
NTS Charging Methodology Forum (NTSCMF) Minutes

Wednesday 23 August 2017

at Elexon, Charles House, 5-11 Regent Street, London SW1Y 4LR

Attendees

Rebecca Hailes (Chair)	(RH)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Alison Chamberlain	(AC)	National Grid NTS
Anna Shrigley	(AS)	ENI
Benoit Enault	(BE)	Storengy
Bridget Hill*	(BRH)	E.ON
Charles Ruffell	(CR)	RWE Trading
Colin Hamilton	(CH)	National Grid NTS
Colin Williams	(CW)	National Grid NTS
Craig Neilson*	(CN)	Cadent
Danielle Stoves	(DS)	Interconnector
David Cox*	(DC)	London Energy Consulting
David Mitchell	(DM)	SGN
David Reilly	(DR)	Ofgem
Debra Hawkin*	(DH)	TPA Solutions
Gerry Hogan	(GH)	Scottish Power
Graham Jack	(GJ)	Centrica
Jeff Chandler	(JCh)	SSE
Kieron Carroll	(KC)	PSE Kinsale Energy
Laura Johnson	(LJ)	National Grid NTS
Mark Rixon	(MR)	Engie
Nahed Cherfa	(NC)	Statoil
Pavanjit Dhesi	(PD)	Interconnector
Richard Fairholme	(RF)	Uniper
Robert Wiggington	(RW)	Wales & West Utilities
Sinead Obeng*	(SO)	South Hook Gas
Tim Ueberhorst*	(TU)	OMV Gas Marketing & Trading GmbH
Vladislav Zuevskiy	(VZ)	Northern Gas Networks

* via teleconference

Copies of all meeting papers are available at: <https://www.gasgovernance.co.uk/ntscmf/230817>

1. Introduction and Status Review

RH welcomed all to the meeting and noted Bridget Roberts' new name - Bridget Hill, congratulating her on getting married over the summer.

1.1 Approval of Minutes (02 August 2017)

The minutes for 02 August 2017 were approved.

1.2 Pre-Modification discussion

No modifications were provided for consideration at this meeting.

2. Workgroups

2.1 0621 – Amendments to Gas Transmission Charging Regime

RH noted that as we get closer to the end of the year there will be more work for the workgroup on impact assessment. She then advised that the meeting would move on to the Gas Charging Review and the material provided by National Grid NTS.

3. Gas Charging Review

During an onscreen review of the material provided for the Workgroup, CW advised which discussion points would be covered during this workgroup meeting:

- Sub-workgroups
 - Summary of recent sub-workgroup – Interruptible
 - Further discussion of Interruptible
- EU Tariff Code Update
 - EU Tariff Code Update
- Specific Capacity Discounts
 - Reminder of the outcomes from recent discussions
- Non-Transmission Services
 - Non-Transmission Services and options for charging arrangements
- Action 0707
 - Influence on entry vs exit impact in the CWD model of existing contracts
- Action 0801
 - Analysis of Exit capacity booking and revenue recovered long term and day ahead as an aggregate
- Plan and change process
 - Overview of the future sub groups and NTSCMF meetings and their focus
- UNC Modification
 - Any updates related to UNC 0621
- Next Steps

EU Tariff Code Update

CH took the workgroup through the slide highlighting that the next external TAR NC Implementation workshop date has been changed to 05 October 2017. The venue is the Diamant Conference Centre (which has been renamed to BluePoint Brussels), full details of the workshop are on the ENTSOG website, <https://www.entso.eu/>.

It is intended that the workshop will cover 4 sessions as follows:

1. Transparency
2. NRA/ACER perspective
3. Addressing stakeholder concerns
4. Up-coming year/Implementation and Effect Monitoring

National Grid NTS has proposed a modification to cover the treatment of capacity at combined ASEPs which will consider introduction of different classifications of capacity at ASEPs to allow different charging treatments. This has not yet been submitted to Panel and is still at pre-mod discussion stage (thus it does not yet have a number).

When asked, CH confirmed that the new concept of Abandoned Capacity could apply to projects where capacity has been bought but the project has been abandoned (ceased) and that Abandoned Capacity is not a defined term, as yet.

