

**Gas Charging Review – Sub Group  
Teleconference  
18 January 2017**

**Attendees:**

**Apologies:**

Colin Williams	National Grid NTS		John Costa	EDF
Laura Johnson	National Grid NTS		Sarah Chleboun	National Grid NTS
Liam Drummond-Clark	Ofgem		Jenny Phillips	National Grid NTS
David Reilly	Ofgem		Richard Fairholme	Uniper
Nick Wye	Waters Wye		Julie Cox	Energy UK
Kieron Carroll	PSE Kinsale		Jeff Chandler	SSE
Graham Jack	Centrica			
Lucy Manning	Gazprom			
Caroline Rossi	Oil and Gas UK			
Rob Wiggington	Wales and West			
Anna Shrigley	Eni			
Charles Ruffell	RWE			

**Review of minutes**

There some comments on the minutes from the December 19<sup>th</sup> sub group and these were updated ahead of the meeting and circulated. No further comments received at the sub group.

**Discussion items**

When any paper or subject has reference to being “agreed” or “locked down” this does not prevent future updates. It means that the discussion at the sub-group and NTSCMF has reached a point where no further updates have been suggested and the conclusion is agreed by the sub-group. Should any paper or subject area need to be reviewed they will be revisited as and when required.

**LRMC, CWD, PS sensitivity analysis summary and overall conclusion**

No changes to paper suggested. All three papers agreed and locked down.

**Action GCR-SG027: NG to update LRMC/CWD/PS Sensitivity trio of documents to reflect the locked down status.**

**Locational Signals**

Discussion on the latest version of the paper on the subject of location signals and whether this more about investment locational signals or locations signals related to existing locations and more about additional capacity. Paper updated to reflect that the locational signals are related to investment and therefore investment decisions. Paper agreed and locked down.

**Action GCR-SG028: NG to update Locations Signals paper and reflect the locked down status.**

**Article 9 (Storage Discount)**

In the discussion of this paper, it was suggested to incorporate the additional issue presented by combined ASEPs. This where there are ASEPs that have storage and non-storage however they are not referred to as storage in the Licence. For any capacity discount to be applied it will be necessary to split the capacity in some way in order to be able to identify the capacity. It was acknowledged that a form of split will be necessary. There will be a number of options as to how this could be done and therefore how they can be incorporated into the end to end model being developed. These options will be explored and discussed at future sub groups and at NTSCMFs.

**Action GCR-SG029: NG to update Article 9 paper and share for comments.**

### **Multipliers**

Minor change suggested to the paper for the conclusion to reflect that the suggested multiplier of 1 is to be used as a starter for end to end modelling and this does not reflect an endorsement of 1 as the multiplier of preference. Within the model being developed it will be possible to adjust the multiplier.

The subject of the behavioural impacts was covered here and the work on the survey developed at the Gas Mid-Stream Group will be available soon to be published and the results will be assessed at this sub group and a paper developed that may help inform the subject of multipliers given the strong link of multipliers (that can be discounts or increases relative to long term price) and behaviours in booking capacity.

**Action GCR-SG030: NG to update paper and version to reflect status.**

### **Optional Commodity Charge**

Optional Commodity charge discussed on its original intent, the key inputs to the calculation and whether any potential change should maintain the original drivers behind the product (to discourage inefficient bypass of the NTS and use the NTS). Most agreed it should. However it was mentioned that any change to the product known as Shorthaul (aka the NTS Optional Commodity Charge – OCC) will need to be relevant and appropriate to the overall charging framework as it will continue to “interact” with other charges. There was a brief debate on how a new or updated product could work (taking into consideration TAR NC) such as discount from capacity or from commodity. It could also be the same at IPs and Non IPs or differently applied. Any change would need to take into consideration of other objectives around separate charging arrangements and also the scenario whereby, if separate at IP/Non IP, if can have the designed product from an IP to a Non-IP or vice versa. Further work is needed on this and will be taken through the sub groups / NTSCMF. It was suggested that for any potential changes the whole package of charges for users would need to be compared to current world to provide an effective comparison of impacts and not just focus on the single product.

**Action GCR-SG031: NG to update paper and share for comments. Paper name has changed from Optional Commodity to Avoiding inefficient bypass of the NTS**

### **Interruptible**

Some updates to the paper following discussions at the sub group and incorporated into a second draft. In addition to the suggestion that all interruptible could be priced according to TAR NC (if

there is no compelling reason to price separately at IP/Non IP) whereby one could follow TAR NC at IPs and leave non IPs as they are (i.e. zero price). This would need to be considered against other objectives of Licence / TAR and issues such as discrimination. Whether applied at IPs only or all points, there is a need to work through the calculation of interruptible as given in TAR NC and this will be done at sub group and outputs fed back to NTSCMF.

