

NTS Charging Methodology Forum (NTS CMF) Minutes
Wednesday 05 April 2017
Elexon, 350 Euston Road, London NW1 3AW

Attendees

Rebecca Hailes (Chair)	(RH)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Amrik Bal	(AB)	Shell
Andrew Pearce	(AP)	BP Gas
Anna Shrigley	(AS)	Eni UK
Benoit Enault	(BE)	Storengy UK Ltd
Bob Fletcher	(BF)	Joint Office
Bridget Roberts	(BR)	E.ON
Charles Ruffell	(CR)	RWE
Colette Baldwin*	(CB)	E.ON
Colin Hamilton	(CH)	National Grid NTS
Colin Williams	(CW)	National Grid NTS
Danishtah Parker	(DP)	National Grid Gas Distribution
David Cox	(DC)	London Energy Consulting
David Reilly	(DR)	Ofgem
Debra Hawkin	(DH)	TPA Solutions
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
Henk Kreuze	(HK)	Vermilion Energy
Irina Oshchepkova	(IO)	ENTSOG
Jeff Chandler	(JCh)	SSE
Jenny Phillips	(JP)	National Grid NTS
Joanne Parker	(JPa)	Scotia Gas Networks
Julie Cox*	(JCx)	Energy UK
Kieron Carroll	(KC)	PSE Kinsale Energy
Lee Bowerbank	(LB)	Exxon Mobil
Lucy Field	(LF)	Poyry
Lucy Manning	(LM)	Gazprom
Nahed Cherfa	(NC)	Statoil
Nick White*	(NWh)	MJM Energy Consultants
Nick Wye	(NW)	Waters Wye Associates
Paul Youngman	(PY)	Drax
Pavanjit Dhesi*	(PD)	Interconnector UK
Roddy Monroe	(RM)	Centrica Storage
Sinead Obeng*	(SO)	South Hook Gas
Sarah Chleboun	(SC)	National Grid NTS
Vladislav Zuevskiy	(VZ)	Northern Gas Networks

* via teleconference

Copies of all meeting papers are available at: <http://www.gasgovernance.co.uk/ntscmf/050417>

The NTS CMF Document Library has been set up on the Joint Office website and can be accessed at: <http://www.gasgovernance.co.uk/ntscmf/doclib>.

1. Introduction and Status Review

RH welcomed all to the meeting.

1.1 Approval of Minutes (06 March 2017)

The minutes of the previous meeting were approved.

1.2 Pre-Modification discussions

No business for consideration.

2. Workgroups

No business for consideration.

3. Gas Charging Review

CW gave a brief overview of the programme for the meeting.

3.1 EU Tariffs Code – Update

CH provided an update on the current position, advising that the TAR NC had been published on 17 March 2017 and that Entry into Force was expected on 06 April 2017. There were no material changes in this final version of code except for the inclusion of some dates (Articles 34 and 35), which CH briefly highlighted.

An Implementation Workshop had been held on 29 March 2017 and, for those interested, materials could be accessed at: <http://www.entsog.eu/events/implementation-workshop-for-the-tariff-network-code-for-gas#downloads>.

Advising that responses to the Consultation on the Implementation Guideline should be submitted by 30 June 2017 to TAR-NC@entsog.eu, CH added that the Guideline was a useful illustrative document that expands on the Code and provides helpful examples of what implementation could look like; parties were encouraged to read it and respond to the consultation. An updated version of the TAR NC IDoc is to be published before the second TAR NC Implementation Workshop (planned for October 2017).

GB Implementation

CH drew attention to UNC Modification 0611 (Amendments to the firm capacity payable price at Interconnection Points), which had been raised in addition to Modifications 0597 and 0598S (for CAM requirements). Capacity Release Methodology Statements were currently being updated (with a consultation expected in April) to reflect the CAM NC Amendment (UNC Modifications 0597 and 0598S) and include concepts that are referenced in UNC Modification 0611.

In response to Action 0202, CH had looked at the approaches used by other countries; an outline of Forecasted Contracted Capacity (FCC) was given (how it is calculated, its major components, levels of bookings, etc), and examples were illustrated. In summary, where bookings are largely from long term products a TSO may simply base FCC on a simple projection of history (i.e. as bookings are largely known, just use previous year's short term bookings as residual forecast). A more complex approach is required where behaviour may change due to value of multipliers (use a minimum cost approach from a Shipper perspective). The NRA may then adjust FCC values to maximise capacity availability.

NW observed that moving to a different regime means that the historical information

currently available loses its relevance. Emphasis should be on predictability and stability. HK made reference to the German position and recommended a serious discussion on multipliers. CH indicated that broader discussions had taken place and it all seems to be very regime dependent.