When DH enquired if the Combined ASEPs modification will have the same timescales as the 0621 modification, CH advised that whereas decisions could be made at the same time and the implementation dates will be the same, the Combined ASEPs modification will be a complimentary modification to modification 0621.

CW added that 0621 Modification can happen without the Combined ASEP Modification; 0621 is not dependent on the Combined ASEP Modification.

There are some key dates coming up for the Combined ASEP Modification:

- Industry Webex 29 August hosted by National Grid NTS
- To receive joining details contact;
<mailto:box.transmissioncapacityandcharging@nationalgrid.com>
- An Industry discussion will follow the Transmission Workgroup on 07 September 2017

RH confirmed that both August and September discussions are not being run by the Joint Office.

When DH asked if minutes would be taken at the meeting, CH confirmed that the output of the Industry Webex on 29 August will feed in to the 07 September Industry discussion. LJ suggested it run along the same lines as sub workgroup meetings where a summary will be documented.

AC went on to take the group through the Output from the NTSCMF sub workgroup held on 08 August 2017 which covered Interruptible.

All documentation and outputs, when updated from the meetings, will be available on the following NTSCMF pages as part of the meeting material:

<http://www.gasgovernance.co.uk/ntscmf>
<http://www.gasgovernance.co.uk/ntscmf/subg>

CW reminded the Workgroup that inputs in advance of the meetings are especially welcome. To receive joining instructions for the meetings (or to join a specific sub workgroup on a particular topic) please contact National Grid:
<mailto:box.transmissioncapacityandcharging@nationalgrid.com>

3.1 Interruptible

AC advised the workgroup that following the Interruptible sub workgroup on 08 August, some participants had requested background information covering:

- Comparison between Entry interruptible and Exit off-peak
- Proportions of capacity bookings and revenues associated to interruptible / off-peak
- Links to supporting information

The background information was then presented to the workgroup by AC. All of the material from National Grid NTS is published on the Joint Office Website (specifically slides 13-18), please click on the below link which will open the document:

NTSCMF Gas Charging Review update

The current arrangements for Interruptible Capacity and Revenues is as follows:

Transmission Operator (TO)

- No interruptible capacity income (Entry), Off-Peak (Exit) is treated as TO revenue

System Operator (SO)

- Interruptible capacity income (Entry), Off-Peak (Exit) comes under the SO umbrella but revenues are redistributed via neutrality
- National Grid is subject to a Constraint Management (CM) Incentive and encompasses both Entry Capacity and Exit Capacity Constraint Management actions.
- Performance is driven by the difference between the net constraint management costs over a year (i.e. constraint management costs less revenues from the sale of certain capacity products) and a target value for such costs.
- SO revenue is made up of baseline allowance plus a number of adjustments (e.g. shrinkage, incentives)
- Through the CM incentive (subject to cap/collar and sharing factor) it adjusts the SO revenue for year t for t-2 performance under the RIIO-T1 price control.

LJ added that the process of how interruptible is carried out is not changing, however the price associated with Interruptible is changing.

During the sub workgroup, a number of suggested key questions to address were decided, which are as follows:

- What is interruptible / off-peak capacity for? (e.g. anti-hoarding, quick access)
 - Should interruptible / off-peak capacity be priced differently to firm capacity?
 - Differences between Entry Interruptible and Exit off-peak capacity?
- What value is placed on Interruptible / off-peak Capacity?
- Firm Capacity versus Interruptible / off-peak
 - How important is interruptible / off peak capacity and why?
- Measurement against Relevant Objectives, GTCR and Stakeholder Objectives and EU
 - Interruptible under TAR NC – Article 16 – is IP Specific article
 - Article 14(1)b of Gas Regulation (Regulation (EC) 715/2009)
 - Rationale for treating differently or same across all GB points?
- How to price interruptible?
 - Recognise any approach would still need to be justified against all required objectives / compliance.

When MR sought confirmation of the operational risk regarding the constraints on the system, CW confirmed there was no operational concerns and that the operational risk was low.

