

**NTS Charging Methodology Forum (NTSCMF) Minutes**  
**Tuesday 01 December 2020**  
**via Microsoft Teams**

<b>Attendees</b>		
Rebecca Hailes (Chair)	(RH)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Nield	(AN)	Storengy
Andrew Pearce	(AP)	BP
Anna Shrigley	(AS)	Eni Trading & Shipping
Anna Stankiewicz	(ASt)	National Grid
Bill Reed	(BR)	RWE
Christiane Sykes	(CS)	Shell
Colin Williams	(CW)	National Grid
Daniel Hisgett	(DHi)	National Grid
Dave Bayliss	(DB)	National Grid
David O'Neill	(DON)	Ofgem
David Mitchell	(DM)	CIA
Daniel Wilkinson	(DW)	EDF Energy
Debra Hawkin	(DH)	TPA Solutions
Fredrik Tornqvist	(FT)	Gunvor Group
Henk Kreuze	(HK)	Vermilion Energy
Jeff Chandler	(JCh)	SSE
Jennifer Randall	(JR)	National Grid
Julie Cox	(JC)	Energy UK
John Costa	(JCo)	EDF Energy
Kamla Rhodes	(KR)	Conoco Phillips
Kirsty Ingham	(KI)	ESB
Kieran McGoldrick	(KG)	National Grid
Laura Johnson	(LJ)	National Grid
Lee Stone	(LS)	E.ON
Lorraine O'Shaughnessy	(LOS)	Joint Office
Nasma Sahbani	(NSa)	Engie
Nick Wye	(NW)	Waters Wye Associates Ltd
Nigel Sisman	(NS)	Sisman Energy Consulting
Nitin Prajapati	(NP)	Cadent
Pavanjit Dhesi	(PD)	Interconnector UK
Paul Youngman	(PY)	Drax
Penny Garner	(PG)	Joint Office
Phil Lucas	(PL)	National Grid
Richard Fairholme	(RF)	Uniper

Ritchard Hewitt	(RHe)	Hewitt Home & Energy Solutions Ltd
Ricky Hill	(RH)	Centrica
Rosannah East	(RE)	National Grid
Sinead Obeng	(SO)	Gazprom
Smitha Coughlan (until 12.50pm)	(SM)	Wales & West Utilities
Terry Burke	(TBu)	Equinor
Thomas Paul	(TP)	E.ON

*Copies of all papers are available at: <https://www.gasgovernance.co.uk/ntscmf/011220>*

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 (03 November 2020)

The minutes from the 03 November 2020 were approved.

### 1.2. Approval of Late Papers

RH explained there had been one late paper in relation to Modification 0737 which was the Rough Order of Magnitude (ROM). All agreed to accept this paper.

### 1.3. Modifications with Ofgem

David O'Neill (DON) explained that a Modification status update had been presented at the 19 November UNC Panel and the detail of this update regarding the Modifications with Ofgem as listed below, could be viewed in the minutes via: <https://www.gasgovernance.co.uk/panel/191120>

**Modification 0686** - Removal of the NTS Optional Commodity Rate with adequate notice.

**Modification 0727** (Urgent) - Increasing the Storage Transmission Capacity Charge Discount to 80%.

**Modification 0728/A/B/C/D** (Urgent) - Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS.

**Modification 0729** - Applying a discount to the Revenue Recovery Charge at Storage Points.

### 1.4. Pre-Modification discussions

**1.4.1.** Urgent Modification – ‘Forward Looking’ – confirmed title will be provided in due course. National Grid (CW)

**1.4.2.** Urgent Modification – ‘Retrospective’ – confirmed title will be provided in due course. National Grid (CW)

Colin Williams (CW) explained that it was National Grid’s intention to shortly raise two urgent Modifications. He said the initial proposal was to raise these on Monday 30 November, but that it was then agreed to seek further industry engagement in the first instance, hence discussing them within the NTSCMF.

He said that the industry had been made aware in early November (at Transmission Workgroup) of an under-recovery issue which began in October 2020, in respect of capacity neutrality since the beginning of the Gas Year.

