

NTS Charging Methodology Forum (NTSCMF) Minutes

Monday 05 June 2017

at Elexon, 350 Euston Road, London NW1 3AW

Attendees

Rebecca Hailes (Chair)	(RH)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Alastair Lamond	(AL)	Intergen
Andrew Pearce	(AP)	BP
Anna Shrigley	(AS)	ENI UK
Benoit Enault	(BE)	Storengy UK
Charles Ruffell	(CR)	RWE Trading
Colin Williams	(CW)	National Grid NTS
Danishtah Parker	(DP)	Cadent
David Reilly	(DR)	Ofgem
Debra Hawkin*	(DH)	TPA Solutions
Graham Jack	(GJ)	Centrica
Henk Kreuze*	(HK)	Vermilion Energy
Jo Parker*	(JP)	SGN
John Costa	(JC)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kieron Carroll	(KC)	PSE Kinsale Energy
Laura Johnson	(LJ)	National Grid NTS
Lee Bowerbank*	(LB)	Exxon Mobil International Ltd
Lucy Manning	(LM)	Gazprom
Nahed Cherfa	(NC)	Statoil
Nick Wye	(NW)	Waters Wye Associates
Paul Youngman	(PY)	DRAX
Pavanjit Dhesi	(PD)	Interconnector (UK) Ltd
Richard Fairholme*	(RF)	Uniper
Robert Wigginton	(RW)	Wales & West Utilities
Sinead Obeng	(SO)	South Hook Gas

* *via teleconference*

Copies of all meeting papers are available at:
<http://www.gasgovernance.co.uk/ntscmf/230517>

1. Introduction and Status Review

RH welcomed all to the meeting

1.1 Approval of Minutes (23 May 2017)

The minutes of the previous meeting were approved.

1.2 Pre-Modification discussion

CW began by advising the Workgroup that the modification is now with Joint Office for

checking prior to submission to June 2017 Panel.

CW advised that the purpose of the mod is broad and this facilitates the raising of alternates more easily should they wish to be raised rather than having a restrictive purpose that would mean alternates being raised as new mods.

Post meeting update: The modification has now been published as Mod 0621 and will be sent to June Panel for consideration.

There began a discussion led by JCx regarding the Self Governance statement within the modification. Referring to section 7, Relevant Objectives, option (c) the impact box should not say “none” as there will be an impact.

During an onscreen review of the presentation submitted for the meeting, “050617 Gas Charging Review”, CW advised that the slides (15, 16 & 17) refer to a suggested timetable listing all of the planned meetings between now and November 2017 and the proposed topics to be covered therein. This will allow the Workgroup to be able to go through each of the subjects twice, first in the Sub Group meeting and then each topic will be followed up with time for discussion at the NTSCMF meeting itself. The whole presentation can be found here:

<http://www.gasgovernance.co.uk/ntscmf/050617> and the key dates are listed in the below table. Further details about the sub groups including joining instructions can be obtained by messaging: box.transmissioncapacityandcharging@nationalgrid.com.

Date & Time	Meeting	Key topic to discuss
30 May 2017 13:00 – 15:00	Sub Group	Forecasted Contracted Capacity
05 June 2017	NTSCMF	Forecasted Contracted Capacity
14 June 2017 10:00 – 12:00	Sub Group	Revenue Reconciliation / Recovery (may also include some views on Multipliers)
29 June 2017 10:00 – 12:00	Sub Group	Avoiding inefficient bypass of the NTS
07 July 2017	NTSCMF	CWD Updated Model Revenue Reconciliation / Recovery* Avoiding inefficient bypass of the NTS*
11 July 2017 13:00 – 15:00	Sub Group	Specific Capacity Discounts
17 July 2017	NTSCMF	Specific Capacity Discounts* Non-Transmission Services Model*
25 July 2017 13:00 – 15:00	Sub Group	Multipliers
02 August 2017	NTSCMF	Multipliers* Avoiding inefficient bypass of the NTS
08 August 2017 13:00 – 15:00	Sub Group	Interruptible
23 August 2017	NTSCMF	Interruptible
24 August 2017 10:00 – 12:00	Sub Group	Existing Contracts
05 September 2017	NTSCMF	Existing Contracts

08 September 2017 10:00 – 12:00	Sub Group	Forecasted Contracted Capacity
12 September 2017 10:00 – 12:00	Sub Group	Avoiding inefficient bypass of the NTS
19 September 2017 13:00 – 15:00	Sub Group	Multipliers / Interruptible
26 September 2017	NTSCMF	Forecasted Contracted Capacity Avoiding inefficient bypass of the NTS Multipliers / Interruptible
28 September 2017 10:00 – 12:00	Sub Group	To be confirmed

Key:

#There may be some occasions where the topic runs over a few meetings

* These topics will be relaying outputs from the sub-group in addition to further discussion at NTSCMF.

