

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

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Adam Bates	(AB)	South Hook
Alex Nield	(AN)	Storengy
Alsarif Satti	(ASa)	Ofgem
Anna Shrigley	(ASh)	ENI
Anna Stankiewicz	(ASt)	National Grid
Chris Wright	(CW _r)	Exxon Mobil
Colin Williams	(CW _i)	National Grid
Claire Caple	(CC)	E.ON
Daniel Hisgett	(DH _i)	National Grid
Daniel Wilkinson	(DW)	EDF Energy
Dave A Bayliss	(DAB)	National Grid
Davide Rubini	(DR)	Vitol
Debra Hawkin	(DHa)	TPA Solutions
Hannah Reddy	(HR)	Correla
Jeff Chandler	(JCh)	SSE
Julie Cox	(JC _x)	Energy UK
Kieran McGoldrick	(KM)	National Grid
Laura Johnson	(LJo)	National Grid
Lauren Jauss	(LJa)	RWE
Nick Wye	(NW)	Waters Wye Associates
Nigel Sisman	(NS)	Sisman Energy Consulting
Oliver Weston	(OW)	Ofgem
Pavanjit Dhesi	(PD)	Interconnector
Richard Fairholme	(RF)	Uniper
Terry Burke	(TB)	Equinor

Copies of all papers are available at: <https://www.gasgovernance.co.uk/ntscmf/010222>

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 (11 January 2022)

The minutes from the previous meeting were approved.

1.2. Approval of Late Papers

EF highlighted there had four late papers for the Capacity Reporting, FCC presentation, Pre-Modification - *Clarification of 'Annual Update' for impacted Users in relation to CNCCD Elections* and St Fergus discussion papers, the deadline for late papers to be published was 21 January 2022 as noted on the meeting page, all these papers were received after this date.

EF explained that the second updates for the Capacity Reporting and FCC presentation had been pre agreed. EF reiterated once again the need for timely publishing of papers prior to any meeting for parties to have sufficient time to consider the material, express views and gather opinions from constituencies.

1.3. Review of Outstanding Actions

Action 0112: Workgroup participants to review the Issues Tracker and email Joint Office with any comments.

Update: EF confirmed no comments had been received and he reminded the participants to highlight any issues they would like added to the Issue Tracker either via email to Joint Office or during a meeting. It was then agreed the meeting could be closed. **Closed.**

1.4. Modifications with Ofgem

Alsarif Satti (ASa) provided an overview of the present Ofgem Modifications timetable and advised the updated version would be published very soon.

ASa advised that Ofgem had rejected *Modification 0765 - New retrospective debit and credit charges to reflect changes to the treatment of Entry Capacity Revenue between October and December 2020* on 28 January 2022.

A copy of the expected publication dates timetable can be found at: <https://www.ofgem.gov.uk/publications-and-updates/code-ModificationModification-proposals-ofgem-decision-expected-publication-dates-timetable>

1.5. Pre-Modification discussions

Laura Johnson (LJo) provided an overview of the Pre-Modification; *Clarification of 'Annual Update' for impacted Users in relation to CNCCD Elections*. LJo explained the proposed change, was part of implementing the new Conditional NTS Capacity Charge Discount (CNCCD) and there is a process to update Users of changes to a CNCCD election for an eligible route. LJo noted this was covered in UNC TPD Y paragraph 5.5 and TPD B paragraph 9.2.2

LJo then overviewed the following summary in relation to the proposed Modification as detailed below:

Why Change:

The purpose for the Annual Updates within the UNC was to enable Users to consider their CNCCD election(s) ahead of the next Tariff Period (Gas Year) if there was a change to their 'live' CNCCD election(s). The wording should be clarified through a UNC Modification.

Proposed change:

The "Annual Updates" would notify only impacted Users where the discount percentage or eligibility has changed for an existing CNCCD election. This would enable time for any impacted User to consider their CNCCD elections.

For awareness, the application and confirmation processes that for CNCCD (including confirmation of Entry/Exit point, distance, and discount percentage) are unaffected.

Solution - Annual Update TPD Y 5.5 and TPD B 9.2.2

Currently written within the UNC:

- *Annual update confirmation will be sent to CNCCD Users*
- *The discounted rate will be given to CNCCD Users*

Proposed to change UNC to:

Annual update files to only be sent to 'live' CNCCD Users when an aspect of the values has changed that change the discount percentage

- *It will confirm what the changed discount percentage will be; and*

- *If the CNCCD election becomes ineligible*

Next Steps

Based on Self Governance Modification:

- *Consider pre-Modification February 2022 NTSCMF*
- *Submit New Modification to February 2022 Panel*
- *Workgroup in March 2022 NTSCMF*
- *Consultation March/April 2022*
- *Decision by Panel in April 2022*

A general discussion took place in relation to how a non-live user would be made aware of any changes. LJo explained this information would come via the Modification and that information would be communicated via the election process. Colin Williams (CWi) added that the percentages were not advertised if a party was not asking for a Shorthaul product.

