

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 07 April 2020
Via Teleconference

| Attendees | | |
|----------------------------|-------|---------------------------|
| Alan Raper (Chair) | (AR) | Joint Office |
| Karen Visgarda (Secretary) | (KV) | Joint Office |
| Penny Garner | (PG) | Joint Office |
| Adam Bates | (AB) | South Hook Gas |
| Alex Nield | (AN) | Storengy |
| Alsarif Satti | (ASa) | Ofgem |
| Andrew Pearce | (AP) | BP |
| Anna Shrigley | (ASh) | Eni Trading & Shipping |
| Chris Wright | (CWr) | Exxon Mobil |
| Christiane Sykes | (CS) | Shell |
| Colin Williams | (CW) | National Grid |
| Dan Hisgett | (DH) | National Grid |
| David Mitchell | (DM) | CIA |
| David O'Neill | (DON) | Ofgem |
| Debra Hawkin | (DH) | TPA Solutions |
| Ed Bentley | (EB) | Citadel |
| Henk Kreuze | (HK) | Vermilion Energy |
| Jeff Chandler | (JCh) | SSE |
| Kamla Rhodes | (KR) | Conoco Phillips |
| Kirsty Ingham | (KI) | ESB |
| Laura Johnson | (LJ) | National Grid |
| Niall Coyle | (NC) | E.ON |
| Nick Wye | (NW) | Waters Wye Associates Ltd |
| Nigel Bradbury | (NB) | EIUG |
| Nitin Prajapati | (NP) | Cadent |
| Pav Dhesi | (PD) | Interconnector UK |
| Raoul Thulin | (RT) | RWE |
| Riccardo Rossi | (RR) | Centrica |
| Richard Pomroy | (RP) | Wales & West Utilities |
| Sarah Cooper | (SC) | Interconnector UK |
| Sinead Obeng | (SO) | Gazprom |
| Steve Pownall | (SP) | Xoserve |
| Terry Burke | (TB) | Equinor |

Copies of all papers are available at: <http://www.gasgovernance.co.uk/ntscmf070420>

1. Introduction and Status Review

Alan Raper (AR) welcomed everyone to the meeting and invited introductions.

1.1. Approval of Minutes (03 March 2020)

The minutes from the previous were then approved.

1.2. Modifications with Ofgem

David O'Neill (DON) provided a short overview on the status of Modifications presently with Ofgem, as detailed below:

COVID-19

DON said that Ofgem were presently undertaking a re-prioritising exercise which would shortly be circulated to the industry and that this also encompassed the Gas Transmission Charging Review, (GCR), and Modification 0678, with regards to the preferred implementation date of October 2020 and this implementation date would form part of the final decision. DON said the outcome from the Ofgem prioritisation exercise would shortly be published at: <https://www.ofgem.gov.uk/news-blog/our-blog/coronavirus-covid-19-protecting-consumers>

Chris Wright (CWr) said in relation to the implementation date, consideration should be given to delaying until October 2021, as any earlier and there could be a knock-on effect regarding an adequate amount of time to develop a short haul solution. DON reiterated that the responses had been published on the Ofgem website and there was a mix of views regarding implementation for October 2020/ 2021 and even 2022. He added that the GDN's favoured an implementation of October 2021 as that would coincide with the RII02 implementation date. Both Nick Wye (NW) and Nitin Prajapati (NP) wanted to know when the final decision would be made on Modification 0678 and DON said that Ofgem were aiming to make the decision in May 2020.

Modification 0678 – 0678/A/B/C/D/E/F/G/H/I/J (Urgent) - Amendments to Gas Transmission Charging Regime. DON confirmed the consultation closed on 24 February 2020, with 30 responses received in total. He confirmed Ofgem had now published the non-confidential responses and their summary on their website. He said the final decision was to be made in May 2020.

Modification 0686 – Removal of the NTS Optional Commodity Rate with adequate notice. DON said that they were presently assessing the Modification and its associated impacts.

Modification 0687 – Creation of new charge to recover Last Resort Supply Payments DON said that Ofgem were exploring the implication of this Modification on the Licence conditions regarding the price cap.

Modification 0692S - Automatic updates to Meter Read Frequency DON confirmed that they were considering the appeal and a decision would be made in due course.

Modification 0711 - Update of AUG Table to reflect new EUC bands DON said that they were presently assessing the Modification and its associated impacts.

1.3. Pre-Modification Discussions

1.3.1. Increasing the Storage Transmission Capacity Charge Discount to 80% (Storengy UK)

Nick Wye (NW) explained the Modification 0718 had been withdrawn due to the fact Ofgem had rejected the urgency request.

NW said that if either Modification 0678 or Modification 0678A were approved, the new NTS Charging Methodology would include a discount for capacity purchased at Storage Sites of 50%. He said proposal was to include a higher discount rate of 80% for capacity at such sites.

