

**NTS Charging Methodology Forum (NTSCMF) Minutes**  
**Tuesday 01 November 2022**  
**via Microsoft Teams**

<b>Attendees</b>		
Eric Fowler (Chair)	(EF)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Adam Bates	(AB)	South Hook Gas
Ashley Adams	(AA)	National Grid NTS
Alex Nield	(AN)	Storengy
Anna Shrigley	(AS)	ENI
Anna Stankiewicz	(ASt)	National Grid NTS
Brian McGlinchey	(BG)	Vermilion Energy
Carlos Aguirre	(CA)	Pavilion Energy
Chris Wright	(CW)	ExxonMobil
Colin Williams	(CW)	National Grid NTS
Dan Hiskett	(DH)	National Grid NTS
Dan Wilkinson	(DW)	EDF
Dave Bayliss	(DB)	National Grid NTS
Debra Hawkin	(DHa)	TPA Solutions
Jeff Chandler	(JC)	SSE
Joseph Glews	(JG)	Ofgem
Kieran McGoldrick	(KM)	National Grid
Lauren Jauss	(LJ)	RWE
Nick Wye	(NW)	Waters Wye Associates
Nigel Sisman	(NS)	Sisman Energy Consulting
Richard Fairholme	(RF)	Uniper
Oliver Weston	(OW)	Ofgem
Oreoluwa Ogundipe	(OO)	Interconnector
Ritchard Hewitt	(RH)	Hewitt Home and Energy
Terry Burke	(TB)	Equinor

*Copies of all papers are available at: <https://www.gasgovernance.co.uk/ntscmf/011122>*

*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.*

**1. Introduction and Status Review**

Eric Fowler (EF) welcomed everyone to the meeting.

**1.1. Approval of Minutes (04 October 2022)**

EF explained that amendments had been requested and these were overviewed.

The minutes from the previous meeting were approved.

**1.2. Approval of Late Papers**

EF noted there were various late papers for the main NTSCMF meeting and the 0823 Workgroup meeting which were relevant to discussions, all agreed to accept these documents.

**1.3. Review of Outstanding Actions**

**Action 0702:** Joint Office (RH) to publish the Mapping Document on the main NTSCMF webpage.

**Update:** EF advised that he and Colin Williams (CW) had assessed the main NTSCMF webpage and suggested some specific removals of some surplus documents and also two additions to include the Mapping Document. EF provided an overview of the documents, and all agreed with this proposal.

EF also suggested that the NTSCMF Terms of Reference (ToR) could be reviewed. Nigel Sisman (NS) asked that the removed documents remain available from an archive and EF agreed that this would be done as part of the housekeeping. **Closed.**

**New Action 1101:** Joint Office (EF) to update the main NTSCMF webpage, overview the current NTSCMF Terms of Reference, publish the Mapping Document and archive surplus documents.

**Action 0903:** National Grid (DH/CW) to provide an update on ~~their position on CMF008 – Differences in Treatment for Entry and Exit regimes~~ the follow on to Modification 0790 due to the rejection of that Modification.

**Update:** Colin Williams (CW) reiterated discussions from the last meeting that Modification 0790 had been rejected by Ofgem, highlighting points from the decision letter that whilst the modification was positive for some relevant objectives Ofgem had found it to be negative for others.

CW drew attention the Transmission Services presentation which can be viewed in full via: <https://www.gasgovernance.co.uk/ntscmf/011122>

CW explained that National Grid had now undertaken further work on this topic, and he overviewed the existing contracts and the context of these, and provided detail on the Development Options and Next Steps as detailed below:

#### Development of Options following Modification 0790

- *With a focus on an objective to review the impacts of Existing Contracts under Entry charging alone, this is one path to pursue.*
- *Additionally, we see merits in discussing other options that would impact Entry but would also have impacts to Exit, to assess any further merits of such options. This would have a broader objective however may have some benefits in discussing alongside.*
- *Entry only:*
  - *A new commodity charge focused only on (utilisation of) Existing Contracts*
  - *A new commodity charge focused on all flows (taking on board views on 0790)*
  - *A review of Existing Contracts and their flexibility / use into the future*
- *Broader to Entry and Exit:*
  - *Discuss / review the Entry / Exit split, that is currently 50/50 to Entry / Exit for Transmission Services.*
- *These are purely options we feel have merit in discussing and seeking Stakeholder views on, and are not an expression of preference from National Grid*

