

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 07 May 2024
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Harmandeep Kaur (Secretary)	(NB)	Joint Office
Adam Bates	(AB)	SEFE Marketing & Trading
Adaeze Okafor	(AO)	Equinor
Alex Nield	(AN)	Storenergy UK
Amy Howarth	(AH)	Storenergy UK
Ash Adams	(AA)	National Gas Transmission
Carlos Aguirre	(CA)	Pavilion Energy
Colin Williams	(CWi)	National Gas Transmission
Chris Wright	(CW)	Exxon Mobil
David Bayliss	(DB)	National Gas Transmission
Davide Rubini	(DR)	Vitol
Donald Lam	(DL)	Ofgem
Emma Robinson	(ER)	EON Energy
Helen Bennett	(HB)	Joint Office
Julie Cox	(JCx)	Energy UK
Kieran McGoldrick	(KMc)	National Gas Transmission
Lauren Jauss	(LJ)	National Gas Transmission
Lucy Manning	(LM)	BP
Mariachiara Zennaro (until 10:59)	(MZ)	Centrica
Nick Wye	(NW)	Water Wye Association
Nigel Sisman	(NS)	Sisman Energy Consultancy Limited
Paul Bass	(PB)	Ofgem
Richard Fairholme (from 10:36)	(RM)	Uniper
Ritchard Hewitt	(RH)	Hewitt Home and Energy Solutions
Tim Gwinnell	(TG)	South Hook 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/040624>

1.0 Introduction and Status Review

Eric Fowler (EF) welcomed delegates to the meeting and confirmed that the meeting was quorate.

1.1. Approval of Minutes (07 May 2024)

The minutes from the previous meeting were approved.

1.2. Approval of Late Papers

There were no late papers to approve.

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) advised that NGT is aiming to hold the meeting in July. CW advised that they had to slightly delay effort on this as the publication of 2024 pricing has had priority, however, they will come back to this and provide an update in the July NTSCMF meeting. EF queried whether the meeting would be held in person or remotely via Microsoft Teams. CWi confirmed that the meeting will be held via Microsoft Teams. **Carried Forward**

Action 0501: Hewitt Home and Energy Solutions (RH) to draft wording to be included in the tracker as a candidate for further debate at the next Workgroup, in relation to the establishment of NESO.

Update: EF confirmed that Ritchard Hewitt (RH) provided the text for the Tracker which has been updated accordingly. RH suggested amending the wording from NESO to ISOP. EF agreed to update with the current terminology. **Closed.**

1.4. Industry Update from Ofgem

EF advised that the Ofgem estimated decision dates timetable has not been updated since the previous meeting. Donald Lam (DL) advised that the Tariff Network Code (TAR NC) decision has been published and the Joint Office has forwarded the decision to the relevant parties.

EF informed the Workgroup that the Consultation for Modification 0877S closes on Friday, 7 June 2024.

1.5. Pre-Modification discussions

None.

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

Ash Adams (AA) provided an overview of the Transmission Services Review. AA advised that further to last month's meeting, the presentations for this meeting will help facilitate discussions around the Consumer Benefit with a change to the Entry/Exit Split. AA noted that he will also revisit the Relevant Objectives discussed in May's meeting.

Colin Williams (CWi) advised that with this discussion, NGT is trying to reflect on the way that effects are measured and potential impact on Consumers. The Consumer Impact is not a relevant objective but it is an overarching principle and it is important to think about the pricing effects roll into Consumer Effects. CWi welcomed input from parties on Consumer Impact and the assumptions used.

Julie Cox (JC) suggested taking this discussion to the Distribution Workgroup as well and explained that parties attending the Distribution Workgroup are closer to consumers than the parties in the Transmission Workgroup. JC noted that if NGT is trying to understand how fixed tariffs for customers are formulated, this Workgroup cannot go into a lot of detail. CWi agreed with JC's suggestion and noted that they need to focus on the linear relationship of some of the tariffs that go into retail as well as the non-linear relationships that do not.

Ritchard Hewitt (RH) queried how the Electricity Consumer Benefits will be captured. JC noted that some of this will be captured with the way it will be passed through Transmission and answers can also be obtained from the Distribution Workgroup as the parties there are suppliers to both Electricity and Gas networks if the right question is asked. AA explained that this point has been looked into as part of one of the sub-questions in the slides. RH highlighted that the wider impact of how this change will benefit the GB plc should be considered.

CWi suggested that a measure of success is that one tariff goes up and one goes down and the effect is neutral. JC offered that the big question is whether a reduction in Entry Capacity Charges is fully reflected in the NBP price which depending on the answer, will lead to two different paths of assessment.

