

NTS Charging Methodology Forum (NTSCMF) Minutes
Monday 12 April 2021
via Microsoft Teams

Attendees		
Rebecca Hailes (Chair)	(RH)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Nield	(AN)	Storengy
Andrew Pearce	(AP)	BP
Anna Shrigley	(AS)	Eni Global Energy Markets SPA
Anna Stankiewicz	(ASt)	National Grid
Carlos Aguirre	(CA)	Pavilion Energy
Chris Wright	(CW _r)	ExxonMobil
Christiane Sykes	(CS)	Shell
Colin Williams	(CW _i)	National Grid
Daniel Hisgett	(DH _i)	National Grid
Daniel Wilkinson	(DW)	EDF Energy
Dave Bayliss	(DB)	National Grid
Debra Hawkin	(DH)	TPA Solutions
Henk Kreuze	(HK)	Vermilion Energy
Jeff Chandler	(JCh)	SSE
Jennifer Randall	(JR)	National Grid
Julie Cox	(JC _x)	Energy UK
John Costa	(JCo)	EDF Energy
Kamla Rhodes	(KR)	ConocoPhillips
Kirsty Ingham	(KI)	ESB
Kieran McGoldrick	(KG)	National Grid
Lauren Jauss	(LJ)	RWE
Lauren Snoxell	(LS)	Citizens Advice
Nick Wye	(NW)	Waters Wye Associates Ltd
Nigel Sisman	(NS)	Sisman Energy Consulting
Nitin Prajapati	(NP)	Cadent
Oliver Weston	(OW)	Ofgem (item 1.1 – 1.5)
Richard Fairholme	(RF)	Uniper
Samuel Dunn	(SD)	Interconnector UK
Sinead Obeng	(SO)	Gazprom
Thomas Bourke	(TB)	Ofgem (item 1.1 – 1.5)

Copies of all papers are available at: <https://www.gasgovernance.co.uk/ntscmf/120421>

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

Rebecca Hailes (RH) welcomed everyone to the meeting.

1.1. Approval of Minutes (02 March 2021)

Nigel Sisman (NS) made an observation in the minutes on page 6 asking for clarity to be added that the period related to February 2021 to September 2021 and requested a spelling correction.

The minutes from the previous meeting were approved.

1.2. Approval of Late Papers

RH confirmed that 1 paper had been provided within the agreed 3 day publication and 4 additional papers had been provided after 3pm on Wednesday 07 April, which prevented publication of the papers 3 full days before the meeting.

The late papers were accepted.

1.3. Review of Outstanding Actions

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

Update: Colin Williams (CWi) provided an update in the form of a presentation ([1.3 NTSCMF Action Updates provided by National Grid](#)) with regards to the relationship of revenue services and revenue treatment. CWi provided an explanation for determining the target revenue for a Formula Year with equations on page 4 and the key steps for calculating the revenue for Transmission and Non-Transmission Services on pages 5-7.

Julie Cox (JC) made an enquiry relating to Step 3: Determining other adjustments (the forecast revenue to consider as Transmission that may sit as recovered SO Revenue), and challenged that National Grid would know what costs would be recovered not may.

CWi explained that the K_t value represents the total K_t value for TO and was separated into Entry and Exit charges.

JC asked for further clarity on the definition of the allowed TS-Related NTS System Operation Revenue, as the UNC currently states “as determined by National Grid NTS”. CWi agreed to add an additional slide to the presentation to explain what is meant by the statement “as determined by National Grid NTS”, JC suggested this should be clearly defined and should be inserted into the definition within the UNC.

New Action 0401: National Grid (CWi) 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.

Anna Shrigley (AS) asked if National Grid could also provide the appropriate links to reference documents when updating the slides.

Further explanations on the steps undertaken were detailed on pages 8-9 along with illustrations on pages 10-12. There was some confusion over the use of Tariff Year/Gas Year, Formula Year and Regulatory Year and how they align.

Tariff Year and Gas Year are the same in the UNC. Formula Year and Regulatory Year both relate to April – March each year.

JC enquired about the “Fry” term, CWi explained that this was introduced October 2020, and was relatively new. It was suggested it would be worthwhile having a deep dive on this in the future.

CWi concluded the presentation with an overview of the licence mapping for Recovered Revenues.

JC enquired about the lining up of the TO:SO split in the licence, how this was reflected and what was in TAR NC, wanting more clarity on SO and what it is doing, and further, understanding what is an SO and non-SO activity. It was recognised that the model was complicated.

