggested that a starting point may be for NGT to pull together a teach-in so parties better understand the topic. This may then generate specific questions and concerns to justify a review, given that this topic is quite substantive. JCx responded to this idea advising that the first steps do not need to be substantial but can merely be an iterative process to start discussions.

NS highlighted that there appear to be restrictions on being able to discuss the topic at a macro level regarding what the regime is designed to do. NS raised that this was the reason action 0301 was formulated the way it was. Each flow needs to be assessed to understand what is going on in addition to considering the treatment in various areas and interactions in Capacity Neutrality. Consideration will then need to be given to understand how the accounting works behind the scenes. Given the outcome with action 0301, it may be appropriate to assume that the result may be slightly lower transportation charges and a reduced cashflow going through an opaque Capacity Neutrality and on this basis, there appears to be merit for further discussions. NS advised that in light of the conversations NGT have had, it would be useful to obtain confirmation from NGT that their view is that the Change would not be helpful.

CWi explained that the basis of what was presented at the last meeting was the rationale for a change to non-obligate entry capacity treatment and in relation to a question regarding the potential detrimental effect to customers. Given that the level of non-obligated revenue is so small, NGT did not see the benefit in considering this topic in isolation. To look at the topic in a wider context would be considered a more beneficial scope in terms of understanding the consequences, this is separate to the distinction of removing revenues and would therefore warrant further assessment.

This topic appeared to be quite substantive, and EF asked for opinions whether this topic should be considered in a separate, stand-alone meeting or whether it would be discussed as a separate agenda item within the NTSCMF meetings.

NS asked if a Change was made, whether there would be a consequence. CWi responded explaining that following on from the discussions at the last meeting, a review of the Capacity Neutrality should start with a teaching exercise to understand if the Workgroup have further reservations or concerns. NS advised that this response was not an answer to his question. NS requested for the minutes to reflect that a definitive yes/no answer to the question in the action could not be obtained following these discussions.

New Action 0301: NGT (CWi) to decide whether a meeting to discuss the mechanism of the of Capacity Neutrality is to take place as a separate agenda item at the next NTSCMF meeting or whether a separate, stand-alone meeting is required for discussions.

1.2. Approval of Late Papers

No late papers to approve.

1.3. Review of Outstanding Actions

Action 0101: National Gas Transmission (AA) to engage with power station users regarding the assumptions and return to the Workgroup with any findings following those engagements. And NGT / Ofgem to revert back with insights to the workgroup regarding NGT's discretion around determining a change as material.

Update: JG provided an update, advising that Ofgem has sufficient comfort regarding the amount of discretion exercised by NGT. The type and level of change appear to be suitable and in line with the level of flexibility expected in the methodology.

JCx discussed the initial set-up of FCC, explaining that previously there was a lot of transparency provided in the form of a spreadsheet. JG agreed that greater transparency is generally desirable and advised he would be happy to have discussions with NGT to obtain clarification on why this level of transparency is no longer being provided and whether it can be going forward.

JCx highlighted that either the methodology must be very well defined and codified to cope with situations or if there is scope for judgement then the provision of transparency to explain how discretion has been applied. JG agreed advising he was happy to discuss this with NGT.

David Bayliss (DB) provided further context explaining that as part of the development of the FCC methodology, a lot of information was shared. DB explained that the information was provided as part of a workshop and not intended to be part of the routine. JCx advised that in the first year, a spreadsheet and individual questions were published, but this data has not been shared since. JCx recognised that NGT have the discretion and make iterations to methodology but commented it would be helpful for individual sites to understand where their figures derive from. DB agreed to come back to the Workgroup to discuss the figures and the rationale that has been applied in coming to the indicative FCC. This is to be captured as a specific agenda point for the next NTSCMF meeting.

The Workgroup considered whether the FCC could be more tightly defined and codified. NGT advised that they try to be as accurate as possible, basing the figures on historical data and the best forecast available. There is always likely to be a need for some discretion regarding which figure to use otherwise the FCC may have to be set with data that is known to be incorrect.

JG reiterated that Ofgem are happy that NGT has some discretion as long as there is sufficient transparency.

In relation to the part of the action placed with NGT CWi advised that questions had been asked of power station operators but he was unable to share the outcome with the group due to the responses being commercially sensitive. Workgroup members agreed that this action was complete. **Closed**

New Action 0302: NGT (DB) to provide an explanation of the data and any exceptions or assumptions used in the development of the indicative FCC in advance of calculating the FCC.

