

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 06 September 2022
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Maitrayee Bhowmick-Jewkes (Secretary)	(MBJ)	Joint Office
Ashley Adams	(AA)	National Grid NTS
Alex Nield	(AN)	Storengy
Andrew Pierce	(AP)	BP
Anna Shrigley	(AS)	ENI
Anna Stankiewicz	(ASt)	National Grid NTS
Brian McGlinchey	(BG)	Vermilion Energy
Carlos Aguirre	(CA)	Pavilion Energy
Chris Wright	(CW _r)	Exxon Mobil
Claire Caple	(CC)	E.ON
Daniel Hisgett	(DH)	National Grid NTS
Dan Wilkinson	(DW)	EDF
Dave Bayliss	(DB)	National Grid NTS
Debra Hawkin	(DHa)	TPA Solutions
Dimithu Wijitunga	(DW)	Shell Energy
Joseph Glews	(JG)	Ofgem
Julie Cox	(JC)	Energy UK
Kieran McGoldrick	(KM)	National Grid
Lauren Jauss	(LJ)	RWE
Marion Joste	(MJ)	ENI
Mark Fletcher	(MF)	Shell
Nick Wye	(NW)	Waters Wye Associates
Nigel Sisman	(NS)	Sisman Energy Consulting
Richard Fairholme	(RF)	Uniper
Ritchard Hewitt	(RH)	Hewitt Home and Energy
Terry Burke	(TB)	Equinor
Copies of all papers are available at: https://www.gasgovernance.co.uk/ntscmf/060922		
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 (02 August 2022)

EF noted some minor amendments had been suggested. The amended minutes from the previous meeting were approved.

1.2. Approval of Late Papers

EF noted there were no late papers.

1.3. Review of Outstanding Actions

Action 0701: National Grid (CWi) to provide a more detailed breakdown of the non-Transmission Services revenue.

Update: Dan Hisgett (DH) presented an update for this action. Please see the published slides on the meeting page for detailed information.

It was noted that the documentation for understanding Revenue mapping between the Uniform Network Code (UNC) and the licence for the purposes of Gas Transportation Charges was provided to NTSCMF on 03 December 2021¹. EF suggested that this document needed to be updated and offered his support to National Grid.

Julie Cox (JC) noted that Exit and Entry capacity were treated differently and asked if this approach is appropriate. The Workgroup noted that entry capacity neutrality is ringfenced to Entry whereas exit capacity is not so there is a difference in treatment and potentially a cross-subsidy. DHi noted that the regime has been structured in this way for a long time although the magnitude of any effect may have changed. JC noted that few could recall why the regime had been set up in that way.

Nigel Sisman (NG) noted that JC suggested that when capacity neutrality was introduced there may have been an error and suggested that this may have been the source of the problem.

It was further noted that there is an issue of cross subsidy because of exit arrangements and also an issue with capacity neutrality, which resulted in Modification 0748 (Urgent) - *Prospective Removal of Entry Capacity Revenue from Capacity Neutrality Arrangements* was raised. Whilst discussions had highlighted the problem the revenues had been small. JC suggested that Exit non-obligated capacity last year was £10.4m and may be greater this year. With a split between entry and exit there is a cross-subsidy of around £5. JC observed that whilst this may not be the largest problem with the regime it may be material enough to require correction.

EF asked the Workgroup to consider this issue further and contact National Grid if they have further concerns.

JC asked National Grid and to a lesser extent Ofgem to determine if the status quo for treatment of cross subsidies should remain unchanged.

New 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.
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NS asked for additional clarity on capacity neutrality and the treatment of revenues.

New Action 0902: National Grid (DH) to provide additional clarity to the Workgroup on capacity neutrality and the treatment of revenue.
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Anna Shrigley (AS) supported this request noting that clarity was required from Ofgem and National Grid as the industry has significant concerns around capacity overrun charges which need to be addressed.

Closed

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

Update: EF advised this document was currently being updated and would be published as soon as possible. **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 on 22 July 2022 but added that an updated version of the EDD should be published in the near future.