CW explained the purposes of the two Modifications were:

#### Forward Looking

*The purpose of the Modification is to remove both daily interruptible capacity revenue and within day Entry Capacity revenue from Capacity Neutrality arrangements prospectively from the implementation date. Following implementation of UNC Modification 0678A on 01 October 2020 an increasing proportion of revenue is subject to capacity neutrality so there is a need to urgently review the operation of the current Capacity Neutrality arrangements as the redistribution of some sources of such revenues is no longer appropriate.*

## Retrospective

*The purpose of the Modification is to create a new charge adjustment to effectively remove revenues recovered from daily interruptible and within-day Entry Capacity from Capacity Neutrality arrangements between 01 October 2020 up until the Solution End Date. Following implementation of UNC Modification 0678A on 01 October 2020 an increasing proportion of revenue is subject to capacity neutrality so there is a need to urgently review the application of the current Capacity Neutrality arrangements from 1st October 2020 as the redistribution of some sources of such revenues was not appropriate.*

CW explained that the Rate Notices had already been published on the National Grid Website and that they were subsequently being published on the Joint Office website (RH explained that these Rate Notices had only been received by the Joint Office at 7.00pm on Monday 30 November 2020 and so were only being published during the morning of 01 December 2020).

These can be accessed via: <https://www.gasgovernance.co.uk/ntscharges/2021>

CW said that the intention was to raise these two Modifications with urgent status due to the commercial impact of the 'within day' revenue collections. These were £1.5million with the overall under recovery total being £37million for October 2020, so these two new Modifications were needed to address the large revenue issue in respect of the capacity neutrality impact.

Many of the Workgroup Participants voiced their shock and concern at these proposed new Modifications and were extremely disappointed that there had been no material provided from National Grid before the meeting to assist with the discussions.

CW said that National Grid were about to schedule two webinars for December; one on the 08 December in the afternoon and one on 16 December in the morning and that these times would be formally confirmed in due course. He added that it was his intention to get the Modifications in question finalised as soon as possible, and that he had been in discussions with both Ofgem and the Joint Office with regards to the proposed timetable.

Penny Garner (PG) said that the Joint Office were working with National Grid and it was the Proposer's decision with regards to the timetable, and that the Joint Office would accommodate the Proposer's requests, regarding the very 'squeezed' proposed timelines. She added that an additional meeting would be scheduled for 07 December 2020 for these Pre-Modifications to be further discussed, and that an extraordinary Panel may be required in January 2021. She explained if the Modifications were raised with an urgency status then there was a possibility that the consultation period may have to be conducted during the Christmas/New Year period, which was not ideal.

Sinead Obeng (SB) said regarding the Revenue Recovery Charge (RRC) she knew that previous Modifications associated with this area had not been implemented in the past and so what was the implication in relation to the period April – June 2021? CW said that area would be discussed in-depth during the webinar and added that the rates would be reduced once the Modifications had been implemented and that the timescales would then subsequently be reduced. He added that the Modifications would also include a mechanism to allow National Grid to reduce the RRC further.

Debra Hawkin (DH) concurred with other earlier comments made by participants about the lack of material and information prior to this announcement and asked CW if the changes were definitely planned to go live on 01 February 2021, CW confirmed that yes this was the case and that the changes would be driven by the Modifications when they were implemented. He explained if the Modifications were not implemented then there would be new prices published from 01 April 2021 – November 2021.

Henk Kreuze (HK) wanted to know what period of under recovery had been used to calculate the recovery charges and CW confirm that it was the period up until March 2020.

Nick Wye (NW) voiced his concern and asked what would happen in February 2021 in relation to the RRC entry with a new April price control, he added that this would impact an already highly volatile market in relation to recovery charges.

CW said that he agreed there were some unknowns in trying to resolve these issues, and this was why the Modifications were seeking an urgent status to address this in an expedient manner, as National Grid were not keen to elongate the period, so this matter could be addressed within the regulatory year which was up until the end of March 2021. He said that with regards to RIIO-2 the timing was not ideal, but that the outcome of RIIO-2 would be known in January 2021, and at that time the scope for the revenue recovery application would be re-looked at.

NW again reiterated that he was deeply unhappy about what was taking place and including the newly published rates, where a charge of 0.04 pence per therm was being charged into the UK. He added that this whole area should have been deferred to allow discussion on prices to take place and that the charges on exit were the wrong way to approach this complex area. NW also said that the existing contracts were part of the problem, to the tune of £1.5mil from a neutrality perspective. Paul Youngman (PY) concurred with all of NW's comments and said that the exit area was not material and that charging it back over 2 months' would be doubling it and would have grave consequences from a downstream perspective with effects over many years. CW said that the proposal was to try to contain the issue for this year, to mitigate the under recovery for subsequent years. Dave Bayliss (DB) added that the under recovery on exit was £42million up until the end of March 2020 which included the under recovery and passthrough to the SO with a £7million recovery for October 2020.

