

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 08 September 2020
Via Teleconference

Attendees		
Rebecca Hailes (Chair)	(RH)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Andrew Pearce	(AP)	BP
Adam Bates	(AB)	South Hook Gas
Alex Nield	(AN)	Storengy
Alsarif Satti	(AS)	Ofgem
Anna Shrigley	(ASh)	Eni Trading & Shipping
Bill Reed	(BR)	RWE
Chris Wright	(CWr)	Exxon Mobil
Christiane Sykes	(CS)	Shell
Colin Williams	(CW)	National Grid
Dan Hisgett	(DH)	National Grid
Daniel Wilkinson	(DW)	EDF Energy
Dave Bayliss	(DB)	National Grid
Debra Hawkin	(DH)	TPA Solutions
Henk Kreuze	(HK)	Vermilion Energy
Jeff Chandler	(JCh)	SSE
John Costa	(JC)	EDF Energy
Julia Haughey	(JH)	EDF Energy
Kamila Nugumanova	(KN)	ESB
Kamla Rhodes	(KR)	Conoco Phillips
Mary Craig	(MC)	Ceres Energy
Nick Wye	(NW)	Waters Wye Associates Ltd
Paul Bedford	(PB)	Drax
Pavanjit Dhesi	(PD)	Interconnector
Richard Fairholme	(RF)	Uniper
Ricky Hill	(RH)	Centrica
Sinead Obeng	(SO)	Gazprom
Steve Pownall	(SP)	Xoserve
Thomas Bourke	(TB)	Ofgem

Copies of all papers are available at: <http://www.gasgovernance.co.uk/ntscmf/080920>

1. Introduction and Status Review

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

1.1. Approval of Minutes (04 August 2020)

Post Meeting Note:

The amended minutes from 04 August 2020 were not externally visible and not noted. As a result approval will be sought at the October meeting for the amended August minutes:

<https://www.gasgovernance.co.uk/ntscmf/040820>.

1.2. Approval of Late Papers

There were no late papers for approval.

1.3. Modifications with Ofgem

Thomas Bourke (TB) provided an update on the following Modifications, as detailed below:

Modification 0686 - Removal of the NTS Optional Commodity Rate with adequate notice. TB reiterated previous updates to advise that this Modification is still under consideration and is not considered to be a priority.

Modification 0716/A - Revision of Overrun Charge Multiplier. TB indicated that a decision will be made urgently. Workgroup highlighted the importance of a decision as early as possible before 01 October 2020 and where possible before 11 September 2020, to allow for business planning.

Modification 0727 (Urgent) - Increasing the Storage Transmission Capacity Charge Discount to 80%. TB confirmed that Ofgem are not undertaking an Impact Assessment for this Modification and a decision will be made as soon as possible.

Modification 0728/A/B/C/D (Urgent) - Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS. TB said that Ofgem expected to make a decision as soon as possible following completion of the Impact Assessment. TB was not able to provide an update on the likely publication date of the Impact Assessment, when asked.

1.4. Pre-Modification discussions

1.4.1. Transfer of NTS Entry Capacity from an abandoned ASEP

Nick Wye (NW) provided a brief overview of this pre-modification which had been shared with the Transmission Workgroup at the 06 August 2020 meeting. He explained that the purpose of the Modification is to enable the transfer of NTS Entry Capacity booked at “abandoned” donor Aggregated System Entry Points (ASEPs) to alternative recipient ASEPs where there is unsold entry capacity at the recipient ASEPs. He added that the transfer of capacity will be limited to an exchange rate that does not exceed 3:1. The exchange rate would be calculated by National Grid in line with the current substitution methodology.

In addition, where the entry capacity booked at the donor entry point is classified as Existing Capacity, the protections afforded to this entry capacity remain post-transfer i.e. the contracted auction price is honoured and Transmission Services Entry Revenue Recovery Charges (RRC) are not applied.

Bill Reed (BR) suggested that the Modification provides clarification of existing contracts and whether capacity will be reduced by the exchange rate. NW confirmed that existing contracts will be subject to exchange rates.