Jeff Chandler (JC) enquired how the incentives work and what feeds into Transmission Revenue, and SO incentive performance.

New Action 0402: National Grid (CWi) to provide an explanation of what the gas SO does and what it receives revenue for.

New Action 0403: Ofgem (TB) to provide an update on SO incentive performance.

Kirsty Ingham (KI) welcomed the overview but believed there was still some mis-understanding on how this lines up. CWi agreed to extend the presentation to add some further clarity on how the licence mapping impacts TO and SO recovered revenues.

Lauren Jauss (LJ) enquired about the next charges and the impact of the CMA appeal regarding RII02 changes. CWi confirmed that any adjustment required as a result of the outcome would be done in a future year.

Jeff Chandler (JR) asked about the revenue recovery charges and re-openers. CWi explained that once revenues are set (to form the reserve prices), the reference prices cannot be changed even if the Allowed Revenue changes. If the Allowed Revenue changes, he believed the impact would not come in until Gas Year 2022.

New Action 0404: National Grid (CWi) to confirm whether to expect any outcome from the CMA appeal to affect prices and/or allowed revenue.

Carried Forward.

0108: National Grid (CWi) to provide information regarding potential Licence changes and *TPD section Y 1.5.1 (d) "Allowed TS-Related NTS System Operation Revenue"*

Update: CWi explained that there may be some benefit in a licence change from a clarification perspective, however he did not anticipate such a change resulting in an operational change. He confirmed further to New Action 0401 further consideration maybe required for the UNC. See New Action 0401. **Closed.**

0301: National Grid (CW) to provide detailed information regarding the cash flows around capacity neutrality.

Update: CWi confirmed this will be provided as part of the Modification 0765 (<https://www.gasgovernance.co.uk/0765>). See item 1.5.2. **Carried Forward.**

0302: Ofgem (DON) to provide an update on the ECPG.

Update: Thomas Bourke (TB) confirmed that the ECPG guidance was published mid-March and the initial engagement sessions have commenced. JC asked if this document addressed the consultation questions raised. It was unclear if this was included within the ECPG documents or in the post consultation report. Anna Shrigley (AS) confirmed that there is a link to the issues raised on the Ofgem page. **Closed.**

2. Modifications with Ofgem

Thomas Bourke (TB) confirmed following the recent announcement regarding HRH Prince Phillip's death that the protocol is for all Government external communications to be paused until after the funeral (17 April 2021) unless for legal and regulatory publication.

He confirmed that the urgency decision for [Modification 0764 UNC TPD Section Y \(Part A-I\) amendments to Kt to align to RII02 Licence](#) was imminent.

The following brief updates were provided for the remaining Modifications with Ofgem:

[0686 - Removal of the NTS Optional Commodity Rate with adequate notice](#)

Ofgem had de-prioritised this Modification.

[0728/A/B/C/D \(Urgent\) - Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS](#)

Consultation closed on 19 February 2021, Ofgem aim to make a decision ASAP.

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

Ofgem is considering this Modification. A decision will be made in due course.

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

Ofgem is considering this Modification. A decision will be made in due course.

[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.

RH wished to highlight to Workgroup that an Ofgem document had been published for the [April UNC Modification Panel](#) relating to KPIs and new ways of working ([see panel day papers](#)) and provided an indication of discussions expecting to take place within the UNC Modification Panel. RH noted that some work was still in development, and to expect an Ofgem policy change.

2.1. Pre-Modification discussions

RH explained due to the timing of today's meeting and the UNC Modification Panel and the Easter bank holidays, the Pre-Modification discussions had been superseded, with the Modifications having already been raised. Nevertheless it was felt important to cover these Modifications.

2.1.1. 0764 - RIIO2 implementation (Proposed urgent modification)

Colin Williams (CWi) introduced New Urgent Modification [0764 - UNC TPD Section Y \(Part A-I\) amendments to K_t to align to RIIO2 Licence](#).

CWi confirmed this Modification is related to the K_t calculation; the way in which the K_t value is calculated will be different between RIIO1 and RIIO2 and the UNC needed to be updated to keep pace. CWi explained that there needs to be a change to the +/- sign for Allowed FY Transmissions Services Entry and Exit Revenue and proportions, and the Licence changes in the RIIO2 Licence needed to be reflected in the UNC.