**Action GCR-SG032: NG to update Interruptible paper and share for comments.**

**Action GCR-SG033: NG to bring initial review of the calculation of interruptible from TAR NC to a sub group.**

### **Formula Year versus Gas Year**

There were no updates suggested. It was suggested that this does can be addressed outside of the Gas Charging Review. The potential wider consequences (e.g. impact on DNs) add complexity to this issue. Paper agreed and locked down.

**Action GCR-SG034: NG to update Formula Year versus Gas Year paper and reflect the locked down status.**

### **Revenue Recovery (transmission and non-transmission services)**

Transmission Services – update made to the paper following discussion around the interpretation of what predominantly might mean to different groups or individuals. This was to recognise that it could mean 100% or 51% as a range. No change to the overall conclusion at this stage. It was also discussed what protection on Existing contracts (subject to legal view), and how to apply a level playing field to LT and ST capacity, with LT being those with existing contracts and how between LT and ST pricing how adjustments are made (e.g. for revenue recovery) and this is an area that will need to be reviewed and options developed, subject to the boundaries of the TAR NC. On the subject of grandfathering rights and any protections afforded it was asked what if capacity was wanted to be handed back. This may not be a possibility under TAR NC and will be an area to add some clarity on in future sub groups.

**Action GCR-SG035: NG to update Transmission Services Revenue Recovery paper and share for comments.**

**Action GCR-SG036: How does grandfathering rights work and can capacity be handed back?**

Non Transmission Services – update made to the paper following the discussion. It was suggested that the application of non-transmission charges should be reviewed in light of which, if any discounts might be applied. An example given was benefits of storage and what design might be done to reflect this (given there are arrangements for storage discounts in current methodology). It was commented that under TAR NC this is taken into consideration with the Article 9 discounts for storage (see Article 9 paper) although it does not specifically identify cost allocation to storage or how to split between different user groups for capacity / commodity.

**Action GCR-SG037: NG to update Non Transmission Services Revenue Recovery paper and share for comments.**

### **Entry/Exit Split**

There were no updates suggested. Paper agreed and locked down.

**Action GCR-SG038: NG to update Entry / Exit split paper and reflect the locked down status.**

#### **Incremental (fixed versus floating)**

Minor change to the paper following the discussion to recognise the link to the CAM/TAR changes taking place in 2017 to ensure that CAM / TAR compliance is there for incremental and this links to a UNC modification that will be raised in Q1 2017 in relation to pricing for incremental to align CAM/TAR.

Paper agreed and locked down.

**Action GCR-SG039: NG to update Incremental paper and reflect the locked down status.**

#### **Forecasted Contracted Capacity (FCC)**

The discussion on FCC was going over the previous sub group's discussion to reflect what criteria was desirable (published, transparent and not liable to substantial swings year on year). Options discussed included the use of obligated or lower however the rationale for what that "lower" capacity might be will be subject to discussion. Modelling will include options and it will also have the flexibility to amend the capacity values. It was suggested that we look at actuals versus winter outlook forecast to see how they compared.

On the subject of zero prices or potentially negative prices, these will need to be addressed and it was suggested to include these into the FCC paper that NG will draft and share for comments.

**Action GCR-SG040: NG to share a draft paper on Forecasted Contracted Capacity for comment**

#### **Revenue Recovery mechanisms**

The discussion on Revenue Recovery mechanisms covered the full range of charges that would be needed to recover the total revenue and the options that may be available. This includes:

- How existing contracts will be treated (and what protection is afforded to them);
- IP versus Non IP and how or if separate charging arrangements are accommodated;
- Reconciliation of revenues (e.g. Entry and Exit separate reconciliations) and what is permitted;
- Capacity and revenue adjustments (including how to consider which method of revenue recovery is less discriminatory than other ones);
- CRRC and how this is applied (must be a Non-IP only charge as per TAR NC), how does reconcile against treatment of IPs and how revenues are recovered at IPs (including reconciliations). CRRC already in model.
- From TAR NC IPs can expect more capacity focus for revenue recovery for Transmission (e.g. with no CRRC being permitted) and the forms this could take will need to be explored and what alternatives, if any, are available at Non IPs.
- Capacity and Commodity style revenue adjustments will be a feature of the modelling available.

**Action GCR-SG041: NG to share a draft paper on Revenue Recovery mechanisms for comment**

### **Action for Members of the Sub Group**

**Action GCR-SG042: Members of the Sub Group to review the papers circulated and provide any comments so they can be amended for February NTSCMF submission and February Sub Group meetings.**

### **Modelling Progress**

The end to end model will be updated to incorporate the additional flexibility required as a result of the discussions taking place at the sub group and NTSCMF. Where possible if there are ideas on flexibility or options to include into the model design, it is better to accommodate at this stage to avoid or to do our best to perform work now to prevent re-work later in the process. The model will be updated and then shared through this sub group before being discussed at NTSCMF and shared to a wider audience.

### **Next Meeting and additional updates**

The next scheduled meeting of this group will be on 15 February 2017. It is provisionally a teleconference with another scheduled for 23 February 2017 which is provisionally a face to face meeting (T-con facilities will be available). Should any of these arrangements change members will be advised. Feedback is welcome on the balance between face to face meetings and teleconferences.