#### Next Steps

- *Develop, share, and publish a Gas Charging Discussion Document. Issued by National Grid, to seek views on:*
  - *The impacts of Existing Contracts and their influence in the Charging Methodology;*

- *Options related to Entry charging and potentially wider;*
- *Potential modifications to take forward following feedback and discussion;*
- *On any option, taking into account the points raised in Ofgem's letter on 0790 and the decision not to implement.*
- *To effectively seek views in this way and to consider these views and discuss with Stakeholders we believe, were any to be taken forward, would be focused on October 2024 as a potential implementation date.*
- *Using NTSCMF as the principle industry forum to discuss these topics, with a focus on December 2022 for further sharing of options and opportunity to discuss, followed shortly after by issuing a discussion document for Stakeholder views.*

A brief general discussion took place surrounding the exit and entry capacity charging option and Ritchard Hewitt (RH) proposed that looking at the options there were potentially more than one solution. CW said that was a possibility concerning the options, however an assessment and report would be produced to discuss views, which would then be facilitated by a new Modification.

CW confirmed he would provide more information at the December meeting to enable a structured discussion on this matter. RH said that would be beneficial as he did not want another situation like the elongated Shorthaul process. The action was then closed. **Closed.**

**Action 1001:** National Grid (CW) to provide an explanation on the treatment of non-obligation capacity and overruns for January 2023.

**Update:** CW noted that this action would be carried forward and that the update would be provided in January 2023. **Carried forward**

#### 1.4. Industry Update from Ofgem

Oliver Weston (OW) provided an overview of the up-to-date Ofgem Modifications timetable <https://www.ofgem.gov.uk/publications-and-updates/code-ModificationModification-proposals-ofgem-decision-expected-publication-dates-timetable>,

OW noted that the updated EDD had been published on 14 October 2022, and he provided an overview of the decision dates as detailed below:

- Modification 0761 - Arrangements for Interconnectors with additional Storage capability  
Decision date: 28 April 2023
- Modification 0779/A– Introduction of Entry Capacity Assignments  
Decision date: 23 December 2022
- Modification 0805 – Introduction of Weekly NTS Exit Capacity Auctions  
Decision date: 30 January 2023
- Modification 0806 – Change to Curtailment Trade Price Compensation in Section Q  
Decision date: 09 December 2022
- Modification 0809 – Distribution of Last Resort Supplier Payment (LRSP) claims to include IGT sites  
Decision date: 31 March 2023

Rudi Streuper (RS) asked when Ofgem would be making a decision regarding Modification 0814 – *(Urgent) Temporary Access to the Enhanced Pressure Service and Increase to the Maximum NTS Exit Point Offtake Rate of the BBL interconnector.*

OW said he would need to investigate this matter internally, as he did not have the information to hand and that he would respond to RS offline on this topic.

## 1.5. Pre-Modification discussions

Ashley Adams (AA) provided an extensive overview of the pre-Modification - *Introducing additional flexibility to change the NTS large price step for ascending clock auctions at IPs*, as detailed below:

### Background

- *High demand for bundled capacity at Bacton (Exit) IP over the summer months has resulted in Ascending Clock auctions going above reserve prices and using large price steps.*
- *In some instances, the large price step was not large enough to create sufficiently quick price discovery at Bacton resulting in auctions running for extended periods of time.*
- *If the auction is still unresolved in time to set up the next auction covering the same capacity period, it is closed manually and all bids are rejected with no capacity being allocated. This occurred twice in April.*
- *In response to increased competition for capacity, adjacent TSOs increased their large price steps significantly mitigating the immediate issue.*
- *Any increase to the large price step does not result in higher prices being paid for capacity, rather a quicker price discovery.*

### Why Change

- *National Grid do not currently have the same flexibility as other TSOs to change the large price step and are bound by UNC to set it as the greater of 5% of the applicable Reserve Price and 0.0001 p/kWh/Day.*
- *CAM code states that large price steps should be determined in such a way as to seek to minimise, as far as reasonably possible, the length of the auction process.*
- *It is important that large price steps are set at an appropriate level to prevent auctions timing out with no capacity allocated when capacity was bid for.*
- *Appropriate setting of large price steps also promotes efficiency in the capacity booking process*
- *Changes to UNC are required to ensure future compliance with CAM and to remove the absolute reliance on adjacent TSOs to set the large price step at an appropriate level*
- *More flexibility would allow changes to the large price step for unbundled auctions (if there was a need) where we are unable to rely on an adjacent TSO to change it on our behalf.*

