

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 07 July 2020
Via Teleconference

Attendees		
Rebecca Hailes (Chair)	(RH)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alsarif Satti	(AS)	Ofgem
Andrew Pearce	(AP)	BP
Anna Shrigley	(ASh)	Eni Trading & Shipping
Bill Reed	(BR)	RWE
Chris Wright	(CW _r)	Exxon Mobil
Christiane Sykes	(SC)	Shell Energy
Colin Williams	(CW)	National Grid
Dan Hisgett	(DHi)	National Grid
Daniel Wilkinson	(DW)	EDF Energy
Dave Bayliss	(DB)	National Grid
David O'Neill	(DON)	Ofgem
David Mitchell	(DM)	CIA
Debra Hawkin	(DH)	TPA Solutions
Henk Kreuze	(HK)	Vermilion Energy
Iwan Hughes	(IW)	VPI Immingham
Jeff Chandler	(JCh)	SSE
Jennifer Randall	(JR)	National Grid
Julie Cox	(JC _x)	Energy UK
Julia Haughey	(JH)	EDF Energy
Kamla Rhodes	(KR)	Conoco Phillips
Kirsty Ingham	(KI)	ESB
Laura Johnson	(LJ)	National Grid
Mary Craig	(MC)	Ceres Energy
Nick Wye	(NW)	Waters Wye Associates Ltd
Nitin Prajapati	(NP)	Cadent
Paul Youngman	(PY)	Drax

Ritchard Hewitt	(RH)	Hewitt Home and Energy Solutions Ltd
Richard Fairholme	(RF)	Uniper
Riccardo Rossi	(RR)	Centrica
Sinead Obeng	(SO)	Gazprom
Steve Pownall	(SP)	Xoserve
Terry Burke	(TB)	Equinor

Copies of all papers are available at: <http://www.gasgovernance.co.uk/ntscmf/070720>

1. Introduction and Status Review

Rebecca Hailes (RH) welcomed everyone to the meeting and invited introductions. She noted that using Microsoft Teams, participants could indicate they wished to speak using the ‘raise your hand’ feature and she would endeavour to allow plenty of time and opportunity for this.

1.1. Approval of Minutes (02 June 2020)

The minutes from the previous were then approved.

1.2. Approval of Late Papers

RH said that a late paper had been received from National Grid in relation to Secondary Capacity. All agreed regarding acceptance.

1.3. Modifications with Ofgem

David O’Neill (DON) explained that Ofgem had received on Friday 03 July 2020, the urgent Modifications; 0727 (Urgent) - *Increasing the Storage Transmission Capacity Charge Discount to 80%* and 0728/A/B/C/D (Urgent) - *Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS*, and that both these Modifications were now being considered.

1.4. Pre-Modification discussions

1.4.1. Applying a discount to the Revenue Recovery Charge at Storage Points (NW)

Nick Wye (NW) explained that this Modification 0729 - *Applying a discount to the Revenue Recovery Charge at Storage Points* was raised by Storengy. He explained that this Modification had been raised a few weeks previously with a request for urgency, although Ofgem had not granted it urgent status, hence it was being re-represented under the normal UNC Modification process.

NW explained without the proposed change, the Proposer believed that the UNC (under 0678A) would not be compliant with EU Tariff Code and that the Revenue Recovery Charge (RRC) was a capacity-based transmission charge used for the purpose of collecting Transmission Services Revenue. He explained in relation to Article 9 of the EU TAR, this required that there should be a minimum 50% discount applied to capacity-based transmission tariffs at Storage Facilities. NW said that were the RRC to be “material” the impact on Storage Users and Facilities would be significant e.g. £50m revenue under-recovery at Entry and Exit would impose additional (RRC) costs of £5.2m on storage. He added, the analysis that had been produced by CEPA, in relation to the Modification 0678 analysis and specifically, the implemented Modification 0678A would have detrimental impacts on storage. Depending on the level of RRC, the impact could be of a similar magnitude.

NW said the solution was to make changes to the Charging Methodology contained within UNC TPD Section Y to include a discount to the RRCs for Entry and Exit Capacity holdings at Storage Points equivalent to the discount applied to the Specific Capacity Discount applied to the Reserve Prices in respect of Firm and Interruptible/Off-peak Capacity, namely 80%.