As a reminder ahead of NTSCMF on 1<sup>st</sup> February 2017 any comments on the papers or these minutes should be fed in so any changes can be made on the NTSCMF pages.

### **Summary of actions for Gas Charging Review – Sub Group:**

<b>Action Ref</b>	<b>Summary of Action</b>	<b>Status</b>
GCR-SG001	National Grid NTS to develop an issues log (Question to members of group: do we need a separate log and if so, should it be to a different level of detail to the one developed by Joint Office as part of NTSCMF?)	Open
GCR-SG002	Caroline Rossi to share with the group a suggestion of a matrix that could be used for comments.	Closed
GCR-SG003	Group to review GCR-SG002 following receipt	Closed
GCR-SG004	National Grid to share the draft CWD model to the sub group members	Closed
GCR-SG005	Group members to review and feedback to National Grid NTS comments, suggestions, issues, etc to help to develop further models.	Closed
GCR-SG006	National Grid to develop these suggested models for discussion	Closed
GCR-SG007	NG to review how the output of the scenario analysis is presented, and to undertake some additional sensitivity analysis on supply/demand	Closed
GCR-SG008	Group to review output of scenario analysis following receipt	Closed
GCR-SG009	Rob to share Mapping tool with NG	Closed
GCR-SG010	National Grid to ensure multipliers can be amended in models	Open
GCR-SG011	Nick to share the Gas Forum technical analysis in relation to the modelling of behaviours done for GTCR	Closed
GCR-SG012	National Grid to review the CEPA analysis	Open
GCR-SG013	Nick to share update on Midstream Gas Group discussion on	Closed

	behavioural assessment at next NTSCMF	
GCR-SG014	NG to share the review of existing material on behavioural assessments based on CEPA review and any other relevant info to find	Open
GCR-SG015	NG to prepare and share for comment updated paper on LRMC, new paper on CWD/PS and separate conclusions paper	Closed
GCR-SG016	NG to update Multipliers paper for final agreement by the sub group	Closed
GCR-SG017	NG to share summary document for Multipliers	Closed
GCR-SG018	<b>NG to follow up with Legal teams on Revenue Adjustment</b>	<b>Open</b>
GCR-SG019	NG to share a draft paper on Forecasted Contracted Capacity	Closed
GCR-SG020	NG to update the LRMC, CWD & PS and Conclusions papers and circulate ahead of NTSCMF in Jan 2017.	Closed
GCR-SG021	NG to share a draft paper on Fixed versus Floating for Incremental	Closed
GCR-SG022	NG to share a draft paper on interruptible	Closed
GCR-SG023	NG to share a draft paper on revenue recovery for Transmission Services	Closed
GCR-SG024	NG to share a draft paper on revenue recovery for Non-Transmission Services	Closed
GCR-SG025	NG to share a draft paper on shorthaul	Closed
GCR-SG026	Members of the Sub Group to review the papers circulated and provide any comments so they can be included ahead of January NTSCMF submission	Closed
GCR-SG027	Action GCR-SG027: NG to update LRMC/CWD/PS Sensitivity trio of documents to reflect the locked down status.	Open
GCR-SG028	Action GCR-SG028: NG to update Locations Signals paper and reflect the locked down status.	Open
GCR-SG029	Action GCR-SG029: NG to update Article 9 paper and share for comments.	Open
GCR-SG030	Action GCR-SG030: NG to update paper and version to reflect status.	Open
GCR-SG031	Action GCR-SG031: NG to update paper and share for comments. Paper name has changed from Optional Commodity to Avoiding inefficient bypass of the NTS	Open
GCR-SG032	Action GCR-SG032: NG to update Interruptible paper and share for comments.	Open
GCR-SG033	Action GCR-SG033: NG to bring initial review of the calculation of interruptible from TAR NC to a sub group.	Open
GCR-SG034	Action GCR-SG034: NG to update Formula Year versus Gas Year paper and reflect the locked down status.	Open
GCR-SG035	Action GCR-SG035: NG to update Transmission Services Revenue Recovery paper and share for comments.	Open
GCR-SG036	Action GCR-SG036: How does grandfathering rights work and can capacity be handed back?	Open
GCR-SG037	Action GCR-SG037: NG to update Non Transmission Services Revenue Recovery paper and share for comments.	Open
GCR-SG038	Action GCR-SG038: NG to update Entry / Exit split paper and reflect the locked down status.	Open
GCR-SG039	Action GCR-SG039: NG to update Incremental paper and reflect the locked down status.	Open
GCR-SG040	Action GCR-SG040: NG to share a draft paper on Forecasted Contracted Capacity for comment	Open
GCR-SG041	Action GCR-SG041: NG to share a draft paper on Revenue Recovery mechanisms for comment	Open
GCR-SG042	All in the Sub-Group to review and provide comments on papers or to provide inputs for future discussion topics.	Open

Draft for Comment