DHa said that surely checks should be made on Shorthaul to check that this was still appropriate in line with the methodology. LJo advised any changes would only be made if there was a change to the live election and advised that if other parties needed further information, then this would have to be addressed by a separate new Modification.

2. Workgroups

2.1. 0796 – Revision to the Determination of National Grid NTS Target Revenue for Transportation Charging

(Due to report to Panel 17 February 2022)

<https://www.gasgovernance.co.uk/0796>

3. Issues

3.1. Industry Issues Tracker Update

EF referred Workgroup to the latest version of the NTSCMF Issues Tracker which can be found here: <https://www.gasgovernance.co.uk/ntscmf/> and requested Workgroup to review it ahead of the next meeting in March 2022.

He advised that the Issue Tracker would be revisited during the March meeting to assess the current status.

4. St Fergus Compression

Dan Hisgett (DHi) explained that the St Fergus Compression had been discussed previously and added that this was now being placed into a more formal status due to RIIO-T2 Reopener. National Grid had been encouraged by Ofgem to explore options and gather feedback on how costs could/should be recovered, following on from the initial Consultation Report. <https://www.nationalgrid.com/uk/gas-transmission/st-fergus-consultation>

DHi explained the focus was on five areas to give opportunities for discussion on potential charging arrangements, as detailed below:

St Fergus Discussion Matrix		
	Full Socialisation	Degrees of Targeting
	None	To be discussed
		Targeting NSMP Entry
Scope of Charges	Which works are included in the charges and scope of Targeting	
Allowances	Identifying allowances associated with the works	
Cost Recovery	Options for how charges could be recovered, and which users will be responsible	
Under/Over Recovery Process	Reconciliation of recovered charges against costs	
Timescales	Timing of charging/recovery	

DHi proposed the next steps would be to focus on this area for the next 5 months and provide an overview and summary of the discussions at the August 2022 NTSCMF Workgroup, where the commentary would be fed into the Final Option Selection Report. DHi advised that there was no preferred option as this stage and that all options were under consideration.

A general discussion took place and Richard Fairholme (RF) enquired if this would go further than St Fergus and what Ofgem's thoughts were on this matter. Alsarif Satti (AS) noted that all options would be advised to recover an additional cost if there was a reopener and that he could not comment further at this time.

Nick Wye (NW) said he had sympathy with both and said that some would be in support, and some would be against the proposals. He added that if there was a permitted allowance then a change would be needed to the Charging Methodology, as there were already principles against charging changes, and these should apply.

Julie Cox (JCx) said she was not sure a Modification was required and there could be an aspect of 'do nothing' in respect of the socialisation aspect, as there had been lots of comments for and against in the consultation. She had a concern that this topic would take up a lot of the industry's time, when there were more pressing issues to resolve in different arenas. CWi agreed and said that National Grid would reassess the comments provided in the consultation to eliminate a 'double doing' of efforts and that they would be stringent on the timings.

5. Forecasted Contracted Capacity (FCC)

5.1. FCC Methodology

LJo provided an update to the routine reporting of the FCC Methodology.

Full details can be found in the published presentation here: <https://www.gasgovernance.co.uk/ntscmf/010222>

LJo explained the report had since been updated following the discussions at the January meeting and she focused on slide 5 as detailed below.

Proposed – Exit FCC Methodology (as discussed at the January NTSCMF meeting)

LJo said the main change was for monthly and not annually by Exit point and the Application of GDN 1 in 20 PEAK undiversified forecast for year Y.

GDN Proposal

LJo overviewed the GDN proposal summary as detailed below:

- *Propose to use the latest published Long Term Development Statement (LTDS) which are available on the GDN's website instead of the latest published FES forecast for the GDN 1 in 20 peak gas demand data.*
- *The LTDS are produced at each LDZ by the GDN's and National Grid NTS will use the capacity bookings at each Exit point within the LDZ for the previous Gas Year to pro rate the total LDZ value to the Exit Point for future Gas Year(s), which is the same process used for the FES forecast proration.*
- *The LTDS values are more closely aligned to the capacity bookings made by the GDN's so would propose this change as this would make the FCC at GDN's more accurate.*

JCx asked if there was going to be any analysis to prove the case for this proposed change, especially as she was aware the FCC Methodology was being submitted in early March. LJo said she would supply the necessary analysis for discussion at the March meeting.