CW said he appreciated this was a very complex area and he would produce some graphics and flow charts to detail the end to end process to provide clarity. PY reiterated that that this area made no sense at all and that he felt it was not compliant with the EU Regulations. CW said the terminology within the EU Regulations did not fit well with the GB market and there were interactions with the licence. PY again said that he did not think this process was compliant especially regarding the consequences that would affect domestic consumers from an increased charges angle. CW said that when the DNs had updated their prices then a clearer overall picture would be available and that there were various different timing issues from year to year, related to this overall topic.

Julie Cox (JCx) concurred with the comments provided by NW and added that the impacts from a customer and a retrospective impact were large and increased the overall risk, and asked CW where the documents were available that detailed the levy charges in RIIO-2, as she would like to study them.

CW said that this was an unusual situation and that the time of reporting to Ofgem was always in July, and that National Grid could demonstrate the monies for the activity for 2020 and that a retrospection was not included in the regulatory report for July. JCx said that was interesting and in that case, transparency was required, as clearly there was the option for accruals for next year. She added that from a consultation perspective, common sense was needed, and that this should not be rushed through the process as the Modifications in question would have consequences for the whole industry.

CW said that the draft Modifications would be available by close of play on Thursday 03 December 2020 to allow colleagues to read them prior to the additional NTSCMF meeting on 07 December and that the webinars would cover the pricing calculations of how the money flowed. He said the Legal Text had been requested and that in a worst-case scenario this would be available for when the consultation commenced.

Pavanjit Dhesi (PD) also agreed with the previous participants comments and said that this would cause unprecedented instability within the market specifically, regarding the Bacton split and the cross-border change in relation to the transactions. He said from a customer view point, GB would now be one of the most expensive entry points and that this aspect had clearly not been taken into consideration, especially as other parts of Europe had floating charges to recovery monies. He noted that from a EU Tariff Code<sup>1</sup> perspective he was not sure this was compliant. PD added that he had great nervousness in relation to the proposed retrospective Modification regarding retrospection of charges and the fact the Modification would have an urgent status, as Ofgem already had various Modifications under consideration.

CW said National Grid has always avoided retrospective Modifications in relation to charging and he also reiterated that National Grid and Ofgem had already been in discussions and the urgency status would only be formally confirmed once the Modifications had been submitted to Ofgem. DON noted that Ofgem do have an extensive and increased workload, however this piece of work would be deemed as quite a high priority and that Ofgem would prefer a standard consultation timeline where possible, and that he had no further comments to add at this stage.

Richard Fairholme (RF) noted that from a Legal view a retrospective Modification had never been successful in the wholesale side of the business and he had a concern if this was a success, what would happen next? Would National Grid then suggest reducing the RRC with an impact on price in the wholesale market, which would have a material impact on compliance? RF said he was pleased that Ofgem recognised the compliance area regarding EU TAR NC, would be required. He also said he had concerns regarding the security supply of impacts with a higher entry charge and different exit charge every month, with an increased RRC for exit. CW said that National Grid would ensure the proposals were compliant and these would be shared with Ofgem, but the Legal advice would not be made public.

Kirsty Ingham (KI) said she was not surprised by the profile of more bookings 'within day' and noted in the responses within Modification 0678 - *0678/A/B/C/D/E/F/G/H/I/J (Urgent) - Amendments to Gas Transmission Charging Regime* the impacts further down the line for

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<sup>1</sup> EU Tariff Code (TAR NC): [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L\\_.2017.072.01.0029.01.ENG&toc=OJ:L:2017:072:FULL](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2017.072.01.0029.01.ENG&toc=OJ:L:2017:072:FULL)

TOs and SOs were not known in relation to the analysis carried out in EU TAR, which was a considerable problem. She said likewise this was the case with Modification 0621 - *0621/A/B/C/D/E/F/G/H/J/K/L - Amendments to Gas Transmission Charging Regime*, regarding the over recovery at exit. She said that detailed flow diagrams were needed to aid further understanding of this process and CW said these would be provided.

**New Action 1201:** National Grid (CW) to produce process flows to show the exit and entry revenue capacity to include the TOs and SOs.

Debra Hawkin (DH) asked if there is clarification of the order of magnitude of the effects which the Modifications which mitigate. CW said the amount of capacity income expected against SO between October 2020 and March 2021 was around £4million a month.

Anna Shrigley (AS) said that the major problem was the misalignment in how the capacity was determined and how the capacity revenues were invoiced and the offsetting of the SO revenue. She added that the existing capacity was not the issue for the new charging regime. AS said that when moving from the old regime to the new regime several Modifications had been proposed in relation to the Bacton split and offering that a re-set should be allowed and this suggestion had always been rejected by Ofgem. AS explained the industry had developed a new charging regime to ensure compliance to the EU Regulations and noted that the customers had benefitted from the new arrangements with a lower capacity price; with the secondary capacity at a lower price than the primary capacity. She confirmed that the issue was not the Shippers' behaviours as they purchase the capacity when they are best placed to purchase it, noting this might be either primary and secondary, so the customers purchasing in the secondary market may benefit from this purchase, by selling to other Shippers in the secondary market. CW said that the revenue alignment was 'within day' and capacity neutrality, so the Shippers did pay for the capacity, however their money does not contribute to National Grid's Allowed Revenue because of the way it was distributed.