CWi explained that for the first year of RIIO2 and charges set for Gas Year 2021/22, there is a true-up for t-2 K value (LK_t) and also the new K_t value with t-1 calculation, so effectively 2 years of K feed into the first year of RIIO2. It was the K_t reference in the UNC TPD Section Y (Part A I) that needed to be amended to align to the RIIO2 NGG Licence.

CWi explained the reason for the Modification being Urgent was to void under-setting tariffs and then over-compensating in the next year.

JC asked about the potential for setting prices and using values which are not known, as they are based on a forecast and what this meant for transparency in relation to correcting values if they turn out to be wrong. JC explained that knowing the numbers was important and was concerned about distortions when putting them into the October charges; she noted it would be useful to know if there would be some off-setting.

CWi explained the licence conditions and the principles of under/over collection. JC recognised that the Modification is currently with Ofgem and is likely to be granted urgent status with a consultation required. JC asked if setting Revenue Recovery Charges (RRC) charges to the end of the Gas Year was part of UNC rules. It was clarified that the Revenue from April to September will be within RIIO2 Revenue, and some of this maybe used to off-set K. CWi explained the different elements used. JC suggested this needed further clarification and suggested a Webinar. CWi confirmed a Webinar would take place to aid the industry's understanding of the changes and to assist the consultation. Further details would be sent out via the Joint Office.

2.1.2. 0765 - Capacity Neutrality Modification (Retrospective amendment)

CWi introduced New Modification [0765 - New retrospective debit and credit charges to reflect changes to the treatment of Entry Capacity Revenue between October and December 2020](#).

CWi explained in relation to the Retrospective Modification for Capacity neutrality, National Grid had been exploring potential solutions regarding how to redistribute any charge back of capacity neutrality payments for retrospective periods 01 October to 31 December 2020 inclusive.

CWi confirmed that the Modification seeks to create a charge to reflect the removal of specific Entry Capacity revenues from Capacity Neutrality for October, November and December 2020 and a credit to redistribute these monies across those subject to additional Entry charges between February 2021 and September 2021. Explaining that if no action is taken to address the issue, the inappropriate revenue redistribution will not be resolved thereby retaining a detrimental impact on competition between Shippers and negatively impacting the fairness of the charging regime including potential impacts to Consumers.

CWi explained the options considered for the re-distribution of the monies, circa £47m.

Alex Nield (AN) asked if parties affected by a credit and debit, if one will be offset against the other or if both elements would be processed. CWi agreed to provide confirmation of this and if credits/debits will be processed at the same time.

New Action 0405: National Grid (CWi) to provide clarification of how debits and credits will be processed under Modification 0765.

AS enquired about the redistribution credits to Shippers, and how the credits will be processed and the timing of these. CWi confirmed National Grid are working with Xoserve to understand the process and how this could be managed, this will be worked through during the Workgroup's assessment. It was understood that once the September 2021 data is available, the fully adjusted positions would need to be applied. AS asked National Grid to provide more clarity on the process and expressed the need to show clearly the credit and debits separately, not to off-set them.

Sinead Obeng (SO) also enquired about the re-distribution of credits. CWi confirmed that the period for distribution credits will be based on the period of the Gas Year in which it took place.

It was suggested that following the formal raising of the Modification, that parties consider the aspects of the Modification that they would like further clarity on and provide these to National Grid ahead of the next Workgroup meeting to allow National Grid to provide a response.

Richard Fairholme (RF) suggested that the 2-3 months assessment period may be ambitious and that the timing of the Modifications' assessment could be extended based on the likely decision timing and ability to implement changes for the next Gas Year. JC also expressed concern about the ambitious timescales and to what extent National Grid expect this Modification take/give money from/to the right places.

CWi referred to illustrations provided within an additional slide pack covering initial assessment of Modification 0765 (slide 3) regarding the Shipper redistribution. JC challenged the mechanism and how the Modification will make sure money is redistributed appropriately, taking into account the ability of not being able to undertake this process until September has closed out and what the true impact of the Modification would be.

Nigel Sisman (NS) believed the £47m paid and returned via the capacity neutrality statement (the blue elements within the illustrated graph) would net off exactly. It was recognised in the next graphic/illustration that the final positions would not be known until September. However the £47m needs to be given back to those who paid a higher than otherwise Transmission Charge during the period from February-September. As the exact proportions will be known in September, this is when the context of offsetting can be achieved. NS believed the proposal would unwind the distortion and was satisfied the Modification would address the anomaly.

AS was in support of CWi and NS comments and the redistribution supporting the approach.

