

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 03 May 2022
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Maitrayee Bhowmick-Jewkes (Secretary)	(MBJ)	Joint Office
Ash Adams	(AA)	National Grid
Anna Shrigley	(AS)	ENI
Anna Stankiewicz	(ASt)	National Grid
Colin Williams	(CW)	National Grid
Chris Wright	(CW _r)	Exxon Mobil
Daniel Hisgett	(DH)	National Grid
Daniel Wilkinson	(DW)	EDF Energy
Dave A Bayliss	(DB)	National Grid
Debra Hawkins	(DH _a)	TPA Solutions
Henk Kreuze	(HK)	Vermillion
Jeff Chandler	(JC)	SSE
Joseph Glews	(JG)	Ofgem
Julie Cox	(JC _x)	Energy UK
Kieran McGoldrick	(KM)	National Grid
Laura Johnson	(LJ)	National Grid
Lauren Jauss	(LJ _a)	RWE
Marion Joste	(MJ)	ENI
Nick Wye	(NW)	Waters Wye Associates
Nigel Sisman	(NS)	Sisman Energy Consulting
Oliver Weston	(OW)	Ofgem
Richard Fairholme	(RF)	Uniper
Terry Burke	(TB)	Equinor

Copies of all papers are available at: <https://www.gasgovernance.co.uk/ntscmf/030522>

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

D Hisgett (DH) presented National Grid's slides on St Fergus, explaining that this session would be about cost recovery. Please see the published slides on the meeting page for full details.

The Workgroup discussed the slides, with key points noted below:

- A Workgroup participant asked if the proposed user commitment method of cost recovery was appropriate.
- Julie Cox (JC_x) noted that user commitment only applied to capacity bookings at present, but the option provided was inclusive of compressor services. JC_x suggested that whilst there are arrangements for capacity already in place, the Workgroup needed to review whether user commitment could also apply to compression.

- Colin Williams (CW) explained that the expectation was that there should be a link between user commitment and Users of the assets as party to the Charging Framework and a commitment would be part of the that agreement.
- Nick Wye (NW) asked why some parties using these services have to pay whilst others would not have to pay or make a commitment.
JCx advised that this proposal was likely because there was specific subset of Users for whom the compression service is utilised more frequently.
- NW suggested that further reviews would ensure the processes were not completely removed from each other. JCx agreed noting the current process was challenging.
- CW stated that National Grid's proposal is a high-level view of the commitment framework which covers part of any incremental costs associated with capacity.
- JCx noted that for exit capacity, the rules are more lenient for booking existing capacity, than when booking new capacity and asked whether this could be applied to entry.
CW remarked that there is potential for additional investment in St Fergus but no additional capacity. CW added that current compression charges includes the running cost associated with the infrastructure and therefore there is the potential for new investment for asset works or replacement. However, this would be developed in line with the RIIO II final determinations issued by Ofgem with an explicit recommendation to review how costs would be recovered for St Fergus.
- DH added that the situation at St Fergus was also different from other compression points as gas entered the system at a lower pressure than anywhere else.
- Anna Shrigley (AS) asked how the user commitment process would work and whether it would depend on the baseline capacity, where Shippers could make a commitment, but the compression may not be available. AS asked, what would be the likelihood of this scenario at St Fergus. AS also enquired how the flexibility provided at St Fergus would be impacted by this.
- CW explained that notwithstanding the current scenario, User expectations around guarantees and flexibility would have to be managed.
- AS noted, that given this is a sizeable investment, the type of user commitment being proposed would need to be clarified. If Users were to make long term capacity bookings, there may not be any guarantee.
- NW agreed suggesting that clarity was required around the fact that buying capacity at St Fergus may not result in the guarantee to deliver gas against capacity and that National Grid may not be able to support the level of baseline capacity as compression is insufficient.
- CW accepted that the details of these arrangements required clarity but noted that this session was to have high level discussions on this matter. CW added that St Fergus was subject to RIIO funding arrangements, and a number of steps would be taken to manage the options in the run up to the RIIO submissions window in 2025/26.
- CW further noted that the topic of cost targeting would also be included in the broader charging consultation to identify any additional issues for consideration.

2. Introduction and Status Review

Eric Fowler (EF) welcomed everyone to the meeting.

2.1. Approval of Minutes (05 April 2022)

EF highlighted the minor changes made to the minutes 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 0202: National Grid (CW) to provide an update on anticipated charges for non-transmission services for October 2022.

Update: This action will be completed by June 2022. **Carried Forward to June 2022**

2.4. Industry Update from Ofgem

Joseph Glews (JG) 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>, noting that there no additional updates.

2.5. Pre-Modification discussions

No pre-Modification discussion.

3. Workgroups

None

4. Issues

4.1. Industry Issues Tracker Update

EF reminded Workgroup where to find the Industry Issues Tracker and requested Workgroup to review the Tracker at their leisure. If there are any changes or updates required to please inform Joint Office and if there are any further discussion points, to request Joint Office to add it to the next agenda.

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

5. Forecasted Contracted Capacity (FCC)

5.1. FCC Methodology

This item was not discussed.

5.2. FCC Monitoring

This item was not discussed.