3.2 Review of Subgroup Meetings - output

CW provided an update on the output from the March Subgroup meetings. A number of topics were under discussion, including Forecasted Contracted Capacity (FCC), Avoiding inefficient bypass of the NTS, Non Transmission Services, and Multipliers. Development of Charging Spreadsheets for modelling was underway, with the Subgroup focused on reviewing and testing spreadsheets to facilitate modelling of potential options to help refine and enhance for wider release.

Spreadsheets have been developed to help model the potential impacts for both Transmission Services Charges and Non Transmission Charges, and there was to be a 'live' run through of the content, how to use the models and to illustrate the flexibility in using them. Where a Reference Price Methodology (RPM) is used it will either be using Capacity Weighted Distance (CWD) or Postage Stamp. (As previously discussed it is proposed *not* to continue with the LRMC Model.) The two Spreadsheets will be available from 06 April 2017, for Transmission Services (CWD Spreadsheet) and for Non Transmission Services. It is anticipated that a Postage Stamp spreadsheet for Transmission Services will be available during the week commencing 10 April 2017.

The following updated one page summaries have been published at:

<http://www.gasgovernance.co.uk/ntscmf/subg1page>

- Forecasting Contracted Capacity
- Multipliers
- Interruptible Capacity Pricing
- Avoiding inefficient bypass of the NTS (was referred to as OCC)
- Revenue Recovery - Non Transmission Services Revenue.

CW gave a brief overview of the position to date in respect of each of the five topics above.

HK asked for further clarity on Multipliers. CW explained that at present these were not used for the purpose of revenue recovery, and that their purpose/use required redefining. CW gave examples of different uses and impacts of using these as an adjustment mechanism. Combinations and options were under discussion.

DH asked how it would be decided what activities qualified under SO and TO. These would be consulted on and finally agreed by Ofgem. DR indicated that it would only be making changes to the charging methodology. CW added that activities would be mapped and related to income alignment. DH observed that further thought was required.

RM referred to NTS' current view on SO commodity charges in relation to storage, and queried if that was likely to change. CW indicated that a review of the current rationale would be undertaken, including that associated with the current storage arrangements, multipliers, offpeak capacity and Shorthaul.

A live demonstration of the Charging Spreadsheets then took place.

Demonstration of the operation of the Transmission Services Charging Model

SC advised that the solver add-in for excel is required for the model then gave an overview of the operation of the model, adding that a User Guide was being produced to accompany the model and would be available shortly.

Attention was drawn to the bottom tabs, and SC explained what information had been included and the key points associated with each tab; 'User Inputs' was the main tab for use. It was anticipated that a reference table (for the current charges) would also be included.

SC then gave a practical demonstration of how the model was to be used, and CW and SC responded to questions and observations as the demonstration progressed. Noting comments and observations, CW agreed to add two lines for additional discount levels and will produce a further reiteration of the spreadsheet.

The Postage Stamp model will be very similar.

Demonstration of the operation of the Non Transmission Services Charging Model

It was noted that this was a simpler model; CW gave an overview of its operation explaining the inputs in more detail.

This model can be accessed at: <http://www.gasgovernance.co.uk/ntscmf>.

Once parties have accessed and tried out the models for themselves any further comments and observations will be welcomed, particularly if anything is clearly wrong/not working. Parties were encouraged to advise NTS as soon as possible so an appropriate fix can be made as early as possible.

CW advised that a WebEx/T-Con session, hosted by National Grid NTS, would be held between 12:00 midday and 14:30 on Friday 07 April 2017. The aim will be to provide more of a dedicated session/tutorial on the Spreadsheets, their contents and usage and to enable any initial questions to be raised for consideration. Parties were encouraged to register their interest by contacting: box.transmissioncapacityandcharging@nationalgrid.com.

3.3 Behavioural Questionnaire – Overview of Results

CW reported that 30 responses had been received from a range of Network Users. The information provided in the responses had been analysed and a summary was presented for review and discussion. It was observed that there had been a low response from some sectors of Network Users, and it was difficult to make other than very generic assumptions about behaviour for these groups. As such the analysis was limited by the information provided in these responses. The greatest level of response had been received from Traders and Storage Operators.

A table of draft assumptions (Entry and Exit) that might apply for each User Group had been constructed and was presented.

The results were discussed, and NW responded to various questions. The low level of response from certain sectors (generators, in particular) was of concern.

It was accepted that a firm conclusion could not necessarily be made in respect of certain sectors but there was a need to confirm what was 'reasonable' and make sensible adjustments to initial, generic assumptions accordingly, based on the information that had been provided. It was understood that the assumptions developed from the information would not be 100% accurate but that it would be an improvement on the current position.

