

Gas Charging Review – Sub Group
National Grid House, Warwick
23 November 2016

Attendees:

Apologies:

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

*via teleconference

Review of minutes

There were no comments on the minutes from the October sub group.

Objectives Comparison Matrix

In response to action GCR-SG002 from October's subgroup, Caroline presented a matrix template to compare the Reference Price Models/scenarios to the Licence Objectives, Shipper Objectives and Ofgem's statutory duties. It was agreed that the traffic light system would be a useful way to present this information. National Grid has populated a version of this which will be shared with the group for awareness / comment.

LRMC Sensitivity Analysis

Most of the material had been shared ahead of the meeting; some was prepared and shown at the meeting. Any material not shared before the meeting but shown will be shared after the meeting to ensure that all the spreadsheets/charts are accessible by all those on the sub group.

National Grid talked through the LRMC analysis that has been produced to date that covers a range of amendments to the 15/16 and 16/17 Reference Price models for Entry and Exit to highlight the sensitivity of the changes. Testing the sensitivities of changing the inputs produces a number of options and could produce many more and there was a discussion about how to discount some options, linking to the review of the measurement against objectives.

There is a general acceptance that the group need to find ways to narrow down the number of options that progress forward to be tested against objectives (using Caroline's template).

The analysis showed that under LRMC (inclusive of administered adjustments) that supplies / demands, merit order and revenue adjustments drive the largest impacts. Other elements such as the expansion constant, whilst a necessary input as a cost component to the LRMC approach, does not drive much change, compared to the other variables.

There were some who wanted to see more developed options (to take into account all variable components) and some who preferred to focus on the sensitivities of the LRMC model to identify if the LRMC, through reviewing these, remains a viable model to use for capacity charges.

There was a recognition that further work needed to be done to present the scenario analysis in a way that would aid a focussed discussion, and National Grid agreed to provide different visualisations of the outputs to support this.

Action GCR-SG007: NG to review how the output of the scenario analysis is presented, and to undertake some additional sensitivity analysis on supply/demand

Action GCR-SG008: Group to review following receipt

Comparing Results of the Reference Price Models

A number of result comparisons were shown. Julie had prepared some analysis to highlight the changes caused by varying the inputs and using points selected from each geographic area as a potential way to help present back Exit Reference Price analysis. National Grid also showed its analysis to compare Reference Prices generated by the LRMC, CWD and Postage stamp models, not to show how the final framework might look, but to help show the sensitivities in the forecast of contracted capacity across the various alternative Reference Price Methodologies (RPMs).

In reviewing the results of the analysis there were some results that were largely expected, although some more work was suggested to bring out the key points. Rob queried whether it was worth presenting the price changes on a GB map and agreed to share a tool which could be used to generate this.

Action GCR-SG009: Rob to share Mapping tool with NG.

Discussion items

For the broad discussion items that can help support the development and critique of the potential changes and of the existing framework, beyond just referring to NTSCMF minutes on these subjects, the expectation was to develop a one pager to set out a position recommended by the subgroup and approved at NTSCMF to work as a reference library of discussions and outcomes that can easily be referred to without needing to go through all the minutes of meetings.

Locational Signals

NG already have an action from the NTSCMF to write a one pager for discussion – this will be circulated for comment prior to NTSCMF.

Multipliers (or discounts)

The use of the word “value” with respect to multipliers on the agenda was discussed, as its use was

not helpful. There was a discussion about multipliers and that different users will perceive them in different ways. It was accepted that the initial and simple approach for modelling is to set all multipliers to 1. Various multipliers can later be applied to the models in order to understand the impact. In the discussion on multipliers it was acknowledged that capacity booking behaviour will be the key variant.

Action GCR-SG010: National Grid to ensure multipliers can be amended in models

Behavioural Assessments

There was a good discussion on behavioural impacts. Nick confirmed that the results of the behavioural analysis work carried out by Gas Forum as part of the response to the GTCR consultation report was no longer available on the internet (since the removal of the Gas Forum website) but that he still has a copy which he can share. It was mentioned that the Midstream Gas group intend to discuss behavioural responsiveness and the possibility of issuing a questionnaire to invite input on behavioural assessments which could help inform this process. On the subject of the behavioural assessments, it was considered to split entry and exit into two camps to enable easier assessment of the response to price changes. It was discussed that the following areas should be considered with respect to behavioural analysis: security of supply, use of the NTS and encouraging new entrants to the market.

Action GCR-SG011: Nick to share the Gas Forum technical analysis in relation to the modelling of behaviours done for GTCR

Action GCR-SG012: National Grid to review the CEPA analysis

Action GCR-SG013: Nick to share update on Midstream Gas Group discussion on behavioural assessment at next NTSCMF

Action GCR-SG014: NG to share the review of existing material on behavioural assessments based on CEPA review and any other relevant info to find

Next Meeting

The next scheduled meeting of this group will be on 19 December 2016 at National Grid's office in Warwick from 12.30 to 4pm. There was an appetite to have another meeting w/c 12 December after NTSCMF. If no room is available a T-Con will be arranged.

Summary of actions for Gas Charging Review – Sub Group:

Action Ref	Summary of Action	Status
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.	Open

GCR-SG006	National Grid to develop these suggested models for discussion	Open
GCR-SG007	NG to review how the output of the scenario analysis is presented, and to undertake some additional sensitivity analysis on supply/demand	Open
GCR-SG008	Group to review output of scenario analysis following receipt	Open
GCR-SG009	Rob to share Mapping tool with NG	Open
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	Open
GCR-SG012	National Grid to review the CEPA analysis	Open
GCR-SG013	Nick to share update on Midstream Gas Group discussion on behavioural assessment at next NTSCMF	Open
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