6. Long Term Revenue Forecasts

CW 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

CW confirmed the next session would be a further review of St Fergus cost recovery, particularly under recovery.

8. Any Other Business

8.1 Charge increase

Richard Fairholme (RF) noted that it was disappointing that no update had been provided on the October charge increase which will have a major impact on Shippers. Jeff Chandler (JC) supported RF's view.

CW acknowledged this but noted that National Grid were trying to ensure that their position in this matter was certain and final before it was communicated to the industry. CW added that an update should be provided by next month, and in the meantime National Grid are reviewing a range of scenarios, including revenue deferral.

NW asked whether National Grid would be able to defer revenue and an industry consultation would be appropriate before it is implemented. NW also noted the need for sensitivity around this topic.

RF supported the view for transparency on industry involvement around revenue deferral rather than just bilateral discussions on this topic between Ofgem and National Grid as this issue impacts all Shippers. RF suggested that detailed discussions around options would be more appropriate than National Grid proposing a solution.

RF further noted that unexpectedly large transmission charges that had not been included in forecasts should have been made clear, particularly considering Ofgem's direction to National Grid to be more transparent. Joseph Glews (JG) acknowledged the points raised as valid and accepted the frustrations expressed by the industry but highlighted that at this stage Ofgem is merely discussing the best way forward with National Grid. JG stated that once discussions have taken place and there is a clearer view of how things will progress, this will be shared with the industry.

Chris Wright (CWr) remarked that he had expected commodity charges to be published in May but has now heard this may be early July, requesting clarity around this. CW advised that transmission charges would be published in May whilst non-transmission charges would be published at the end of July.

8.2 Milford Haven Capacity

CWr noted that the situation at Milford Haven had raised concerns about capacity and charging and suggested this needed to be discussed as it had fundamental impacts on the industry.

Anna Stankiewicz (ASt) explained that the anticipated high flows from Milford Haven this summer cannot be accommodated on the system and without action there is a high risk that large scale and costly constraint actions will be needed. ASt advised the topic had been discussed at webinars and further discussions are being scheduled for the industry to raise their concerns. ASt commented that National Grid accepted the risk and potential for significant impacts to the industry from the proposals for Milford Haven. ASt noted that the main risk at present is that too much capacity can be purchased in the auctions. ASt accepted that the consultation timeframes had not been ideal but advised that additional information will be forthcoming.

JC asked how the consultation on this had been issued as he was unaware of it. ASt advised it had been issued via the Joint Office and briefly summarised the communication issued, noting that National Grid's response would be submitted to Ofgem by the close of play today and a joint response would be issued to the industry.

JC asked for an update on the Milford Haven maintenance plan. ASt advised that maintenance for Milford Haven would have no impact on capacity as all maintenance has been deferred for this year.

Lauren Jauss (LJ) remarked that the consultation got buried as it was issued over the Easter period, and it had not been flagged through the higher-level channels. LJ also noted that there should have been more discussions around this topic and asked whether there was an opportunity to hold any further industry debates around this topic.

ASt noted that whilst there is still scope for discussions, National Grid will send Ofgem their proposals today and it would be up to Ofgem then to make a final decision.

LJ asked if there were any alternatives. ASt explained that the alternative would be for National Grid to not take any action in this matter, but it could potentially cost the industry between £100-£500m. LJ asked what analysis had been done to support this figure. ASt advised that the analysis had been done at a very high level and thus it was a relatively simple calculation. LJ requested a view of the calculation, and it was agreed that the ASt would have an offline discussion to review the figure.

NW noted the changes at Milford Haven has been damaging to the GB gas market, and in particular for LNGs, with there being concerns that arrangements can be changed at very short notice undermining commercial plans, and that this set a very concerning precedent. NW suggested that the industry needed an exercise to review what had happened, why it had happened, and a strong signal needed to be sent this this had been a one off and would not happen in the future.

CWr stated that the initial consultation had stated that initially it was noted that this would be asset maintenance, and this was overturned a week later to advise it would be an ongoing issue at Milford Haven. CWr also highlighted that this would result in £5.2m cost saving for National Grid whilst they are withholding capacity for the industry, which did not feel appropriate under the RIIO price control process.

ASt advised that addition explanations in this matter would be included in National Grid's joint response which would be issued through the Joint Office to the industry, and also published on National Grid's website:

<https://www.nationalgrid.com/gas-transmission/capacity/capacity-methodology-statements>

AS highlighted that the consultation period had been extremely short, with only three working days for replies to be submitted, as it had been issued over Easter holidays. AS suggested that it was possible a large part of the industry was unaware of the consultation and therefore had not responded to it. ASt acknowledged this.

It was noted this topic would be further discussed at the Transmission Workgroup scheduled for later this week.

9. 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 07 June 2022	5pm 27 May 2022	Via Microsoft Teams	St Fergus Compression Standard Workgroup Agenda
10:00 Tuesday 05 July 2022	5pm 24 June 2022	Via Microsoft Teams	St Fergus Compression Standard Workgroup Agenda
10:00 Tuesday 02 August 2022	5pm 22 July 2022	Via Microsoft Teams	St Fergus Compression 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 05 April 2022)

Action Ref	Meeting Date(s)	Minute Ref	Action	Reporting Month	Owner	Status Update
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– June 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)	Closed