

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 04 October 2022
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
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
Colin Williams	(CW)	National Grid NTS
Dan Wilkinson	(DW)	EDF
Dave Bayliss	(DB)	National Grid NTS
Davide Rubini	(DR)	Vitol
Debra Hawkin	(DHa)	TPA Solutions
Jeff Chandler	(JC)	SSE
Joseph Glews	(JG)	Ofgem
Julie Cox	(JC)	Energy UK
Kieran McGoldrick	(KM)	National Grid
Lauren Jauss	(LJ)	RWE
Marion Joste	(MJ)	ENI
Nick Wye	(NW)	Waters Wye Associates
Nigel Sisman	(NS)	Sisman Energy Consulting
Richard Fairholme	(RF)	Uniper
Oliver Weston	(OW)	Ofgem
Oreoluwa Ogundipe	(OO)	Interconnector
Paul Whitton	(PW)	SNG
Ritchard Hewitt	(RH)	Hewitt Home and Energy

Copies of all papers are available at: <https://www.gasgovernance.co.uk/ntscmf/041022>

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 September 2022)

EF explained that some of the previous actions had been incorrectly worded, for which he apologised for, and this would be rectified for the October meeting minutes.

The minutes from the previous meeting were approved.

1.2. Approval of Late Papers

EF noted there were no late papers for the main meeting and that there was a discussion paper provided by National Grid that would be introduced during Workgroup 0823.

1.3. Review of Outstanding Actions

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

Update: EF advised this document was currently being updated with the Joint Office and National Grid input, would be published as soon as possible. **Carried forward.**

Action 0901: National Grid (DH) to liaise with Ofgem to determine whether the status quo for the treatment of cross subsidies needed to be updated.

Update: EF explained that this action had been incorrectly worded in the September meeting for which he apologised. A brief general discussion took place regarding whether this topic was a priority considering the current industry/economics pressures. Joseph Glews (JG) advised that Ofgem would happily support the industry in discussing this matter in greater depth and that it was for the industry to decide the next steps. Colin Williams (CW) noted there was a defined methodology and that some minor wording amendments may be required later. NS pointed out that some problems with the capacity neutrality regime had been remedied with Modification 0748 but that others remained but that it was hard to examine the magnitude of these with the information available. Other Workgroup participants identified that presently this was not a high priority, especially as the current commodity costs were so high and it was agreed this action should be closed with a new action raised (as below) **Closed**

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

Action 0902: National Grid (DH) to provide additional clarity to the Workgroup on capacity neutrality and the treatment of revenue.

Update: EF reiterated that this action had also been incorrectly worded. Nigel Sisman (NS) noted that this had been an issue for over 2 years with regards to the problem with cash flows being identified and that at the time this had been down to neutrality and yet this area still had not been investigated. A brief general discussion took place in relation to the materiality of the capacity neutrality cash flows and this was more the area that needed further investigation. It was agreed this action could be closed as it is captured in the Issues log **Closed**

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: EF advised in essence this action was concerning what would follow Modification 0790 - (Urgent) - Introduction of a Transmission Services Entry Flow Charge. CW explained that Modification 0790 had been rejected by Ofgem on a number of grounds and he drew attention to specific areas of the Ofgem Decision Letter regarding these areas. CW noted that more information had been provided on what would be more effective. CW advised that National Grid were presently investigating these areas and were looking to complete a Charging Discussion Document to capture views.

A brief general discussion took place surrounding the exit and entry capacity charging option. RH asked whether National Grid would consider an alteration to the split between entry and exit charges. CW said this would be further explored and he would provide more details at the November meeting.

The wording of the action was amended, and it was agreed this action should be carried forward. **Carried forward.**

1.4. 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>,

JG noted that there were no updates since the EDD was published in July 2022 but added that an updated version of the EDD should be published in the near future. He mentioned there will likely be some movement in the EDDs, though not necessarily for charging Modifications due to Ofgem prioritising work surrounding this coming winter.

JG advised that Ofgem had approved Modification 0817 (Urgent) - *Treatment of Existing Capacity Holding at Easington on creation of the new Rough Storage ASEP*, on 27 September 2022 and the Decision Letter was available on the Ofgem and Joint Office Websites.

JG advised he would investigate the present status of Modification 0814 (Urgent) - Temporary Access to the Enhanced Pressure Service and Increase to the Maximum NTS Exit Point Offtake Rate of the BBL interconnector, as the Workgroup were eager to understand the timelines.

JG highlighted the Ofgem Winter Outlook webinar that is scheduled for 2:30pm on Thursday 6th October.

1.5. Pre-Modification discussions

There were no Pre-Modifications.

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 November meeting.

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

- CMF003 – Differences in Treatment for Entry and Exit regimes
EF noted that this topic has been discussed under Action 0701 within the September meeting this issue had now been closed.
- CMF008 – Capacity Neutrality
Richard Hewitt (RH) noted that this action was related to Modification 0790 (Urgent) – *Introduction of a Transmission Services Entry Flow Charge* which was rejected by Ofgem and requested an update from National Grid.
EF advised that this was currently being reviewed by Colin Williams (CW) of National Grid and an update was expected in November

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 National Grid had seen a continuation of the trends year to date. Slightly higher than forecast capacity bookings, which had predominately been driven by additional Power Generation to export electricity across to Europe. Revenues were higher than forecast at Entry due to a combination of the additional capacity above forecast and locational Existing Contract capacity holdings, where some of the additional gas being delivered into the UK to export across to Europe was being delivered to Entry Points without high levels of Existing Contract resulting in additional

capacity having to be purchased. At Exit the revenue variance was partially driven by the additional Power Generation load, but mostly through the Auction Premiums being paid for the Exit Capacity at Bacton where prices well above the reserve price are being paid for this capacity. DB noted it was anticipated that this would drop off over the winter months when flows across the interconnector into Europe were expected to reduce, although it had been noted that there was some Exit Capacity at Bacton that had been purchased in advance through the Yearly and Quarterly auctions across this period with an Auction Premium.

The General Non-Transmission Services revenue collection continued to be in line with forecast, but it must be noted that this was revenue collected against the target allowance and did not reflect the additional Shrinkage costs being incurred over this period.

Please see the published slides for full details.

Anna Shrigley (AS) asked if DB had the data regarding the reserve price for Q4, and DB confirmed that this data was already under analysis.

Richard Fairholme (RF) asked in relation to the exit over recovery point, was there any over recovering spread over future charging years and if so, over how many years. DB said it would be over the next formula year in Y+1 with any over recovering spread back in the next formula year.

6. Any Other Business

6.1. St Fergus Compression Update

CW advised that consultation would be closing on Wednesday 12 October 2022 and an update would be supplied at the November meeting. Please access the link as applicable. <https://www.nationalgrid.com/gas-transmission/st-fergus-consultation>

7. 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 01 November 2022	5pm Monday 24 October 2022	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 06 December 2022	5pm Monday 28 November 2022	Via Microsoft Teams	Standard Workgroup Agenda

Action Table (as of 04 October 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)	Carried forward
0901	06/09/22	1.3	National Grid (DH) to liaise with Ofgem to determine whether the status quo for the treatment of cross subsidies needed to be updated.	October 2022	National Grid (DH)	Closed

0902	06/09/22	1.3	National Grid (DH) to provide additional clarity to the Workgroup on capacity neutrality and the treatment of revenue.	October 2022	National Grid (DH)	Closed
0903	06/09/22	3.1	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.	November 2022	National Grid (DH/CW)	Carried forward
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.	November 2022	National Grid (CW)	Pending