Jeff Chandler (JCh) wanted to know if the Modifications were successful, in relation to capacity being placed back into the TO pot, and what incentives would there be for the SO to produce all the available capacity. He added in relation to the RRC, could this be changed by raising a new Modification proposed from a Shipper in relation to market distortion for gas storage. He said that what would happen if the storage operators then started to empty the tanks before the end of January 2021 to avoid this charge, which may then bring about a supply risk. JCh said could a Modification be raised to revert back to 'K' in the licence agreement rather than the RRC.

CW said that the Licence convention would be followed rather than the Uniform Network Code (UNC) concerning the recovery of monies in the regulatory year. CW added it was about striking a balance and the interaction between the UNC and the Licence obligations on Transporters. JCh said that if the Modifications were raised by National Grid as was being proposed, was there going to be an impact assessment undertaken. DON said Ofgem would have to assess the Modifications in the first instance and then assess the potential impacts.

SO asked DON if he could give a firm status update on Modification 0727 (*Urgent*) - *Increasing the Storage Transmission Capacity Charge Discount to 80%* and Modification 0728/A/B/C/D (*Urgent*) - *Introduction of a Conditional Discount for Avoiding Inefficient*

*Bypass of the NTS*, as she felt the industry needed to know the status of these two Modifications ahead of the proposed National Grid Modifications, that might be raised with an urgent status.

DON said that both the existing Modifications in question had a priority status and that he was hopeful that an Ofgem 'minded to' position would be available before Christmas 2020. SO said that would be very helpful and beneficial if that 'minded to' position statement was confirmed prior to Christmas and she thanked DON for his comments.

JCh said that he did not believe that urgency criteria included retrospective aspects in relation to new Modifications and a brief general discussion took place regarding this area. RH said the Ofgem Guidance on Code Modification Urgency Criteria could be viewed on the Joint Office website at: <https://www.gasgovernance.co.uk/mods>

Ritchard Hewitt (RHe) concurred with previous comments regarding the need for impact assessments for both of the proposed new Modifications, specifically in relation to the impact on parties and the effect on TO revenue. He said there was a need for data to show the impacts to the RRC and the tariffs especially regarding Ofgem's capped tariffs in February 2021 and the impacts on domestic tariffs. RHe added that he also wanted to have more information on how the FCC Methodology would alter in light of these changes, together with the impacts on cross-border flows and competition across borders.

RHe then gave feedback to National Grid and the Workgroup as a whole regarding the terminology used both written and verbal, associated with 'daily and within day' capacity and that it should be made clear whether this was 'firm' or 'interruptible' capacity as many of the conversations did not make this clear and it was confusing to some participants to try to decipher what was being discussed. CW noted this comment and also explained that work on the FCC Methodology had already commenced.

DON said regarding any impacts to domestic consumers this would be drawn out in the Modification Consumer Impacts sections and if required, via an impact assessment, likewise in the consultation representations and in the UNC Modification Panel meeting. RHe said that if the charge was increasing to 4p per therm it would have a direct impact on domestic consumer bills and he wondered if materiality was sufficient in this context, as he felt it should include impact on parties across a wider catchment area to encompass industrial, commercial and domestic impacts on all bills.

RH explained that an updated new UNC Modification Template was awaiting sign off at December Panel that included input from the Code Administration Code of Practice (CACoP) and she provided a brief on screen overview of some of the changes, and drew specific attention to the areas on Consumer and Impacted Parties.

Bill Reed (BR) said that National Grid really needed to focus on their communication processes, especially regarding the release and publication of the Rates Notices as of 01 April 2021, as this had been very poorly managed, with no detail of what would happen next.

He said had been taking calls from his Traders all morning during the Workgroup meeting with regards to the degree of uncertainty within the market, following the publication of the Rates Notices, and that National Grid needed to think about all the associated impacts of their communications. A few other participants agreed and said they too were having to take calls from within their organisations on this matter. CW apologised and said this would be addressed moving forward.



