

**NTS Charging Methodology Forum (NTSCMF) Minutes**  
**Tuesday 07 November 2023**  
**Via Microsoft Teams**

<b>Attendees</b>		
Helen Bennett (Chair)	(HC)	Joint Office
Harmandeep Kaur (Secretary)	(HK)	Joint Office
Adam Bates	(AB)	SEFE
Alex Nield	(AN)	Storengy
Alistair Craig	(AC)	Ofgem
Amy Howarth	(AH)	Storengy
Anna Shrigley	(AS)	Eni
Alsarif Satti	(Asa)	Ofgem
Anthony Miller	(AM)	South Hook Gas
Ash Adams	(AA)	National Gas Transmission
Carlos Aguirre	(CA)	Pavilion Energy
Christiane Sykes	(CS)	Shell
Chris Wright	(CWr)	Exxon Mobil
Colin Williams	(CWi)	National Gas Transmission
Conor McClarin	(CM)	National Gas Transmission
David Bayliss	(DB)	National Gas Transmission
Emma Robinson	(ER)	E.ON
Gavin Williams	(GW)	National Gas Transmission
Joseph Glews	(JG)	Ofgem
Julie Cox	(JCx)	Energy UK
Kirsty Appleby	(KA)	National Gas Transmission
Lauren Jauss	(LJ)	RWE
Mariachiara Zennaro	(MZ)	Centrica
Marion Joste	(MJ)	Eni
Nick Wye	(NW)	Waters Wye Associates
Nigel Sisman	(NS)	Sisman Consult
Oliver Weston	(OW)	Ofgem
Oreoluwa Ogundipe	(OO)	Interconnector
Richard Hewitt	(RH)	Observer Hewitt Home and Energy Solutions
<p><i>Please note that NTSCMF meetings will be quorate where at least six participants are attending, of which at least two shall be Shipper Users and one Transporter is in attendance.</i></p> <p><i>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: <a href="https://www.gasgovernance.co.uk/ntscmf/071123">https://www.gasgovernance.co.uk/ntscmf/071123</a></i></p>		

**1. Introduction**

Helen Bennett (HB) welcomed delegates to the meeting.

**1.1. Approval of Minutes (03 October 2023)**

The minutes from the October 2023 meeting were approved.

## 1.2. Approval of Late Papers

HB noted that there were no late papers.

## 1.3. Review of Outstanding Actions

**Action 0301:** National Gas Transmission to consider the effect of the removal of non-obligated entry capacity revenue from capacity neutrality.

**Update:** Colin Williams (CWi) explained that they are currently in the process of optimising the update for Action 0301 and Action 0801 and confirmed that the update should be ready for the December 2023 meeting. **Carried Forward**

**Action 0801:** National Gas Transmission (CWi) to Provide an overview, and an understanding of the reasons underpinning the current treatment, of recovered revenue for Entry Non-Obligated capacity and its inclusion in capacity neutrality. This will also cover thoughts on the potential impacts, for discussion, of changing the treatment of Non-Obligated Entry Capacity revenue.

**Update:** Please see Action 0301 for the update for this action. **Carried Forward**

## 1.4. Industrial Update from Ofgem

Joseph Glews (JG) referred to the Ofgem Expected publication dates timetable at [Code modification/modification proposals with Ofgem for decision - Expected publication dates timetable](#): dated 13 October 2023 and highlighted the most recent updates:

Modification	Estimated Decision Date
0839- Revision of the Modification Panel Membership Cessation Provisions	12 January 2024
0823- Amendment to the Allocation of Entry Capacity and Flow Quantities to Qualifying CNCCD Routes	26 January 2024
0847- Introduction of a Minimum General on Transmission Services Charge	31 May 2024

## 1.5. Pre-Modification discussions

None.