Consumer Benefit Areas:

- **Improved safety and reliability:** AA noted that NGT do not believe that the Entry/Exit split arrangements will have an impact on safety or reliability. Lauren Jauss (LJ) disagreed and stated that she is not sure whether this can be determined at this stage as changes to the Entry/Exit Split may have an impact on consumer procurement behaviour and impact their operations. LJ explained that a lot of power generators are buying capacity in longer term tranches. If the exit price increases, Power Generators may be less inclined to buy capacity in long-term auctions. AA took note of LJ's comments. Chris Wright (CW) agreed with LJ.
- **Lower bills than would otherwise be the case:** RH explained that the key to assessing the above points is to split the consumer groups into Domestic Consumers, DNs, Chemical Industries, Interconnectors, Storage, etc. and to assess the different impacts on different consumers. EF noted that JC made a similar point in the May meeting. AA asked whether the Workgroup has any views on a particular consumer group and what impact it will have on them. CW asked whether there is anything to be learned from the process followed when exit charges were last restructured. AA agreed to look into this point. RH noted that the debate focusses on the effect of increasing exit prices and decreasing entry prices, however, a point to consider is what the aggregate charge impact would be. RH explained that if the entry charges are reduced, the exit charges do not go up by the same amount. If a shipper is transporting gas across the NTS the aggregate charge is lower and this could encourage more transit gas shipping. RH suggested that this is an example of how the benefit could accrue. Nigel Sisman (NS) highlighted that parties should be careful about mixing up ideas about price and revenue recovery. NS explained that capacity booking strategies play a role here and although it might appear you can take out a lot of price out of Entry, for a small change in Exit, care is needed as the small change is applied to a much higher base because of the higher level of bookings at exit. NS asked that these points be considered carefully. LJ agreed. EF summarised that there are two moving parts in play. Firstly, given that NGT needs to collect a certain total amount of revenue then greater utilisation allows the price per unit would go down. The second layer is that in terms of capacity booking behaviour and there is not an exact match between the capacity and commodity usage. The booking behaviour may be different against different groups and if the behaviours are broken down, NGT may start to get an answer. JC noted that this is a complex problem and when unpacked, it could be that there are different impacts on different consumers. JC suggested that seeing how entry prices impact NBP prices needs to be understood as most gas is traded at NBP.
- **Reduced environmental damage:** AA advised that NGT does not believe the Entry/Exit split arrangements impact this area. JC noted that if flows change which results in increased or decreased compressor usage could have an effect but it would be a second or third-order effect.

- **Improved quality of service:** AA advised that NGT does not believe the Entry/Exit split arrangements impact this area.

The Workgroup did not raise any questions or concerns about this Consumer Benefit Area.

- **Benefits for society as a whole:** AA raised the following points.

- Would a change lead to economies of scale and increased throughput?
RH noted that increased throughput should reduce the transportation charges and from a theoretical perspective, it reduces total charges.
JC highlighted that considering this point in the NetZero context, a decline in demand has been seen which is expected to continue. JC noted that increasing the demand from where it currently is may be a bit of a stretch. JC questioned whether that would be a good thing.
- Would competition be enhanced for non-domestic customers?
JC suggested that with postage stamp charges competition between parties is unlikely to change. RH noted that it depends on who they think they are competing against. If looking at competition on a world stage, then lower charges for GB manufacturers could make them more competitive. CWi noted RH's point and added that the notion of increasing competition links to relevant objectives when considering change proposals. CWi highlighted that understanding how competition is interpreted is key.
Nick Wye (NW) raised a concern about looking at this point in isolation. NW explained that the gas prices are high at 90pence per therm and also volatile and the reality is that the changes being discussed here of 1 or 2p per therm are minute in terms of what consumers pay. NW highlighted the importance of getting perspective on the impact of the change and the total cost customers are paying. NS responded that the prices are significant. NS explained that the new prices published for entry capacity last week for next year, is around 4p and is significant. NS highlighted that part of the issue is the effect of existing contracts.
- Could a change make GB a more attractive place to land gas?
Richard Fairholme (RF) noted that when talking about landing gas, a couple of pence cheaper is unlikely to divert a LNG Cargo. Each entry point has its drivers as well. RF noted that the idea that gas will come flooding in by reducing the charges needs to be tempered. Tim Gwinnell (TG) agreed and stated that from the LNG perspective, the UK would be more attractive if entry is reduced, however, it is hard to say how much it will improve.
RH also agreed and added that 2 or 3% reduction is still a significant figure to help decide where a cargo wished to land. RF responded that if looking at other countries and markets, the absolute cost for gas may outweigh the reduction in entry prices.
NW highlighted that there may be a case to be made that reducing any charges may be beneficial to certain players. NW referred back to his earlier point about the total cost impact on customers and explained that entry is slightly different. There may be that specific work can be done on different types of suppliers' relation to costs and comparative testing can also be done. NW explained that he is trying to differentiate between customers and producers/suppliers.
JC responded to RH's comment about the comparison with gas entering European markets and noted that we need to make sure we are comparing like to like. JC highlighted concern with creating something that is supposed to bring more LNG in, it may mean differentially treating customers.
- Impacts on the electricity market?

