

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 02 April 2024
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Nikita Bagga (Secretary)	(NB)	Joint Office
Adam Bates	(AB)	SEFE Marketing & Trading
Alistair Craig	(AC)	Ofgem
Andrew Pearce	(AP)	BP Gas Marketing
Anna Shrigley	(AS)	ENI
Ash Adams	(AA)	National Gas Transmission
Colin Williams	(CWi)	National Gas Transmission
Carlos Aguirre	(CA)	Pavilion Energy
David Bayliss	(DB)	National Gas Transmission
Davide Rubini	(DR)	Vitol
Donald Lam	(DL)	Ofgem
Emma Robinson	(ER)	EON Energy
Jeff Chandler	(JC)	SSE
Joseph Glews	(JG)	Ofgem
Joseph Leggott	(JL)	Interconnector
Julie Cox	(JCx)	Energy UK
Kieran McGoldrick	(KMc)	National Gas Transmission
Lauren Jauss	(LJ)	National Gas Transmission
Mariachiara Zennaro	(MZ)	Centrica
Marion Joste	(MJ)	ENI
Nick Wye	(NW)	Water Wye Association
Nigel Sisman	(NS)	Sisman Energy Consultancy Limited
Richard Fairholme	(RM)	Uniper
Ritchard Hewitt	(RH)	Hewitt Home and Energy Solutions
Tim Gwinnell	(TG)	South West Gas

NTSCMF meetings will be quorate where there are at least six participants attending, of which at least two shall be Shipper Users and one NTS Transporter is in attendance.

Please note these minutes do not replicate 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 these are available at: <https://www.gasgovernance.co.uk/NTSCMF/020424>

1.0 Introduction and Status Review

Eric Fowler (EF) welcomed delegates to the meeting.

1.1. Approval of Minutes (05 March 2024)

The minutes from the previous meeting were approved.

1.2. Approval of Late Papers

EF advised that the Capacity and Revenue Reporting papers had been submitted late and acknowledged that the the data is only available to NGT at the close of the previous month.t.

1.3. Review of Outstanding Actions

Action 0301: NGT (CWi) to decide whether a meeting to discuss the mechanism of the Capacity Neutrality is to take place as a separate agenda item at the next NTSCMF meeting or whether a separate, stand-alone meeting is required for discussions.

Update: Colin Williams (CWi) provided an update to the Workgroup, advising that NGT are currently in the process of gathering information. CWi highlighted that it may be useful to consider the information collated in a short, separate meeting and to summarise those discussions in the subsequent NTSCMF meeting.

EF advised that the Workgroup Members will need sufficient notice to ensure people are able to attend. NGT will keep the Workgroup updated, advising that the separate meeting is likely to be in a month or 2 to allow NGT to gather sufficient information to ensure the session is meaningful.

Nigel Sisman (NS) requested that context relating to what Capacity Neutrality is and what it is designed to do would be a useful consideration to include. **Carried Forward**

Action 0302: NGT (DB) to provide an explanation of the data and any exceptions or assumptions used in the development of the indicative FCC in advance of calculating the FCC.

Update: David Bayliss (DB) provided an update on this outstanding action with accompanying presentation slides: [Action 0302 powerpoint](#)

DB discussed the intervention points which are considered by NGT. The relevant slide in the presentation pack has been colour-coded. DB advised that where the step in the process is amber, NGT will step in to make changes as “business as usual”. Where the step is highlighted in red, changes will be required through the exception process, which is more significant and in relation to revising the forecast normalization process.

If NGT believes that the forecast obtained from the previous year is not reflective of the coming year, discussions are conducted to review what has happened over the previous 12 months to understand why the forecast is not correct. NGT will revise this data and override where there is erroneous data.

An overview of the FCC methodology for exit entries was provided and it was highlighted to the Workgroup that the capacity process is the same for both entry and exit with the exception of exit having no existing contracts.

DB advised that there is a separate process used for GDN's due to DN's having an obligation to book a 1 in 20 peak for the gas year. NGT rely on the data published by the DN's in relation to LDZ values. These values will be inputted directly for the forecast demand.

In relation to page 12 of the presentation NS queried the period to which the FES forecast data relates, with DB confirming it related to the period of April 2023 to March 2024 and incorporates data obtained from the last few weeks.

Julie Cox (JCx) asked if the figures are adjusted to provide a Seasonal Normal Comparison and thus compare the FES Forecast against the actual data obtained. DB advised that the reporting from FES does have a Seasonal Normal correction. JCx queried if the FES central case forecast data is published, advising that it would be useful to obtain further clarity on the data presented by NGT. DB responded that the information used by NGT is specially collated but that the FES team would be asked whether and where their information is published.