1.4. Industry update from Ofgem

Joseph Glews (JG) referred to the Ofgem Expected publication dates timetable at [Code modification/modification proposals with Ofgem for decision - Expected publication dates timetable](#) noting the estimated decision dates for:

- UNC857 – JG advised that there has been no movement on the expected decision date which is currently stated as “TBC”. The backstop date is the end of May however the expectation is to get this out sooner.
- UNC859 – Anna Shringley (AS) raised that although this Modification had been approved today, there did not appear to be an implementation date. JG advised that the implementation date is currently “TBC” as there are some bilateral agreements between NGT and the interconnectors that need to take place before the Modification can be implemented. The relevant attendees will be present at the Transmission meeting on Thursday 7 March so any questions should be directed there.

1.5. Pre-Modification discussions

Kieran McGoldrick (KMc) presented a [pre-modification presentation](#) to the Workgroup.

KMc stated that once a site reaches stage 2 and intends to proceed, PARCA (Planning and Advance Reservation of Capacity Agreement) is required.

JCo noted that few PARCAs have resulted in investment and National Gas’s costs appear to be relatively low, JCx questioned in the event that Phase 2 is accepted and then terminated, where does the money go?

KMc advised he would need to revert to the PARCA team for further information.

New Action 0303: NGT (KMc) to discuss with the PARCA team regarding where the termination fee goes in the event termination occurs following the acceptance of Phase 2.

In relation to the proposed timetable, EF suggested that the timetable appeared ambitious and suspects that Panel might offer 3 months as opposed to the proposed 1-2 months.

Please refer to the presentation slides published for further detail.

2.0 Transmission Services Review

Kirsty Appleby (KA) provided an overview of the Transmission Services Review. KA highlighted that there were 2 versions of the presentation as one of the assumptions had been revised. All changes were marked up on the reissued version.

Please refer to the [presentation](#) slides published for further detail.

CWi highlighted that this review is in response to the various comments received and some feedback obtained from the GCD13 consultation.

The Workgroup considered the entry/exit split and different options for the split. Ritchard Hewitt (RH) asked how it would work if an alternative split was fed into the existing process. CWi explained that the split is used in the calculation of the rates. The central systems simply have those rates as in input so if there is a change in the methodology to yield a different number, it should work from a system perspective.

The Workgroup discussed the split further with CWi raising a number of questions to consider and highlighting that NGT may wish to test the implications against the potential benefits to explore if there are a different set of objectives to be considered. CWi pointed out that there is a default position (as is) so the test would be whether a change leads to a benefit.

Pavanjit Dhesi (PD) raised a similar question to RH, highlighting it would be useful to see the potential differences in the tariffs and the effect of the impacts on the market and the consumers and whether this would assist in attracting gas to the GB market. Different views are likely to be obtained from the forum as the results will be dependent on different portfolios.

JC asked if a change might be temporary until the existing contracts expired and then the regime would revert. CWi responded that ECs aren't the driver so an enduring change would be more likely.

The Workgroup discussed the requirement of an impact assessment as the results may determine which route NGT consider. JCx commented that market analysis would be helpful at the beginning as there are some fundamental issues to be considered. JCx asked whether NGT or Ofgem would lead and added that timing of changes could be important as these should be reflected in NBP gas prices if beyond a period when gas is already traded.

CWi advised that NGT are not seeking to conduct a market assessment straight away and this is something that may be considered once further progression has been made. NGT do not propose that this should drag on as that would not be a good use of industry's time. The initial focus is to start identifying and understanding what issues should be considered.

In relation to the reduction of the tariff on the entry side, Christiane Sykes (CS) asked what the impact would be in terms of attracting gas to GB. It would appear that there is a meaningful comparison between the GB tariffs and the continental tariffs.

JCx and CS discussed the export potential and considered EU regulations. JCx highlighted that there are connections through Ireland and CS highlighted that Germany appears to have a significant discount for LNG, it may therefore be worth NGT obtaining the views of Germany.

JCx asked for any early Ofgem views and JG responded that Ofgem would have a responsibility to test any analysis and would undertake an impact assessment if a mod is raised. Ofgem would consider the depth of conversation in the Workgroups too. He noted that a higher exit tariff might be offset by a lower NBP but the effects would need to be tested.