## 2. Workgroups

### 2.1 0857 - Revision to the Determination of Non-Transmission Services Gas Year Target Revenue

*(Due to Report to 18 January 2024)*

<https://www.gasgovernance.co.uk/0857>

## 3. NTS Gas Charging Consultation

Colin Williams (CWi) explained that further to the GCD13 - Impact of Existing Contracts on Transmission Services Charges Consultation, a Workgroup discussion will be held at the December 2023 meeting and will be based on the feedback received from the consultation and focussed on the existing contracts, the broader objectives around transmission pricing and a 50-50 split to the transmission pricing.

CWi confirmed they will present the proposals for the next steps in the next NTSCMF meeting.

#### 4. Capacity and Revenue Monitoring

David Bayliss (DB) provided the Capacity and Revenue Monitoring Report summarising the Entry and Exit capacity and revenue actuals against the forecast.

DB highlighted the differences in behaviours concerning capacity bookings for Entry and Exit. Please refer to the published slides for full details.

##### Exit Capacity & Revenue FY24 – September 2023

- September 2023 saw an average of 4° degrees higher temperature than the season average.
- Gas Demand was 15% lower than the previous month and the flows were 40% lower than last September.
- Less gas coming in and being used.
- Exit capacity booking remained high due to the DN bookings made in a 20 flat profile regardless of flows.
- Power generation was lower, but a significant number of users hold enduring capacity.
- £6 mil over-collected on the exit revenue due to high exit capacity bookings.

##### Entry Capacity & Revenue FY24 – September 2024

- Co-relation in booking capacity and entry is far closer compared to the exit values.
- Significant reduction in incoming flows which lead to lower capacity bookings.
- This resulted in the revenue collection being £19 mil lower than the original forecast.
- £17 mil under-collected over the last 6 months as a consequence of lower flow.
- Reduction in power generation noted.

##### General Non -Transmission & St Fergus Compression Revenue FY24

- This is a Flow-based charge and due to a reduction in flow, there has been a £19 mil drop in forecast revenue collection. There is £19 mil under-collected.

Julie Cox (JC) enquired about the GDN bookings and noted that these are above FES's undiversified demand. JC noted that the bookings in the next couple of years seem to have increased when the industry is meant to be de-carbonising.

DB explained that NGT does not use the FES forecast for DN bookings. DB explained that NGT uses FES's own reported P21 values produced every year as a part of the agreement made with FCC. DB confirmed that based on these reports, they are 50% out of the forecasted DN bookings. DN noted that according to them, this is a good stage to be at.

JC noted that it is odd that bookings are going up when they should be going down. JC noted that this would be more of a question for DNs.

Helen Benett (HB) agreed to raise the query with the DNs and revert to JC.

**New Action 1101:** Joint Office (HB) to raise a query with the DNs for an explanation as to why capacity bookings are going up when they should be going down.

JC asked whether the DNS can provide clarity on the 'Exit Capacity Allocation Report'. JC noted that the report says there is an overall increase in flat capacity in most LDZs with an overall decrease in Scotland and no change in the Northeast. The explanation may be in the redacted section.

Chris Wright (CWr) enquired about Ofgem's final decision on investments in St Fergus Compression Asset. CWr noted that there was no narrative as to how these will be funded but understood that the funds were discussed in these forums. CWr asked whether NGT had any plans to restart these discussions.

#### 5. Any Other Business

### **5.1. St Fergus Compressor Emissions – Final Preferred Option ([Consultation \(ofgem.gov.uk\)](https://www.ofgem.gov.uk))**

CWi explained that Ofgem has provided a decision on the consultation and in section 3.15 of the decision, Ofgem has highlighted questions around costs and funding. CWi stated that NGT would like to schedule a discussion about this in the next NTSCMF meeting. CWi asked that all delegates read the published decision document before the meeting.

CWi confirmed that the final submission will be in 2025 and the funding will start in 2026.

JC noted that the St Fergus Compressor Emissions have been extensively discussed previously and highlighted that at this stage the delegates would like to see the raw data.

