

**NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 03 August 2021
via Microsoft Teams**

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Neild	(AN)	Storengy
Alvaro del Cano Duran	(ACD)	Energya VM
Andrew Pearce	(AP)	BP
Anna Shrigley	(ASh)	ENI
Anna Stankiewicz	(ASt)	National Grid
Carlos Aguirre	(CA)	Pavilion Energy
Chris Wright	(CW _r)	ExxonMobil
Colin Williams	(CW _i)	National Grid
Daniel Hisgett	(DH)	National Grid
Daniel Wilkinson	(DW)	EDF Energy
Davide Rabini	(DR)	Vitol
Debra Hawkin	(DH)	TPA Solutions
Henk Kreuze	(HK)	Vermilion Energy
Jeff Chandler	(JCh)	SSE
Joseph Glews	(JG)	Ofgem
Julie Cox	(JC _x)	Energy UK
Kamla Rhodes	(KR)	ConocoPhillips
Kieran McGoldrick	(KM)	National Grid
Laura Johnson	LJo	National Grid
Lauren Jauss	(LJ)	RWE
Marion Joste	(MJ)	ENI
Mark Simons	(MS)	Total Energies Gas & Power
Nick Wye	(NW)	Waters Wye Associates
Nigel Sisman	(NS)	Sisman Energy Consulting
Rebecca Hailes	(RHa)	Joint Office
Richard Fairholme	(RF)	Uniper
Richard Hewitt	(RHe)	Hewitt Home & Energy Solutions
Thomas Bourke	(TBo)	Ofgem
Sinead Obeng	(SO)	Gazprom Marketing & Trading

Copies of all papers are available at: <https://www.gasgovernance.co.uk/ntscmf/030821>

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 (06 July 2021)

The minutes of the 06 July 2021 meetings were approved.

1.2. Approval of Late Papers

EF noted that whilst some papers were provided after the 'normal' submission deadline, all had been published ahead of the meeting.

1.3. Review of Outstanding Actions

0107: National Grid (CW) to provide documented explanation and diagrams detailing the relationship between the SO /TO and TS/non-TS revenue services.

Update: Colin Williams (CWi) advised that this is a relatively minor update and will be resolved shortly. **Carried Forward**

0401: National Grid (CW) to consider the definition of TS-Related NTS System Operation Revenue within UNC TPD Section Y paragraph 1.5.1 (d) and whether it could be better defined.

Update: Referring to the update provided at the last meeting in July 2021, CWi clarified that this topic should be added to an Industry Issue Log so that this can be considered at a later date. EF confirmed this has been added to the Issues Log to track it as an issue. JCx asked if this means the action can be closed. EF confirmed the action is to be closed and the issue will be tracked and reviewed each month as part of standard agenda item 3.0. **Closed**

0501: National Grid (CW) to provide detailed explanation of misalignment between Code and Licence including GAP analysis.

Update: Referring to last month's minutes for this action where CWi agreed to consider and provide further detail indicating the effects from the perspective of other industry parties.

CWi clarified that the way it is written licence vs terminology vs UNC, the perspective required on how customers would see the specific charges. **Carried Forward**

Action 0701: *Reference Industry Issue Tracking* – Joint Office (EF) to look to create and populate a new industry issue tracking list in support of a new agenda sub item under current heading 3 covering issues.

Update: As mentioned in the update for Action 0401, EF confirmed he has published the draft NTSCMF Issues Tracker here: www.gasgovernance.co.uk/ntscmf/030821. EF showed the tracker onscreen and requested feedback from the Workgroup on the structure. EF acknowledged that JCx sent an email highlighting two issues to be included on this tracker. The Forum was content with the framework and will review it each month under agenda item 3.0. **Closed**

1.4. Modifications with Ofgem¹

EF provided a brief update on the anticipated decision dates associated with the UNC Charging related Modifications that are currently with Ofgem awaiting a decision, as follows:

[0729 - Applying a discount to the Revenue Recovery Charge at Storage Points](#)

Ofgem's decision to approve this Modification was made on 30 July 2021.²

[0737 - Transfer of NTS Entry Capacity from a Capacity Abandoned ASEP](#)

Ofgem is considering this Modification. A decision will be made in due course and the anticipated decision date is now circa 30/09/2021.