BE commented that if interruptible capacity was set at a high price, potentially, this would encourage Users to move to within day firm capacity purchases.

When AS asked for clarity about when the decision is made to release Interruptible, AC confirmed that, in terms of volumes released, Entry could be a more significant proportion.

In summary, the general themes around Interruptible are as follows:

- Any pricing arrangement should recognise diverse range of NTS Users and the range of capacity products can suit varied requirements, that will include risk appetite and consider how this is reflected for interruptible
- Products and methodology to release interruptible / off peak capacity to remain as per current arrangements
- Entry and Exit can be considered separately regarding interruptible pricing
- IP and Non-IP can be treated separately
- Questions to address for pricing for both Entry interruptible and off peak Exit:
 - What is an appropriate arrangement to price interruptible / off peak relative to firm capacity (which must be justified against the required objectives)?
 - How to determine the probability of interruption is key. All observations, in addition to that outlined in the TAR NC, should be provided to the group / NG.

CW asked the group to send in their comments and any other thoughts to the National Grid

NTS Charging team: <mailto:box.transmissioncapacityandcharging@nationalgrid.com>

Referring to the Entry Capacity Release Methodology Statement, GJ added that the probability of interruption is probably larger than zero.

CW advised that, in terms of timing, it is worth remembering that Interruptible is an element that gets consulted on, ahead of each tariff year.

CW added that there is a lot more thinking to do, particularly around timings, if single proportion on all points across Entry and Exit is proposed from a methodology point of view and consideration must be given to whether this could be done on a point by point basis or average rather than locational basis.

There was agreement when RW suggested there would be a benefit of having someone from the National Grid NTS Constraint Management team to attend this forum.

AC/CW asked for any specific questions regarding Constraint Management to be put forward, adding that there is a risk of going in to too much detail.

3.2 Specific Capacity Discounts

CW took the opportunity to re-cap on the general themes from the NTSCMF Workgroup held on 17 July which are:

- 50% discount for Transmission Capacity charges for GB storage points Entry and Exit Capacity
- No discount is proposed for LNG or Interconnection
- This is not necessarily a final position, and is subject to change to reflect proposals that may get adopted
- Still need to discuss application of revenue recovery “top-up”, whether there is any cross over of logic or positions presented related to its application and for Non-Transmission
- Security of Supply is explicitly stated on Art 9 (and Recital 4) of the TAR Code. Any decision on a modification should consider how security of supply will be addressed.

At this point, it was felt most appropriate to have an overview of the paper provided by Interconnector, (found here: <https://www.gasgovernance.co.uk/ntscmf/230817>) entitled ‘The need to promote cross border trade and access to continental storage: Why the Bacton IP needs equal charging with GB storage’. PD took the workgroup through the paper covering the key reasons Interconnector UK Ltd want to make this change, which are:

- Level playing field: To avoid double charging of bi-directional flows at the Bacton IP, and thereby to remove a market distortion. This reflects the fact that the Bacton interconnectors, working in partnership with continental storage, provide the same seasonal flexibility benefits to the GB market as GB Storage. The same arguments justifying storage discounts apply equally to bidirectional interconnectors. Double charging of bi-directional flows at the Bacton IP versus bidirectional flows at storage points is a competitive distortion.
- To reflect that the additional reasons why storage assets merit a discount apply equally to bidirectional interconnectors, including their contribution to security of supply and their contribution to system flexibility.
- Practical benefits: When the merchant interconnectors exit their initial long term contracts, the impact of distortionary treatment relative to GB storage will be felt strongly, and with it comes the risk of serious downside consequences for the GB system. So, the change is not only justified and necessary to remove a market distortion, it is practically needed now to help preserve interconnection and safeguard the GB system and GB consumers.

Interconnector UK’s paper outlines these arguments and PD presented two high-level options for how this change in charges could be introduced and the net impact on National grid charges at other NTS points.

When DC asked what the impact on redistribution would be if using physical flows from this year, PD advised that with Rough no longer being present it is more important to guarantee that the capacity is there.