NW explained the reasons why this Modification is needed, highlighting that there is surplus capacity within the NTS and Entry Points may be abandoned, for example as a result of planned upstream projects not being completed. He stated that the Users are still required to pay National Grid for the capacity even though it is not going to be used. He suggested that the inability to transfer capacity inhibits new projects connecting to the NTS.

NW also confirmed the implications for EU compliance in terms of EU CAM and EU TAR.

RH asked Workgroup for views on whether this Modification is primarily related to transmission or charging, highlighting that there are clear knock-on effects on charges. She added that the Workgroup (once Panel approval is received) could be set up as a stand-alone Workgroup which could follow immediately after a NTSCMF meeting in terms of scheduling as NTSCMF currently has a lighter agenda than Transmission Workgroup. She asked CW to discuss this with Darren Lond (as National Grid's Panel Member).

NW agreed that there are connections with Modification 0678 and there are also knock-on impacts in relation to charging and Forecasted Contracted Capacity (FCC).

BR suggested that if capacity is transferred to an ASEP there could be a resulting revenue shortfall reflected in the Revenue Recovery Charge (RRC) and asked how this would be treated in-year.

NW confirmed that the transfer of capacity may have an impact on Entry Capacity Prices or RRC.

BR also suggested that there could potentially be a cross-subsidy issue and asked if the revenue shortfall liability should rest with the original owner transferring the capacity. Workgroup agreed that consideration should be given to any unintended outcomes of the transfer of capacity.

NW concluded his update by confirming that the proposer (Centrica) would like to implement this change as soon as possible.

Post Meeting Note: this Modification has now been raised, more details are available here: <https://www.gasgovernance.co.uk/0737>.

2. Workgroups

There are currently no Workgroups for discussion.

3. Forecasted Contracted Capacity (FCC) Review

3.1. FCC Methodology Issues Log

Colin Williams (CW) indicated that whilst there are no major updates at this present time, National Grid are considering what information can be provided in the new Gas Year (from 01 October) in relation to reporting on the performance of the FCC to help to give an indication of the likely RRCs for the year. He, therefore, suggested that this agenda item is retitled 'FCC Monitoring' and National Grid would aim to provide the first report from the December meeting.

Jeff Chandler (JC) asked if information related to the July surrender window could be shared earlier?

New Action 0901: National Grid (CW) to provide an update on the Exit Capacity July window at the October meeting.

4. Long Term Revenue Forecasts

CW confirmed that the next update would be provided in November/December.

5. Issues

None.

6. Review of Outstanding Action(s)

Action 0801: Ofgem (DON) to see if he can give clarification on the effect of any re-openers (and subsequent changes to allowed revenue) on charges and the timings of any changes, together with clarification as to whether the use of Revenue Recovery Charge (RRC) for recovery of such a change, is likely to be compliant with EU TAR.

Update: TB confirmed a written update:

- Ofgem published the RII02 draft determinations in July and are consulting on these until 4 September.
- Ofgem proposed to not update re-openers until determination and to exclude them from any forecasting. Ofgem asked stakeholders for their views on this proposal in Chapter 11 of the Finance Annex (FQ35):
https://www.ofgem.gov.uk/system/files/docs/2020/07/draft_determinations_-_finance.pdf
- Ofgem will consider as and when appropriate whether the use of Revenue Recovery Charge (RRC) for recovery of such a change is likely to be compliant with EU TAR.

Workgroup had a brief discussion in relation to EU compliance with JC asking Ofgem for an update on any progress in relation to the use of RRC and likely compliance with EU TAR and suggested that it would be helpful to avoid delays.

RH stated that it is also Workgroup and industry responsibility to consider EU TAR compliance and reminded workgroup that this had been covered under Modification 0687A. She asked why this issue is important currently. CW suggested that it is a timing issue in terms of when information is available for example the Ofgem price model is available around November/December and helps to inform tariffs and so in terms of re-openers there is a question about whether they can be re-forecasted in time.

NW suggested that there is an inconsistency between transparency and stability in relation to the primary objectives of the charging reform and recovery of revenue in the formula year. He also suggested that there is a contradiction between the objectives and Ofgem's apparent position on RRCs. He added that it would be helpful to understand when RRC can be used in the context of re-openers to help businesses to plan.

