

**UNC Workgroup 0847 Minutes**  
**Introduction of a Minimum General Non-Transmission Services Charge**  
**Tuesday 04 July 2023**  
**via Microsoft Teams**

<b>Attendees</b>		
Eric Fowler (Chair)	(EF)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Alex Nield	(AN)	Storengy
Alistair Craig	(AC)	Ofgem
Anthony Miller	(AM)	South Hook Gas
Anna Shrigley	(ASh)	Eni
Carlos Aguirre	(CA)	Pavilion Energy
Daniel Wilkinson	(DW)	EDF Energy
David Bayliss	(DB)	National Gas Transmission
Davide Rubini	(DR)	Vitol
Emma Robinson	(ER)	E.ON
Joseph Glews	(JG)	Ofgem
Julie Cox	(JCx)	Energy UK
Karen Cashio	(KC)	Ofgem
Kirsty Appleby	(KA)	National Gas Transmission
Kieran McGoldrick	(KM)	National Gas Transmission
Marion Joste	(MJ)	Eni
Mariachiara Zennaro	(MZ)	Centrica
Nathan Li	(NL)	Engie
Oliver Weston	(OW)	Ofgem
Oreoluwa Ogundipe	(OO)	Interconnector
Richard Fairholme	(RF)	Uniper
Ritchard Hewitt	(RHe)	Hewitt Home and Energy
Terry Burke	(TB)	Equinor
<p><i>The Workgroup Report is due to be presented at the UNC Modification Panel by 17 August 2023</i></p> <p><i>Please note these minutes do not replicate/include detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of all papers are available at: <a href="https://www.gasgovernance.co.uk/0847/040723">https://www.gasgovernance.co.uk/0847/040723</a></i></p>		

## 1. Introduction and Status Review

### 1.1. Approval of Minutes (06 June 2023)

The minutes from the previous meeting were approved.

### 1.2. Approval of Late papers

There were no late papers to consider.

### 1.3. Review of Outstanding Actions

None to consider.

## 2. Consideration of Updated Presentation / Information

Kirsty Appleby (KA) provided an update on the progression of the Modification. The presentation covered the following main topics. Where there was specific interaction regarding particular slides with the Workgroup members, this has been captured within the minutes for each section of the presentation, and full details can be found on the published presentation here: [www.gasgovernance.co.uk/0847/040723](http://www.gasgovernance.co.uk/0847/040723).

### Proposed Legal Text

KA provided a view of the current Legal Text from TPD Section Y 4.7.3 and the proposed Legal Text which is as follows (the red text shows the proposed changes):

*The General Non-Transmission Services Charge for a Gas Year (GNTSC<sub>y</sub>, to be expressed in p/kWh) will be the greater of:*

*(i) NANTSR<sub>y</sub> / FANQ<sub>y</sub>; and*

*(ii) 0.0001 where, for Gas Year y:*

*NANTSR<sub>y</sub> is Net Allowed Non-Transmission Services Revenue;*

*FANQ<sub>y</sub> is Forecast Aggregate NTS Quantity*

KA explained the proposed changes will provide the greater of the existing calculation and the insertion of the minimum price (0.0001).

Ritchard Hewitt (RHe) questioned if the word 'or' should be used at the end of (i) as opposed to 'and'. KA advised she will take this back to the team and clarify.

### Minimum Price Example

KA highlighted:

- *The examples shown on slides 6 & 7 are for illustrative purposes only.*
- *The General Non-Transmission Services Charge applicable for Gas Year 2023/24 will be published towards the end of July 2023.*
- *The underlying data behind these numbers are subject to change (forecasts for 2023/24 are to be updated before price setting in July)*

KA advised that the example of rates calculated under the **current methodology** is shown on slide 6 and the example of rates calculated under the **minimum price methodology** is shown on slide 7.

### Current Methodology Example:

*Figures for Oct-2024 based on the current methodology suggest a negative price would be required to collect the target revenue for the overlapping formula year.*

### **Minimum Price Example:**

*In this scenario, the application of a minimum price of 0.0001 p/kWh for Oct-24 results in an over-collection of approx. £25m, an additional 5% compared to expected Revenues.*

*This over-collection is ringfenced and returned to Users via the GNTS charges in the following year. In this illustration, the charge for GY 25 is 0.0438 p/kWh as opposed to 0.0483 p/kWh under the original methodology.*

KA explained the £25m is ring-fenced and returned to Users the following year which would be shown as a reduction in the charge set.