Parties were encouraged to review the information presented and feed back any comments to CW and NW for consideration prior to the next meeting.

Next steps would be to discuss this with the Mid Stream Gas Group, and the outcome will inform an assumption for each Network User group identified; these would then be applied into a version of the Charging Spreadsheets that are being used for model charges and the potential change options.

Further developments will be discussed at future Subgroup and NTS CMF meetings.

3.4 Plan and Change Process

Observing that there were various ways to address the GB and EU changes required, CW provided an illustration of the potential steps that related to two options:

- Run consultation processes consecutively, i.e. the UNC process to be followed by EU Consultation; or
- Run the EU Consultation in parallel with the UNC process (consulting on all options in both - including any alternates).

The two approaches were discussed. Responding to questions regarding the EU consultation phase, CH explained there was a process described in the Tariff Code, and there would be a standard template. For some areas consultation would be required with the Adjacent NRAs.

It was thought that the second option could theoretically offer a time saving of circa two months, however it would require a significant level of positive co-operation across a number of parties (relevant stakeholders were considered and the allowance of sufficient time to respond). Commenting that it was as yet unknown how many alternates were likely to be raised, JCh suggested that a view on what might be the best approach could be taken when this information was available. Concluding that there appeared to be no strong views either way at present, CW agreed to review as the process unfolded.

3.5 GCR Modification – Proposed Outline and Scope

CW presented a draft structure comprised of a “Principal Modification” that would also reference several “Satellite Modifications” so as to allow flexibility. CW then presented a UNC Modification timeline, and an overview for discussion of what might be included in the principal modification (the potential scope), and any additional minor modifications, subject to further review/development. A discussion ensued.

Concerns were raised that topics covered by the additional modifications to support a principal modification (e.g. Shorthaul) might be shelved as it was necessary to be considered for EU compliance.

NW pointed out the need to avoid interdependencies as this would add too much complexity to the management. (Raising a number of smaller modifications with interdependencies would become unmanageable should interim changes be required to one or more interdependent modifications, or if one or more were to be rejected.) The topics were all interrelated and it was suggested that all requirements should be packaged as a single ‘super’ modification. This approach was supported by a number of participants, and participants appeared to express preference for this ‘super’ modification approach. Accordingly, JP acknowledged the views from the group and that National Grid Gas Transmission would take this into consideration in developing the UNC modification structure.

JP noted this, observing that the creation of a complex modification would require the co-operation of all parties. The general attendance at NTS CMF had grown substantially and it was becoming difficult to accommodate all interests. JP suggested that once sent to Workgroup for development, if it were a single modification, one method of managing the number of topics would be to put forward a programme that could be strictly structured to focus on single components of the modification at each meeting, and to avoid straying across other topics.

Parties would then only attend the meeting for which they had a particular interest, in the knowledge that other areas would be covered on other days. This was agreed to be a sensible approach to adopt in the event of developing a ‘super’ modification.

3.6 GCR Decisions List – Review

CW advised that there had been no further changes made to the RAG status of the entries on the GCR Decisions List since the previous meeting. Therefore the list was not reviewed

at this meeting.

3.7 Next Steps

It was proposed to continue the work of the Sub-group and provide any output to the NTS CMF for review and discussion.

At the next meeting on 24 April 2017, it was anticipated that pre-modification discussions would continue.

4. Issues

4.1 Issues Register - Review

Not reviewed at this meeting.

5. Review of Outstanding Actions

1002: EU TAR NC Article 35: Existing contracts - National Grid NTS to provide clarity on how this article applies to contracts at IPs and Non IPs (before and after this Article enters into force).

Update: Work is continuing. **Carried forward**

0201: *Forecasting Contracted Capacity* - National Grid NTS (JP) to clarify what data was available for forecasting future demands, and explain how the information is used in the options developed to date.

Update: JP advised that Neil Rowley (National Grid NTS) was to be invited to address this at the next April or May meeting. **Carried forward**

0202: *Forecasting Contracted Capacity* - National Grid NTS (CW/CH) to investigate the approaches/methodologies for forecasting used by other countries.

Update: Covered in the presentation made today; see 3.1, above. **Closed**

0203: *Behavioural Assessment Survey* - National Grid NTS (CW) to provide an electronic copy for publication.

Update: Provided. **Closed**

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

Update: CW indicated this was to be addressed in the Storage discussion document; ongoing activity. **Carried forward**

6. Any Other Business

6.1 Demand Estimation Sub Committee - Changes to modelling approach

RH drew attention to information sent out by Fiona Cottam (Xoserve) via email, and read out the communication (reproduced below):

“At a previous meeting of the Demand Estimation Sub-Committee (DESC), Xoserve was asked to undertake analysis to determine whether the accuracy of NDM Energy Allocations

over the summer months could be improved by changing some of the modelling parameters.