Alsarif Satti (AS) confirmed that Ofgem have not indicated that RRC cannot be used. He added that Ofgem are not in a position to provide a view on this until the draft determinations consultation responses have been reviewed. The consultation on the RII02 draft determinations concluded on 04 September 2020 and the final RII02 determinations will not be known until December so an update before this is unlikely.

A Workgroup participant also suggested that the volatility of charges in relation to re-openers is considered.

NW suggested that the impact on DNs is also considered.

RH closed this action and suggested that going forward, agenda item 7.2 is re-titled 'RIIO2 – implications for charging/volatility.

Closed

Action 0802: DNs and Ofgem to provide clarification of charge setting in the RIIO-2 period given the Modification 0678A change; and if there are any proposed changes with the mechanics of setting allowances and true-ups. Response required by 20 August 2020.

Update: TB confirmed a written update:

- Ofgem published the RIIO2 draft determinations in July and consulted on these until 4 September.
- Ofgem's proposals regarding allowances and re-openers are outlined in Chapter 11 of the Draft Determinations - Finance Annex:
https://www.ofgem.gov.uk/system/files/docs/2020/07/draft_determinations_-_finance.pdf
- These proposals formed part of the wider draft determinations' consultation.

RH stated that Northern Gas Networks (NGN) also provided a written update (published on the meeting page) but as NGN were not present at the meeting, RH briefly took Workgroup through the key impacts identified by NGN.

NW suggested that NGN and Scotia Gas are the networks most likely to be impacted by price increases (as identified during Workgroup 0678 assessments) and said it would be helpful to have an indication of future projections from April 2021 onwards.

RH formally thanked NGN for the update and closed the action.

New Action 0902: Joint Office to invite DNs to attend the January NTSCMF meeting to provide an update on RIIO2 and the price impact.

Closed

Action 0803: National Grid (CW) to provide NTS figures regarding the COVID-19 liquidity relief, with the value and percentage of cap per network.

Update: RH confirmed that this information had been provided and was included as post-meeting update to the August minutes and is also published on the Joint Office website :

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

Closed

7. Any Other Business

7.1. Capacity bookings vs FCC with potential impact on RRC (monthly update)

This agenda item was covered as part of agenda item 3.1.

7.2. Process for managing charging effects of any re-openers

This agenda item was covered as part of agenda item 6.0 Actions 0801 and 0802. CW indicated that National Grid would undertake some analysis to illustrate the potential scale of impacts in relation to re-openers.

7.3. National Grid Webinar

CW notified Workgroup that National Grid will shortly be issuing an invitation to industry to attend a short webinar which will explain the new charging arrangements from 01 October 2020. This is likely to be on 28 September 2020.

8. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

RH informed Workgroup that all industry meetings will take place via teleconference for the remainder of 2020.

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:00 Tuesday 06 October 2020	Via Teleconference	Standard Workgroup Agenda
10:00 Tuesday 03 November 2020	Via Teleconference	Standard Workgroup Agenda
10:00 Tuesday 01 December 2020	Via Teleconference	Standard Workgroup Agenda

Action Table (as at 08 September 2020)

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0801	04/08/20	4.0	Ofgem (DON) to give clarification on the effect of any re-openers (and subsequent changes to allowed revenue) on charges and the timings of any changes, together with clarification as to whether the use of Revenue Recovery Charge (RRC) for recovery of such a change, is likely to be compliant with EU TAR.	Ofgem (DON)	Closed
0802	04/08/20	6.0	DNs and Ofgem to provide clarification of charge setting in the R11O-2 period given the Modification 0678A change; and if there are any proposed changes with the mechanics of setting allowances	DNs and Ofgem (DON)	Closed

			and true-ups. Response required by 20 August 2020.		
0803	04/08/20	7.0	National Grid (CW) to provide relief NTS figures regarding the COVID-19 liquidity relief, with the value and percentage of cap per network.	National Grid (CW)	Closed
0901	08/09/20	3.1	National Grid (CW) to provide an update on the Exit Capacity July window at the October meeting.	National Grid (CW)	Pending
0902	08/09/20	6.0	Joint Office to invite DNs to attend the January NTSCMF meeting to provide an update on RIIO2 and the price impact.	Joint Office	Pending