NW said that the Modification would be re-raised once the final decision had been made by Ofgem in relation to Modification 0678/A and he would not be making any changes to the original proposal.

1.3.2. Introduction to a Conditional Discount for Avoiding Inefficient Bypass of the NTS (National Grid)

Colin Williams (CW) explained the Modification 0717A/B/C had been withdrawn due to Ofgem rejecting the urgency request of the proposal. He said that this would be subsequently re-raised to follow sequentially through the UNC Modification process. Penny Garner (PG) said that from a governance perspective the new Modifications could follow the pre-Modification discussion process until Ofgem made a final decision, with the Proposers having discussions with Ofgem to proceed via the urgent route, once the final decision on the Modification 0678 variant had been made. PG reiterated that the urgent process was defined by Ofgem and that any Modification had to adhere to the strict Ofgem criteria for urgency.

CW then provided an overview of the next steps presentation and he explained that National Grid were proposing to host various WebEx sessions to cover a comparative analysis of 0718/A/B/C proposals. PG said that, although the Joint Office would not be involved with these sessions, she was more than willing to help advertise them to the industry.

CW said in order to potentially speed the process up, he suggested launching an informal consultation on the Modifications, thereby giving the industry time to formulate their views. These informal consultation responses could then be realigned into the formal consultation responses in due course, and he added that perhaps in this way the usual 15 days consultation period could be shortened.

CW said that once the decision on Modification 0678 had been made by Ofgem then the original Modification would be re-raised with the Legal Text being aligned following the decision on Modification 0678. He reiterated that if no decision was made on Modification 0678 then a Modification would not be re-raised.

PG said that at this stage there was the assumption that no new Modifications would be raised as that could be counter-productive, given the current climate. CW agreed, and said that if any parties were thinking of raising a new Modification, then National Grid would like to be made aware of it as soon as possible.

Nigel Bradbury (NB) raised a concern regarding the implementation, and if there was likely to be an issue regarding inefficient bypass with an implementation date of 01 October 2020. Both CW and PG reiterated the Ofgem urgent criteria in relation to newly re-raised Modifications and CW said the revised Modification would need to be requested as urgent, as was previously the case.

Chris Wright (CW) again posed the question to Ofgem, he said if Ofgem did decide to extend the time line and implement Modification 0678 for October 2021, would there still be enough time to develop and implement a new short haul product. Alsarif Satti (ASa) said that Ofgem were still looking at the responses, which encompassed implementation dates, and that he could not comment further at this stage. Both CW and NW said that even with an October 2021 implementation date that these were still very aggressive timelines, and NW added that a constructive and focused approach would still be needed regardless.

Dan Hisgett (DHi) provided an overview of the comparisons of Modification 0718 Alternatives in the presentation which can be viewed via the link below:

<https://www.gasgovernance.co.uk/ntscmf/070420>

DHi said that he welcomed any questions or suggestions as soon as possible directly to him on this topic. Hisgett, Daniel Daniel.Hisgett@nationalgrid.com

New Action 0401: All to provide questions and feedback on Modification 0718/A/B/C alternatives to Dan Hisgett in order for these to be feedback to the industry; Daniel.Hisgett@nationalgrid.com

2. Workgroups

2.1. 0670R - Review of the charging methodology to avoid the inefficient bypass of the NTS

(Report to Panel 16 July 2020)

<http://www.gasgovernance.co.uk/0670>

3. Forecasted Contracted Capacity (FCC) Review

3.1. FCC Methodology Issues Log

Deferred until the May meeting.

4. Long Term Revenue Forecasts

Deferred until the May meeting.

5. Issues

Deferred until the April meeting.

6. Review of Outstanding Action(s)

Action 0203: National Grid (CW) to include the revenues used to calculate the indicative percentage differences in charges along with the appropriate commentary for clarity to illustrate the changes.

Update: CW confirmed that this action could now be closed, as the information had been included and presented. **Closed**

7. Any Other Business

Gas and Electricity COVID-19 Calls

CW said that every week there were Conference Calls on the impact of COVID-19, from both an Electricity and Gas perspective ,and that the Gas call would be advertised by National Grid on their website and also a communication from National Grid would be forwarded by the Joint Office to the industry.

8. 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 05 May 2020 | Via Teleconference | Standard Workgroup Agenda |

Action Table (as at 07 April 2020)

| Action Ref | Meeting Date(s) | Minute Ref | Action | Owner | Status Update |
|-------------|-----------------|------------|---|---------------------|----------------|
| 0203 | 11/02/20 | 3.0 | National Grid (CW) to include the revenues used to calculate the indicative percentage differences in charges along with the appropriate commentary for clarity to illustrate the changes. | National Grid (CW) | Closed |
| 0401 | 07/04/20 | 1.3.2. | All to provide questions and feedback on Modification 0718/A/B/C alternatives to Dan Hisgett in order for these to be feedback to the industry; Daniel.Hisgett@nationalgrid.com | National Grid (DHi) | Pending |