

NTS Charging Methodology Forum (NTSCMF) Minutes

Tuesday 01 June 2021

via Microsoft Teams

Attendees

Alan Raper (Chair)	(AR)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Adaeze Okafor	(AO)	Equinor
Adam Bates	(AB)	South Hook Gas
Alex Barnes	(ABa)	Waters Wye Associates
Andrew Pearce	(AP)	BP
Anna Shrigley	(ASh)	Eni Global Energy Markets SPA
Anna Stankiewicz	(ASt)	National Grid
Ashley Adams	(AA)	National Grid
Aurora Goudeau	(AG)	RWE
Basi Jag	(BJ)	ESB
Carlos Aguirre	(CA)	Pavilion Energy
Colin Williams	(CW)	National Grid
Daniel Hisgett	(DHi)	National Grid
Debra Hawkin	(DHa)	TPA Solutions
Eric Fowler	(EF)	Joint Office
Henk Kreuze	(HK)	Vermilion Energy
Jeff Chandler	(JCh)	SSE
Julie Cox	(JCx)	Energy UK
Kieran McGoldrick	(KM)	National Grid
Laura Johnson	(LJ)	National Grid
Nigel Sisman	(NS)	Sisman Energy Consulting
Neville Henderson	(NH)	BBL
Pavanjit Dhesi	(PD)	Interconnector UK
Richard Fairholme	(RF)	Uniper
Richard Hewitt	(RHe)	on behalf of BBL
Rudi Streuper	(RS)	BBL
Terry Burke	(TBu)	Equinor
Thomas Bourke	(TBo)	Ofgem
Thomas Paul	(TP)	E.ON

Copies of all papers are available at: <https://www.gasgovernance.co.uk/ntscmf/010621>

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

1. Introduction and Status Review

Alan Raper (AR) welcomed everyone to the meeting.

1.1. Approval of Minutes (04 May 2021)

When Nigel Sisman (NS) voiced concerns that the minutes had only recently been published (25 May 2021), AR responded by advising that consideration would be deferred until the 06 July 2021 meeting in order to enable parties to have sufficient time to review.

1.2. Approval of Late Papers

None to consider.

1.3. Review of Outstanding Actions

0107: National Grid (CW) to provide documented explanation and diagrams detailing the relationship between the SO /TO and TS/non-TS revenue services.

Update: CW explained that unfortunately he was unable to provide a complete update at this time on account of National Grid resources being prioritised. However, he anticipates providing a full update at the 06 July 2021 NTSCMF Workgroup meeting.

In recognition of the above, it was agreed to carry forward the action. **Carried Forward**

0401: National Grid (CW) to consider the definition of TS-Related NTS System Operation Revenue within UNC TPD Section Y paragraph 1.5.1 (d) and whether it could be better defined.

Update: In noting that it is highly likely that the definition of TS-Related NTS System Operation Revenue within UNC TPD Section Y paragraph 1.5.1 (d) could be better defined. He anticipates providing an update at the 06 July 2021 NTSCMF Workgroup meeting.

In recognition of the above, it was agreed to carry forward the action. **Carried Forward**

0402: National Grid (CW) to provide an explanation of what the gas SO does and what it receives revenue for.

Update: CW noted that this action is related DSO Revenues and Income Treatment. Again, he anticipates providing an update at the 06 July 2021 NTSCMF Workgroup meeting.

In recognition of the above, it was agreed to carry forward the action. **Carried Forward**

0403: Ofgem (TB) to provide an update on SO incentive performance.

Update: In referring to the (email) update provided ahead of the meeting and published under today's meeting papers, TBo advised that Ofgem recognises National Grid's potential issue and that work is currently underway to devise an option to address concerns.

He went on to advise that his Ofgem colleague Max Lambert would be attending the forthcoming Distribution Workgroup meeting scheduled for 24 June 2021, in order to provide a further update.

In recognition of the above, it was agreed to carry forward the action. **Carried Forward**

0501: National Grid (CW) to provide detailed explanation of misalignment between Code and Licence including GAP analysis.

Update: In explaining that this is matter relates to the timing of any potential CMA decision (and that the TO and SO elements do not perfectly align). CW acknowledged that more work is required and anticipates providing an update at the 06 July 2021 NTSCMF Workgroup meeting.

In recognition of the above, it was agreed to carry forward the action. **Carried Forward**

When NS voiced his concerns around the potential delay in actioning the actions, AR responded by observing that in the case of the above outstanding actions, it is only Action 0107 which has been around for a while.

1.4. Modifications with Ofgem

In referring to the document published on the Ofgem web site, Thomas Bourke (TBo) provided an update on the anticipated decision dates associated with the UNC Charging related Modifications that are currently with Ofgem awaiting a decision, as follows:

[0686 - Removal of the NTS Optional Commodity Rate with adequate notice](#)

Ofgem have de-prioritised this Modification and the anticipated decision date is now circa 30/08/2021.