CWi agreed that the discussions would be a repetition of some of the previous conversations, CWi confirmed that they will learn from the past consultation responses and will make the discussion more focused.

Joseph Glews (JG) noted that Ofgem cannot make any comments on what the outcomes should be. The consultation needs to follow the usual industry process and Ofgem would decide based on what is ultimately presented. JG noted that there is always potential for alternative modifications to occur in the case of strong opposing view.

When Christiane Sykes (CS) suggested starting the discussions as early as possible so that the decision could be reached at the earliest opportunity this approach was encouraged by Ofgem.

### **5.2. Charging Guide**

Kirsty Appleby (KA) confirmed that they have prepared a high-level Charging Guide which may be useful to share with new starters joining the business. KA confirmed that they will be updating the guide regularly and welcomed any suggestions for amendments. The Charging Guide can be found at: <https://www.nationalgas.com/electricity-transmission/document/144651/download>.

NGT clarified that the reference to 'electricity transmission' in the link and the National Grid email in the document is an error from the time of the sale and they are working to clarify this.

### **5.3. Non-Transmission Charging Reforms beyond 2024**

Ash Adams (AA) noted that NGT wished to discuss Non-Transmission Charging Reforms, potentially for application in October 2025 due to the volatility seen in the Non-Transmission revenues and charges in recent years. AA explained that the timing of when costs are incurred and when they can be recovered can have an impact on this. AA noted that Modification 0857 should cover some of these concerns, however, there will be further issues that demand further discussions and further changes.

AA highlighted the key issues and drivers such as the volatility and unpredictability of shrinkage, the timing of when revenues can be updated, and regulatory year and tariff years not being the same period. NGT's proposals for change will focus on deferral of revenue from FY24 to FY25, 2024 changes further to Modification 0857, and further structural reforms that fall outside of the proposed Modification 0857.

Please refer to the published slides for further details. The draft timeline provides further details about the timeframe. NGT confirmed that more details will follow.

Julie Cox (JC) suggested adding a longer notice of charges as that has been an ongoing issue.

AA agreed to include this in the discussions.

## **6. Diary Planning**

*Further details of planned meetings are available at: [www.gasgovernance.co.uk/events-calendar/month](http://www.gasgovernance.co.uk/events-calendar/month)*

Time/Date	Meeting Paper Deadline	Venue	Workgroup Programme
10:00 Tuesday 05 December 2023	5 pm Monday 27 November 2023	Via Microsoft Teams	Standard Agenda
10:00 Tuesday 02 January 2024	5 pm Tuesday 25 December 2023	Via Microsoft Teams	Standard Agenda
10:00 Tuesday 6 February 2024	5 pm on Tuesday 29 January 2024	Via Microsoft Teams	Standard Agenda

NTCSMF Action Table						
Action Ref	Meeting Date	Min Ref	Action	Reporting Month	Owner	Status Update
0301	07/03/23	1.3	National Gas Transmission to consider the effect of the removal of non-obligated entry capacity revenue from capacity neutrality. <i>Would NGT consider this to be a helpful change? Does NGT consider that there are other necessary, or desirable changes (in UNC and/or Licence) to appropriately manage non-obligated entry cashflows?</i>	December 2023	National Gas Transmission (CW <i>i</i> )	Carried Forward
0801	01/08/23	1.3	National Gas Transmission (CW <i>i</i> ) to provide an overview, and an understanding of the reasons underpinning the current treatment, of recovered revenue for Entry Non-Obligated capacity and its inclusion in capacity neutrality.	December 2023	National Gas Transmission (CW <i>i</i> )	Carried Forward
1101	07/11/23	3.0	Joint Office (HB) to raise a query with the DN <i>s</i> for an explanation as to why capacity bookings are going up when they should be going down.	December 2023	Joint Office (HB)	Pending

**UNC Workgroup 0857**  
**Revision to the Determination of Non-Transmission Services Gas**  
**Year Target Revenue**  
**Tuesday 07 November 2023**  
**Via Microsoft Teams**