Referring to Action 0301, Jeff Chandler (JCh) wished to better understand the cashflows as part of the Workgroup assessment to get a better understanding. CWi hoped to cover as much as possible at the 1st Workgroup meeting in May.

2.1.3. 0766 - RIIO2 implementation (charging related tidy-up)

CWi introduced the New Modification [0766 - Align TPD Section Y \(Part A-I\) to the National Grid Licence in respect of the NTS](#).

This was a Fast-Track Self Governance Modification, to allow changes to the UNC to reflect changes to National Grid Licence resulting in a number of references needing to change.

3. Workgroups

3.1. 0751 – Capping Price Increases for Quarterly System Entry Capacity

(Report to Panel 15 April 2021)

<https://www.gasgovernance.co.uk/0751>

3.2. 0753 - Removal of Pricing Disincentives for Secondary Trading of Fixed Price NTS System Entry Capacity

(Report to Panel 15 April 2021)

<https://www.gasgovernance.co.uk/0753>

4. Issues

None.

5. Forecasted Contracted Capacity (FCC) Monitoring

5.1. Update on Capacity bookings vs FCC with potential impact on Revenue Recovery Charges (RRC)

No update provided for this meeting.

6. Long Term Revenue Forecasts

6.1. RIIO-2 Charging Implications

No update provided for this meeting.

7. Next Steps

7.1. Review the feedback from the weekly National Grid-led FCC Workshops

CWi provided an update on the Forecasted Contracted Capacity (FCC) and the recent Workshops since March 2021.

CWi provided the key consultation themes which were:

- The use of the historical flows for the FCC Methodology.
- The use of the key principles within the calculation of the FCC Methodology.
- Review of the FCC Methodology and continuing with engagement.
- Monitoring of capacity bookings, flows and other elements to provide reporting and transparency on performance and ensure continual improvements can be accommodated into subsequent FCC Methodology updates

CWi provided the FCC consultation timeline with the next key dates being 04 May and 04 June 2021.

All material will soon be available on the National Grid website at:

<https://www.nationalgrid.com/uk/gas-transmission/charging/gas-charging-discussion-gcd-papers>

7.2. RIIO-2 Modification National Grid to speak with Ofgem and the Joint Office in relation to the full text from RIIO-2

No update provided for this meeting.

8. Any Other Business

8.1. User Representative Appointment Process

RH wished to note that the User Representative Appointment Process would be commencing during May with a reminder for organisations to update their Single Points of Contacts (SPoCs) and by 01 July an invitation will be issued to these contacts for nominating representatives for the various Committees and Panel.

9. Next Steps

RH confirmed that the next meeting was scheduled for Tuesday 04 May 2021 with the usual standard agenda and that her aspirations for that meeting were to:

- Update on Capacity booking vs FCC with potential impact on Revenue Recovery Charges (RRC).
- Review the feedback from the weekly National Grid-led FCC Workshops.

10. Diary Planning

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

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:00 Tuesday 04 May 2021	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 01 June 2021	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 06 July 2021	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 03 August 2021	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 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 at 12 April 2021)

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0107	05/01/21	5.0	National Grid (CW) to provide documented explanation and diagrams detailing the relationship between the SO /TO and TS/nonTS revenue services.	National Grid (CW)	Carried forward
0108	05/01/21	5.0	National Grid (CW) to provide information regarding potential Licence changes and TPD section Y 1.5.1 (d) "Allowed TS-Related NTS System Operation Revenue"	National Grid (CW)	Closed
0301	02/03/2021	1.0	National Grid (CW) to provide detailed information regarding the cash flows around capacity neutrality	National Grid (CW)	Carried forward
0302	02/03/2021	7.0	Ofgem (DON) to provide an update on the ECPG.	Ofgem (DON)	Closed
0401	12/04/2021	1.3	National Grid (CW) 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)	Pending
0402	12/04/2021	1.3	National Grid (CW) to provide an explanation of what the gas SO does and what it receives revenue for.	National Grid (CW)	Pending
0403	12/04/2021	1.3	Ofgem (TB) to provide an update on SO incentive performance.	Ofgem (TB)	Pending
0404	12/04/2021	1.3	National Grid (CW) to confirm whether to expect any outcome from the CMA appeal to affect prices and/or allowed revenue.		Pending
0405	12/04/2021	1.5.2	National Grid (CW) to provide clarification of how debits and credits will be processed under Modification 0765.		Pending