

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

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Adam Bates	(AB)	South Hook
Alex Nield	(AN)	Storengy
Anna Shrigley	(ASh)	ENI
Carlos Aguirre	(CA)	Pavilion Energy
Chris Wright	(CWr)	Exxon Mobil
Colin Williams	(CWi)	National Grid
Daniel Wilkinson	(DW)	EDF Energy
Dave A Bayliss	(DAB)	National Grid
Debra Hawkin	(DHa)	TPA Solutions
Henk Kreuze	(HK)	Vermillion
James Doyle	(JD)	Octopus Energy
Jeff Chandler	(JCh)	SSE
Joseph Glews	(JG)	Ofgem
Julie Cox	(JCx)	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
Ritchard Hewitt	(RH)	BBL

Copies of all papers are available at: <https://www.gasgovernance.co.uk/ntscmf/010322>

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. St Fergus Compression

EF noted that St Fergus Compression will be added to future agenda's for the NTSCMF meetings and will be discussed ahead of normal NTSCMF business at the start of each meeting.

CWi was invited to provide Workgroup with an overview of the presentation provided for the meeting. The presentation, split into two parts, Future Charging discussion ahead of investment options and Scope of Charging, covered the following main topics, where there was specific interaction regarding particular slides with Workgroup, this has been captured within the minutes for each section of the presentation, and full details can be found on the published presentation here:

Future Charging discussion ahead of investment options

Background (Information)

Draft Discussion Matrix (Information)

St Fergus Discussion Matrix			
	Full Socialisation None	Degrees of Targeting 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		

Next Steps (Information)

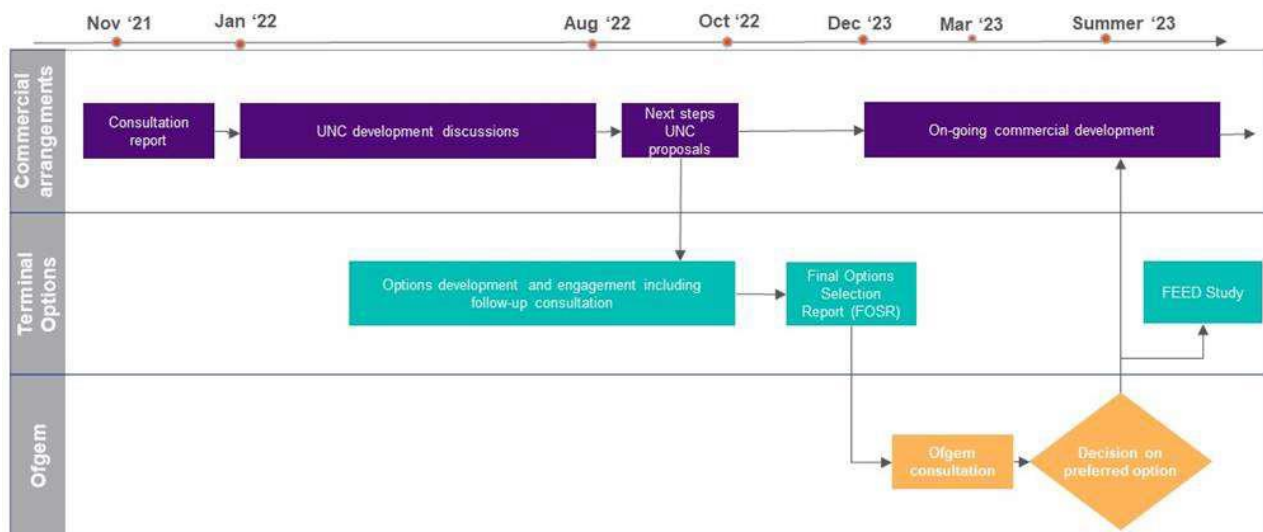
NTSCMF Discussions

- Proposed to continue for the next five months
- Playback of discussions to workgroup in August

Commentary fed into Final Option Selection Report (FOSR)

- At this stage there is no preferred option
- All opinions will be considered
- NG may express a preference in the FOSR but this should not be considered to be a final position in terms of any potential future modifications

Timeline (Information)



CWi highlighted that UNC proposal(s) may or may not be required dependant on the results of these discussions.

