

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 07 June 2022
via Microsoft Teams

| Attendees | | |
|----------------------------|--------------------|--------------------------|
| Eric Fowler (Chair) | (EF) | Joint Office |
| Karen Visgarda (Secretary) | (KV) | Joint Office |
| Adam Bates | (AB) | South Hook Gas |
| Alsarif Satti | (AS) | Ofgem |
| Alex Neild | (AN) | Storengy |
| Ash Adams | (AA) | National Grid |
| Carlos Aquirre | (CA) | Pavilion Energy |
| Colin Williams | (CWi) | National Grid |
| Chris Wright | (CW _r) | Exxon Mobil |
| Daniel Hisgett | (DH _i) | National Grid |
| Dave A Bayliss | (DB) | National Grid |
| Davide Rubini | (DR) | Vitol |
| Debra Hawkins | (DH _a) | TPA Solutions |
| Julie Cox | (JC _x) | Energy UK |
| Kieran McGoldrick | (KM) | National Grid |
| Laura Johnson | (LJ) | National Grid |
| Marion Joste | (MJ) | ENI |
| Mark Dryden-Brownlee | (MDB) | Serica |
| Mark Field | (MF) | Sembcorp |
| Nick Wye | (NW) | Waters Wye Associates |
| Nigel Sisman | (NS) | Sisman Energy Consulting |
| Oliver Weston | (OW) | Ofgem |
| Richard Fairholme | (RF) | Uniper |
| Ross Waterhouse | (RW) | C NOK |
| Terry Burke | (TB) | Equinor |

Copies of all papers are available at: <https://www.gasgovernance.co.uk/ntscmf/070622>

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

Daniel Hisgett (DH_i) presented National Grid's slides on St Fergus and explained that the session would also be following up the actions from May in reference to long term entry bookings up until May 2026. Please see the published slides on the meeting page for the full details.

<https://www.gasgovernance.co.uk/ntscmf/070622>

- Julie Cox (JC_x) noted that this only showed the position at the present time and there was no user commitment process or guaranteed revenue stream for the investment.
- Colin Williams (CWi) explained that the existing bookings will all have ended before the investment will be made. The future booking process could be daily. A balance will need to be found between targeted and untargeted providing that the costs of the additional investment are allowed.

- DHi provided an overview of the 'Do Nothing; and 'Do Something' scenarios and stated that no decision had been made.
- JCx asked if 'K' was split or ringfenced for entry and exit. CWi noted that 'K' was split although the licence makes no distinction of the 'K' value. (*'K' is the mechanism by which any amount not collected in one year is carried forward to adjust a subsequent year by updating the allowed revenues, that is a core input to Transportation charges*)
- Nigel Sisman (NS) asked from a licence and UNC perspective if the 'do nothing' option was adopted, then he understood there would be a £200mil spend on St Fergus, with a £100mil each on exit and entry, since 'K' would be the mechanism used to recover revenue. CWi confirmed that if permission was granted for the revenue, then this would be actioned via the UNC and split evenly between exit and entry.
- DHi overviewed the 'Do nothing' and 'Do something' slides 6 & 7 and talked through each area together with options. (The detail to these slides can be found on the meeting page via the link: <https://www.gasgovernance.co.uk/ntscmf/070622>)
- DHi noted that under the 'do nothing' option there would be no carve-out of the revenue, and it would simply flow through into the next year's K value. A licence change may be needed for any of the other (targeted) options. In the options where revenue is targeted there may still be some under or over-recovery and this element would be 'socialised'
- JCx pointed out that care would be needed so as not to mix over and under recovery of the charge as 'K' was not expected to cover the initial investment.
- DHi pointed out that the other options may be sensitive to timing including that if the costs were targeted to specific users, then the flow back of under or over recovery might create a particular incentive to use the terminal. Two of the options attempt to manage revenues within year and focus this on the users of the terminal.
- Debra Hawkins (DHa) asked if it was the intention to keep the operating running charge and DHi said yes this was correct. (DB confirmed this is 0.0169pkWh).
- DHa also asked what charge might apply for the capital and DHi said that the range was large from 0.005 – 0.09 and that the actual rate could vary depending on the scale of the allowed costs and also the period of time over which it is recovered. CWi advised that this area would be debated further.
- DHa pointed out that the compression service at St Fergus is a service for very specific users. CWi stated that the running costs are paid by users of the terminal while the facility costs are paid for through general capacity costs.
- Nick Wye (NW) stated that the entire system cost was socialised and that the impact on the customers needed to be considered carefully. Although the charge is presently 0.3pence per Therm and relatively small compared with the cost of gas this might change in future. NW added that it was advisable to guard against any retrospective charge at the end of the year as customers must know the rates up front.
- DHi said that this area had been further discussed within the consultation document, via the link: <https://www.nationalgrid.com/gas-transmission/st-fergus-consultation>
- JCx noted that having looked at the Modification Timetable she had concerns about the length of time non urgent Modifications were taking and she did not want to have an urgent scenario with this area.
- CWi stated that there is lots of prescription for the process and long lead times for code or licence changes. There would also be a need for system changes, probably extensive, for some of the options.
- The next session will include timing.