<b>Attendees</b>		
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Harmandeep Kaur (Secretary)	(HK)	Joint Office
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Julie Cox	(JCx)	Energy UK
Kirsty Appleby	(KA)	National Gas Transmission
Lauren Jauss	(LJ)	RWE
Mariachiara Zennaro	(MZ)	Centrica
Marion Joste	(MJ)	Eni
Nick Wye	(NW)	Waters Wye Associates
Nigel Sisman	(NS)	Sisman Consult
Oliver Weston	(OW)	Ofgem
Oreoluwa Ogundipe	(OO)	Interconnector
Richard Hewitt	(RH)	Observer Hewitt Home and Energy Solutions
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## 1. Introduction and Status Review

Helen Bennett (HB) welcomed delegates to the meeting.

### 1.1. Approval of Minutes (03 October 2023)

The minutes from the October 2023 meeting were approved.

### 1.2. Approval of Late Papers

HB noted that there were no late papers.

### 1.3. Review of Outstanding Actions

None

## 2. Amended Modifications

There were no amendments to the Modification. NGT presented the Revision to the Determination of Non-Transmission Services Gas Year Target Revenue.

Ash Adams (AA) explained that the aim of the presentation is to provide the next level of clarity under the proposed solution for Modification 0857. AA explained the difference between the existing Methodology formula and the proposed Methodology formula. AA explained that the formula has been changed to account for revenue term for FY t including K. AA presented several examples related to the proposed formula.

For the full details please refer to the presentation slides published.

Julie Cox (JC) noted that her understanding was that the Modification was meant to smooth out the Non-transmission charges. JC noted that NGT appeared to be carrying out more and the charges are more than they would normally be.

AA explained that the Methodology works by increasing the prices in one year and decreasing the prices in another year and noted that the revenue profiles are much smoother than they would be under the current Methodology.

AA further explained that the intention of this new Modification is to smooth out the volatility, but it cannot be removed completely. AA highlighted that they have presented 4 example scenarios and shared a link to the Oct 23 Transmission Services Revenue Model, which can be found here: [https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2023-10/0857%20NTSCMF%2007.11.23\\_0.pdf](https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2023-10/0857%20NTSCMF%2007.11.23_0.pdf).

Nigel Sisman (NS) noted that according to the presentation, the data is collected from PCFN which is published and approved by Ofgem, however, it appears that NGT make other assumptions that vary from the PCFN. NS requested further clarity about what these assumptions are and further asked whether the calculation of derived K is an intuitive process.

AA confirmed that the process of calculation of derived K is an intuitive process and used the published examples to demonstrate this. AA stated that this will be available in the models and can be tested and advised he will be including an explanation as to the logic behind the model when it is published.

NS highlighted that it is not clear how the validation process works and expressed concern about validating the prices based on the information provided as there may not be a way to verify it. NS asked whether the complicated process used to derive prices is desirable and whether a simpler and more intuitive process would be better suited. NS enquired whether the process of derived k is necessary in the formula and whether it can be derived just once, and the value used repeatedly.

AA clarified that, their understanding is, that there is no way of completing the process without having to derive the k. David Bayliss (DB) confirmed that if the derived k is only calculated once, it will feed errors into the process.

NS noted that the complexity of the process may prevent users from using the process. NS suggested adding some clarity to the process.

DB explained that the process will be simple with the model. AA agreed to include a couple of sentences that explain how the model works and confirmed that it is not overly complicated.

Julie Cox (JC) noted that there is a reference to taking data from FES and highlighted that FES is fundamentally changing soon. JC enquired how the change would impact the process. Colin Williams (CWi) explained that they do not believe the changes to FES will have too much of an impact as they will use the best option available for data on flows. CWi agreed to make further enquiries in relation to the changes coming into place. AA clarified that this question was raised for another Modification as well and it was agreed that they would continue to use FES going forward and if anything were to change, they would use the best option available at the time.