¹ A copy of the Ofgem Decision timing document can be found at: <https://www.ofgem.gov.uk/publications-and-updates/code-modificationmodification-proposals-ofgem-decision-expected-publication-dates-timetable>

² A copy of the Ofgem Decision letter for Modification 0729 can be found at: <https://www.gasgovernance.co.uk/0729>

[0739 - Aggregate overrun regime for Original Capacity held at the Bacton ASEPs](#)

Ofgem is considering this Modification. A decision will be made in due course but is now expected to be ahead of the previously anticipated decision date of circa 30/08/2021.

[0751 – Capping price increases for Long-Term Entry Capacity](#)

Ofgem is considering this Modification. A decision will be made in due course, and the anticipated decision date is now circa 29/10/2021.

[0753 – Removal of Pricing Disincentives for Secondary Trading of Fixed Price NTS System Entry Capacity](#)

Ofgem is considering this Modification. A decision will be made in due course, and the anticipated decision date is now circa 29/10/2021.

1.5. Pre-Modification discussions

None to consider.

2. Workgroups

2.1. 0765 - New retrospective debit and credit charges to reflect changes to the treatment of Entry Capacity Revenue between October and December 2020

(Report to Panel 21 October 2021)

<https://www.gasgovernance.co.uk/0765>

3. Issues

3.1. Industry Issues Tracker Update

EF showed onscreen the draft NTSCMF Issues Tracker and requested feedback from the forum participants. EF advised he will refer to the minutes taken from the last 2 meetings and add any new issues identified; this will then be published on the main NTSCMF web page. More time will be spent at the next meeting in September to make sure that all issues are captured.

EF confirmed that the Forum will start to populate this tracker and review it each month under this standing agenda item.

4. Forecasted Contracted Capacity (FCC)

4.1. FCC Methodology

The Methodology Review will be completed at the end of the year, but the monitoring of the methodology will be considered under agenda item 4.2.

4.2. FCC Monitoring

CWi provided an overview of the Revenue and Capacity Monitoring' presentation.

Entry Capacity and Revenue FY22 – at June 2021

CWi highlighted why the bar chart shows quite a drop in June 2021, this is because this data reflects the demand for capacity at entry that can be obtained close to time of use and June 2021 saw some of the lowest demand days on record.

Exit Capacity & Revenue FY22 – at June 2021

CWi advised this does not show such a drop for June 2021 as the majority of exit capacity is tied to the needs of distribution networks and therefore it does not provide the same picture in terms of link to gas demand.

5. Long Term Revenue Forecasts

³CWi advised that he has provided a copy of the presentation that was shown at the Charging Methodology Webinar held on 21 July 2021 for information only.

CWi provided a Charging Update which covered the following areas:

- Review of the considerations relating to the Charging Methodology Webinar held on 21 July 2021.
- Revenue Option Development
- Tariff Option Development
 - Further thinking from Webinar
 - Ways to focus on options
 - Modelling
 - Further considerations
- Next Steps
- Contacts

For a detailed update, please refer to the published slides on the meeting page, otherwise relevant discussion points have been briefly captured as below:

Review of Webinar on 21 July (Slide 3)

CWi informed the forum of the topic areas that were covered during the Webinar held on 21 July 2021:

- October 2021 charges (that were published by 21 July 2021)
 - The October charges that have been published
 - How charges are determined (revenues to charges)
 - What's changed in terms of approach in setting October 2021 charges from those set for October 2020 – Why did we defer £45m in setting October 2021 Entry Reserve Prices?
 - Existing Contract 'influence'
- Further Reform proposals next steps: following National Grid open letter
 - Why change?
 - Objectives to measure against
 - Approach and priorities
 - Suggested timelines
 - Options (at this stage)
 - Ways of working (NTSCMF, Workshops, etc)

Material can be found at: <https://www.nationalgrid.com/uk/gas-transmission/charging/gas-charging-discussion-gcd-papers>.

Modelling: applying to all capacity / flows (Slide 14)

When asked CWi advised he will check if this is showing a weighted average price.