New Action 0601: Joint Office to add all meeting dates to the Events Calendar.

Post meeting update: The Joint Office Events diary has been updated with information on the NTSCMF meeting dates.

Impact Assessment Discussion

CW advised that for Capacity, providing revenue distribution across the points is fine, but some of the complexities of how the comparisons are done will mean there will be some level of analysis required from the industry in addition to that provided by National Grid NTS.

CW clarified that National Grid NTS will be providing:

1. Tools to support modifications
2. Material which supports Ofgem with their impact assessment

GJ mentioned that he would like to see some wider considerations being thought about such as Security of Supply, however, DR advised that this is a pricing issue and not a supply issue.

There was then a short discussion around Tariff Codes and discount setting. DR advised that Ofgem will not be not promoting any specific discount, GJ then asked if that will part of Ofgem impact assessment. DR confirmed that this will form part of the impact assessment.

JCx reiterated that this Modification is not self-governance. DR said he that it would be useful for stakeholders to comment on what they would like to be included in the workgroup report analysis and /or any impact assessment.

Workgroups

Covered in item 3.

2. Gas Charging Review**2.1 EU Tariffs Code – Update**

CW returned to earlier slides in the presentation submitted for the meeting, “050617 Gas Charging Review”, starting with Slide 4 on the forthcoming UNC mod “Capacity Treatment of combined ASEPs” which will identify different capacity types at points on the NTS which would facilitate discounts to be applied at points with different classifications of capacity. (E.g. Storage at combined ASEPs).

The Mod is being developed within the Transmission Workgroup. CW clarified that there is

more work to put into this Modification which is why it is suggested to go to July Panel and not June Panel. CW took the Workgroup through the slide highlighting where the documentation can be found: <http://www.gasgovernance.co.uk/0621>

2.2 Review of Subgroup Meetings

CW then talked the Workgroup through Slide 7: Output from Sub Workgroup highlighting that Forecasted Contract Capacity (FCC) is not a defined term in either the Uniform Network Code or the ENTSOG Glossary of Existing Definitions document.

There was then a lengthy discussion around what should be included or not within FCC, CW confirmed that existing contracts would be excluded from FCC numbers to avoid additional dilution.

LB asked if revenue would also be excluded; CW confirmed that yes, revenue would be taken out of the calculation to avoid dilution.

RF suggested that the assumption is that Capacity Price is taken out at the beginning. BH asked if this is what is going in to the modification, CW advised that the modification is flexible and as yet, there is no final outcome, it is a working assumption.

KC pointed out that the method for calculating FCC was only a small part of the story and would likely only achieve 15-20% revenue recovery. CW clarified that FCC is only topic 1; revenue recovery comes under Adjustments, which will be Topic 2 and will be discussed next.

KC discussed with the group that FCC could be a defined term based on Contracted Capacity being a defined term. He quoted the definition of Contracted Capacity (taken from the ENTSOG document Glossary of Existing Definitions which can be found here: https://www.entsog.eu/public/uploads/files/publications/Tariffs/2017/170421_ENTSOG_Glossary_of_definitions.pdf):

Contracted Capacity means capacity that the transmission system operator has allocated to a network user by means of a transport contract.

NW confirmed that Contracted Capacity is a defined term in UNC but that FCC is not.

KC sought clarification of what is meant by the term FCC. JCx suggested that it might be counterfactual.

JCx added that any Shipper can raise an alternate, there are a lot of parameters and the Workgroup will be trying to look at each of them in isolation, but for now, the group appeared to be happy to have some working assumptions, GJ agreed this is a good approach.