Xoserve presented the results at the February DESC meeting, and showed a number of options, and what the likely impacts would be, based on demands and weather for the last four complete gas years. The results generally showed slight improvements, so DESC agreed to change the modelling approach and bring Smaller Supply Point models into line with the rest of the NDM market, by analysing “holiday” days separately. Depending on the behaviour exhibited by the meter points in the NDM sample, this could result in the models for Gas Years 2017/18 and onwards including holiday period reductions over the summer months and at other designated dates. Although the modelling from 2017/18 onwards will consider whether there are holiday reductions, this does not mean they will apply in all LDZs every year.

Details of the analysis were published for the February DESC meeting, and the chosen option was “Model 1”.

<http://www.gasgovernance.co.uk/sites/default/files/DESC%20Summer%20Modelling.pdf>

An example of the typical impact to the Annual Load Factor shape can be seen on Slide 17: this is the impact that might be expected if the individual models indicate that holiday reductions should apply, and it can be seen that it is quite a subtle change.

The analysis also included an assessment of the possible impacts on Peak Load Factors. Where holiday reductions are identified, they may result in small changes to Peak Load Factors. Analysis suggests that changes would be less than +/- 0.5 difference in percentage points: this can be seen on Slide 60. However, actual future Peak Load Factors will depend on the behaviours exhibited by the sample meter points, over the 3-year modelling period.

For further information, please see the February DESC material and minutes (<http://www.gasgovernance.co.uk/DESC/150217>).

Following a brief discussion it was suggested that RH contact Fiona Cottam (FC) to ascertain what, if any, impact there might be on NTS charges, and to what extent. If appropriate, FC may be invited to attend the next NTS CMF meeting on 24 April 2017.

Action 0401: DESC modelling parameter changes - RH to clarify with Xoserve (FC) whether there are any impacts on NTS charges, and if so to what extent.

7. Diary Planning and next agenda

Further details of planned meetings are available at: <http://www.gasgovernance.co.uk/Diary>

Time/Date	Venue	Workgroup Programme
10:00, Monday 24 April 2017	Consort House, 6 Homer Road, Solihull B91 3QQ	Pre-Modification discussion Gas Charging Review Issues Register
10:00, Monday 08 May 2017	Orange Room, ELEXON, 350 Euston Road, London NW1 3AW	UNC Modification - review and development
10:00, Tuesday 23 May 2017	Orange Room, ELEXON, 350 Euston Road, London NW1 3AW	UNC Modification - review and development
10:00, Monday 05 June 2017	PINK Room, ELEXON, 350 Euston Road, London NW1 3AW	UNC Modification - review and development

10:00, Friday 07 July 2017	Orange Room, ELEXON, 350 Euston Road, London NW1 3AW	<i>To be confirmed</i>
10:00, Wednesday 02 August 2017	Orange Room, ELEXON, 350 Euston Road, London NW1 3AW	<i>To be confirmed</i>
10:00, Tuesday 05 September 2017	Orange Room, ELEXON, 350 Euston Road, London NW1 3AW	<i>To be confirmed</i>
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 April 2017)

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
1002	05/10/16	3.5	<i>EU TAR NC Article 35: Existing contracts</i> - National Grid NTS to provide clarity on how this article applies to contracts at IPs and Non IPs (before and after this Article enters into force).	National Grid NTS (CH)	Carried forward
0201	01/02/17	3.1	<i>Forecasting Contracted Capacity</i> - National Grid NTS (JP) to clarify what data was available for forecasting future demands, and explain how the information is used in the options developed to date.	National Grid NTS (JP)	Carried forward
0202	01/02/17	3.1	<i>Forecasting Contracted Capacity</i> - National Grid NTS (CW/CH) to investigate the approaches/methodologies for forecasting used by other countries.	National Grid NTS (CW/CH)	Closed
0203	01/02/17	3.2	<i>Behavioural Assessment Survey</i> - National Grid NTS (CW) to provide an electronic copy for publication.	National Grid NTS (CW)	Closed

0301	06/03/17 <i>(amended 05/04/17)</i>	3.0	National Grid NTS (CW) to articulate and capture the Storage Review concerns within the NTSCMF Issue Register - Storage discussion document.	National Grid NTS (CW)	Carried forward
0401	05/04/17	6.1	<i>DESC modelling parameter changes</i> - RH to clarify with Xoserve (FC) whether there are any impacts on NTS charges, and if so to what extent.	Joint Office (RH)	Pending