Scope of Charging

Background (Information)

CWi explained an allowance is given to reach the Re-opener application window date, in the case of St Fergus, this is £20.08m, these costs are already embedded and are already being charged through the normal transportation charges.

Site	Output	Delivery date	Re-opener application window	Total allowance (all years) (£m)
Hatton	Emissions compliant compressor procured for 41MW mechanical output power	03/2025	N/A	65.40
Wormington	Final Option Selection Report	05/2022	11/2024	14.38
King's Lynn	Final Option Selection Report	10/2022	04/2025	14.38
St Fergus	Final Option Selection Report	02/2022	06/2025	20.08
Peterborough & Huntingdon	Final Option Selection Report	02/2022	06/2025	9.65

Starter for £20.08m (Discussion)

CWi advised that the costs that are being born at the moment are currently being socialised and asked, for the development side of work, do people think is beneficial?

Chris Wright commented that the PARCA process is clearly targeted at the User requesting new capacity and funding is provided by the User.

Julie Cox (JCx)

- Agrees that it is not obvious that the costs should be socialised, there are wider market benefit issues that need to be looked into.
- The difference between ongoing day-to-day costs that are currently targeted, and the capital costs which are new, the current rules allow for that to be socialised, but to benefit one sub-terminal only needs to be considered, and, if there are other solutions.
- Also need to consider what precedence this sets for the future to try to avoid unintentional consequences.

Debra Hawkin (DHa)

Asked CWi to clarify what costs – process to work out what might happen? When asked, CWi clarified these costs (£20.08m) are for National Grid developing the solution and carrying out studies in order to lead up to the funding request in 2025, he added that capital expenditure (purchasing assets) is separate. CWi advise that the costs could be higher or lower than £160m to deliver, the amount will not be insignificant unless there is a do nothing approach.

Ed Rees

Representing the Consumer view (CAB), he advise he is not comfortable that the costs should be socialised and does not think it should be assumed that they are.

Anna Shrigley

Asked CWi to confirm the £20.08m is the cost associated with replacing the compressor at St Fergus, CWi clarified that is one of the options.

Post Meeting note provided by ENI:

Eni would like it to be noted that there may be a conflict of interest at the St Fergus TOM/NSMP sub-terminal in relation to the segregation of roles:

- *the party that is best placed to decide on the size of investment required to be delivered for the period post-2030; and*
- *the party that that is going to own and operate the compression plant for the period post-2030.*

Who is best placed to decide on the size of the investment in this respect? We believe that NSMP is the best-placed party to deliver this decision because their users have the knowledge of the best quality long-term production forecast. However, to ensure that this decision is objective, the same party who is to deliver the investment decision must at the same time own the compression plant. By doing so, the size of the investment is most likely to match the size of the objective future compression requirements.

Who is going to provide compression from 2030 (to build, pay and charge for compression)? We believe that NSMP partners should own, operate and invest in the compression plant at St Fergus. This would avoid any scope for a conflict of interest as described above. Additionally, the legacy NEA in place between NGG and NSMP will be changed so it is in line with all other NTS entry points.

Consultation – We asked (Information)

Consultation – You told us (summary) (Information)

Consultation – We said (Information)

Targeting principles (Discussion)

Julie Cox

Commented that cost targeting is not typically done and there needs to be an awareness that this situation is not typical.

Chris Wright

Under PARCA the applicant fully underwrites the funding for National Grid to develop and investigate, no element of the costs are socialised at all. PARCA costs are very clearly targeted.

Nigel Sisman

Sought clarity that the £20.08m is a one-off allowance to do this work – if so where does it appear? CWi confirmed the £20.08m is part of Transmission funding allowed revenue and is recovered over a number of years.

