

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 01 October 2019
Via Teleconference

Attendees		
Rebecca Hailes (Chair)	(RH)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Alan Raper	(AR)	Joint Office
Andrew Pearce	(AP)	BP
Anna Shrigley	(AS)	Eni Trading & Shipping
Dan Hisgett	(Dhi)	National Grid
David Cox	(DC)	London Energy Consulting
Debra Hawkin	(DH)	TPA Solutions
Graham Jack	(GJ)	Centrica
Henk Kreuze	(HK)	Vermilion Energy
John Costa	(JCo)	EDF Energy
Julie Cox	(JC)	Energy UK
Kamla Rhodes	(KR)	Conoco Phillips
Laura Johnson	(LJ)	National Grid
Nick Wye	(NW)	Waters Wye Associates
Pavanjit Dhesi	(PD)	Interconnector UK
Richard Fairholme	(RF)	Uniper
Richard Pomroy	(RP)	Wales & West Utilities
Sinead Obeng	(SO)	Gazprom Marketing & Trading
Steve Pownall	(SP)	Xoserve
Terry Burke	(TB)	Equinor

Copies of all papers are available at: <http://www.gasgovernance.co.uk/ntscmf/011019>

1. Introduction and Status Review

Rebecca Hailes (RH) welcomed everyone to the meeting and invited introductions.

1.1. Approval of Minutes (03 September 2019)

The minutes from the previous meeting were approved subject to a minor amendment to reflect that Terry Burke was only in attendance for agenda item 2.0.

1.2. Modifications with Ofgem

An Ofgem representative did not attend the meeting so there was no update provided for the

meeting.

1.3. Pre-Modification discussions

None raised.

2. Workgroups

2.1. 0670R - Review of the charging methodology to avoid the inefficient bypass of the NTS (Report to Panel 16 January 2020) <http://www.gasgovernance.co.uk/0670>.

3. Forecasted Contracted Capacity (FCC) Review Update

Laura Johnson (LJ) confirmed that there was no update for the meeting as no comments had been received on the issues log. It was agreed that discussion should be deferred to the November meeting.

4. Update on Long Term Revenue Forecasts

This agenda item is deferred to the December meeting.

5. Issues

None.

6. Review of Outstanding Action(s)

Action 0901: CEPA (LH) to provide a description/definition of social welfare.

Update: A post meeting update had been provided in the minutes of the previous meeting as follows:

CEPA Update: The objective of the market model is to meet daily gas demand at minimum cost. Under our assumption that markets are perfectly competitive and costs are non-decreasing while demand curves are downward sloping, the existence of this solution maximises social welfare. I.e. demand is met at minimum cost.

Action Closed.

Action 0902: CEPA (LH) to confirm if the flows in the gas market model are annual or daily for gas fired power stations.

Update: A post meeting update had been provided in the minutes of the previous meeting as follows:

CEPA Update: The market model calculates flows at daily granularity.

Action Closed

Action 0903: CEPA (LH) to confirm that non-zero price interruptible figures are being used in the modelling.

Update: A post meeting update had been provided in the minutes of the previous meeting as follows:

CEPA Update: We assume a continuing proportion of interruptible to firm contracts (including both zero and non-zero priced bookings). A summary of our rationale is presented below.

We need to make an assumption regarding the proportion of interruptible to firm bookings going forward under the status quo and the mod alternatives. On the one hand, the reduction of the discount for interruptible contracts would suggest lower use of interruptible bookings under the alternatives relative to the status quo. On the other hand, given that the daily product will no longer include a discount, a proportion of shippers may shift bookings from the daily to interruptible product to benefit from the discount (particularly with steady/declining demand). In addition, under the status quo, auctions for interruptible contracts may result in zero-priced bookings even under relatively high demand for the product. A (potentially substantial) proportion of these interruptible

bookings may continue to be made, even if a smaller discount is introduced.

The trend is difficult to forecast and is likely to be different at each entry and exit point. On balance, we therefore consider the most appropriate and transparent assumption to be a continuation of the existing proportion of interruptible contracts (including zero and non-zero priced).

This assumption will be applied consistently to all mod alternatives and to the status quo. Where potential effects on booking behaviour resulting from the change to interruptible contract pricing may be relevant to the impact assessment of the mods, we will comment on these effects qualitatively.

Action Closed.

Action 0904: National Grid (JP) to provide more information in relation to the proposal to change the depreciation period from 40 to 25 years. In particular, to confirm the background to the decision and whether it applies to new or past investment.

Update: LJ confirmed that JP had not provided an update for the meeting. She added that JP has continued to have discussions with industry and agreed to liaise with JP to provide an update for the next meeting. **Carried Forward**

Action 0905: National Grid (JP) to provide an explanation of why there is a 14% drop in entry charges between RIIO-1 and the 1st year of RIIO-2.

Update: LJ agreed to liaise with JP to provide an update for the next meeting. **Carried Forward**

Action 0906: Workgroup to forward to National Grid any further issues related to the FCC methodology for inclusion on the issues log and discussion at the October meeting.

Update: LJ confirmed that no issues have been received since the last meeting. Workgroup agreed that the action should be carried forward. **Carried Forward**

7. Any Other Business

None.

8. Diary Planning

A brief discussion took place on whether the next meeting should be face to face or held via teleconference. Workgroup participants suggested that the meeting should be left as a face to face meeting and if there is insufficient material for discussion then a change to teleconference should be considered closer to the meeting date.

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

Time / Date	Venue	Workgroup Programme
10:00 Tuesday 05 November 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Standard Workgroup Agenda
10:00 Tuesday 03 December 2019	Elaxon, 350 Euston Road, London NW1 3AW	Standard Workgroup Agenda
10:00 Tuesday 07 January 2020	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Standard Workgroup Agenda

Action Table as at 01 October 2019

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0901	03/09/19	2.0	CEPA (LH) to provide a description/definition of social welfare.	CEPA (LH)	Closed
0902	03/09/19	2.0	CEPA (LH) to confirm if the flows in the gas market model are annual or daily for gas fired power stations.	CEPA (LH)	Closed
0903	03/09/19	2.0	CEPA (LH) to confirm that non-zero price interruptible figures are being used in the modelling.	CEPA (LH)	Closed
0904	03/09/19	3.0	National Grid (JP) to provide more information in relation to the proposal to change the depreciation period from 40 to 25 years. In particular, to confirm the background to the decision and whether it applies to new or past investment.	National Grid (JP)	Carried Forward
0905	03/09/19	3.0	National Grid (JP) to provide an explanation of why there is a 14% drop in entry charges between RIIO-1 and the 1st year of RIIO-2.	National Grid (JP)	Carried Forward
0906	03/09/19	4.0	Workgroup to forward to National Grid any further issues related to the FCC methodology for inclusion on the issues log and discussion at the October meeting.	ALL	Carried Forward