

UNC Workgroup 0796 Minutes
Revision to the Determination of National Grid NTS Target Revenue
for Transportation Charging
Tuesday 11 January 2022
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Adam Bates	(AB)	South Hook
Alex Nield	(AN)	Storengy
Alsarif Satti	(ASa)	Ofgem
Andrew Pearce	(AP)	BP
Anna Shrigley	(ASh)	ENI
Anna Stankiewicz	(ASt)	National Grid
Carlos Aguirre	(CA)	Pavilion Energy
Chris Wright	(CWr)	Exxon Mobil
Colin Williams	(CWi)	National Grid
Daniel Hisgett	(DHi)	National Grid
Daniel Wilkinson	(DW)	EDF Energy
Dave A Bayliss	(DAB)	National Grid
Davide Rubini	(DR)	Vitol
Debra Hawkin	(DHa)	TPA Solutions
Jeff Chandler	(JCh)	SSE
John Costa	(JCo)	EDF Energy
Joseph Glews	(JG)	Ofgem
Julie Cox	(JCx)	Energy UK
Kamla Rhodes	(KR)	ConocoPhillips
Kieran McGoldrick	(KM)	National Grid
Laura Johnson	(LJo)	National Grid
Lauren Jauss	(LJa)	RWE
Marion Joste	(MJ)	ENI
Nick Wye	(NW)	Waters Wye Associates
Nigel Sisman	(NS)	Sisman Energy Consulting
Oliver Weston	(OW)	Ofgem
Phil Lucas	(PL)	National Grid
Richard Fairholme	(RF)	Uniper
Ritchard Hewitt	(RHe)	BBL

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0796/110122>

The Workgroup Report is due to be presented at the UNC Modification Panel by 17 February 2022.

1.0 Outline of Modification

EF explained this Modification had a Pre-Modification discussion at last month's NTSCMF meeting and was submitted to the UNC Modification Panel on 16 December 2021.

Colin Williams (CWi) introduced the Modification and explained this Modification would revise the method of the determination of National Grid NTS Allowed Revenue for a Gas Year under the NTS Transportation Charging Methodology (TPD Section Y Part A-I). The purpose of this change is to achieve a greater degree of year-on-year stability in the pricing of Transmission Services.

CWi proceeded to walkthrough an online viewing of the Modification picking out the salient points. For further detail on this Modification please refer to the published version here: <https://www.gasgovernance.co.uk/0796>.

Why Change

CWi clarified that the existing mechanism for determination of Allowed Revenue due to be collected over the course of the Gas Year only takes into account the Allowed Revenue for the Formula Year which ends in the relevant Gas Year without taking account of the Allowed Revenue for the following Formula Year (the first half of which coincides with the latter half of the relevant Gas Year). This has led to significant year-on-year changes in the Capacity Reference Prices which is detrimental to market confidence.

As the Formula Year Allowed Revenue value will change year-on-year, National Grid have concluded that it would be better for the calculation of Revenue to be collected over the course of a Gas Year to take account of the Formula Year revenues in both Formula Years that coincide with the relevant Gas Year.

The aim of the Modification proposal is to bring some reduction of potential volatility to target revenues used for the purposes of setting Transmission Services charges only. It would not remove such volatility but will reduce from the current situation. CWi clarified this will mitigate the need for any reactive measures so National Grid would not expect to implement any deferral.

CWi confirmed the intention is to present the Workgroup Report to the February 2022 UNC Modification Panel.

Solution

CWi summarised the solution and advised it is intended to apply an updated method that will take a proportion of revenue from each of the Regulatory Years (RY) that bridge a Tariff Period (Gas Year). This focuses on considering two revenue values when setting Transmission Services Entry and Exit charges for a Gas Year:

- The remaining revenues expected across October to March for the RY that ends in the Gas Year; and
- A proportion of revenue from the available allowed revenue for April to September for the Regulatory Year that starts in the Gas Year

CWi further clarified that if over recovering on Entry, the benefit should offset the tariffs for the following year by removing it, therefore softening the volatility across years and not looking at it in one instance.

Questions:

When Debra Hawkin (DHa) asked if the 45% example would vary from year to year, CWi clarified that it is not a standardised percentage and will potentially vary but hopefully not by too much, maybe between winter and summer.

NS suggested there might be merit in using the second relevant formula year allowed revenues and its within year profile to determine the target revenue requirement for the second sixth months of the Gas Year being priced. CWi advised he is using the winter of the Gas Year the revenue is recovering, relative to the Regulatory Year, which he believes seems like

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a reasonable proxy and suggested it is tested over a few years. CWi further clarified he is trying to keep the calculation as simple as possible with not too much sensitivity to National Grid making decisions that people may not agree with.

NS said that if the forecast levels and seasonality might be changing across the two formula years, then a revenue profile across the formula year that starts in the Gas Year could be used to determine the target revenue for the second half of the Gas Year. It was noted that the merits of this approach would depend on confidence in the accuracy of the seasonal revenue profile in that formula year.

EF stated that simplicity and transparency that can be provided, gives a level of comfort.

EF noted there is no Legal Text as yet and confirmed he will prepare the Workgroup Report based on the discussions held so far.

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- Deleted: ten-year forecasts

2.0 Initial Discussion

2.1. Issues and Questions from Panel

2.1.1. Consider Consumer Impact

This is covered in the Modification. CWi summarised that this Modification does not change over time the amount of money that would be collected, however, there is a change to the profile in how it would be collected. The improved confidence and reduced volatility of charges should result in some improvements in competition and benefits for consumers.

2.2. Initial Representations

None received.

2.3. Terms of Reference

As matters have been referred from Panel a specific Terms of Reference has been published alongside the Modification at <http://www.gasgovernance.co.uk/0796/>

3.0 Next Steps

EF confirmed that CWi will reflect on comments made today.

EF will reflect the comments made today in the WGR.

4.0 Any Other Business

None.

5.0 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	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Tuesday 01 February 2022	5pm 21 January 2022	Via Microsoft Teams	Standard Workgroup Agenda

Action Table (as at 11 January 2022)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
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Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
No outstanding actions					