

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 05 November 2019
Via Teleconference

Attendees		
Rebecca Hailes (Chair)	(RH)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Adam Bates	(AB)	South Hook Gas
Andrew Pearce	(AP)	BP
Anna Shrigley	(AS)	Eni Trading & Shipping
Anupa Purewal	(AP)	E.ON Energy
Bill Reed	(BR)	RWE
Colin Williams	(CW)	National Grid
Dan Hisgett	(DHi)	National Grid
David O'Neill	(DON)	Ofgem
Debra Hawkin	(DH)	TPA Solutions
Graham Jack	(GJ)	Centrica
Henk Kreuze	(HK)	Vermilion Energy
Jeff Chandler	(JC)	SSE
Kamla Rhodes	(KR)	Conoco Phillips
Kirsty Ingham	(KI)	ESB
Laura Johnson	(LJ)	National Grid
Paul Youngman	(PY)	Drax Power
Pavanjit Dhesi	(PD)	Interconnector UK
Richard Pomroy	(RP)	Wales & West Utilities
Sinead Obeng	(SO)	Gazprom Marketing & Trading
Terry Burke	(TB)	Equinor

Copies of all papers are available at: <http://www.gasgovernance.co.uk/ntscmf/051119>

1. Introduction and Status Review

Rebecca Hailes (RH) welcomed everyone to the meeting and invited introductions.

1.1. Approval of Minutes (01 October 2019)

The minutes from the previous meeting were approved.

1.2. Modifications with Ofgem

David O'Neill (DON) provided an update on Modifications 0678 - Amendments to Gas Transmission Charging Regime and 0686 - *Removal of the NTS Optional Commodity Rate with adequate notice*. He confirmed that work on the two impact assessments and legal analyses continues and a 'minded to' decision is likely before the Christmas break. He reminded Workgroup that the Ofgem publishing moratorium starts on 18 December 2019 and finishes on 02 January 2020 and there will also now be the potential impact of an election 'purdah' (pre-election period)

prior to 12 December 2019.

In response to questions from Workgroup participants, he confirmed that:

- a. The election 'purdah' and Ofgem publishing moratorium are unlikely to make a significant difference but there may be a delay to any announcement until after the election purdah. He also suggested, that there may be a possibility that the decision is delayed until after the moratorium. DON also confirmed that UNC Modification consultations and decisions can still be published during the Ofgem publishing moratorium and Ofgem are considering publication of the 'minded to' decision letter for both Modifications before 20 December 2019.
- b. In terms of the internal decision-making process, Ofgem's governing body, the Gas and Electricity Markets Authority (GEMA), determines strategy, sets priorities and makes decisions. Minutes of these meetings are available on Ofgem's website (<https://www.ofgem.gov.uk/about-us/who-we-are/gas-and-electricity-markets-authority>). He confirmed that the last meeting was held in October.
- c. In terms of the decision(s), he clarified that this will be a 'minded to' decision in relation to both Modifications 0678 and 0686 and the standard 2-month consultation required by Article 26 of the EU Tariff Network Code will apply.
- d. In terms of an implementation or effective date for any new charges, DON indicated that he expected information on this to be included in the 'minded to' decision letter. He also indicated that this is likely to be covered as a consultation question.
- e. The regulatory impact assessment will run in parallel with the Article 26 consultation.
- f. All Modification 0678 Proposals are being analysed equally and proposals have not been short-listed for analysis.

DON concluded his update by confirming that decisions on Modification 0696 - *Addressing inequities between Capacity booking under the UNC and arrangements set out in relevant NExAs*; Modification 0667 - *Inclusion and Amendment of Entry Incremental Capacity Release NPV test in UNC* and Modification 0687 - *Creation of new charge to recover Last Resort Supply Payments* will follow in due course.

1.3. Pre-Modification discussions

None raised.

2. Workgroups

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

(Report to Panel 16 January 2020)

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

3. Forecasted Contracted Capacity (FCC) Review Update

3.1. FCC Methodology Issues Log

Laura Johnson (LJ) confirmed that no further input had been received for the FCC Methodology issues log.

Paul Youngman (PY) asked about timings and in particular, that if a final decision on Modification 0678 and its alternatives is not expected until Spring 2020, whether there would be any data available from National Grid for industry to consider. Colin Williams (CW) indicated that National Grid expected to share information with Workgroup as early as possible and when there is more certainty about timescales.

4. Update on Long Term Revenue Forecasts

This agenda item was not discussed, an update is expected at the December meeting.

5. Issues

None.

6. Review of Outstanding Action(s)

Action 0904: National Grid (JP) to provide more information in relation to the proposal to change the depreciation period from 40 to 25 years. In particular, to confirm the background to the decision and whether it applies to new or past investment.

Update: Dan Hisgett (DHi) provided a brief update confirming that there will be no change in relation to existing assets. He added that the change to a 25-year depreciation period will apply only to new investments. Workgroup agreed to close this action. **Closed**

Action 0905: National Grid (JP) to provide an explanation of why there is a 14% drop in entry charges between RIIO-1 and the 1st year of RIIO-2.

Update: DHi provided a brief update signalling that indicative numbers are based on the July 2019 Business Plan and will be updated following finalisation of the plan in December. It was agreed to carry this action forward to receive a further update in December.

Debra Hawkin (DH) asked if there is a suggestion that the figures could be different. In response, CW confirmed that National Grid will provide the most up to date figures in December 2019 or January 2020.

PY asked whether the next update would also include the explanation of the 14% drop. CW indicated that the update may or may not include the 14% drop in entry charges as the figures will be calculated based on the new regime and previously the calculations were performed on the basis of CWD in its simplest form.

Workgroup agreed that this action should be carried forward. **Carried Forward**

Action 0906: Workgroup to forward to National Grid any further issues related to the FCC methodology for inclusion on the issues log and discussion at the October meeting.

Update: LJ confirmed under agenda item 3.1 that no further issues have been received so Workgroup agreed to close this action. **Closed**

7. Any Other Business

None.

8. Diary Planning

A brief discussion took place on whether the next meeting should be held as a face to face meeting given the sparsity of discussion material. It was agreed that a decision to change to a teleconference meeting would be made by 5pm on Monday 25 November 2019 to allow sufficient time for travel arrangements to be made.

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 03 December 2019	Elexon, 350 Euston Road, London NW1 3AW	Standard Workgroup Agenda
10:00 Tuesday 07 January 2020	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Standard Workgroup Agenda
10:00 Tuesday 04 February 2020	Elexon, 350 Euston Road, London NW1 3AW	Standard Workgroup Agenda

Action Table as at 05 November 2019

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0904	03/09/19	3.0	National Grid (JP) to provide more information in relation to the proposal to change the depreciation period from 40 to 25 years. In particular, to confirm the background to the decision and whether it applies to new or past investment.	National Grid (JP)	Closed
0905	03/09/19	3.0	National Grid (JP) to provide an explanation of why there is a 14% drop in entry charges between RIIO-1 and the 1st year of RIIO-2.	National Grid (JP)	Carried Forward
0906	03/09/19	4.0	Workgroup to forward to National Grid any further issues related to the FCC methodology for inclusion on the issues log and discussion at the October meeting.	ALL	Closed