JC noted that the impact depends on whether there is a reduction in the NBP Price. If the prices for generation go up, they will get passed through to electricity customers and there is the potential of having a multiplying effect in the electricity market where gas is marginal generator setting the wholesale price.

RF agreed and noted that NESO could bring something to the table in relation to this. EF asked LJ to restate the point about booking behaviours and economic incentives created by modifying exit charges. LJ agreed with points raised by JC and RF and stated that the volumes that electricity generators will be buying in terms of capacity and how they recover those costs are important.

- Impact on stability/volatility of the tariffs and subsequent consumer impacts.

JC noted that if this point is being considered in light of the existing contract, this would be a short-term impact. JC noted that if this change is implemented from October 2027, the existing contracts will be largely done by then. AA agreed that the existing contracts play a part, however, the point would remain even without the existing contract because of the way DNs book their capacity. JC noted that this would mean that, as DNs book most of the capacity, the biggest cost impact would be on domestic consumers.

NS highlighted a massive cross-subsidy issue going on in respect of the existing contract holders and those that have to buy capacity. NS asked what NGT forecast is for the cross-subsidy between existing contract holders and those looking to buy capacity next year is because although there will be a reduction in the amount the existing contract issue will remain for several years. CWi noted that the issues disappear in 2030 and agreed to look into the underlying impact of the existing contract across the next couple of years.

NW commenting on the existing contract highlighted that looking at historical bookings, storage book winter quarters during the time of low prices. NW noted that the storage facility may change its strategy based on the new prices, therefore, it is not a straightforward comparison of what the cost was previously and what the cost is now. NW added that you can get the average price of the contract, the prevailing price capacity, and the revenues from sales and compare using these figures. David Bayliss (DB) agreed with NW and explained how NGT derives the FCC and prices.

NW queried whether NGT draws a comparison between storage facilities that are drawing capacity. DB confirmed that NGT bases its forecast for each site on the sector average of non-existing capacity holders' bookings above their flow profiles.

RF asked whether NGT will be focusing on specific splits as the answers to the questions raised will differ based on the split. AA advised that they have not decided on the exact scenarios that they will prepare the split on, however, they will look to cover several different scenarios.

Re-visiting the key Relevant Objectives:

AA presented the Relevant Objectives shared with the Workgroup in the last meeting to review the discussion summary. AA asked Workgroup Members to point out any points that they believe do not reflect the discussions in the previous meeting or if they would like further information to be noted.

The Workgroup did not raise any concerns on comments in relation to points a, b, d, and e of the Relevant Objectives.

Point c: NGT had not recorded any comments from the previous meeting for this point. JC suggested adding notes further to the non-discrimination, differential dilemma discussed earlier in the meeting. EF noted that an argument could be made that all domestic consumers see the same thing, however, there can be distinctions between the different groups.

Point g: AA clarified that the Workgroup had discussed that the Netherlands has a 70/30 split, however, they have checked the split and it is a 40/60 split, therefore, the comments in this point have been amended accordingly. AA added that the Netherlands is looking to introduce a 20% LNG discount for 2025 and 2026. RF noted that several points play a part, in addition to the split and the LNG discount, such as the gas terminal in the Netherlands has a lower fee for using the facility when compared to the UK facilities. RF explained that the fees customers pay to use the facilities also play a part and radical changes would be required in the UK to try and attract cargo.

Adam Bates (AB) noted that care is needed when considering LNG discounts as it is only a quarterly discount. AB added that this is not a daily discount and it is not fixed in the methodology.

Re-visiting the key Relevant Charging Objectives:

The Workgroup did not raise any concerns on comments in relation to points aa, d and e of the Relevant Charging Objectives.

