

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

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Alex Nield	(AN)	Storengy
Alistair Craig	(AC)	Ofgem
Anthony Miller	(AM)	South Hook Gas
Anna Shrigley	(ASh)	Eni
Carlos Aguirre	(CA)	Pavilion Energy
Daniel Wilkinson	(DW)	EDF Energy
David Bayliss	(DB)	National Gas Transmission
Davide Rubini	(DR)	Vitol
Emma Robinson	(ER)	E.ON
Joseph Glews	(JG)	Ofgem
Julie Cox	(JCx)	Energy UK
Karen Cashio	(KC)	Ofgem
Kirsty Appleby	(KA)	National Gas Transmission
Kieran McGoldrick	(KM)	National Gas Transmission
Marion Joste	(MJ)	Eni
Mariachiara Zennaro	(MZ)	Centrica
Nathan Li	(NL)	Engie
Oliver Weston	(OW)	Ofgem
Oreoluwa Ogundipe	(OO)	Interconnector
Richard Fairholme	(RF)	Uniper
Ritchard Hewitt	(RHe)	Hewitt Home and Energy
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/040723</i></p>		

1. Introduction and Status Review

Eric Fowler (EF) welcomed delegates to the meeting.

1.1. Approval of Minutes (06 June 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 agenda item 4 is a recognised late submission due to the data only becoming available at month end.

When asked, parties in attendance were happy to consider the material 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: David Bayliss (DB) clarified that Colin Williams will provide an update to the August Workgroup meeting. **Carried Forward**

1.4. Industry Update from Ofgem

Joseph 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>.

Anna Shrigley (ASh) sought an update to *Modification 0814 (Urgent) – Temporary Access to the Enhanced Pressure Service and increase to the Maximum NTS Exit Point Offtake of the BBL Interconnector* which does not have a set implementation date due to ongoing discussions with stakeholders.

JG was unable to provide an update and agreed, if possible, to provide a post-meeting update for the minutes.

Post Meeting Update:

JG provided the following link for the ***Decision on the proposed Pressure Service Charges Agreement between BBL Company and National Gas Transmission***

<https://www.ofgem.gov.uk/publications/decision-proposed-pressure-service-charges-agreement-between-bbl-company-and-national-gas-transmission>

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

<http://www.nationalgas.com/charging/gas-charging-discussion-gcd-papers>

Kirsty Appleby (KA) thanked everyone for responding to the consultation and advised that further reflections will be presented at the August NTSCMF meeting. The responses will be published w/c 10 July 2023.

When Ritchard Hewitt (RHe) asked for a notification to be issued when the responses have been published, KA noted his request.

4. Forecasted Contracted Capacity (FCC)

Workgroup considered the title for this agenda item and agreed to change it to ‘Capacity and Revenue Monitoring’.

When JCx asked if the Capacity and Revenue Monitoring Report is addressing some of the old issues with Entry and Exit and if these have now been dealt with, DB confirmed a materiality review is completed before producing the Capacity and Revenue Monitoring Report and clarified that putting FCC into Code is on the radar for National Gas Transmission to do, which is a request from Ofgem.

JCx asked for a review of the FCC values where there is no flow. DB confirmed where a site has historic flow data and has since closed, there is an existing methodology to review this scenario.

New Action 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.

Reporting Pack:

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:

Exit Capacity & Revenue FY24 – at May 2024

May 2023 saw higher capacity than forecast resulting in slightly higher revenues due to no daily auction premiums being paid at Bacton.

Entry Capacity & Revenue FY24 – at April 2024

The total capacity booked was close to predictions, but the revenue was lower than forecast due to existing contracts capacity producing higher flows than forecast, this meant there was less new capacity to be booked.

5. Long-Term Revenue Forecasts

It was agreed that the information that relates to this item is now covered in the Price Control Financial Model (PCFM) submission to Ofgem and this agenda item can be removed going forward.

6. Any Other Business

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 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						
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>	<p>June 2023 August 2023</p>	National Gas Transmission (CWi)	Carried Forward
0701	04/07/23	4.0	<p>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</p>	September 2023	National Gas Transmission (DB)	Pending

UNC Workgroup 0847 Minutes
Introduction of a Minimum General Non-Transmission Services Charge
Tuesday 04 July 2023
via Microsoft Teams

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Terry Burke	(TB)	Equinor
<p><i>The Workgroup Report is due to be presented at the UNC Modification Panel by 17 August 2023</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/0847/040723</i></p>		

1. Introduction and Status Review

1.1. Approval of Minutes (06 June 2023)

The minutes from the previous meeting were approved.

1.2. Approval of Late papers

There were no late papers to consider.

1.3. Review of Outstanding Actions

None to consider.

2. Consideration of Updated Presentation / Information

Kirsty Appleby (KA) provided an update on the progression of the Modification. The presentation covered the following main topics. Where there was specific interaction regarding particular slides with the Workgroup members, this has been captured within the minutes for each section of the presentation, and full details can be found on the published presentation here: www.gasgovernance.co.uk/0847/040723.

Proposed Legal Text

KA provided a view of the current Legal Text from TPD Section Y 4.7.3 and the proposed Legal Text which is as follows (the red text shows the proposed changes):

The General Non-Transmission Services Charge for a Gas Year (GNTSC_y, to be expressed in p/kWh) will be the greater of:

(i) NANTSR_y / FANQ_y; and

(ii) 0.0001 where, for Gas Year y:

NANTSR_y is Net Allowed Non-Transmission Services Revenue;

FANQ_y is Forecast Aggregate NTS Quantity

KA explained the proposed changes will provide the greater of the existing calculation and the insertion of the minimum price (0.0001).

Ritchard Hewitt (RHe) questioned if the word 'or' should be used at the end of (i) as opposed to 'and'. KA advised she will take this back to the team and clarify.

