

NTS Charging Methodology Forum (NTSCMF) Minutes

Tuesday ~~05 May~~ 02 June 2020

Via Teleconference

Attendees		
Rebecca Hailes (Chair)	(RH)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alastair Lamond	(AL)	Intergen UK
Alex Nield	(AN)	Storengy
Andrew Pearce	(AP)	BP
Anna Shrigley	(ASh)	Eni Trading & Shipping
Bill Reed	(BR)	RWE
Chris Wright	(CWr)	Exxon Mobil
Christiane Sykes	(SC)	Shell Energy
Colin Williams	(CW)	National Grid
Dan Hisgett	(Dhi)	National Grid
David Cox	(DCx)	London Energy Consulting
David O'Neil	(DON)	Ofgem
David Mitchell	(DM)	CIA
Debra Hawkin	(DH)	TPA Solutions
Henk Kreuze	(HK)	Vermilion Energy
Iwan Hughes	(IW)	VPI Immingham
James Jackson	(JJ)	Sembcorp
Jeff Chandler	(JCh)	SSE
John Costa	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Julia Haughey	(JH)	EDF Energy
Kamla Rhodes	(KR)	Conoco Phillips
Kirsty Ingham	(KI)	ESB
Laura Johnson	(LJ)	National Grid
Lucy Manning	(LM)	National Grid
Mary Craig	(MC)	Ceres Energy
Nick Wye	(NW)	Waters Wye Associates Ltd
Nigel Bradbury	(NB)	EIUG
Nitin Prajapati	(NP)	Cadent
Paul Youngman	(PY)	Drax
Pavanjit Dhesi	(PD)	Interconnector UK

Penny Garner	(PG)	Joint Office
Richard Fairholme	(RF)	Uniper
Ricardo Rossi	(RR)	Centrica
Smitha Coughlan	(SC)	Wales & West Utilities
Steve Pownall	(SP)	Xoserve
Terry Burke	(TB)	Equinor
Thomas Bourke	(TBo)	Ofgem

Copies of all papers are available at: <http://www.gasgovernance.co.uk/ntscmf/02/06/20>

1. Introduction and Status Review

Rebecca Hailes (RH) welcomed everyone to the meeting and invited introductions. She noted that using Microsoft Teams participants could indicate they wished to speak using the 'raise your hand' feature and she would endeavour to allow plenty of time and opportunity for this.

1.1. Approval of Minutes (05 May 2020)

The minutes from the previous were then approved.

1.2. Approval of Late Papers

RH said that a late paper had been received from National Grid in relation to Modification 0670R which was an updated Scoping Document concerning secondary capacity. All agreed regarding acceptance.

1.3. Modifications with Ofgem

David O'Neil (DON) provided an overview as detailed below:

Modification 0678A and alternatives - Amendments to Gas Transmission Charging Regime

DON said that following the ~~earlier~~ Ofgem 'minded to' decision [published in December 2019](#) and the consultation process, [and further engagement with industry on the impacts of Covid](#), the Ofgem decision letter had ~~now~~ been published on 28 May 2020 approving the implementation of [RWE's Modification 0678A on 01 October 2020](#). ~~DON said that w~~[We need to implement these changes to ensure GB complies with the legislation that came into effect in May 2019. These changes will deliver significant savings to both gas and electricity consumers. Delaying the implementation of this decision - as some have argued - would delay these benefits, meaning higher bills than would have otherwise been for most consumers in the coming year. DON said Ofgem](#)~~We have carefully considered the implementation timing for this decision in light of the COVID pandemic (which became an issue after the consultation closed), and have concluded it is still~~~~-in consumers' interests to proceed with implementation in October. DON said Ofgem~~ ~~We set out our~~[its consideration of Covid in the decision.](#)~~He added that the overall timings had been considered in relation to COVID-19 and that Ofgem felt that delaying the implementation would have an impact on the GB compliance regulations and could cause higher bills to consumers if delayed.~~ DON confirmed the final impact assessment had also been published alongside the decision letter.

RH invited participants to make comments, no comments were made at this point.

Colin Williams (CW) said as the Ofgem decision had now been made with the implementation for 01 October 2020, the prices, which would include firm entry and exit capacity reference and reserve prices by Friday 05 June 2020. Indicative non-Transmission prices would be published by Friday 05 June 2020, with the final charges being published at the end of July 2020. Steve Pownall (SP) explained that Xoserve and National Grid would be publishing a range of communications regarding systems changes including new charge codes together with invoice and file types impacts in the next few days via the normal route of DSC updates.

CW added that a new Modification would be raised in relation to Section S, in alignment with Modification 0678A, which would be self-governance. Anna Shrigley (ASh) asked for clarification that the Revenue Recovery Charge (RRC) for Transmission Services would be zero on 05 June 2020? CW confirmed this was the case but that it may be updated if needed. If this were to be the case, the notice periods required under National Grid's license would mean they would give 1 month's notice indicating a change to the RRC.

ASh asked if it might be possible for National Grid to give an indicative RRC which would be useful from a planning perspective. CW said he would investigate this once all the Proposals had been presented.

New Action 0601: National Grid (CW) to confirm for the July NTSCMF meeting, if an indicative revenue recovery charge can be issued.

ASh said, she also wanted to know more about system applications and if CW could provide a formal 'tidy up' of the Gemini format changes. SP said that these would be communicated via the normal DSC process. Laura Johnson (LJ) also said that National Grid had sent a communication to the industry yesterday (01 June 2020) that contained a link giving more information.