JC shared NS's concerns in relation to the transparency of data and noted that the industry does not have enough time to scrutinise the information. AA proposed, to provide more visibility into the assumptions, to add the flow assumptions, which go into price calculations in the model.

JC confirmed that including the assumptions in the model will be helpful. JC raised a concern in relation to the data from FES and noted that their forecasts are not flow forecasts. DB clarified that NGT's agreement with FES means they can use a central forecast that forecasts the flow for the next 5 years. JC highlighted a concern in relation to the non-visibility of numbers from FES as the industry does not get to see them. DB explained that FES had previously informed them that the numbers are published on some spreadsheets.

### **3. Consideration of Business Rules**

AA presented the changes made to the Legal Text. The changes included some amendments to the terminology used and the changes to the existing methodology.

Please refer to the published slides for full details on the changes made.

### **4. Review of Relevant Objectives**

This will be discussed in the December 2023 meeting.

### **5. Development of Workgroup Report**

AA noted that they intend to finalise the Workgroup Report this month so that they have enough time to receive a decision for October 2023 implementation.

Richard Hewitt (RH) noted that no further discussions will be required if NGT believes that the Modification is fully developed, and no further changes will be made.

Colin Williams (CWi) confirmed that NGT does not see the Modification changing. CWi agreed to include some clarifications further to the discussions in the meeting. CWi noted that they would like everyone to use the calculations and they would welcome comments in relation to any gaps in the process so that they can make changes.

The chair noted that the Modification is due to be reviewed in the January 2024 panel meeting.

CWi welcomed any specific questions that can be factored into the December 2023 NTSCMF meeting. NS referred back to the point in relation to transparency and explained that the industry needs to be confident that it understands the process right from the beginning to the end, without overloading the Modification. NS noted that clarification is required in relation to the PCFM values, the assumptions and amendments to values, the values used in the calculation of prices, and any other factors that impact the process.

CWi agreed to take that onboard and noted that too much transparency can sometimes be unhelpful as it adds complications.

**New Action 1101:** NGT (CWi) to provide an explanation of transparency and how to track values to give confidence in the process.

The Workgroup Report will be finalised in the December 2023 meeting.

**6. Next Steps**

The next steps are to finalise the Workgroup Report in the December 2023 meeting.

**7. Any Other Business**

None.

**8. Diary Planning**

Further details of planned meetings are available at: [www.gasgovernance.co.uk/events-calendar/month](http://www.gasgovernance.co.uk/events-calendar/month)

Workgroup meetings will take place as follows:

Time/Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Tuesday 05 December 23	5 pm Monday 27 November 2023	Via Microsoft Teams	<ul style="list-style-type: none"> <li>• Amended Modification</li> <li>• Consideration of Business Rules</li> <li>• Review of Impacts and Costs</li> <li>• Review of Relevant Objectives</li> <li>• Consideration of Wider Industry Impacts</li> <li>• Consideration of Legal Text</li> <li>• Development of Workgroup Report</li> </ul>
10:00 Tuesday 02 January 24	5 pm Tuesday 25 December 2023	Via Microsoft Teams	<ul style="list-style-type: none"> <li>• Amended Modification</li> <li>• Consideration of Business Rules</li> <li>• Review of Impacts and Costs</li> <li>• Review of Relevant Objectives</li> <li>• Consideration of Wider Industry Impacts</li> <li>• Consideration of Legal Text</li> <li>• Development of Workgroup Report</li> </ul>

<b>0857 Action Table</b>						
<b>Action Ref</b>	<b>Meeting Date</b>	<b>Min Ref</b>	<b>Action</b>	<b>Reporting Month</b>	<b>Owner</b>	<b>Status Update</b>
<b>1101</b>	07/11/23	5.0	NGT (CWi) to provide an explanation of transparency and how to track values to give confidence in the process	December 2023	NGT (CWi)	<b>Pending</b>