New Action 0401: NGT (DB) to conduct enquiries into whether the FES forecast is published. If not, NGT is to consider providing this data to industry.

Lauren Jauss (LJ) queried why the FES forecast for October 2024 appears to be so different to the previous years' data. DB advised that the forecast changes by gas year and is dependent on the demand and predictions. Historically, power demand has been low. The Workgroup discussed the large difference in the data, advising that further consideration needs to be given to the underlying factors to understand why the forecast was higher for the

previous year. JCx identified this as a potential systematic problem, highlighting her concerns. DB advised that he would conduct enquiries into why there appeared to be such a large difference in the FES data presented, highlighting that if there is a fundamental flaw identified in the data provided by FES, this will need to be considered with an improved process going forward. DB advised he would collate some reflective data to present at the next Workgroup so that the Workgroup can consider whether there is sufficient material evidence to raise the issue elsewhere.

New Action 0402: NGT (DB) to conduct investigations with the FES team to understand if there are significant underlying factors causing the drop in gas demand.

NS highlighted that the difference in the data presented appeared to cast doubt on the robustness of the methodology. Significant judgment calls will be required if NGT are having to apply correction values of 50%, therefore better transparency is required to understand NGT's processes.

DB provided an overview of NGT's draft workings, highlighting that these figures do not relate to actual data. It was noted that for entry, there will be a reduction year on year due to the underlying existing contracts.

NS asked whether NGT would be able to provide the spreadsheets showing the data relating to the changes for industry to understand the changes. This will allow industry to validate the data and explore further, should they wish to do so. DB agreed to take an action and agreed that it would be helpful to show the information before the FCC is finalized at the end of May.

Closed

New Action 0403: NGT (DB) to conduct enquiries into the FES forecast and actions over the last 3-4 years to understand if the data is undervalued or incorrectly calculated.

Action 0303: NGT (KMc) to discuss with the PARCA team regarding where the termination fee goes in the event termination occurs following the acceptance of Phase 2.

Update: Please refer to the minutes for the UNC Workgroup 0869 below for further discussion on this outstanding action. The Workgroup agreed they were happy to close this action as a sufficient update had been provided. **Closed.**

1.4. Industry Update from Ofgem

Donald Lam (DL) referred to the Ofgem Expected publication dates timetable at [Code modification/modification proposals with Ofgem for decision - Expected publication dates timetable](#) noting that an updated timetable had been published this morning:

- UNC0857 – DL advised that the expected date of decision has been confirmed as 19 April 2024.
- UNC0854 – This Modification had gone to Panel in March so is due to go to Ofgem soon.

DL advised that the reform information was discussed at Panel in March. The full presentation pack for the Code Reform can be found on Ofgem's website.

CWi highlighted that Ofgem had recently published a statutory consultation regarding license changes with a large amount of information being published.

CWi provided a link to the website, advising that the Gas Special Conditions is contained in Annex Q of the document. The relevant component is contained in Section 6.4 in tracked changes. CWi proposed preparing a draft to demonstrate the impact of this decision to present in the May Workgroup. The Workgroup agreed with this proposal.

New Action 0404: NGT (CWi) to prepare a draft to present to the Workgroup to demonstrate the impact of Ofgem's proposal regarding license changes.

Please refer to the presentation slides published for further details.

1.5. Pre-Modification discussions

There were no Pre-Modification discussions.

2.0 Workgroups

2.1. 0869 - Revision to the Calculation Methodology of the Security Amount for Planning and Advanced Reservation of Capacity Agreement (PARCA).

(Report to Panel 20 June 2024)

<https://www.gasgovernance.co.uk/0869>

3.0 Transmission Service Review

CWi provided an overview of the Transmission Service Review, advising that the presentation slides are a reflection of the discussions from the last NTSCMF meeting regarding the 50/50 split. The intention is to keep the analysis in support of discussions but to ensure the topic is not overly analytical.

CWi presented the feedback obtained by NGT from the March NTSCMF meeting.

The Workgroup discussed the usefulness of market analysis with Richard Hewitt (RH) advising that there is a point of view that transit of gas through the network rather than (LNG) cargos sailing around the country increase the utilisation of the network and thereby reduce the average costs to customers. CWi advised that NGT are not at the stage to consider market analysis just yet, however, they will be reflecting on a previous Modification as a basis for conducting the market analysis. If an impact assessment is required, then this is likely to fall to Ofgem.

CWi advised that any views on LNG are welcome, highlighting this as an area for further consideration. LNG discounts might be built into a Modification, if there is merit to do so.

The Workgroup discussed the relevant objective in terms of the Change proposal. JCx advised of the importance of understanding what the Workgroup is trying to achieve and if the current split was amended, what impact would this have. JCx also queried whether NGT are looking to deal with this internally, advising that there are likely to be views that are different amongst various industry participants. CWi noted this point, confirming that he was on board with the idea of using the relevant objectives as an anchor point to give perspective.