RHe sought clarification of the recovered revenue in the table, which shows recovering £525m in Oct-2024 with a charge of 0.0001, David Baylis (DB) clarified that when the prices change in October, they will consist of the first 6 months of existing prices. RHe noted, using the example data shown in the table would mean the recovery of the first £500m in the first 6 months, then recovery of the remaining £25m for a further 6 months.

KA advised, the graph shown on slide 8 shows an example of the P/kWh using the current methodology vs the minimum price methodology and noted this example shows the application of the minimum price has a slight smoothing effect on the rates across future years.

KA highlighted that any over-collection of Revenue, when setting prices, requires Ofgem permission as per Part A of Special Condition 2.1 of the National Gas Licence.

JCx requested a further iteration of the example tables with revenue and charging split because the charging year and revenue year are misaligned. DB advised he will provide an updated slide showing two 6 monthly prices and revenue recovery.

When it was suggested that the revenue year could move to be aligned with the charging year, Antony Miller (AM) noted that Ofgem might not be favourable to moving the regulatory year and that Ofgem is seeking alignment across all different networks.

### **Wider GNTS Discussion**

#### General Non-Transmission Services (GNTS)

KA confirmed that Non-Transmission Charges that will be effective from October 2023 will be published by the end of July 2023.

KA also advised, ahead of the publication of the Non-Transmission Charges, National Gas will be using a Webinar to share their consideration of revenue deferrals for 2023. Invitations to the webinar will be issued as soon as possible.

When JCx asked if any of the ideas being considered will affect the charges being set from October 2023, DB confirmed the revenue deferral would and KA confirmed there is no further information to share at the moment.

DB further confirmed that the data that is used to produce the final charges, is not available until towards the end of July 2023, once the National Gas Transmission team have a picture of the final charges, they will know what, if any, impacts there will be.

JCx highlighted how important it is that any dates for the webinar are shared across the industry as soon as possible.

### **3. Consideration of Amended Modification**

The Modification has not been amended and remains as v1.0 dated 05 May 2023.

#### **4. Consideration of Legal Text**

Please see agenda item 2.0.

#### **5. Development / Completion of Workgroup Report**

In undertaking a detailed onscreen review of the draft Workgroup Report (v0.2) EF completed amendments in-line with the feedback provided by those Workgroup participants in attendance.

A high-level summary of the most notable updates to the document undertaken being:

JCx mentioned her concern, with the amendments that are being introduced to improve the mismatch between the charging year and revenue year. She raised this as a general concern and not against this Modification, she said chipping away at any kind of longer-term understanding and uncertainty.

JCx also noted that not knowing the indicative prices at this stage, is not what should be expected and would like to explore wider broader issues in the NTSCMF meetings going forward.

ASh agreed with the comments raised by JCx and requested the points made by JCx be added to the Workgroup Report. ASh also noted that the solution for this Modification should be working alongside other changes to address the stability of charges.

As a general concern, JCx asked if the revenue deferral process that requires authority consent has a threshold set.

DB clarified there is no threshold and discussion for this will be had with Ofgem before implementation.

DB clarified there is no risk to system impacts and revenue deferral is the right thing to do to mitigate risks to charges going forward.

Joseph Glews (JG) clarified that the Licence says that National Gas Transmission can defer revenue year on year, therefore, National Gas Transmission have this ability already and intends to hold voluntary engagement with Ofgem. He confirmed that National Gas Transmission does not need consent to defer revenue, but Ofgem is always involved in the conversation.

Referring back to the Workgroup Report, Workgroup agreed that this Modification does build a framework around the idea of avoiding negative charges and would put a framework around over-recovery.

DB advised, from October 2024, the process of recovering the deferred revenue will be built into the Price Control Financial Model (PCFM) process, and captured as part of the K process, which then allows Ofgem the opportunity to interrogate the figures provided.

It was further clarified that Ofgem has the ability to influence discussions, which is not a formal mechanism, but more of a negotiation.

Under recovery and avoidance of negative charges is in National Gas Transmission permissions.

When ASh asked, at the start of this process it was mentioned that the changes will result in the smoothing of charges, is this still expected? DB clarified that the expectation is stable non Transmission charges across 3 years which will provide:

EF continued to update the Workgroup Report capturing the discussions being held.

**6. Next Steps**

EF outlined the next steps as being:

- Completion of Workgroup Report

**7. Any Other Business**

None raised.

**8. 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)

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Tuesday 01 August 2023	5pm Monday 24 July 2023	Via Microsoft Teams	Completion of Workgroup Report

**0847 Action Table**

Action Ref	Meeting Date(s)	Minute Ref	Action	Reporting Month	Owner	Status Update
			None.			