Moving on, CW confirmed that there are 4 criteria for FCC which were discussed at the Sub Group meeting and are documented in the Forecasting Contracted Capacity One Page Summary which can be viewed here: <http://www.gasgovernance.co.uk/ntscmf/subg1page>

- Are the values published/publically available?
- How far out into the future are the values available?
- Stability of values (year to year)
- Objectivity of values

He went on to confirm that during the subgroup 6 methods for calculation of FCC were covered, but this has been narrowed down, in principle, to 2 options, so FCC could be based upon:

1. Obligated Capacity values, or
2. A proportion of the Obligated Capacity values based on a methodology.

CW stated that coming up with a bespoke forecast is an extremely challenging way to do this, adding that the more it is linked to an actual forecast, the more difficult the task is.

CW then sought clarification from the Workgroup to confirm that the interpretation is a fair reflection of the Sub Group output. Those who had been present agreed that it was.

JCx brought the discussion of the decommissioned entry and exit points to the Workgroup's attention, and asked how they feature in the model, noting that they are not mentioned in the slides provided for this meeting. Examples given included mothballed Power Stations Partington and Avonmouth. There was discussion around whether the model is going to be adjusted to take in to consideration disused exit and entry points. Currently, charges include all points that are in the licence.

New Action 0602: NTS to review the models and determine ways of removing points in the models to allow the impacts of removing points to be assessed.

CW added that pricing is linked to the capacity regime. If not priced does this mean the capacity should not be offered? There are links to the capacity regime that need to be considered.

There then followed a discussion on how this capacity should be charged for, mentioning in particular baselined decommissioned points and that the price for these points should not be produced.

DR asked if there is no revenue being produced from a particular point, why would it be included in the forecast for Contracted capacity?

DH pressed that if a point is decommissioned, it should be coming out of the license to which DR responded by stating that this topic has been discussed lots of times and he felt it was not an issue that needs to be discussed at this meeting. JCx commented that DR's comments were very helpful.

RF said that this potentially widens the scope of the Workgroup and agreed that DR's comments were very helpful. JCx said that it is appropriate to make common sense decisions. RF said that National Grid NTS are making assumptions on lots of things, and making subjective forecasts, and confirmed that he is happy for an aggregate forecast of Commodity to be made, however it is in considering the disaggregate where a problem may arise.

LB commented to the group that whatever forecast is made it will be wrong and that there is a need to be pragmatic; the aim is to try to come up with a FCC closer to reality. Maybe the use of historical flows could be explored and reinforced that with a FCC, it may never be right, and it is likely that the meeting attendees will find it very difficult to agree on the components of the formula.

With regards to decommissioned points, DR stated that a price can be set but if no capacity is purchased there will be no revenue.

Carrying on with the meeting at Slide 8, Output from Sub Workgroup, HK provided a paper in respect of FCC, and took the group through an onscreen review, the paper can be found here: <http://www.gasgovernance.co.uk/ntscmf/050617>

HK raised some points for consideration within his paper:

Important feature in the CWD methodology is the calculation of the capacity weighted average distance.

If all entry Obligated Capacities are scaled back to X% of this level, then this gives exactly the same outcome of the capacity weighted average distances for the exits as when the full Obligated Capacities would be used for this calculation. So, the exit distances will not change if X is changing.

Comparable: if all exit Obligated Capacities are scaled back to Y% of this level, then this gives exactly the same outcome of the capacity weighted average distances for the entries when the full Obligated Capacities would be used for this calculation. So, the entry distances will not change if Y is changing.

There are 2 extra criteria (to the 4 listed above from the Sub Group) that HK suggests are worth considering which are:

- Avoiding/minimizing cross subsidization IPs versus domestic points
- FCC close to expected amount of capacity contracted

JC advised that the cost allocation test works within certain parameters, but stated that the challenge is that the Workgroup have not yet looked at cost allocation tests.

When asked if the percentage reduction on entry and exit are fixed, HK confirmed that they would be fixed.

When discussion turned to a potential methodology which would use historical bookings as a first assumption, JCx suggested this was possibly not the best plan when there has been no experience of what the results and actual bookings the new charging methodology will produce. In the current model, there are existing bookings included which have been booked at zero price. These could change significantly with future behavioural changes therefore, there would be concerns voiced if the model were to be based on existing bookings.