Anna Shrigley (ASh) advised she has concerns with Scenario 1 where it states that 71% of booked capacity is existing capacity, but when this is compared with slide 26 from the Webinar presentation, this also shows the average historical flow which is used to calculate the % for scenario 1. CWi clarified that National Grid are not proposing to use Scenario 1 shown on Slide 14.

CWi clarified that the idea is that the focus is on the utilised capacity in facilitating what the potential impact is.

³ The Charging Methodology Webinar held on 21 July 2021 presentation is published here: <https://www.gasgovernance.co.uk/ntscmf/030821>

Whilst reviewing the scenarios shown on slides 26 to 28, Julie Cox (JCx) requested a statement to be provided as to how this complies with TAR Code; Jeff Chandler (JCh) advised he too struggles to see how this complies with the TAR Code. Thomas Bourke (TB) confirmed that Ofgem did say they were going to look at that as per *Modification 0678A - Amendments to Gas Transmission Charging Regime (Postage Stamp)*.

Debra Hawkin (DHa) asked if National Grid are speaking to their lawyers about this in terms of compliance. ASH asked for National Grid to share their legal view.

CWi confirmed he will share what they can/are able to, and that when National Grid put forward their proposal, they will explain their reasoning, he added that other parties might want to share their views too.

TB advised forum participants that the timescales that National Grid are working to are very short and that he would like to see forum participants supporting National Grid by providing their own views on compliance.

When Nick Wye (NW) asked, DHi clarified the calculation for the scenarios shown on slides 26-29 are not specific to existing contracts; therefore, NW asked if the new and existing capacity can be separated out. DHi confirmed he will show the capacity split.

Tariff Developments – Next Steps (Slide 30)

CWi confirmed that National Grid believe there is merit in taking this concept forward for further development.

Richard Fairholme (RF) noted from the webinar that certain scenarios where existing capacity users could pay more for new capacity and suggested that users may start thinking about capacity hand-back for existing contracts. RF suggested to consider in terms of governance, is the plan still to ask for urgent procedures to be applied. RF noted this may well see alternative modifications being raised.

CWi said in terms of the potential for parties to pay in excess for existing capacity, he will make sure that assumption is tested.

In response, RF advised that however much the price is increased for existing contracts, whilst the price remains cheaper than new capacity, people will optimize around it.

NW noted users will be considering flow utilisation from 1 October 2021 and not before. Also, working to such a short timescale, there needs to be a lot more exploration in terms of the solution. There are some obvious areas that will need more discussion, such as compliance. It would be helpful before any additional meetings or webinars for National Grid to provide some background information so that all areas of the approach can be considered.

Charging Changes: Timings and Scope (Slide 32)

CWi explained that in order to deliver for October 2022 urgency requests for the modifications may be needed. The aim for the initial phase is to have the change process concluded by December 2021.

An example of the timeline is shown here:

2022 Path - Workstream 1: example for a modification that would follow urgency

	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22
NTSCMFs																
NG Led workshops																
Pre-modification sharing																
Formal raising of Modification(s)																
UNC Consultation																
UNC Panel																
Modification to Ofgem for decision																
Effective date for charges (Oct-22)																

All dates are approximate to illustrate the necessary steps and likely timescales

CWi advised he will present more drafting for comment to the September 2021 NTSCMF.

NW asked, in terms of adjustments, it is a charge that sits on top of the reserve prices, similar to TO commodity, if it is to be assumed that in the first year the amount of revenue is below what is

set, would that feed into the following year or the overall allowance? CWi advised it has not been fully formed yet and is yet to be considered.

Ways of working (Slide 34)

CWi advised, in order to maximise engagement, there will be several approaches which will include the NTSCMF forum which will be the principle way to engage on charging changes; National Grid led workshops which are likely to start in August (frequency to be determined) and Webinars which might be used share milestone updates.

In conclusion, EF confirmed that there will be a pre-modification discussion at the next meeting in September 2021.

In providing some feedback relating to the Charging Update Webinar presentation, specifically Slide 26 which shows Existing Contracts Capacity and Revenues (Entry) 2021/22 – 2031/32, ASH advised she would appreciate more detail in how this interacts with existing contracts average price adding that vast quantities of capacity are not utilised, and it is appropriate when defining the size of the revenue.