4.0 NTS Gas Charging Consultation

CWi provided a very brief verbal update advising that NGT have not yet published a report. This will be done for the next NTSCMF meeting.

5.0 Capacity and Revenue Routine Reporting

Kieran McGoldrick (KMc) provided the Workgroup with an update, advising that NGT had not yet completed a full analysis of the data presented as they had only obtained them this morning.

An issue NGT noted was in relation to the mildest February recorded and the graphs presented demonstrate the difference in data for February 2023 and February 2024 which highlights the reduction in demand.

KMc highlighted that the entry revenue has been reduced due to the existing capacity which explains the difference, this appears to be due to higher flows using existing capacity.

JCx asked what the prediction is likely to be for March however KMc advised that NGT do not wish to speculate however everyone is aware it has been a mild winter.

6.0 Any Other Business

EF raised the issue tracker and recommended that this be added as an agenda item for further discussion at the next NTSCMF meeting. There are likely to be a few items that can be closed due to recent Ofgem decisions and a few items to be added in light of the work currently being conducted by NGT. EF informed the Workgroup that they may wish to review the issue tracker ahead of the next meeting which can be found on the Joint Office website.

AA provided a reminder to the Workgroup that the periodic consultation required under Article 26 of the Tariff Network Code was published on 16 February and is due to close on 16 April. For anyone who wishes to respond, they have until 16 April to do so. Please use the following link: [Gas Charging Discussion \(GCD\) Papers | National Gas](#)

7.0 Diary Planning

NTSCMF meetings are listed at: <https://www.gasgovernance.co.uk/NTSCMF>

All other Joint Office events are available via: <http://www.gasgovernance.co.uk/events-calendar/month>

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Tuesday 07 May 2024	5pm Friday 26 April 2024	Microsoft Teams	Standard Agenda
10:00 Tuesday 04 June 2024	5pm Friday 24 May 2024	Microsoft Teams	Standard Agenda
10:00 Tuesday 02 July 2024	5pm Monday 24 June 2024	Microsoft Teams	Standard Agenda
10:00 Tuesday 06 August 2024	5pm Monday 29 July 2024	Microsoft Teams	Standard Agenda
10:00 Tuesday 03 September 2024	5pm Friday 23 August 2024	Microsoft Teams	Standard Agenda

NTSCMF Workgroup Action Table						
Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0301	05/03/2024	1.1	NGT (CWi) to decide whether a meeting to discuss the mechanism of the of Capacity Neutrality is to take place as a separate agenda item at the next NTSCMF meeting or whether a separate, stand-alone meeting is required for discussions.	March 2024	NGT (CWi)	Carried Forward

NTSCMF Workgroup Action Table						
Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0302	05/03/2024	1.3	NGT (DB) to provide an explanation of the data and any exceptions or assumptions used in the development of the indicative FCC in advance of calculating the FCC.	March 2024	Ofgem (JG)	Closed
0303	05/03/2024	1.3	NGT (KMc) to discuss with the PARCA team regarding where the termination fee goes in the event termination occurs following the acceptance of Phase 2.	March 2024	NGT (CWi)	Closed
0401	02/04/2024	1.3	NGT (DB) to conduct enquiries into whether the FES forecast is published. If not, NGT is to consider providing this data to industry.	May 2024	NGT (DB)	Pending
0402	02/04/24	1.3	NGT (DB) to conduct investigations with the FES team to understand if there are significant underlying factors causing the drop in gas demand.	May 2024	NGT (DB)	Pending
0403	02/04/24	1.3	NGT (DB) to conduct enquiries into the FES forecast and actions over the last 3-4 years to understand if the data is undervalued or incorrectly calculated.	May 2024	NGT (DB)	Pending
0404	02/04/24	1.4	NGT (CWi) to prepare a draft to present to the Workgroup to demonstrate the impact of Ofgem's proposal regarding license changes.	May 2024	NGT (CWi)	Pending

UNC Workgroup 0869
Revision to the Calculation Methodology of the Security Amount for
Planning and Advanced Reservation of Capacity Agreement
(PARCA)

Tuesday 02 April 2024

via Microsoft Teams

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Richard Fairholme	(RM)	Uniper
Ritchard Hewitt	(RH)	Hewitt Home and Energy Solutions
Tim Gwinnell	(TG)	SouthHook Gas

The Workgroup Report is due to be presented at the UNC Modification Panel by 20 June 2024.

This Workgroup meeting will be considered quorate provided at least two Transporter and two Shipper User representatives are present.