2. Introduction and Status Review

Eric Fowler (EF) welcomed everyone to the meeting.

2.1. Approval of Minutes (03 May 2022)

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 (CWi) to provide an update on anticipated charges for non-transmission services for October 2022.

Update: CWi advised the process for the determination of the non-transmission prices for October, had been completed, as per the update at the end of last year. CWi added that these were based on the publication of the allowed revenues and the price control model, he confirmed Ofgem had published the update in February 2022. CWi noted the updated revenues for 2022, 2023, 2024 and 2025 were the same as previously confirmed.

CWi stated that the next updated publication would be at the end of July 2022. CWi advised that more information on prices would be shared at the Transmission Webinar on Wednesday 29 June 2022. The details of the webinar would be communicated via National Grid and the Joint Office respectively with regards to the timings and duration.

JCx questioned why the previous Long Term Revenue Forecast meetings held in May and November were no longer taking place, as these had provided the industry with transparency and were informative. JCx stated that the DNs give an update every quarter and so customers had more information provided to them than Transmission. CWi said that the PCM did provide the detail, and JCx noted that this was only published once a year. JCx said that she would like CWi to investigate whether the Long-Term Revenue Forecast meetings could be reinstated.

Nigel Sisman (NS) asked what the expectation was for this action. CWi said it was complex and reiterated that the diagrams had been previously discussed in relation to the allowed revenues derived and translated into the charges and that this aspect did not change in relation to this action. NS stated that there were still issues regarding the understanding of the mapping and whether these were working correctly. CWi noted there was no specific action regarding the mapping, as they were part of the live documents. CWi stated this action was originally raised in relation to Shrinkage costs.

CWi requested this action be carried forward for further discussion. **Carried forward.**

2.4. Industry Update from Ofgem

Alsarif Satti (AS) 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>,

AS confirmed that Ofgem had now made a decision with regards to Modification 0796 - Revision to the Determination of Target Revenue Transportation Charging Gas Markets and Systems and Modification 0800 - Introducing the concept of a derogation framework into Uniform Network Code (UNC) Gas Markets and Systems, both of which were being implemented in due course.

JCx asked why the timeline on non-urgent Modifications was so lengthy and she noted that pre COVID-19 there had been a 5-week decision KPI by Ofgem. JCx wanted to know what had changed and why, as she felt the present timelines for decisions was too protracted. AS said, that prior to COVID-19 the decision timeline was not binding and that it had been decided to give more specific dates via the EDD which was a more appropriate process, as the KPIs were not always adhered to.

JCx stated that a few Modifications had been with Ofgem for 2 years awaiting a decision and she had concerns with the forthcoming Modifications relating to decarbonisation, if these were not addressed in an expedient manner, this could be detrimental to the industry. AS stated, that Ofgem were always more than happy to receive feedback and he added that it was useful and helpful to receive this type of feedback in a meeting rather than separately.

JCx noted that Modification 0779/A - Introduction of Entry Capacity Assignments had a 10-month decision timeline and she questioned this. Jcx asked Ofgem if they worked across all Codes or if they had separate areas for the Modifications. AS answered that Ofgem does not have individuals working across all Codes and that specific teams deal with their subject areas. NW concurred with Jcx on this overall timeline issue and that the time did not seem to relate to workload with the number of Transmission Modifications under consideration. Slow decision-making has a negative impact on the industry. NW also voiced his concern with regards to the upcoming decarbonisation Modifications that would need to be processed in an expedient manner.

AS said that he would report these concerns and comments and provide an update at the next meeting in July.

New Action 0601: Ofgem (AS) to provide an update on why Modification 0779/A - Introduction of Entry Capacity Assignments has a 10-month timeline, to include details of how Ofgem schedules dates for a decision.

Mark Field (MF) stated that similar conversations had taken place in other forums in relation to the Ofgem decisions lengthy timelines. MF added that the industry was more than happy to help in supporting Ofgem to make the appropriate decisions, likewise he noted that the industry was keen to understand the issues and blockers. NW concurred with these comments and noted that the industry raise Modifications to enable the industry to operate in a more efficient way, and the extensive delays could dilute the overall solutions impact and success.

AS suggested that this area was less of a charging matter and was more in relation to the governance process. AS proposed this matter should be raised at the Governance Workgroup. Jcx agreed and suggested it should also be added to the Panel agenda. EF said he would investigate both the Governance Workgroup and Panel agendas.

New Action: 0602: Joint Office (EF) to investigate adding Ofgem lengthy decision timelines to both the Governance Workgroup and Panel Agendas.

2.5. Pre-Modification discussions

No pre-Modification discussion.

3. Workgroups

None.

4. Issues

4.1. Industry Issues Tracker Update

EF provided a walkthrough of the Industry Issues Tracker, and appropriate updates were discussed.