GJ asked a question regarding the use of LNG as an alternative source and suggested that PD's logic applying to the Bacton IP would therefore apply to LNG too? PD countered that there are concerns regarding storage getting a discount, but questioned the net result on the network, adding that LNG is not really considered "bi-directional" in the same way.

In response to questions from MR, PD commented that every EU TSO is not always impacted and that typically IPs form part of the national network, however, during the TAR Code update, there was always text in code, right up until the end, which recognised the process should not be distorting cross border trade. The wording in the end was very different to what was recognised right the way through the review.

SO suggested that the GB Gas Supplies 2011-2016 shown in Figure 1 did not show a fair representation of LNG, adding that LNG usage can be seasonal or can be utilised to respond when supply is lacking in the system. She highlighted that LNG is flexible.

DC expressed concern that the proposal is based on historical data rather than what could happen in the future, PD suggested that caution should be exercised with the flows being seen at the moment with seasonal flexibility and the link to storage. KC commented that with a bi-directional pipeline, you could be double dipping in calculation, the calculation needs working through.

LJ advised the workgroup that if they are considering using the Forecast Contracted Capacity (FCC) as obligated capacity, this could be a licence change as this would change the obligated levels.

DR confirmed that obligated capacity is not designed for FCC. There is the option to take obligated and make adjustments to it.

CW confirmed that as it stands at the moment, FCC is still linked to obligated or there will be some methodology agreed upon whereby FCC is linked to obligated.

New Action 0803: National Grid NTS to show in a diagrammatic representation where there are potential discounts in the process and where the consequences of those discounts are picked up.

When KC asked how responses should be submitted to the paper, CW confirmed all discussions should come thorough this forum. Written submission in advance can help with progress.

JCh added that daily flexibility is as important as seasonal flexibility/annual flexibility. PD confirmed that line pack addresses this.

3.3 Non-Transmission Services

CW reminded the workgroup of the previous discussions that have been undertaken to date:

- From earlier discussions, there was a general view from the sub workgroup that using a commodity type charge (where a unit value is applied) was a simple, effective approach.
- Using an aggregated view of flows (demand) would be similar to that used in the methodology in place when calculating commodity charges.
- If a flow based charge were used, there is a question of which flows this would apply to.
- Currently the Non-Transmission Services Model available calculates applying to all flows.

RF confirmed that applying this to all flows has a major impact and could be termed a “storage killer”. JCh, GJ and BE agreed.

Update to Action 0707: Influence on entry vs exit impact in the CWD model of existing contracts.

CW prefaced the update by reminding the workgroup that existing contracts and how they are to be taken into account in any Capacity price calculations are not prescribed in TAR NC. The method of inclusion in the modelling to date is as per material presented at NTSCMF on 2 August 2017 (which is replicated in the slide pack provided by National Grid NTS for this meeting (slides 31-35 for information)) CW advised that action 0707 will remain open, with more detail to be provided at next meeting. CW encouraged the workgroup to review the diagrams and tables shown on slides 31-34 covering:

- Transmission Services – Calculation under CWD on Ex ante basis
- Some key steps in CWD Calculations
- Entry Calculations under CWD
- Exit Calculations under CWD

Update to Action 0801: Analysis of Exit capacity booking and revenue recovered long term and day ahead as an aggregate

LJ advised that the requirements for this action have been extended to:

- Cover Entry capacity booking and revenue recovered as well as Exit
- Split capacity and revenue by LT, ST (excluding Interruptible) and Interruptible
- Split by different categorisation of the entry/exit points

The update concluded with information being provided that showed revenues for commodity and capacity chargers from different types of points for Entry and Exit using data provided for 2015/16 financial year.

Discussion took place around the differing aspects of what capacity is purchased and different strategies used and how long term and short term figured in these.

AS commented that the benefit of buying expensive long term capacity will be the fixed price and knowing what price will be paid in future years.

General discussion then took place around one of the final slides (53) which shows Exit Capacity Booked by Capacity Product (2015/16), regarding DNO capacity bookings being 80% of the cost for 50% of the capacity bookings.

RW clarified that if they fail to meet 1in20 Peak Demand, they could have their licence revoked.