JG advised that Ofgem have approved the Urgent timetable for Modification 0817 – *Treatment of Existing Capacity Holding at Easington on creation of the new Rough Storage ASEP*, as their view was that this Modification could not be progressed without the Urgency procedures.

JG explained that Ofgem cannot comment on the substance of this Modification, and their decision to approve the Urgent timetable for this Modification was based on the Urgency criteria being fulfilled, rather than the merits of the proposal.

1.5. Pre-Modification discussions

1.5.1 Clarification on how many decimal places the Conditional NTS Capacity Charge Discount is calculated to:

Ashely Adams (AA) presented a pre-modification for discussion, explaining that two clarifications in the legal text have been noted when compared with the Modification solution proposed and approved under UNC Modification 0728B. This modification seeks to amend the legal text to match the solution and the practical implementation of Modification 0728B.

The Business Rules which were developed to form the Solution under UNC Modification 0728B made it clear that the CNCC Discount would be calculated to the nearest whole percentage point and, upon implementation of the UNC Modification, this is how the calculation was built in the Gemini system.

When the calculation was transposed into the legal text it was calculated as a factor rather than a percentage. To ensure consistency between the approaches this factor should be rounded to two decimal places, equivalent to one whole percentage point, however, this step was inadvertently omitted from the final version of the Legal Text which contains no instruction as to how it is rounded.

This Modification clarifies that it will be rounded to two decimal places (in line with the solution and the Gemini system) where there is currently no mention of how it is rounded in UNC. We therefore believe it to be a housekeeping mod required as a result of some error in line with the Fast Track Criteria.

Lauren Jauss (LJ) noted that whilst the proposed Fast Track criteria appeared to be appropriate, some further materiality evidence may be required to justify the proposed amendment to the factor. LJ acknowledged however that this proposal was simply aligning the Legal Text to the current business rules which were already approved.

NS noted that if the amendment is not aligned to invoicing correctly it would make the legal text redundant as under the UNC there will be no discounts that would be applicable.

The Workgroup agreed the Modification should be raised.

2. Workgroups

None.

3. Issues

3.1. Industry Issues Tracker Update

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

- CMF003 – Capacity Neutrality
EF noted that this was discussed under Action 0701.
- CMF008 – Differences in Treatment for Entry and Exit regimes
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 October.

DH added that National Grid were currently exploring the different options to ensure their proposal is compliant, unlike the proposal under Modification 0790, so that it is not rejected again. DH was unable to provide any timescales for when this would be presented.

RH noted that there were various off the shelf options that could be utilised and wondered what was taking National Grid so long to present their views.

New Action 0903: National Grid (DH/CW) to provide an update on their position on CMF008 – Differences in Treatment for Entry and Exit regimes.

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

DB presented an update on:

- Entry Capacity & Revenue FY23
- Exit Capacity & Revenue FY23
- General Non-Transmission & St Fergus Compression Revenue FY23

Please see the published slides for full details.

Nick Wye (NW) noted that the differentials and level of capacity booking was surprising.

6. Any Other Business

6.1. St Fergus Compression Update

DH advised that National Grid will be issuing a consultation to share that there will be additional charging elements than initially expected at the St Fergus terminal. A webinar will also be held to discuss the issue (link to webinar below).

<https://www.eventbrite.com/e/st-fergus-terminal-preferred-option-consultation-tickets-408760893837>

DH explained that the webinar will be recorded so it can be watched by anyone unable to attend the webinar in person.

DH added that the consultation on preferred options will be published early next week and the webinar will be held on Friday 16 September.

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 04 October 2022	5pm Monday 26 September 2022	Via Microsoft Teams	Standard Workgroup Agenda
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 06 September 2022)

Action Ref	Meeting Date(s)	Minute Ref	Action	Reporting Month	Owner	Status Update
0701	05/07/22	1.0	National Grid (CW _i) to provide a more detailed breakdown of the non-Transmission Services revenue.	September 2022	National Grid (CW _i)	Closed
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)	Pending
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)	Pending
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.	October 2022	National Grid (DH/CW)	Pending