## 2. Workgroups

### 2.1. 0737 – Transfer of NTS Entry Capacity from an abandoned ASEP

(Report to Panel 17 December 2020)

<https://www.gasgovernance.co.uk/0737>

## 3. Forecasted Contracted Capacity (FCC) Monitoring

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

CW said an update would be supplied after the RIIO-2 final determinations had been received and processed, this would likely be in January 2021.

## 4. Long Term Revenue Forecasts

### 4.1. RIIO-2 Potential Charging Implications

CW said that National Grid were waiting to further understand the RIIO-2 potential charging implications and so an update would be supplied at the January 2021. BR wanted to know if Licence changes could be undertaken after 01 April 2021 and CW said he would investigate this area. BR confirmed that this area needed to be clarified, especially in relation to how the Tariff charges could be impacted.

## 5. Issues

No new issues were raised.

## 6. Review of Outstanding Action(s)

**0902:** Joint Office to invite DNs to attend the January NTSCMF meeting to discuss the impact on DN charges for the new 0678A methodology regime from 01 October 2020.

**Update:** RH confirmed this action would now need to be carried forward until January 2021 to allow the DNs to provide clarity on how the DN charges would be affected by 0678A and to also include an addition to the action as above. **Carried Forward**

<b>New Action 1202:</b> National Grid (CW) to investigate how the Tariff changes will be affected by any Licence changes after 01 April 2021.
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## 7. Any Other Business

### 7.1. National Grid Update on Regular Overrun Reporting

CW said this would be addressed in due course and he was hopeful to have a draft version for January 2021. PY enquired if this was reported at the Operational Forum concerning the Licence obligations and CW he would investigate if this was the case.

### 7.2 National Grid Webinar

CW confirmed two webinars would be held on 08 December 2020 in the afternoon and 16 December 2020 in the morning to provide an overview regarding the two Pre-Modifications that National Grid were proposing to raise. CW said the invitations would be sent to the industry for these webinars.

### 7.3 DN's Published Charges

JCh questioned the DN's published charges and the ECN charge, as he said the charge was not through a direct connect and so there was a difference in the charges. Nitin Prajapati (NP) said the ECN charges were not the same as the NTS charges and that Cadent had looked at the charges with the GDNs and the NTS charges had different charges for all exit points with different zones, so hence the charges were varied. JCh said that he needed written examples to be supplied and NP agreed to supply these.

Both Thomas Paul (TP) and JCx said that any charges needed to be incorporated faster than two years, especially if the charges were going to be implemented from 01 April 2021.

RH said that it might be advisable for interested parties to attend the DNCFM on 11 January 2021 to gain detailed information on this matter and NP agreed with this suggestion. JCx said that she would also request that an overview was supplied at the NTSCMF meeting in January 2021 as well, for completeness.

<b>New Action 1203:</b> All DNs to clarify how the ECN charges vary across exit points, including examples.
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## 8. Next Steps

RH said that due to the discussions that had taken place regarding the two Pre-Modifications an additional NTSCMF meeting would be taking place on 07 December 2020 at 10:00am via Microsoft Teams to further discuss the proposed new Modifications.

She added that the Legal Text would be reviewed for Workgroup 0737 in this meeting also and it was her aspiration to complete the Workgroup Report. (She noted that matters relating to 0737 would be addressed at the start of the meeting).

## 9. Diary Planning

*Further details of planned meetings are available at: [www.gasgovernance.co.uk/events-calendar/month](http://www.gasgovernance.co.uk/events-calendar/month)*

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:00 Tuesday 05 January 2021	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 02 February 2021	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 02 March 2021	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 06 April 2021	Via Microsoft Teams	Standard Workgroup Agenda
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 2020	Via Microsoft Teams	Standard Workgroup Agenda

**Action Table (as at 01 December 2020)**

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
<b>0902</b>	08/09/20	6.0	<p>Joint Office to invite DNs to attend the January NTSCMF meeting to discuss the impact on DN charges for the new 0678 methodology regime from 01 October 2020.</p> <p><i>To include; National Grid (CW) to investigate how the Tariff changes will be</i></p>	Joint Office/ DNs	<b>Carried Forward</b>

			<i>affected by any Licence changes after 01 April 2021.</i>		
<b>1201</b>	01/12/20	1.4	National Grid (CW) to produce process flows to show the exit and entry revenue capacity to include the TOs and SOs.	National Grid (CW)	<b>Pending</b>
<b>1202</b>	01/12/20	6.0	National Grid (CW) to investigate how the Tariff changes will be affected by any Licence changes after 01 April 2021.	National Grid (CW)	<b>Pending</b>
<b>1203</b>	01/12/20	7.3	All DNs to clarify the ECN charges vary across exit points, including examples.	ALL DNs	<b>Pending</b>