He commented that it is difficult to regard this a binary, targeted or not, cost and that there is a need to understand the projections in respect of capital costs and suggested the costs are broken down into more detail.

CWi advised the longer-term impact and usage in particular, there is a certainty that in terms of any approach, targeted or not, is certainty of use or commitment for the access, or use at St Fergus, and is an important element of this. The implication for any funding that there needs to be a route full recovery and commitment, is part of that process.

Ed Rees

Agreed with Nigel Sisman that the whole system impact needs to be considered and that the legacy arrangement needs to be bought forward and standardised across the System, that could affect the usage of St Fergus it creates a big risk in terms of struggling assets.

Nick Wye

In terms of socialisation, the current regime is heavily socialised. In reality socialisation happens across the piece. In terms of PARCA the applicant is committing to booking capacity for a relatively short period, that does not underwrite the investment. He said that physical security needs to be looked at as well as the future.

End of discussion

In conclusion, CWi advised that he will talk about the allowance and funding at the next meeting and said that the £20.08m is there to get to the decision point on the funding.

2. Introduction and Status Review

Eric Fowler (EF) welcomed everyone to the meeting.

2.1. Approval of Minutes (01 February 2022)

EF highlighted the changes requested by Ofgem which marked v2.0 of the minutes being published in change-marked and clean view.

The minutes from the previous meeting were approved.

2.2. Approval of Late Papers

EF noted there are no late papers for approval.

2.3. Review of Outstanding Actions

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

Update: This action is covered in agenda item 5.1. **Closed**

Action 0202: (re-worded March 2022) National Grid (CWi) to provide an update on anticipated charges for non-transmission services for October 2022.

Update: CWi confirmed he is considering how best to facilitate this action and will provide an update at the April 2022 meeting.

Reflecting on the minutes from February 2022, Richard Fairholme (RF) raised the concern that the non-transmission charges are due to increase from October 2022 and requested this action is prioritised. He also advised he is disappointed to see 'An updated version of this slide populated and shared in due course' on the slides for the Capacity and Revenue Monitoring Monthly Update provided for this meeting.

CWi advised that the revenue reporting would not deliver what this action is asking for.

The wording of the action was re-considered and was changed accordingly.

Nigel Sisman (NS) commented that sensitivity around the information is critical, he referred to conversations held at the last meeting in February where it was mentioned that National Grid and Ofgem are liaising with regards to some of the costs being deferred and suggested that information should be made publicly available. **Carried Forward**

2.4. Modifications with Ofgem

EF 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>

Highlighted *Modification 0790 (Urgent) - Introduction of a Transmission Services Entry Flow Charge*, shows an expected date of publication of TBC 2022. Joseph Glews (JG) advised there is no expected date of publication as yet, discussions are ongoing internally.

JCx suggested that the BEIS commentary relating *Modification 0761 - Arrangements for Interconnectors with additional Storage capability*, regarding retained law creates some additional compliance challenges for this Modification. JG agreed there are complicated compliance issues that are being considered.

When NS asked what the National Grid deadline is for an Ofgem decision on Modification 0790, CWi advised National Grid are going through the process of finalising the data until the end of March and will be setting the prices in May, therefore, ideally, April is what would be needed in order to accommodate the setting of charges in May.

A copy of the expected publication dates timetable can be found at:

2.5. Pre-Modification discussions

No pre-Modification discussion.

3. Workgroups

3.1. Modification 0802S - Clarification of 'Annual Update' for impacted Users in relation to CNCCD Election(s)

(Due to report to Panel 17 March 2022)

<https://www.gasgovernance.co.uk/0802/>

4. Issues

4.1. Industry Issues Tracker Update

EF provided a view of the latest version of the NTSCMF Issues Tracker and Workgroup proceeded to consider each of the 8 issues and made updates accordingly:

CMF001: Definition of TS-Related NTS System Operation Revenue within UNC TPD Section Y paragraph 1.5.1 (d)

Workgroup agreed there is a need to clarify what the concern is and what might be done.