Clarification was given by LJ as to the phrase “Long Term” being applied to monthly auctions; this is used because there is a price set against it.

Plan and change process

RH and CW clarified the discussion topic timeline, (updated below) was put together to ensure all topics had time against them, and that all topics will be discussed at least twice. Topics to be covered beyond 26 September are yet to be decided.

An updated meeting timetable with all NTSCMF and subgroup meetings was shown at the workgroup meeting:

Date	Meeting	Key topic to discuss [#]
30 May 13:00 – 15:00 (complete)	Sub Group	• Forecasted Contracted Capacity
5 June (complete)	NTSCMF	• Forecasted Contracted Capacity*
14 June 10:00 – 12:00 (complete)	Sub Group	• Revenue Reconciliation / Recovery (may also include some views on Multipliers)
29 June 10:00 – 12:00 (complete)	Sub Group	• Avoiding inefficient bypass of the NTS
7 July (complete)	NTSCMF	• CWD Updated Model • Revenue Reconciliation / Recovery* • Avoiding inefficient bypass of the NTS*
11 July 13:00 – 15:00 (complete)	Sub Group	• Specific Capacity Discounts
17 July (complete)	NTSCMF	• Specific Capacity Discounts* • Non-Transmission Services Model*
25 July 13:00 – 15:00 (complete)	Sub group	• Multipliers
Date	Meeting	Key topic to discuss [#]
2 August (complete)	NTSCMF	• Multipliers* • Avoiding inefficient bypass of the NTS
8 August 13:00 – 15:00 (complete)	Sub Group	• Interruptible
23 August	NTSCMF	• Interruptible* • Specific Capacity Discounts • Non-Tx Services
24 August 10:00 – 12:00	Sub Group	• Existing Contracts
31 August 10:00 – 12:00	Sub Group	• Revenue Reconciliation/Recovery Mechanisms
5 September	NTSCMF	• Existing Contracts* • Revenue Reconciliation/Recovery Mechanisms*
8 September 10:00 – 12:00	Sub Group	• Forecasted Contracted Capacity
12 September 10:00 – 12:00	Sub Group	• Avoiding inefficient bypass of the NTS
19 September 13:00 – 15:00	Sub Group	• Multipliers / Interruptible
26 September	NTSCMF	• Forecasted Contracted Capacity • Avoiding inefficient bypass of the NTS • Multipliers / Interruptible
28 September 10:00 – 12:00	Sub Group	• To be confirmed

(Further details about the sub workgroups including joining instructions can be obtained by messaging box.transmissioncapacityandcharging@nationalgrid.com)

KC talked through the presentation material provided for this meeting which shows the comparison of the shorthaul and combined (TO & SO) Commodity Rates estimating the level of savings potentially available to direct connect sites using the shorthaul rate as compared to using the standard commodity rate. All data for the paper has been taken from the CWD model. This information will be discussed at the sub workgroup meeting on 12 September covering Avoiding Inefficient Bypass of the NTS.

4. Review of Outstanding Actions (remaining)

0301: National Grid NTS (CW) to articulate and capture the Storage Review concerns within the NTSCMF Issue Register.

Update: This is yet to be updated. **Carried Forward**

0404: 'Avoiding Inefficient Bypass of the NTS' (one-pager) - CW and the Subgroup to

revisit/re-word the final paragraph to add clarity, and republish.

Update: This is yet to be updated. **Carried Forward**

0501: National Grid NTS (NR) to provide an example of how National Grid NTS forecasts 1:20 demand, especially the short-term aspects (i.e. up to 5 years out).

Update: This will be provided at the next meeting. **Carried Forward**

0707: CW/LJ to check the calculations of CWD to better understand when to include the existing contracts, clarifying the influence on entry vs exit impact in the CWD model of existing contracts. This will be illustrated at future workgroup.

Action extension: CW/LJ to give a view on materiality and analysis is required to see if the calculations cancel each other out.

Update: Keep open referring to existing contracts – more detail to be provided at next meeting. **Carried Forward**

0801: NTS Charging team to provide analysis of Exit capacity booking and revenue recovered long term and day ahead as an aggregate plus, if possible, how much Flex is booked.