NW said that the Modification should be considered under Authority Direction governance with a compressed timetable, to be submitted to the 16 July 2020 Panel. This would be followed by a 1-month assessment at the NTSCMF Workgroup to be then returned to Panel on 20 August 2020. RH said that the timetable in the Modification itself would have to be amended to reflect the reduced timeline and NW said he would ensure this was updated.

Bill Reed (BR) asked if anything had been included regarding the Shorthaul revenue recovery and NW said no, this had not been included as it was focussed on Storage only, and added that if BR had a different view, then he may want to raise that himself. NW said that if anyone else had any other comments to send these to him directly at: Nick Wye nick@waterswye.co.uk

1.4.2. Section Y Clarification (CW/LJ)

Laura Johnson (LJ) explained within the Legal text for Modification 0678A - *Amendments to Gas Charging Regime (Postage Stamp)* there is one minor typographical error, which National Grid is proposing to amend via a Self-Governance Fast Track Modification. Colin Williams (CW) said it was in UNC Section Y – 1.5.3 (F) in the first definition, where it should state $K^{TS}_{En,t}$ instead of $K^{TS}_{Ex,t}$. CW explained that this change needed to be implemented by 01 October 2020. Steve Pownall (SP) asked if it was not easier and more straight forward, to use a Consent to Modify route. RH said she knew Ofgem were not in favour of the Consent to Modify route and so a new Modification was likely to be required. LJ said as it was such a minor change, there was no need for this Modification to go to Workgroup and she was proposing it should be presented to the August Panel (note that the deadline for submission would be Friday 07 August 2020). RH and the Workgroup agreed with this suggestion.

2. Workgroups

2.1. 0670R - Review of the charging methodology to avoid the inefficient bypass of the NTS
(Report to Panel 16 July 2020)
<http://www.gasgovernance.co.uk/0670>

3. Forecasted Contracted Capacity (FCC) Review

3.1. FCC Methodology Issues Log

CW explained that the FCC values had now been published on 05 June 2020 alongside the prices. He added there was no further update, as discussions were still ongoing and that he would provide updates as the Modification 0678A moved towards implementation in October 2020.

Julie Cox (JCx) enquired if there were any plans to raise a new Modification to incorporate the FCC Methodology into the UNC Code. CW said that this area was still being investigated and discussed for the early part of 2021, as it was felt that it was best to see how things progressed first of all and JCx said she agreed with this approach.

4. Long Term Revenue Forecasts

CW introduced Dave Bayliss (DB) and said that Dave was available to answer any questions the Workgroup may have. LJ confirmed that the Long-Term Revenue Forecasts had now been published on the Joint Office website, which provided information on Transmission and non-

Transmission Services for a number of years.

CW said that a detailed National Grid – led Webinar had been held on the 23 June 2020 in relation to National Grid Charging Methodology and that the information was contained with a comprehensive slide pack which had been published on the NTSCMF meeting page via; www.gasgovernance.co.uk/ntscmf/070720. He added that notification of the webinar had been circulated to the UNC circulation list by the Joint office to ensure the widest coverage of potential audience for the webinar.

CW said that the information regarding the second National Grid -led webinar held the following day on the 24 June 2020 in relation to the Modification 0728/A/B/C/D (Urgent) - Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS, analytical analysis had also been kindly circulated by the Joint Office as well.

Nitin Prajapati (NP) asked CW to explain the differences between the initial prices (generated using the sensitivity tool) and the final prices that had been published, as he was aware there was a disconnect between these. CW said it was in relation to the Capacity numbers (the FCC values were slightly different as they were updated) and the revenues, as the RRCs were slightly different. He added that this was due to the fact it was going to become a Capacity regime and not a Commodity based regime, and so the Commodity recovery was lower in the summer months, together with the added impact of COVID-19 resulting in anticipated under recovery from April – June 2020.

Riccardo Rossi (RR) said in relation to the Long Term Revenue Forecast with the indicative charges which were looking years ahead within the RIIO-2 Business Plan, he felt National Grid needed to update the indicative charges once the draft determinations had been published in July 2020. RR said this was important as the GDNs used these published prices as their baseline, and any changes would have a 'knock on effects' to prices paid from suppliers to GDNs, he felt that this was of interest to the industry as a whole. JCx agreed with RR and said that this matter needed clarity especially from a quoting perspective. CW said this was a complicated area and that the draft determinations would be available this month and that National Grid would look at what this meant against what had already been published, he said that discussions would be needed as to where this information could be published, and added that the indicative prices would not be re-issued. Instead the formal prices would be updated in line with the formal determinations.