Awaiting National Grid input.

CMF002: TAR NC compliance

JCx mentioned there are disconnects between Licence and Code and a new participant would find it hard it to understand how things fit together.

It was suggested that maybe a standing document (National Grid Mapping Document) that is an agreed articulation could be published on the main NTSCMF Joint Office website.

CWi agreed but noted that the front page of NTSCMF on the Joint Office website needs tidying.

New Action 0103: Joint Office (EF) and National Grid (CWi) to tidy the main NTSCMF web page on the Joint Office website.

CMF003: Differences in treatment for entry and exit regimes

JCx noted this issue is almost 18 months old and asked if it is a material enough issue that needs a real intervention and if there is, what needs to be done.

It was agreed that National Grid will provide analysis of entry and exit overruns to the May 2022 NTSCMF meeting.

CMF004: SO incentive performance

CWi advised there is an internal drive to put some external reporting in to the Ops Forum. JCx noted this and advised that would be appreciated and that the reporting that used to happen at the Ops Forum seems to have disappeared recently.

National Grid to check whether additional reporting will appear on the NTS operations web-page / Operational Forum.

CMF005: Longer term charging structures

CWi clarified this issue was listed as a compliment to the other issues (issues 1-4), so if something happens in relation to the other issues, Workgroup might need to consider the longer-term charging structures. On its own, there is no need to consider this issue.

CMF006: Entry/Exit split

Advice from BEIS received in connection with *Modification 0761 - Arrangements for Interconnectors with additional Storage capability*, laid weight to the importance of TAR NC. Other jurisdictions have ratios other than 50:50 at the discretion of the regulatory authority. Unlikely to progress unless a Party brings forward a specific proposal or justification for change.

JCh noted that the information from BEIS was that EU law takes precedent over UK law.

It was highlighted that IUK and BBL presented a paper some time ago, CWi advised that National Grid are happy to be part of the conversations but not necessarily drive the debate.

ASh reminded Workgroup that when Interconnector raised this issue to be discussed the reason was because National Grid charges were the highest in Europe, the slides presented were very misleading.

Nick Wye (NW) commented that IUK and BBL presented a paper which raised the issue of potentially altering the split, which is covered methodology. If there is no desire for a Modification to be raised to just trigger the conversation, what should be raised in order to trigger that conversation. IUK and BBL have done some work to enable discussions to take place.

EF clarified, from the Joint Office perspective they would look for something that gathers interest; then Joint Office would give it that emphasis and look to give it some priority.

CWi advised, from the National Grid perspective, if something as sizeable as this is raised, there should be a conversation to understand what a change to 50:50 would be, he added that any change to 50:50 has consequences. With a combination of what IUK and BBL have talked about in the past, the conversation this workgroup would consider is what the appetite is for anything other than 50:50.

RF highlighted that if this issue is added to a future NTSCMF Workgroup for discussion, it needs to be signalled well in advance, for example, DN's will need to input, will need the right stakeholders.

CMF007: Inefficient bypass of NTS

Lauren Jauss (LJo) advised that *Modification 799A - Introduction of Entry Capacity Assignments with Defined End Date* may assist Users with this issue. It was agreed to keep this issue under review. National Grid may be able to identify potential for (inefficient) bypass before it is visible to other parties. National Grid to raise any concern with CMF.

CMF008: Capacity neutrality

NS clarified that he has provided comments for this issue which are now showing on the up-to-date publication.