Update: Information provided here. **Closed**

0802: Joint Office to book extra meetings from October 2017 onwards and update the events diary.

Update: This has been completed with extra dates planned for:

04 October 2017
25 October 2017
06 November 2017
22 November 2017
06 December 2017

Closed

5. Any Other Business

CW clarified that the National Grid NTS team is making some updates to the Transmission model and the next version will be showcased at the NTSCMF workgroup meeting on 05 September 2017. It is anticipated there will be

- a capacity option and flow option in the revenue recovery tab.
- capability to split capacity by user group and by point in order to profile across the whole network.

6. Diary Planning

Next meeting 05 September 2017 at ELEXON, 350 Euston Road, London NW1 3AW, where the following topics will be reviewed:

- Existing Contracts

LJ clarified that the sub group meeting on 08 September will still go ahead despite the clash with National Grid NTS' Future of Gas workshop.

RH suggested that when the Joint Office can offer its office for meetings again, the workgroup may meet in Solihull for every other meeting once again, as before. Currently the meetings to the end of the year are scheduled to be in London; any changes will be communicated well in advance.

Further details of planned meetings are available at:

<http://www.gasgovernance.co.uk/Diary>

Time/Date	Venue	Workgroup Programme
10:00, Tuesday 05 September 2017	Orange Room, ELEXON, 350 Euston Road, London NW1 3AW	Existing Contracts
10:00, Tuesday 26 September 2017	Pink Room, ELEXON, 350 Euston Road, London NW1 3AW	Forecasted Contracted Capacity Avoiding inefficient bypass of the NTS Multipliers / Interruptible
10:00, Wednesday 04 October 2017	Orange Room, ELEXON, 350 Euston Road, London NW1 3AW	<i>To be confirmed</i>
10:00, Wednesday 25 October 2017	Pink Room, ELEXON, 350 Euston Road, London NW1 3AW	<i>To be confirmed</i>
10:00, Monday 06 November 2017	Orange Room, ELEXON, 350 Euston Road, London NW1 3AW	<i>To be confirmed</i>
10:00, Wednesday 22 November 2017	LG8, Energy UK Charles House, 5-11 Regent Street, London SW1Y 4LR	<i>To be confirmed</i>
10:00, Wednesday 06 December 2017	Orange Room, ELEXON, 350 Euston Road, London NW1 3AW	<i>To be confirmed</i>

Action Table (as at 23 August 2017)

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0301	06/03/17 (amended 05/04/17)	3.0	National Grid NTS (CW) to articulate and capture Storage Review concerns within the Storage discussion document.	National Grid NTS (CW)	Carried Forward
0404	24/04/17	4.1	'Avoiding Inefficient Bypass of the NTS' (one-pager) - CW and the Subgroup to revisit/re-word the final paragraph to add clarity, and re-publish.	National Grid NTS (CW)	Carried Forward
0501	08/05/17	2.1	National Grid NTS (NR) to provide an example of how National Grid NTS forecasts 1:20 demand, especially the short-term aspects (i.e. up to 5 years out).	National Grid NTS (NR)	Carried Forward
0707	17/07/17	3.1	CW/LJ to check the calculations of CWD to better understand when to include the existing contracts, clarifying the influence on entry vs exit impact in the CWD model of existing contracts. This will be illustrated at future workgroup. Action extension: CW/LJo to give a view on materiality and analysis is required to see if the calculations cancel each other out.	National Grid (CW/LJ)	Carried Forward
0801	02/08/17	3.0	NTS Charging team to provide analysis of Exit capacity booking and revenue recovered long term and day ahead as an aggregate plus, if possible, how much Flex is booked. Linked to Action 0603	National Grid (CW/LJ)	Closed
0802	02/08/17	3.0	Joint Office to book extra meetings from October 2017 onwards and update the events diary.	Joint Office	Closed
0803	23/08/17	3.2	National Grid NTS to show in a diagrammatic representation where there are potential discounts in the process and where the consequences of those discounts are picked up.	National Grid (CW/LJ)	Pending