Iwan Hughes (IH) wanted to know if the indicative charges that were to be published on Friday 05 June 2020 were in line with the CEPA analysis. CW confirmed that they would be different due to a different revenue values and that it would be 5 years' worth of prices. NW asked that from the non-Transmission charges timetable and the discount perspective, was the end of July too early to publish these? CW said that the normal timescales would be followed, however he added that if an 'in flight' new Modification was likely to alter these they would be amended, but again subject to the required notice periods.

Christiane Sykes (CS) sought clarification regarding how often the RRC could be changed. CW confirmed the intention was to change this as little as possible though there was scope to change it as many times as needed. Ricardo Rossi (RR) wanted to know if there was a threshold for the changing of the RRC, CW said there was no threshold as it was discretionary and balanced against the license requirements that National Grid aim to recover their costs as efficiently as possible and should aim to not over or under recover in any given year.

CW highlighted that a new Modification as referred to above in relation to changes to Section S would be raised in due course which would be likely to follow self-governance procedures and it may be possible to see a draft at the July NTSCMF meeting.

RH then asked for any further comments from the Workgroup and none were offered.

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

DON explained that Ofgem were still assessing this Modification 0686 and completing the analysis and he said a decision would be made in due course.

1.4. Pre-Modification Discussions

RH invited Nick Wye to talk about a new Modification being raised by Storengy in relation to storage discount. NW confirmed this was the case and said it was based on the premise of the original Modification 0717 - Increasing the Storage Transmission Capacity Charge Discount to 80%, and that the new Modification would be raised, requesting Urgency from Ofgem prior to close of play on Friday 05 June 2020.

In addition, please see minutes of Workgroup 0670R for new pre-modification discussions relating to Shorthaul.

2. Workgroups

2.1. 0670R - Review of the charging methodology to avoid the inefficient bypass of the NTS (Report to Panel 16 July 2020)

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

3. Forecasted Contracted Capacity (FCC) Review

3.1. FCC Methodology Issues Log

CW explained there was no update as discussions were still ongoing and that he would provide updates as the Modification 0678A moved towards implementation in October 2020.

RH said that if anyone had questions regarding FCC methodology to either raise them now in the meeting or to send them directly to the Joint Office at: enquiries@gasgovernance.co.uk or Colin Williams at: colin.williams@nationalgrid.com

Paul Youngman (PY) wanted to know if CW was intending to use the forecasted capacity from 2019 and CW said no that an updated version would be used.

Julie Cox (JCx) had a question for DON in relation to whether any arrangements had been made regarding the whole systems approach concerning the Networks amending their revenues and where the capacity bookings by the DNs were made. She also asked if anything had been put in place regarding the RIIO-2 Framework, as to where the bookings should be to encourage cost efficiency. DON said that the GDNs operated with a two year 'true-ing up process' ~~which would continue to apply and that there he did not see there would be any amendment to this procedure.~~ He added that in relation to the RIIO-2 he would investigate this area.

New Action 0602: Ofgem (DON) to provide clarification of any whole systems approach to the capacity bookings, with the aim of encouraging efficient locational bookings by the GDNs.

RH asked for comments from DNs present (Wales & West Utilities and Cadent) and Smitha Coughlan (SC) Wales & West Utilities said that how the allowances flow through year on year in relation to charges would mean there was not the huge cost as seen in RIIO-1. Nitin Prajapati (NP), Cadent said he had no comments. Nick Wye (NW) asked the DNs that, notwithstanding the two year true-ing up process (Y+2: 2 year lag) which was the normal process, what if there were a change in April 2021 with more immediate changes to the charges on the NTS DCN. SC said that this was correct and that it would be a quicker reflection of the allowance setting for RIIO-2.

4. Long Term Revenue Forecasts

CW and Laura Johnson (LJ) confirmed that the Long-Term Revenue Forecasts would now be published in July 2020, and explained the delay was as due to the COVID-19 impacts on the financial results, as these fed into the Long-Term Revenue Forecasts.

Henk Kreuze (HK) wanted to know in relation to the RRC if the capacity and commodity charges for all IPs were excluded and CW said these were capacity based and that the IPs would pick up the charge. John Costa (JCo) said in relation to the Long-Term Revenue Forecast, he assumed that due to COVID-19, the demand would be lower and so the prices would go to under-recovery. CW said this was being investigated presently and that comments would be made in due course in relation to the COVID-19 impacts. JCo requested that this topic was added to the July meeting agenda.

New Action 0603: National Grid (CW) to provide an update on the impacts of COVID-19 in relation to the Long-Term Revenue Forecast and under-recovery status.

JCx said that as the Long-Term Revenue Forecast was backward looking, she wanted to know if the approach was being adjusted to encompass the COVID-19 impacts. CW confirmed that the Long-Term Revenue Forecast did take a backward look, but that any exceptions such as COVID-19 would be highlighted with the reasons why. JCx said she wanted to see evidence of this and felt that the Long-Term Revenue Forecast needed to be better defined.

5. Issues

Deferred until the July meeting.

6. Review of Outstanding Action(s)

None to review.

Action Any Other Business

7. Diary Planning

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 07 July 2020	Via Teleconference	Standard Workgroup Agenda

Action Table (as at 02 June 2020)

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0601	02/06/20	1.0	National Grid (CW) to confirm for the July meeting, if an indicative revenue recovery charge can be issued.	National Grid (CW)	Pending
0602	02/06/20	3.0	Ofgem (DON) to provide clarification of any whole systems approach to the capacity bookings, with the aim of	Ofgem (DON)	Pending

			encouraging efficient avoiding locational bookings by the GDNs.		
0603	02/06/20	4.0	National Grid (CW) to provide an update on the impacts of COVID-19 in relation to the Long-Term Revenue Forecast and under recovery status.	National Grid (CW)	Pending