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

5. Forecasted Contracted Capacity (FCC)

5.1. FCC Methodology

LJo provided an update to the intended changes that will be applied to the FCC Methodology. The presentation covered the following main topics, where there was specific interaction regarding particular slides with the Committee 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:

- Amendments to FCC Methodology for 2022/23 Gas Year
- Current – Entry FCC Methodology – no changes proposed
- Exit FCC Methodology – proposed changes

The following table shows the changes that will be made to the FCC Methodology:

Calculated Monthly Annually – By Exit Point		
Direct Connects (PS/Ind) Interconnectors, Storage	Forecast Flow by Exit Point	<ul style="list-style-type: none"> • Average of 5 years actual historic flows by each Exit Point for each month (Y2-Y6) • Convert into an average capacity (kWh/d). • Normalised for forecast demand by industry sector. • <i>Values removed from any sites no longer operational.</i>
Direct Connects (PS/Ind) Interconnectors, Storage	Capacity Forecast by Exit Point	<ul style="list-style-type: none"> • Capacity utilisation value identified for each Exit Point for each for each month , based on data from October 2020. • Applied to the forecast flow value for the Exit Point to reflect level of capacity above flow. • <i>Any individual Exit Point value greater than 2, overwritten with sector average.</i>
Direct Connects (PS/Ind) Interconnectors, Storage	Future bookings/ PARCA > Capacity Forecast by Exit Point	<ul style="list-style-type: none"> • Future Bookings value used for any Exit Point with capacity bookings for year Y greater than the calculated capacity forecast, that has either User Commitment or has been purchased via AFLEC. • PARCA value used where at Stage 2 for relevant year Y
GDN	1 in 20 PEAK	<ul style="list-style-type: none"> • Application of GDN 1 in 20 PEAK Undiversified forecast from the applicable GDN's LTDS for year Y. • Allocated by Exit Point based on GDN Booking Profile.

Totaled across all Exit Points to calculate a kWh/d FCC

- GDN Proposal
- GDN Proposal – analysis of LTDs compared to FES

LJO advised the blue blocks show the actual values, the grey line the DN FES 1 in 20 Forecast and the red line shows the DN Long Term Development Statement (LTDS) 1 in 20 Forecast.

When NS mentioned there is a systematic bias, he added that one of the elements is timing, the LTDS is more up to date; FES data is more out of date.

JCx noted that the LTDS is published in October whereas the FES is published in July.

DAB advised that the forecasts are taken from the most recent documents from the methodologies and are for the gas year that starts Oct 2021. DAB confirmed he would always look to use the most recent publication.

- FCC Methodology Review Timeline

Task	Date
NTSCMF discussions	01 March 2022
FCC Methodology Consultation	03 March 2022 – 24 March 2022
Publication of the FCC Methodology	31 March 2022
FCC Methodology used for charge setting	May 2022

NS noted, for Entry, everything is developed based on a FES forecast and asked if there is sight of the FES forecast. LJo advised the calculations that are in the FCC depend up on a monthly fed profile.

When asked if the demand forecast includes Shrinkage, CWi agreed to confirm.

New Action 0103: National Grid (CWi) to confirm if Shrinkage is included in the Forecasted Contracted Capacity.

JCx asked how FES and the Ten-year statement fit together? DAB advised that the data used is from the central forecast, for charge setting, a forecast is set based on all different scenarios which is published.

DAB clarified that the FCC models used last year were published and he confirmed that National Grid can publish this year’s FCC models. JCx noted this and clarified that would be good to aid understanding.

5.2. FCC Monitoring

Entry Capacity & Revenue FY22 – at December 2021

DAB provided an overview of the Entry and Exit Capacity & Revenue. The information is available on the published slide pack here: <https://www.gasgovernance.co.uk/ntscmf/010322>.

DAB highlighted that due to the date of publication ahead of NTSCMF, not all information that would typically be published in these slides is available. An updated version of this pack will be populated and shared in due course as the complete data is available.

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 April 2022.

8. Any Other Business

8.1. Non-TS Charges Actual vs Forecast

Please see agenda item 5.2 above

8.2. St Fergus

Please see agenda item 1.0 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 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 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 regards to the Exit FCC Methodology.	March 2022	National Grid (LJo)	Closed
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)	Carried Forward
0103	01/03/22	5.1	National Grid (CW) to confirm if Shrinkage is included in the Forecasted Contracted Capacity.	April 2022	National Grid (CW)	Pending