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: <https://www.gasgovernance.co.uk/0869/020424>

1. Outline of the Modification

Kieran McGoldrick (KMc) provided an overview of this Modification, advising that once stage 2 is reached in the PARCA process, a PARCA security deposit is required. Historically, this has been done on the Weighted Average Price for the capacity and issues have been identified that arise since the adoption of the Postage Stamp charging regime was introduced in October 2020.

This is particularly relevant in respect of the differences in charges for storage and non-storage sites. This was illustrated on page 4 of the presentation.

The intention with this Modification is to bring the process in line with the current charging regime to ensure that calculations of the security amounts are more consistent. NGT did consider whether storage sites should be subject to a lower PARCA security charge but there did not appear to be a material justification for this. The discount in the capacity charge for storage sites is based on making them commercially viable in their operation whilst the costs associated with planning process of the connection to the NTS would be similar regardless.

The Modification Panel has asked the Workgroup to provide a view on whether this Modification should proceed under self-governance procedures.

KMc provided a verbal update on the termination fees (in relation to the outstanding action 0303) in which it was discussed that NGT's costs are deducted from any amount returned. If there is a shortfall, this will be taken from the allowed revenues and it was confirmed that this would relate to Transmission Services. It was agreed that a sufficient update had been provided and Julie Cox (JCx) advised she was happy to close this action.

In relation to the security deposit, Nigel Sisman (NS) asked whether this was considered inadequate as part of the 2020 pricing change. KMc advised that this is a separate issue and he would need to discuss further with the PARCA team. NS advised that prior to the 2020 regime, his understanding was that the security deposit was considered in relation to the weighted charge however this figure actually derives from the commodity charge. Today, NGT would need to consider a much larger weighted charge and as a result, NS queried whether there was any justification for doing so. If the security deposit was considered sufficient prior to October 2020, NS queried why this would change now. KMc highlighted that the PARCA Modification is over 10 years old and was set up due to geographical disparity in prices. The Modification states that the average capacity price was considered fair at the time PARCA was set up.

On page 6 of the presentation KMc illustrated the proposed change to the rates. Colin Williams (CWi) emphasised that the changes are relatively small. KMc highlighted that the intended step change is unlikely to have an effect on anyone. In relation to this point, JCx added that there will not be an effect on existing contracts due to them being locked in at the point of reservation at the start of stage 2 however there will be an effect on future projects. This position was confirmed by KMc.

JCx recalled that at the time PARCA was created, it was a capacity-related mechanism and it was developed in a way to ensure that NGT's costs were covered. JCx noted that very few projects require new build and that where substitution or no build is required then customers may be locking up more money than is appropriate. JCx asked NGT to consider whether the PARCA remained appropriate and asked this to be added to the CMF Issues Tracker.

In relation to the points on Page 8 JCx highlighted that the incurred cost may vary every day and that it will be helpful to have some analysis. KMc agreed that analysis of responses to the points posed by Panel will be shared with the Workgroup at the next NTSCMF meeting. EF advised that these responses will form part of the Workgroup Report and the views of the Workgroup will be captured.

The Workgroup then discussed the situations where NGT's costs had exceeded the security deposit over the past 10 years, an analysis which is to be conducted by the PARCA team.

In relation to the third question on the agenda (Consider the cash-flow / loan impacts to applicants in respect of the security deposit.) JCx advised that a response to this might be difficult to quantify, NGT also appeared to be unsure of how to formulate a response to this question. There appear to be some general questions that can be considered in terms of the costs associated with holding a credit rating, a letter of credit or posting a security. In response to this, JCx asked if a company has a credit rating, does this mean they will not need to provide a letter of credit as an assurance. CWi confirmed this position was correct, adding further that it is likely that the smaller companies will need to provide a letter of credit. This point was

acknowledged and it was discussed that the way in which the security deposit is required may cause some parties to incur a cost and others may not. This is an area for the Workgroup to discuss further.

Please refer to the presentation slides published for further details.

2. Initial Discussions

2.1 Issues and Questions from Panel

Please see notes above to the following Panel Questions

Question 1: Pricing Methodology and pricing structure to be clarified.

Question 2: What has been the cost to NGT over the past 10 years relative to if the proposed methodology had been adopted?

Question 3: Consider the cash-flow/loan impacts to applications in respect of the security deposit.

2.1 Initial Representations

None received

2.2 Terms of Reference

Please see discussion at point 1.

As matters have been referred from Panel a specific Terms of Reference will be published alongside the Modification at www.gasgovernance.co.uk/0869

3. Next Steps

None.

4. Any Other Business

None.

5. Diary Planning

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10:00 Tuesday 04 June 2024	5pm Friday 24 May 2024	Microsoft Teams	Conclusion of Workgroup Report