Minimum Price Example

KA highlighted:

- *The examples shown on slides 6 & 7 are for illustrative purposes only.*
- *The General Non-Transmission Services Charge applicable for Gas Year 2023/24 will be published towards the end of July 2023.*
- *The underlying data behind these numbers are subject to change (forecasts for 2023/24 are to be updated before price setting in July)*

KA advised that the example of rates calculated under the **current methodology** is shown on slide 6 and the example of rates calculated under the **minimum price methodology** is shown on slide 7.

Current Methodology Example:

Figures for Oct-2024 based on the current methodology suggest a negative price would be required to collect the target revenue for the overlapping formula year.

Minimum Price Example:

In this scenario, the application of a minimum price of 0.0001 p/kWh for Oct-24 results in an over-collection of approx. £25m, an additional 5% compared to expected Revenues.

This over-collection is ringfenced and returned to Users via the GNTS charges in the following year. In this illustration, the charge for GY 25 is 0.0438 p/kWh as opposed to 0.0483 p/kWh under the original methodology.

KA explained the £25m is ring-fenced and returned to Users the following year which would be shown as a reduction in the charge set.

RHe sought clarification of the recovered revenue in the table, which shows recovering £525m in Oct-2024 with a charge of 0.0001, David Baylis (DB) clarified that when the prices change in October, they will consist of the first 6 months of existing prices. RHe noted, using the example data shown in the table would mean the recovery of the first £500m in the first 6 months, then recovery of the remaining £25m for a further 6 months.

KA advised, the graph shown on slide 8 shows an example of the P/kWh using the current methodology vs the minimum price methodology and noted this example shows the application of the minimum price has a slight smoothing effect on the rates across future years.

KA highlighted that any over-collection of Revenue, when setting prices, requires Ofgem permission as per Part A of Special Condition 2.1 of the National Gas Licence.

JCx requested a further iteration of the example tables with revenue and charging split because the charging year and revenue year are misaligned. DB advised he will provide an updated slide showing two 6 monthly prices and revenue recovery.

When it was suggested that the revenue year could move to be aligned with the charging year, Antony Miller (AM) noted that Ofgem might not be favourable to moving the regulatory year and that Ofgem is seeking alignment across all different networks.

Wider GNTS Discussion

General Non-Transmission Services (GNTS)

KA confirmed that Non-Transmission Charges that will be effective from October 2023 will be published by the end of July 2023.

KA also advised, ahead of the publication of the Non-Transmission Charges, National Gas will be using a Webinar to share their consideration of revenue deferrals for 2023. Invitations to the webinar will be issued as soon as possible.

When JCx asked if any of the ideas being considered will affect the charges being set from October 2023, DB confirmed the revenue deferral would and KA confirmed there is no further information to share at the moment.

DB further confirmed that the data that is used to produce the final charges, is not available until towards the end of July 2023, once the National Gas Transmission team have a picture of the final charges, they will know what, if any, impacts there will be.

JCx highlighted how important it is that any dates for the webinar are shared across the industry as soon as possible.

3. Consideration of Amended Modification

The Modification has not been amended and remains as v1.0 dated 05 May 2023.

4. Consideration of Legal Text

Please see agenda item 2.0.

5. Development / Completion of Workgroup Report

In undertaking a detailed onscreen review of the draft Workgroup Report (v0.2) EF completed amendments in-line with the feedback provided by those Workgroup participants in attendance.

A high-level summary of the most notable updates to the document undertaken being:

JCx mentioned her concern, with the amendments that are being introduced to improve the mismatch between the charging year and revenue year. She raised this as a general concern and not against this Modification, she said chipping away at any kind of longer-term understanding and uncertainty.

JCx also noted that not knowing the indicative prices at this stage, is not what should be expected and would like to explore wider broader issues in the NTSCMF meetings going forward.

ASh agreed with the comments raised by JCx and requested the points made by JCx be added to the Workgroup Report. ASh also noted that the solution for this Modification should be working alongside other changes to address the stability of charges.

As a general concern, JCx asked if the revenue deferral process that requires authority consent has a threshold set.

DB clarified there is no threshold and discussion for this will be had with Ofgem before implementation.

DB clarified there is no risk to system impacts and revenue deferral is the right thing to do to mitigate risks to charges going forward.

Joseph Glews (JG) clarified that the Licence says that National Gas Transmission can defer revenue year on year, therefore, National Gas Transmission have this ability already and intends to hold voluntary engagement with Ofgem. He confirmed that National Gas Transmission does not need consent to defer revenue, but Ofgem is always involved in the conversation.

Referring back to the Workgroup Report, Workgroup agreed that this Modification does build a framework around the idea of avoiding negative charges and would put a framework around over-recovery.

DB advised, from October 2024, the process of recovering the deferred revenue will be built into the Price Control Financial Model (PCFM) process, and captured as part of the K process, which then allows Ofgem the opportunity to interrogate the figures provided.

It was further clarified that Ofgem has the ability to influence discussions, which is not a formal mechanism, but more of a negotiation.

Under recovery and avoidance of negative charges is in National Gas Transmission permissions.

When ASh asked, at the start of this process it was mentioned that the changes will result in the smoothing of charges, is this still expected? DB clarified that the expectation is stable non Transmission charges across 3 years which will provide:

EF continued to update the Workgroup Report capturing the discussions being held.

6. Next Steps

EF outlined the next steps as being:

- Completion of Workgroup Report

7. Any Other Business

None raised.

8. 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 01 August 2023	5pm Monday 24 July 2023	Via Microsoft Teams	Completion of Workgroup Report

0847 Action Table

Action Ref	Meeting Date(s)	Minute Ref	Action	Reporting Month	Owner	Status Update
			None.			