Nick Wye (NW) recognised that an analysis will need to be conducted, however any effects may be obscured by the natural volatility and contracting strategies of participants and it is very hard to see direct one-to-one relationships between regulatory changes and prices. NW added that the current 50/50 split has been in place for a long time so there needs to be clear justification for changes, for example, existing contracts isn't sufficient but improved security of supply might be. Maybe need to talk to LNG importers to understand what drives their decisions.

Anna Shrigley (AS) raised the topic of short-haul because last time there was a significant change of regime, the short-haul tariff was not considered. If the exit charge is increased, the short-haul tariff may need to be reassessed as the discount may be more pronounced under the current arrangements.

RH pushed back on using the existing contracts as an issue to justify the need to change the current process. He further explained that the existing contracts are an issue which has been flagged by Ofgem, therefore if the split can demonstrate an impact in this area, then it should be included as a justification for making the relevant changes. RH observed that the Relevant Objectives would provide a useful test for any proposal.

KA made an offer to the Workgroup, following a comment that the presentation contained a lot of numbers, that anyone with questions should contact NGT.

KA and CWi will review the various comments and discussions raised during the meeting and see what information can be provided to the next NTSCMF meeting. NGT will reflect on the discussions had in an attempt to narrow the focus of the Workgroup.

3.0 Non-Transmission Service Reform

CWi provided an overview of the [presentation](#) slides.

CWi highlighted that the information provided was linked back to the discussions in January where useful feedback was obtained regarding the potential structural reforms. The intention is to discuss further next month so CWi requested for the attendees to prepare points for discussion at the next NTSCMF meeting.

CWi asked if there was a preference for stability and not increasing the frequency of updates provided. NGT is looking to capture thoughts regarding how this does or does not hinder the way in which parties may deal with market-related costs.

CWi raised the consideration of the old regime where there was a difference of opinion expressed during the development of Modification 0621. As a result, CWi queried whether a commodity charge needs to be considered differently compared with capacity.

CWi requested that if the Workgroup members have any thoughts or questions in advance of the next meeting this would be helpful for NGT. These can be shared directly with NGT and will be confidential.

4.0 NTS Gas Charging Consultation

More details to follow in the forthcoming meeting in April 2024

5.0 Capacity and Revenue Monitoring

KMc provided an overview to the Workgroup. There were no questions. Please refer to the [presentation](#) slides published for further detail.

6.0 Any Other Business

None.

7.0 Diary Planning

NTSCMF meetings are listed at: <https://www.gasgovernance.co.uk/NTSCMF>

All other Joint Office events are available via: <http://www.gasgovernance.co.uk/events-calendar/month>

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Tuesday 2 April 2024	5pm Thursday 21 March 2024	Microsoft Teams	Standard Agenda
10:00 Tuesday 7 May 2024	5pm Tuesday 26 April 2024	Microsoft Teams	Standard Agenda
10:00 Tuesday 4 June 2024	5pm Tuesday 24 May 2024	Microsoft Teams	Standard Agenda

NTSCMF Workgroup Action Table						
Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0101	11/01/24	8.1	National Gas Transmission (AA) to engage with power station users regarding the assumptions and return to the Workgroup with any findings following those engagements. And NGT / Ofgem to revert back with insights to the workgroup regarding NGT's discretion around determining a change as material.	March 2024	National Gas Transmission (AA) / Ofgem	Closed
0301	05/03/24	1.1	NGT (CWi) to decide whether a meeting to discuss the mechanism of the of Capacity Neutrality is to take place as a separate agenda item at the next NTSCMF meeting or whether a separate, stand-alone meeting is required for discussions.	March 2024	NGT (CWi)	Pending
0302	05/03/24	1.3	NGT (DB) to provide an explanation of the data and any exceptions or assumptions used in the development of the indicative FCC in advance of calculating the FCC.	March 2024	NGT (DB)	Pending
0303	05/03/24	1.5	NGT (KMc) to discuss with the PARCA team regarding where the termination fee goes in the event termination occurs	March 2024	NGT (KMc)	Pending

NTSCMF Workgroup Action Table						
Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
			following the acceptance of Phase 2.			
0504	05/03/24	1.4	NGT (KMc) to discuss with the PARCA team regarding where the termination fee goes in the event termination occurs following the acceptance of Phase 2.	March 2024	NGT (KMc)	Pending