[0729 - Applying a discount to the Revenue Recovery Charge at Storage Points](#)

Ofgem is considering this Modification, and the anticipated decision date is now circa 02/08/2021.

In noting that the projected decision date is potentially after the October 2021 Charging Update date, Julie Cox (JCx) voiced her concern that Ofgem appear to be unwilling to ensure that their decision precedes the October date.

Responding, TBo explained that the decision dates proposed by Ofgem are provided as a guide only, (and a consequence of work prioritisation assessments and resource availability), and that where possible, Ofgem would endeavour to take all aspects into consideration in looking to provide an earlier decision.

[0737 - Transfer of NTS Entry Capacity from a Capacity Abandoned ASEP](#)

Ofgem is considering this Modification. A decision will be made in due course. and the anticipated decision date is now circa 30/09/2021.

[0739 - Aggregate overrun regime for Original Capacity held at the Bacton ASEPs](#)

Ofgem is considering this Modification. A decision will be made in due course. and the anticipated decision date is now circa 30/08/2021.

Once again, several Workgroup participants highlighted that a lack of a decision on some of these Modifications is causing uncertainty within the market.¹

1.5. Pre-Modification discussions

1.5.1. Results of study considering potential adjustments to the GB charging regime

Pavanjit Dhesi (PD) provided an overview of the '*Potential adjustments to the GB charging regime*' presentation, during which the following key elements (by exception) were noted:

Introduction - slide 2

It was noted that National Grid had only recently released a copy of the '*National Grid Open Letter on the Future of Transmission Charges - 28 May 2021*'.

NTS Tariffs – key points - slide 3

- Care is needed in interpreting the '*Tariff entry cost comparison across key European Markets*' graph;
 - European capacity booking regime is different to the GB equivalent;
 - Graphical representation provided identifies only part of the problem;
 - GB Capacity Charging behaviours are different to the Northern European equivalents;
- Some parties wondered whether the UK modelling could / should 'mirror' the European daily modelling in order to closer align the two;
 - Whilst GB utilises a multiplier of 1, adopting a daily based regime would not necessarily reduce costs;
 - Concerns voiced that the information as presented potentially misrepresents the actual situation, especially as a large majority of European capacity remains under utilised;

¹ A copy of the Ofgem Decision timing document can be found at: <https://www.ofgem.gov.uk/publications-and-updates/code-modificationmodification-proposals-ofgem-decision-expected-publication-dates-timetable>

- It was noted that perhaps UNC Request 0705R '*NTS Capacity Access Review*' would be better placed to investigate the options;
- It was pointed out that Northern European booking of capacity tends to be more longer term, which again differs from the GB market;
 - Some parties did not necessarily agree with that statement citing the fact that increasingly shorter term (monthly) bookings are taking place;
- It was acknowledged that perhaps a new GB Charging Regime model could be beneficial;
- It was noted that ACER had previously voiced their concerns relating to a Dual Regime and the potential distortion of the market related impacts (based on a 2022/23 and further out analysis);
 - It was suggested that in focusing on just a single (1) year of analysis, CEPA has perhaps not necessarily provided reflective or potentially beneficial information;
 - PD advised that in focusing attention on a 'limited' period the focus has been on addressing the immediate concerns and trying to identify the underlying issues, rather than allowing the problem to compound over time, and thereby potentially distort the market even further;
 - Noting that Ofgem had looked at a wider period in order to identify wider long-term issues, some parties believe this 'limited' focus is potentially misleading;

Study to consider whether adjustments would be in the consumer interest - slide 5

- CEPA provided the modelling for the UNC Modification 0678 (Urgent) '*Amendments to Gas Transmission Charging Regime*' suite of Modifications;
- As far as Options 2a, 2b and 2c are concerned, the 69%, 50% and 36% levels reflect what the Bacton level would need to be to 'match' the equivalent Northern European market Entry tariffs, with the 36% value potentially avoiding Cost Entry Tariffs;

GB NTS Tariff impacts when adjusting entry / exit split - slide 7

- In considering the 'NTS Entry Tariffs graph, PD confirmed that the 0.1017 value (2b 50% benchmarking) highlights that Bacton would have 50% of this tariff and that the aim is to treat entry splits equally;
- Some parties remained concerned that these proposals are simply looking to move monies around the market which potentially places the problem towards the Domestic Consumers;
 - Some parties remain of the view that Ofgem's previous decisions resulted in the dual regime;
 - Parties remain concerned that these proposals do not really resolve or address the underlying regime limitations (i.e. how existing contracts are treated etc.);
 - PD remains of the view that addressing the Entry / Exit split issues would be beneficial;

Adjustments lower wholesale prices – drive consumer welfare enhancements - slide 8

- When asked, PD confirmed that the CEPA modelling approach reflected the previous UNC 0678A (Urgent) '*Amendments to Gas Transmission Charging Regime*' and the more recent UNC Modification 0728B '*Introduction of*

Conditional Discount for Avoiding Inefficient Bypass of the NTS with 28km distance cap provisions;