LJ sought clarification on basing the FCC on historical bookings; it was agreed that initially historical bookings should not be used but that once the new methodology has been in place for a while this might be a good basis. There was a suggestion that 2 years might be a good length of time to wait,

Addressing socialisation of costs as an adjustment once FCC is calculated, NW suggested the Workgroup consider that though calculation of the FCC would likely not result in a charge which recovers costs accurately, it might be a good enough basis. A further adjustment using socialisation of costs would share the burden of further cost recovery equally amongst all points.

LM observed that the purpose of this group is not to try to decide who should be responsible for choosing what to include or exclude in the model. There is merit in keeping the methodology simple whilst understanding that there will in future be a need to revisit the model.

GJ noted that the group needed to look at all the different components including secondary and tertiary adjustments and see how they all fit together. JCx suggested that in order to make progress, the group needs to make an initial assumption on a method for calculating Forecasted Contracted Capacity.

CW advised that the model is free to be used and the percentages are in the model for everyone to use/test. The two options to be considered following discussions at subgroup are either using raw obligated capacity or a proportion of obligated capacity and the Workgroup should utilise the model and play with the figures.

Going back to the two options that are on the table, CW said the exact percentages to be used have not yet been decided on, but if the workgroup supports percentage combinations, the ability to do this will be put in to the models.

Moving on from FCC, a socialised approach or targeted approach to further adjustments is where the Workgroup should focus next, in order to start narrowing down the number of combinations of model components.

The next topics to be discussed will be:

Revenue Reconciliation/Recovery on 14 June

Avoiding inefficient bypass of the NTS on 29 June

CW asked the Workgroup to contact National Grid NTS using box.transmissioncapacityandcharging@nationalgrid.com for joining instructions for any of the subgroup meetings listed in table 1 of this document.

CW confirmed that a number of amendments have been made to the draft modification and it has been submitted to Joint Office, who are reviewing it at the moment at the "critical friend" stage.

Post meeting update: the modification is now numbered and published. Modification 0621: Amendments to Gas Transmission Charging Regime will be submitted to the June 2017 Panel meeting for consideration.

RH reminded all present that submission of meeting papers should be made to enable publication 5 days before a meeting date.

CW asked, due to meetings being fortnightly, if papers for the meetings are provided just one or two days before meetings, would the Workgroup accept this? The Workgroup agreed this is acceptable, with a specific request from the Workgroup that a notification is sent out when meeting papers are published. The Joint Office agreed to send an email to all those who have registered to participate in the meeting (and are thus shown on the meeting page on the Joint Office website) when meeting papers are made available for the period July, August and September when the meetings are being held twice monthly.

New Action 0603: Joint Office to send an email to all those who have registered to participate in the meeting (and are thus shown on the meeting page on the Joint Office website) when meeting papers are made available for the period July, August and September 2017 when NTSCMF meetings are being held twice monthly.

3. Issues

3.1 Issues Register - Review

Nothing to be added.

4. Review of Outstanding Actions

0301: National Grid NTS (CW) to articulate and capture the Storage Review concerns within the NTSCMF Issue Register.

Update: Discussions will be held in July **Carried Forward**

0402: *NTS CMF Terms of Reference* - RH and CW to draft a 'strawman' for discussion at the May/June meetings.

Update: Time will be allocated for a draft to be submitted in July once the modification is approved **Carried Forward**

0404: *'Avoiding Inefficient Bypass of the NTS' (one-pager)* - CW and the Subgroup to revisit/re-word the final paragraph to add clarity, and republish.

Update: Discussion on this topic will be in June 2017 Sub Group meeting – see timetable **Carried Forward**

0501: National Grid NTS (NR) to provide an example of how National Grid NTS forecasts 1:20 demand, especially the short-term aspects (i.e. up to 5 years out).

Carried Forward

0503: *Reference Gas Charging Review* – Areas where changes are / are not being proposed - National Grid NTS (CW) to look to provide examples of future discussion topics in relation to the definitive work plan.

Update: This is in the modification that has now been raised and submitted to Joint Office - **Closed**

0504: National Grid NTS (CW) to update the previous timeline and include a justification and suggested topic coverage for the modification workgroup programme.

Update: CW will provide a Gantt chart of project dates and timelines. **Carried Forward**

5. Any Other Business

1. LJ advised the Workgroup that the TO Entry Commodity rebate has been calculated, Users will see this in next month's invoices.
2. It was noted that the updated Long Term Revenue Forecast has now been published here: <http://www.gasgovernance.co.uk/ntscharges/LTrevenue> and it can

be discussed next month.