### Solution

- *An amendment is proposed to UNC TPD Section Y 2.9.2 to allow the percentage of the reserve price used to determine the large price step to be flexed when appropriate.*
- *The proposal would leave the default large price step as 5% of the reserve price or 0.0001p/kWh/d (whichever is higher). It would introduce the ability, where it is considered beneficial for the auctions to successfully close allocating capacity, flexibility to change this percentage ahead of each auction if required, in line with agreed timescales.*
- *This solution would ensure the flexibility to change the large price step if required while also preventing additional complications with the processes of adjacent TSOs under normal circumstances.*

### Next Steps

- *Based on Self Governance:*

- *Raised for initial consideration by the Modification Panel on 17 November 2022*
- *Workgroups in December 2022 and January 2023 NTSCMF*
- *Consultation January/February 2023*
- *Panel decision in February 2023*

AA provided an overview of the Step Price process which can be viewed in the Appendix section via: <https://www.gasgovernance.co.uk/ntscmf/011122>

A general discussion took place regarding the small and large Step Price process and Nigel Sisman (NS) proposed that in relation to the EU Code, National Grid may need to specify the pricing rules, which must be defined prior to any auction taking place. NS asked what the methodology was for the large price in relation to the small step.

AA said the divisor from large and small price step was 20% and that National Grid take a similar approach to adjacent TSOs. AA further explained that the process had been overviewed, but that National Grid are reluctant to be too prescriptive within the Uniform Network Code (UNC). NS suggested and AA agreed that there is merit in National Grid co-ordinating to adjust their auctions in line with the connecting TSOs.

RS advised that BBL had the freedom to set the steps, but that this is normally aligned with National Grid. Anna Shrigley (AS) asked if the solution was limited to being used on unbundled capacity only or if it would be used on bundled capacity in the future. AA said that although there was a very low probability of needing to use it for bundled auctions it should not be closed off.

The Modification will be presented to the Panel in November.

## **2. Workgroups**

### **2.1. 0823S – Amendment to the Allocation of Entry Capacity and Flow Quantities to Qualifying CNCCD Routes**

(Report to Panel 15 December 2022)

<https://www.gasgovernance.co.uk/0823>

## **3. Issues**

### **3.1. Industry Issues Tracker Update**

*EF noted this section would be deferred until the December meeting.*

The NTSCMF Issues Tracker can be found here: <https://www.gasgovernance.co.uk/ntscmf>

- CMF003 – Differences in Treatment for Entry and Exit regimes
- CMF008 – Capacity Neutrality

## **4. Forecasted Contracted Capacity (FCC)**

### **4.1. FCC Methodology**

There was no update on this topic.

### **4.2. FCC Monitoring**

This item was not discussed.

## **5. Long Term Revenue Forecasts**

Dave Baylis presented an update on:

- Entry Capacity & Revenue FY23
- Exit Capacity & Revenue FY23
- General Non-Transmission & St Fergus Compression Revenue FY23

DB observed that there had not been any significant changes from the update in October, although there had been some extra revenue in relation to the exit and entry capacity, and the General Non-Transmission Services revenue collection continued to be in line with the forecast.

Please see the published slides for full details.

## 6. Any Other Business

### 6.1. St Fergus Compression Update

CW advised that there was no update on this section this month.

## 7. Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/events-calendar/month](http://www.gasgovernance.co.uk/events-calendar/month)

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Tuesday 06 December 2022	5pm Monday 28 November 2022	Via Microsoft Teams	Standard Workgroup Agenda

**Action Table (as of 01 November 2022)**

Action Ref	Meeting Date(s)	Minute Ref	Action	Reporting Month	Owner	Status Update
0702	05/07/22	3.1	Joint Office (RH) to publish the Mapping Document on the main NTSCMF webpage.	October 2022	Joint Office (RH)	<b>Closed</b>
0903	06/09/22	3.1	National Grid (DH/CW) to provide an update on their position on <del>CMF008 – Differences in Treatment for Entry and Exit regimes</del> the follow on to Modification 0790 due to the rejection of that Modification.	November 2022	National Grid (DH/CW)	<b>Closed</b>
1001	04/10/22	1.3	National Grid (CW) to provide an explanation on the treatment of non-obligation capacity and overruns for January 2023.	January 2023	National Grid (CW)	<b>Carried forward</b>
1101	01/11/22	1.3	Joint Office (EF) to update the main NTSCMF webpage, overview the current NTSCMF Terms of Reference, publish the Mapping Document and archive surplus documents.	December 2023	Joint Office (EF)	<b>Pending</b>