CW stated that from the GDNs aspect, they would have to deal with that area themselves, as National Grid had no control of what the GDNs submitted. NP said that work was being undertaken with Ofgem presently updating the RIIO-2 forecast to clarify the quarterly revenue forecasts and that these would be published as a revised RIIO-2 forecast in the next few days. Paul Youngman (PY) asked NP if the soon to be published prices were going to be a projection of the current values for 2022/23 and NP confirmed this was correct. NP explained that the last DN Charging Methodology Forum (DNCFM) had been held in June 2020 and the next one was in September 2020 where an update may be made. JCx said that from an ECN charge perspective that it would be useful to get an update at the next NTSCMF and Distribution Workgroup meetings in August and September, so that the GDNs knew what was expected in order to conduct their baseline assessments. NP said that the ECN percentages were not normally published in the generic process, but that he would endeavour to have these published in the future.

David Mitchell (DM) said he had attended the DN Charing Forum (DNCFM) in June and he had noted all the DNs (with the exception of Cadent who had an action to provide), had presented the impact of the postage stamp charges from October 2020 on the cost of their Capacity bookings, all of which were recovered in their own DN Exit charges. DM then requested that National Grid provided analysis that demonstrated the impact in costs incurred by DNs by offtake as a result of the postage stamp regime. i.e. the prevailing NTS offtake booking and price, versus the anticipated offtake booking and new price.

CW noted that the overall redistributive effects of postage stamp should include the Commodity based Exit revenue that was currently recovered by DN offtake, albeit from shippers and not the DNs.

DM then asked that National Grid also provide this data for the 04 August 2020 NTSCMF meeting, in addition to the previous request such that shippers and suppliers could understand the impact on the charges for consumers in the relevant DNs and LDZs that will be incurred from October. CW said that the prices and capacity values were known in totality, and that this analysis could potentially be made available. CW said he would investigate this matter and said that this area would be heavily caveated.

0701: National Grid (CW) to summarise the approximate changes to capacity charges in totality for LDZ offtakes (i.e. total per LDZ zone) under the prevailing arrangements and those with effect from 01 October 2020.

5. Issues

Deferred until the August meeting.

6. Review of Outstanding Action(s)

Action 0601: National Grid (CW) to confirm for the July NTSCMF meeting, if an indicative revenue recovery charge can be issued.

Update: CW confirmed that the value was zero for October 2020 and that this action could now be closed. **Closed.**

Action 0602: Ofgem (DON) to provide clarification of any whole systems approach to the capacity bookings, with the aim of encouraging efficient locational bookings by the GDNs.

Update: AS said that this action should be carried forward as discussions were still taking place internally with Ofgem regarding this matter. **Carried Forward**

Action 0603: National Grid (CW) to provide an update on the impacts of COVID-19 in relation to the Long-Term Revenue Forecast and under-recovery status.

Update: CW said that there had been an under recovery for June 2020 with no impacts. He added that all the relevant information had been included within the National Grid Charging Methodology presentation that had been discussed at the webinar on 23 June 2020 (these can be found here: <https://www.nationalgrid.com/uk/gas-transmission/charging/gas-charging-discussion-gcd-papers>) and so this action could now be closed. **Closed.**

7. Any Other Business

None.

8. Diary Planning

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

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:00 Tuesday 04 August 2020	Via Teleconference	Standard Workgroup Agenda

Action Table (as at 07 July 2020)

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0601	02/06/20	1.0	National Grid (CW) to confirm for the July meeting, if an indicative revenue recovery charge can be issued.	National Grid (CW)	Closed
0602	02/06/20	3.0	Ofgem (DON) to provide clarification of any whole systems approach to the capacity bookings, with the aim of encouraging efficient avoiding locational bookings by the GDNs.	Ofgem (DON)	Carried forward
0603	02/06/20	4.0	National Grid (CW) to provide an update on the impacts of COVID-19 in relation to the Long-Term Revenue Forecast and under recovery status.	National Grid (CW)	Closed
0701	070720	4.0	National Grid (CW) to summarise the approximate changes to capacity charges in totality for LDZ offtakes (i.e. total per LDZ zone) under the prevailing arrangements and those with effect from 01 October 2020.	National Grid (CW)	Pending