

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

Attendees		
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 there are at least six participants 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: https://www.gasgovernance.co.uk/0857/071123</i></p>		

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 FY t+1 as well as revenue term for FY t ~~including K~~. AA presented a worked 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 overout 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 in charges, but it cannot be removed completely. AA highlighted that they have presented 4 example scenarios at NTSCMF in October, the slides for which can be found here: <https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2023-10/0857%20NTSCMF%2003.10.23%20v2%20%282%29.pdf> and AA shared a link to the Oct 23 Transmission Services Revenue Model, which can be found here: <https://www.nationalgas.com/document/144306/download> https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2023-10/0857%20NTSCMF%2007.11.23_0.pdf and explained that this would be updated should the modification be approved.

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

AA confirmed that the process of calculation of derived K is an iterative 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 [how to perform the iterative process](#) ~~the logic behind in~~ 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

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"> • Amended Modification • Consideration of Business Rules • Review of Impacts and Costs • Review of Relevant Objectives • Consideration of Wider Industry Impacts • Consideration of Legal Text • Development of Workgroup Report

10:00 Tuesday 02 January 24	5 pm Tuesday 25 December 2023	Via Microsoft Teams	<ul style="list-style-type: none"> • Amended Modification • Consideration of Business Rules • Review of Impacts and Costs • Review of Relevant Objectives • Consideration of Wider Industry Impacts • Consideration of Legal Text • Development of Workgroup Report
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0857 Action Table						
Action Ref	Meeting Date	Min Ref	Action	Reporting Month	Owner	Status Update
1101	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)	Pending