ASH provided the following observations:

NGG stated that 70% of booked capacity is existing capacity but also that the Average Historic flow or the capacity utilisation rate is only 50% of the total capacity booked. If you focus on the Average Historic flow, then you can conclude that shippers purchased twice as much capacity as they actually use. So the capacity overbooking is 100%.

First Observation: Users purchase new capacity only when they expect to bring gas to the system. Therefore, the vast majority of overbooked capacity can be classified as existing capacity. What is the justification for applying additional charges on capacity that is not currently utilised and was booked under the old regime at a fixed price to secure access to the market?

Second Observation: 40% of the total used capacity (or the Average Historic flow) is booked as existing capacity and 60% of utilised capacity is new capacity. Hence if this approach is used, the proportion of existing capacity in the total of all utilised capacity is much lower than the stated 71% of capacity, which is indicated in National Grid Slide 26.

Third Observation: All New Capacity is purchased via short-term auctions and it is directly comparable with the short-term capacity in the old regime. Under the old regime, due to a discount in price on short-term capacity products of up to 100%, almost all transmission services revenue was collected from the sale of existing capacity. Therefore, would it be possible to include the historical data that relates to the old regime in Slide 26 so that we can see the revenue contribution of existing capacity in the past 10 years before the introduction of the new charging regime versus the contribution of short-term capacity sales? Is it right to assume that most of the historical short-term revenue was redistributed to shippers via neutrality charges and so actually did not contribute to transmission revenue?

Fourth Observation: Can NGG explain how compliance with TAR Article 35 will be met in relation to a new additional charge that is planned to address the difference in prices between existing and new capacity and collected as transmission services revenue.

6. Any Other Business

6.1. St Fergus Terminal: Funding and Recovery Consultation

Referring to a note that has been published today, CWi presented a slide relating to the St Fergus Consultation on the range of future charging and commercial solutions that should be considered ahead of any proposed investment options:

- National Grid has launched a consultation related to works associated to emissions legislation compliance and asset health at the NSMP Gas Transmission Sub Terminal at St Fergus, specifically to seek views on the appropriate balance of how these works should be paid for, such as by the use of targeted charging. The consultation will close on 13 September 2021.

- The consultation is available here : <https://www.nationalgrid.com/uk/gas-transmission/document/136381/download>
- National Grid is hosting a webinar on this consultation on 10 August at 9am . Registration is available: <https://www.eventbrite.com/e/164471804595>
- The consultation provides background to the history, current and future use of the St Fergus terminal, the environmental legislation, RIIO 2 arrangements and our current view of the level of investment required.

What happens next

CWi advised that after the consultation closes there could be a potential modification to the charging arrangements.

JCh asked when is this likely to be taking effect from? CWi advised there will be no change until 2023 but more likely later than that.

This concluded the St Fergus Terminal: Funding and Recovery Consultation update.

7. Diary Planning

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

Workgroup meetings will take place as follows:

EF highlighted that the September 2021 NTSCMF date has moved from 02 September to 07 September at National Grids request.

Time / Date	Venue	Workgroup Programme
10:00 Thursday 07 September 2021	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 05 October 2021	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 02 November 2020	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 07 December 2021	Via Microsoft Teams	Standard Workgroup Agenda

Action Table (as of 03 August 2021)

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0107	05/01/21	5.0	National Grid (CW <i>i</i>) to provide documented explanation and diagrams detailing the relationship between the SO /TO and TS/nonTS revenue services.	National Grid (CW <i>i</i>)	Carried Forward
0401	12/04/2021	1.3	National Grid (CW <i>i</i>) to consider the definition of TS-Related NTS System Operation Revenue within UNC TPD Section Y paragraph 1.5.1 (d) whether it could be better defined.	National Grid (CW <i>i</i>)	Closed
0501	04/05/2021	1.3	National Grid (CW <i>i</i>) to provide detailed explanation of (mis)alignment between Code and Licence including GAP analysis	National Grid (CW <i>i</i>)	Carried Forward
0701	06/07/2021	1.3	<i>Reference Industry Issue Tracking</i> – Joint Office (EF) to look to create and populate a new industry issue tracking list in support of a new agenda sub item under current heading 3 covering issues	Joint Office (EF)	Closed