Point a: AA noted that NGT needs to conduct further investigations to look into the splits and discounts used by other countries so that the comparison is accurate. RF explained the the Netherlands and Germany are more reliant on LNG when compared to the UK, therefore, they would want to make it more attractive. RF noted that there are politics behind the splits. In the UK, the government and Ofgem have tried not to favour a particular type of supply which is why it has ended up with a 50/50 split. AB agreed and further explained that in Germany, all the LNG terminals are new and discounts incentivise people to book in advance. These countries also do not have long-term existing contracts. AB noted that all these points need to be taken into account when comparing to other markets. AA agreed.

Point b: RH asked whether it is worth looking into any significant changes in the gas being utilised directly from NTS since the 50/50 split was fixed. NW added that the split was introduced in 1997. JC pointed out that this would lead to a lot of research and she was doubtful about whether the research would be of value. RH explained that a lot of manufacturing has left the UK and he wondered whether the impact should be noted. AA agreed to consider the point. EF suggested doing a high-level analysis only which might show whether the utilisation of NTS by different customer classes has changed dramatically.

RF noted that the UK has had the split for a long time, whereas the European countries may have only introduced theirs when NC TAR came in.

Point c: EF suggested extending the word 'benign' to 'transparent and predictable' as these are the two factors that would distort competition. Workgroup members agreed with EF.

Next Steps:

AA confirmed that the focus for the July NTSCMF meeting will be on the development discussions on status quo vs potential changes and analysis supporting discussions.

JC queried whether NGT has already decided that a change is a good thing citing NGT's response to the TAR NC Ofgem consultation. AA confirmed that the response JC refers to came from a third party and not NGT adding that as NGT raised the consultation, they could not respond to it. JC asked how NGT internally will take forward all the discussions to consider whether a Modification is raised or not.

CWi explained that they have been noting down all the discussions about tariffs within the previous year or two. They will talk about them a bit more in the next month and note any thoughts, issues, and concerns about the tariffs going forward. CWi noted that they do not want to have discussions forever without a change, however, they also want to ensure that they have a comprehensive discussion about this.

NW queried the scope of the work as when it started, it was about the Entry/Exit split. CWi explained that initially, the emphasis was on the Entry/Exit split and the consideration of LNG specifically came from the Workgroup discussions. CWi noted that whether or not LNG will be

part of a change remains to be decided. NW asked whether other areas of the change could also be included with this or are there limitations. CWi advised that the primary focus is on the NTS entry/exit split and the other topics can be discussed separately. AB asked whether LNG discounts would be part of the analysis. CWi advised that the scenarios they will model will keep the status quo for everything except for the NTS split.

RF asked what analysis is being brought back in July and noted that it would be useful to show a 0/100 split analysis to the Workgroup before trying different splits. CWi advised that they plan on doing 0/100 split analysis and 75/25 split analysis in both directions. RF noted that as the analysis is complicated, it may be easier to do one analysis by July and then do the rest after. CWi agreed that they will do the 0/100 first and only complete the 75/25 analysis if they have time.

JC suggested providing an overview of how NTS Charges get translated into DN charges which they pass onto Shippers. CWi confirmed that they are working with DNs to outline the basics. JC highlighted the importance of DNs attending these Workgroups.

For full details please refer to the published slides.

4.0 Non-Transmission Service Reform

EF confirmed that an update on this Non-Transmission Service Reform will be provided in July.

5.0 Issue Tracker

EF advised that the Issue Tracker was reviewed in great detail in the May NTSCMF meeting. EF invited parties to review the tracker for comments from last month. EF informed parties to email JO if they have any questions or issues to raise.

6.0 Any Other Business

a. Kieran McGoldrick (KM) advised that the Capacity Revenue Report has not been produced yet as the data was not available. KM agreed to share the Report with JO by the end of the week. The Workgroup Members expressed a preference for the report to be published along with the minutes.

b. CWi advised that NGT will publish another notice about the tariffs published during the last week of May. CWi advised that a webinar will be held on 25 June 2024 and invited people to register by following the link in the notice.

JC noted that the tariffs did not include any background information about the source of the data. DB explained that Section 6 of the Information Revision Pack covers the demand forecast and the revisions made. DB noted that they hoped this would meet the requirements. JC asked whether the demand forecast had been applied uniformly. DB explained that within the FCC methodology, the demand is applied as part of the normalisation process.

JC asked whether it is possible to get a link to where the data comes from. DB explained that the FCC data is published twice but not in the same format NGT uses. The FES data gets published at a calendar year level. NGT has added the data provided as the forecast and the final numbers used. They have explained the difference between the data.