New Action 0201: National Grid (LJo) to supply associated analysis with regards to the Exit FCC Methodology.

5.2. FCC Monitoring

Entry Capacity & Revenue FY22 – at December 2021

Dave Bayliss (DAB) provided a summary of the Entry Capacity and Revenue against the forecast and briefly discussed the variance between LNG and noted there were no areas for concern. The schematics can be accessed via: <https://www.gasgovernance.co.uk/ntscmf/010222>

Questions

NW asked if the under recovery from December; £25mil would be rolled over and DAB confirmed this was correct and would roll out for prices in October.

Adam Bates (AB) asked if there was a trigger for RRC absorption and DAB said there was no trigger for RRC on over recovery or under recovery and that this would not be implemented. Richard Fairholme (RF) said historically there had been a Charge Notice issued in for April on 31 January and he added that he took it there were no changes in April for Entry and Exit, DAB confirmed that was correct.

A lengthy general discussion took place regarding the complexity of the charging mechanism and how some participants found it difficult to interpret from the cost compared to the revenue. DAB said there was only so much information that could be shared publicly. Jcx felt there was a gap regarding information that should be shared and noted that previously the industry did receive the revenue forecasts. Jeff Chandler (JCh) sought clarity regarding the Price Control Financial Model (PCM) and the current arrangements.

CWi said that this was linked to the Licence Control process and that this would be available later in February 2022 and added that previously RIIO-1 was not as strict as RIIO-2 and so the information had been published within year, so the revenue could be updated into the prices. He noted that the prices would not be available until April 2022.

NW and JCx said there needed to be greater transparency surrounding this area and NW said a standard process should be produced and available to the industry itemising the various stages from March to October and the indicative costs. CWi said there was a readily available spreadsheet on the National Grid website, NW and JCx said that not everyone knew of its existence, and it was also very complex and hard to interpret. CWi agreed to look at the process for Transmission and Non-Transmission.

New Action 0202: National Grid (CW) to investigate a process to clarify Transmission and Non-Transmission from a revenue and costs perspective.

JCh said a process was needed in relation to the Final Tariffs for Non-Transmission in July for October, as this timeline was too late for setting the tariffs for the customers, hence he said more information was required prior to July.

Exit Capacity & Revenue FY22 – at December 2021

DAB explained the actual bookings from DNs were slightly higher than the forecast and that this was being investigated by National Grid with the GDNs.

General Non-Transmission & St Fergus Compression Revenue FY22 – at December 2021

DAB explained the year to date is just £4.2m under collection, which is pretty close to the forecast.

6. Long Term Revenue Forecasts

CWi advised this is a standard agenda item and that he is looking to provide a more charging centric revenue forecast going forward. He advised there was nothing new to report at this time.

7. Next Steps

EF confirmed the next steps to be:

- The Issues Tracker would be re-assessed at the March meeting
- National Grid will consider the discussion points from this meeting and feedback to Workgroup in March 2022.

8. Any Other Business

8.1. Non-TS Charges Actual vs Forecast

Please see Section 5.2 above

8.2. St Fergus

Please see Section 4.0 above,

9. 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	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Tuesday 01 March 2022	5pm 18 February 2022	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 05 April 2022	5pm 25 March 2022	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 03 May 2022	5pm 22 April 2022	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 07 June 2022	5pm 27 May 2022	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 05 July 2022	5pm 24 June 2022	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 02 August 2022	5pm 22 July 2022	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 06 September 2022	5pm 26 August 2022	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 04 October 2022	5pm 23 September 2022	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 01 November 2022	5pm 21 October 2022	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 06 December 2022	5pm 25 November 2022	Via Microsoft Teams	Standard Workgroup Agenda

Action Table (as of 01 February 2022)

Action Ref	Meeting Date(s)	Minute Ref	Action	Reporting Month	Owner	Status Update
0112	07/12/21	3.1	Workgroup participants to review the Issues Tracker and email Joint Office with any comments.	February 2022	Workgroup	Closed
0201	01/02/22	5.1	National Grid (LJo) to supply associated analysis with	March	National	Pending

			regards to the Exit FCC Methodology.	2022	Grid (LJo)	
0202	01/02/22	5.2	National Grid (CW) to investigate a process to clarify Transmission and Non-Transmission from a revenue and costs perspective.	March 2022	National Grid (CW)	Pending