EF reiterated moving forward 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>.

| Issue Ref | Issue Title |
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| CMF001 | <i>Definition of TS-Related NTS System Operation Revenue within UNC TPD Section Y paragraph 1.5.1 (d) - National Grid</i> |
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| Update: | CWi agreed to reinvestigate this area and provide an update for the July meeting. CWi advised that a Transmission Webinar would take place on 29 June 2022, when this area would be discussed. |
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| CMF002 | <i>TAR NC compliance - Energy UK</i> |
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| Update: | CWi said he would provide an update at the July meeting. |
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CMF003 *Differences in treatment for entry and exit regimes - Energy UK*

Update: JCx said that she would like an update on this issue, with regards to the cross subsidy as the numbers were not as low as they were previously and so this needed more focus. CWi agreed to investigate the materiality aspect and provide a breakdown of exit and entry capacity for the July meeting.

CMF004 *SO incentive performance - Energy UK*

Update: JCx believes that reporting used to be monthly at the Ops Forum and now it is just annual. CWi said that he believes there is reporting available more frequently than annual and will look for the links. CWi to provide an update at the July meeting.

CMF005 *Longer term charging structures – National Grid*

Update: CWi noted this had been discussed last year, and he added that the NTSCMF was a good meeting to perhaps have this reinstated.

CMF006 *Entry/Exit split – BBL*

Update: No update on this topic.

CMF007 *Inefficient bypass of NTS – RWE*

Update: No update on this topic.

CMF008 *Capacity neutrality – Nigel Sisman (NS)*

Update: NS said this was a continuing outstanding issue and was related to CMF001 and he hoped the area of SO and TO licence and the UNC perspective were scheduled for discussion at the Transmission Webinar on 29 June 2022, as the prices could be sensitive for exit and entry in the past recent weeks.

JCx requested clarity regarding what was happening in Europe post Brexit in relation to tariff code changes, as she did not want urgent Modifications raised this November. AS stated, that Ofgem were aware of the discussions, but he added that it was more a primary legislation area and thus a matter for BEIS and the UK Government. JCx said that an early insight into this matter would be helpful.

CWi stated that National Grid currently align with TAR NC and were looking into any potential future changes. Any changes would be communicated appropriately. Richard Fairholme (RF) posed the question if the changes to the Tariff Code were a requirement, or a choice? and if Ofgem stayed silent, would National Grid be able to make a choice to follow TAR.

New Action 0603: National Grid (CWi) to investigate if the future changes to the Tariff Code would be a future requirement or a choice for GB.

5. Forecasted Contracted Capacity (FCC)

5.1. FCC Methodology

CWi stated there was no update on this topic presently.

JCx asked if all the charging information had now been published in relation to the FCC values for the current revenues. CWi confirmed everything had been published. JCx asked why the complete pack was not published at the same time and CWi said it was to keep things clean and neat. He added that all the information would be referred to and explained at the webinar on 29 June 2022. JCx said that all the information should have been published together, and she questioned why asterisks (*) were in the pack, as this did not seem clear. Dave Bayliss (DB) said there was a key that explained the reasoning for the asterisks but took on board that this might have led to confusion and agreed to adopt a different approach next time.

5.2. FCC Monitoring

This item was not discussed.

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 meeting would encompass the St Fergus Compression discussions together with the standard agenda items.

8. Any Other Business

8.1. Charge increase

Richard Fairholme (RF) questioned if a new Modification was going to be raised next year, as Modification 0790 (Urgent) - Introduction of a Transmission Services Entry Flow Charge had been rejected by Ofgem. CWi stated that National Grid were still reflecting on what Ofgem said in the decision document and had no firm plan yet for a next step.

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 05 July 2022 | 5pm Monday 27 June 2022 | Via Microsoft Teams | St Fergus Compression Standard Workgroup Agenda |
| 10:00 Tuesday 02 August 2022 | 5pm Monday 25 July 2022 | Via Microsoft Teams | St Fergus Compression Standard Workgroup Agenda |
| 10:00 Tuesday 06 September 2022 | 5pm Monday 29 August 2022 | Via Microsoft Teams | Standard Workgroup Agenda |
| 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 07 June 2022)

| Action Ref | Meeting Date(s) | Minute Ref | Action | Reporting Month | Owner | Status Update |
|------------|-----------------|------------|--------------------------------------------------------------------------------------------------|-------------------------------------------------|--------------------|-----------------|
| 0202 | 01/02/22 | 5.2 | National Grid (CWi) to investigate a process to clarify Transmission and Non-Transmission from a | March 2022 June 2022 July 2022 | National Grid (CW) | Carried Forward |

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| | | | revenue and costs perspective. | | | |
| 0601 | 07/06/22 | 2.4 | Ofgem (AS) to provide an update on why Modification 0779/A - Introduction of Entry Capacity Assignments has a 10-month timeline, to include details of how Ofgem schedules dates for a decision. | July 2022 | Ofgem (AS) | Pending |
| 0602 | 07/06/22 | 2.4 | Joint Office (EF) to investigate adding Ofgem lengthy decision timelines to both the Governance Workgroup and Panel Agendas. | July 2022 | Joint Office (EF) | Pending |
| 0603 | 07/06/22 | 4.1 | National Grid (CW) to investigate if the future changes to the Tariff Code would be a future requirement or a choice for GB. | July 2022 | National Grid (CW) | Pending |