NS queried whether there was any reason why the trail of all the data could not be made available. DB explained that they will be going through the process of how the values were transposed from the PCF Model into the values that have gone into the Charging Model. This information will be published with the webinar. They will also be going through the FCC Methodology and the impact it has had on charging. JC asked whether the webinar will be recorded as she will be on leave. CWi confirmed that it will be.

NS asked whether there was any impediment to releasing the FCC worksheet and the calculations so that people could step through the full process. JC noted that this was provided in the first year. DB advised that it was shared as part of the Workgroup with

the members that attended when the FCC methodology was being revised. The site names were removed and it shows how the data flows and how it was used. NS noted that the historic consumption information should have been published as it is public information. DB explained that the data can be downloaded from the NGT data repositories, however, he is conscious of showing people's historic flow booking profiles and compared to other sites.

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 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
0501	07/05/24	7.0	Hewitt Home and Energy Solutions (RH) to draft wording to be included in the tracker as a candidate for further debate at the next Workgroup, in relation to the establishment of NESO.	June 2024	Hewitt Home and Energy Solutions (RH)	Closed

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

Tuesday 04 June 2024

via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Harmandeep Kaur (Secretary)	(HK)	Joint Office
Adam Bates	(AB)	SEFE Marketing & Trading
Adaeze Okafor	(AO)	Equinor
Alex Nield	(AN)	Storenergy UK
Amy Howarth	(AH)	Storenergy UK
Ash Adams	(AA)	National Gas Transmission
Carlos Aguirre	(CA)	Pavilion Energy
Colin Williams	(CW _i)	National Gas Transmission
Chris Wright	(CW)	Exxon Mobil
David Bayliss	(DB)	National Gas Transmission
Davide Rubini	(DR)	Vitol
Donald Lam	(DL)	Ofgem
Emma Robinson	(ER)	EON Energy
Helen Bennett	(HB)	Joint Office
Julie Cox	(JC _x)	Energy UK
Kieran McGoldrick	(KMc)	National Gas Transmission
Lauren Jauss	(LJ)	National Gas Transmission
Lucy Manning	(LM)	BP
Mariachiara Zennaro (until 10:59)	(MZ)	Centrica
Nick Wye	(NW)	Water Wye Association
Nigel Sisman	(NS)	Sisman Energy Consultancy Limited
Paul Bass	(PB)	Ofgem
Ritchard Hewitt	(RH)	Hewitt Home and Energy Solutions
Tim Gwinnell	(TG)	South Hook Gas

The Workgroup Report is due to be presented at the UNC Modification Panel by 15 August 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/0869/040624>

1. Introduction and Status Review

Eric Fowler (EF) welcomed delegates to the meeting and confirmed that the meeting was quorate.

1.1. Approval of Minutes (07 May 2024)

Nigel Sisman (NS) asked that the wording around one of his questions raised in the previous meetings be amended. NS noted that in item 3, paragraph 5, the wording “allowed with regulated revenues” should be “any interaction with either allowed or regulated revenues”. EF advised that the wording will be amended.

1.2. Approval of Late Papers

There were no late papers to approve.

1.3. Review of Outstanding Actions

There were no Outstanding Actions to review.

2. Development of Workgroup Report

EF confirmed that as per the last meeting’s discussions, he requested an extension from the Panel which has been approved to return to August.

Colin Williams (CWi) advised that National Gas Transmission (NGT) does not have an update to provide in this meeting. CWi explained that further to the comments and feedback, in the previous meeting they have been reflecting upon the structure of the proposal. CWi noted that the proposal is simple in what it is trying to do, however, the discussion and the questions around the elements of the proposal are leading the Modification in a different direction.

EF asked whether NGT is considering amending the Modification or withdrawing the Modification and proposing it again. CWi confirmed that these are the options being considered as there is no point in pushing forward a Modification where discussions are taking it elsewhere.

EF noted that NGT reflecting on the Modification is helpful for the Workgroup as it shows that NGT is taking on the feedback. EF queried whether the Modification would be able to comply with the timeline of going to the Panel in August. CWi advised that the Modification will not meet the August deadline if it needs to be amended.

Julie Cox (JC) highlighted that a Modification can only be amended so much while still staying on track. JC suggested that the cleaner option would be to withdraw the Modification and start again.

3. Next Steps

The proposer to advise on the next steps.

4. Any Other Business

None.

5. Diary Planning

Workgroup 0869 meetings are listed at: <https://www.gasgovernance.co.uk/0869>

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

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Tuesday 02 July 2024	5pm Monday 24 June 2024	Microsoft Teams	Conclusion of Workgroup Report