CW asked the Workgroup to review the forecast and asked for feedback before the NTSCMF meeting to be held on 17 July. A couple of points of clarification were noted in relation to Fleetwood and a large spike in TO revenue in future years.

3. RH discussed with the Workgroup the venue preference for the next meeting - 07 July. It was agreed Energy UK would be most suitable.

6. Diary Planning

Further details of planned meetings are available at:

<http://www.gasgovernance.co.uk/Diary>

Time/Date	Venue	Workgroup Programme
10:00, Friday 07 July 2017	LG8, Energy UK, Charles House, 5-11 Regent Street, London SW1Y 4LR	CWD Updated Model Revenue Reconciliation / Recovery Avoiding inefficient bypass of the NTS
10:00, Monday 17 July 2017	Pink Room, ELEXON, 350 Euston Road, London NW1 3AW	Specific Capacity Discounts Non-Transmission Services Model
10:00, Wednesday 02 August 2017	Orange Room, ELEXON, 350 Euston Road, London NW1 3AW	Multipliers Avoiding inefficient bypass of the NTS
10:00, Wednesday 23 August 2017	Pink Room, ELEXON, 350 Euston Road, London NW1 3AW	Interruptible
10:00, Tuesday 05 September 2017	Orange Room, ELEXON, 350 Euston Road, London NW1 3AW	Existing Contracts
10:00, Tuesday 26 September 2017	Pink Room, ELEXON, 350 Euston Road, London NW1 3AW	Forecasted Contracted Capacity Avoiding inefficient bypass of the NTS Multipliers / Interruptible
10:00, Wednesday 04 October 2017	Orange Room, ELEXON, 350 Euston Road, London NW1 3AW	<i>To be confirmed</i>
10:00, Monday 06 November 2017	Orange Room, ELEXON, 350 Euston Road, London NW1 3AW	<i>To be confirmed</i>
10:00, Wednesday 06 December 2017	Orange Room, ELEXON, 350 Euston Road, London NW1 3AW	<i>To be confirmed</i>

Action Table (as at 05 June 2017)

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0301	06/03/17 (amended 05/04/17)	3.0	National Grid NTS (CW) to articulate and capture Storage Review concerns within the Storage discussion document.	National Grid NTS (CW)	Carried Forward
0402	24/04/17	3.2	NTS CMF Terms of Reference - RH and CW to draft a 'strawman' for discussion at the May/June meetings.	Joint Office (RH) and National Grid NTS (CW)	Carried Forward
0404	24/04/17	4.1	'Avoiding Inefficient Bypass of the NTS' (one-pager) - CW and the Subgroup to revisit/re-word the final paragraph to add clarity, and re-publish.	National Grid NTS (CW)	Carried Forward
0501	08/05/17	2.1	National Grid NTS (NR) to provide an example of how National Grid NTS forecasts 1:20 demand, especially the short-term aspects (i.e. up to 5 years out).	National Grid NTS (NR)	Carried Forward
0502	08/05/17	3.4	Reference separate Entry and Exit reconciliation proposals - National Grid NTS (CW) and Ofgem (DR) to liaise and discuss the matter in order to provide a consolidated view at the next NTSCMF meeting.	National Grid NTS (CW) & Ofgem (DR)	Closed
0503	08/05/17	3.5	Reference Gas Charging Review – Areas where changes are / are not being proposed - National Grid NTS (CW) to look to provide examples of future discussion topics in relation to the definitive work plan.	National Grid NTS (CW)	Closed
0504	08/05/17	3.5	To update the previous timeline and include a justification and suggested topic coverage for the modification workgroup programme.	National Grid NTS (CW)	Carried Forward
0505	08/05/17	3.5	To confirm whether or not, the Joint Office can provide sufficient resources to match the proposed meeting schedule.	Joint Office (RH)	Closed
0601	05/06/17	1.2	Joint Office to add all meeting dates to the Events Calendar	Joint Office (HB)	Closed
0602	05/06/17		NTS to review the models and determine ways of removing points in the models to allow the impacts of removing points to be assessed.	National Grid NTS (CW/LJ)	Pending

0603	05/06/17		To prepare some analysis on current revenues from commodity and capacity charges from different types of point. EG storage, generator, IP, LNG, domestic production, DN offtakes etc.	National Grid NTS (CW/LJ)	Pending
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