- Concerns voiced that the proposals appear to be a ‘knee jerk’ reaction that unfortunately does not appear to satisfy longer term aims and requirements;
 - Responding PD explained the rationale behind the approach and outlined the perceived benefits alongside referencing other previous European countries decisions and initiatives;
 - The 35% / 65% split was selected after examining other Northern European countries and settling on a happy medium;
 - A 0% / 100% split is potentially more controversial, but could potentially remain an option;
 - JCx pointed out that in terms of entry / exit splits, she believes that the majority of European countries stayed with what arrangements already existed, rather than reacting (and making changes) to TAR changes;

Next steps slide 10

In summing up the debate, PD pointing out that UK TSOs are unable to formally raise a UNC Modification before thanking those present for their contributions and feedback during the review of the presentation;

AR then suggested that perhaps undertaking some (offline) bi-lateral discussions with potential modification sponsors may prove beneficial in progressing the matter.

2. Workgroups

2.1. 0765 - New retrospective debit and credit charges to reflect changes to the treatment of Entry Capacity Revenue between October and December 2020

(Report to Panel 21 October 2021)

<https://www.gasgovernance.co.uk/0765>

3. Issues

None to consider.

4. Forecasted Contracted Capacity (FCC)

4.1. FCC Methodology

Laura Johnson (LJ) advised that the *‘Forecasted Contracted Capacity (FCC) Methodology (the “FCC Methodology”)* document issue v2.0 (01 April 2021), effective for the reference and reserve prices applicable from 01 October 2021, had now been published and that this agenda item is essentially an ‘information update’ piece.

4.2. FCC Monitoring

CW explained that ongoing monitoring would focus on capacity performance versus forecast in order to identify benefits with the aim of building up towards next year.

5. Long Term Revenue Forecasts

CW explained that the revenue values (inc. derivation aspects etc.) for underpinning prices were published on Friday 28 May 2021 and as a consequence, should anyone have any questions or queries please contact him direct to discuss.

6. Any Other Business

6.1. Transmission Services Entry and Exit Capacity Reserve Prices effective from 01 October 2021

In referring to the updated Reserve Prices published on Friday 28 May 2021, CW made reference to the accompanying 'open letter' which was provided earlier in the day (Tuesday 01 June 2021), noting in summary that:

- The 'open letter' links to the revenue value;²
- Links to the revenue deferral elements and their effect on prices (perceived as a temporary measure);
- Mathematical related elements are highlighted within the letter;
- Timescales for October 2022 and beyond considered;
- Not all issues maybe fixed by these updates, and
- National Grid Webinair to be arranged shortly.

When asked whether National Grid would be looking to avoid a mid-year update to their prices, CW responded by explaining that in recognising the timescales focus on 2022, the wider context had also been taken into consideration.

Responding to a question as to whether the 'open letter' is bound by the UNC TAR (hardline) rules, or whether there is any scope for deviation (flexibility), should the need arise, TBo explained that Ofgem are bound by UK Law and therefore are obliged to comply. However, Ofgem are aware that National Grid would be looking closely at this matter and that perhaps discussions would take place between both parties in due course (or when required) – but noted that this would not seek to change primary or secondary legislation.

It was noted that the TAR has already been moved into UK Law as a 'statutory instrument' (in essence secondary legislation), and that further discussions with other bodies and interested parties might be needed in future including the possibility of suggesting some potential TAR amendments.

CW advised that National Grid are exploring potential aspects and ideas around isolated versus consolidated structural points with the view to providing a possible update during the course of June / July 2021.

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 06 July 2021	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 03 August 2021	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 07 September 2021	Via Microsoft Teams	Standard Workgroup Agenda

² Please note: a copy of the National Grid 'open letter' is available to view and/or download at: <https://www.nationalgrid.com/uk/gas-transmission/charging/gas-charging-discussion-qcd-papers>

10:00 Tuesday 05 October 2021	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 02 November 2020	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 07 December 2021	Via Microsoft Teams	Standard Workgroup Agenda

Action Table (as of 01 June 2021)

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0107	05/01/21	5.0	National Grid (CWi) to provide documented explanation and diagrams detailing the relationship between the SO /TO and TS/nonTS revenue services.	National Grid (CWi)	Carried Forward
0401	12/04/2021	1.3	National Grid (CWi) to consider the definition of TS-Related NTS System Operation Revenue within UNC TPD Section Y paragraph 1.5.1 (d) whether it could be better defined.	National Grid (CWi)	Carried Forward
0402	12/04/2021	1.3	National Grid (CWi) to provide an explanation of what the gas SO does and what it receives revenue for.	National Grid (CWi)	Carried Forward
0403	12/04/2021	1.3	Ofgem (TB) to provide an update on SO incentive performance.	Ofgem (TBo)	Carried Forward
0501	04/05/2021	1.3	National Grid (CWi) to provide detailed explanation of (mis)alignment between Code and Licence including GAP analysis	National Grid (CWi)	Carried Forward