

NTS Charging Methodology Forum (NTSCMF) Minutes
Wednesday 11 January 2017
Consort House, 6 Homer Road, Solihull B91 3QQ

Attendees

Anna Shrigley*	(AS)	Eni UK
Charles Ruffell	(CR)	RWE
Chris Shanley (Chair)	(CS)	Joint Office
Colin Williams	(CW)	National Grid NTS
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)	Vermillion Energy
Julie Cox	(JCx)	Energy UK
Karen Visgarda (Secretary)	(KV)	Joint Office
Kieron Carroll	(KC)	PSE Kinsale Energy
Laura Johnson	(LJ)	National Grid NTS
Lucy Manning	(LM)	Gazprom
Nahed Cherfa	(NC)	Statoil
Nick Wye	(NW)	Waters Wye Associates
Nigel Sisman	(NS)	Sisman Energy
Pavanjit Dhesi*	(PD)	Interconnector UK
Richard Fairholme	(RF)	Uniper
Robert Wigginton*	(RW)	Wales & West Utilities
Roddy Monroe	(RM)	Centrica Storage
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/110117>

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

CS welcomed all to the meeting.

1.1 Approval of Minutes (06 December 2016)

The minutes of the previous meeting were approved.

1.2 Pre-Modification discussions**1.2.1 Draft proposal - Provision of NTS Cost Information**

The Proposer was not in attendance; discussion deferred to the next meeting.

2. Workgroups

No business to consider.

3. Gas Charging Review

CW outlined the programme for the meeting, explaining the majority of the topics for discussion were the outcomes from the Sub-group Meetings and that a number of Summary Documents had been published (on Tuesday 10 January 2017) within the NTS

CMF Document Library and these are noted in the table below, in line with corresponding discussions within the meeting.

Name of Document	Reference in Minutes
Modelling Papers Conclusion of Sensitivity Analysis Modelling CWD & Postage Stamp Modelling – Sensitivities Analysis LRMC Modelling – Sensitivities Analysis	Point 3.1 (a)
Locational Signals	Point 3.1 (b)
Multipliers	Point 3.1 (c)
Formula vs Gas Year	Point 3.1 (d)
Interruptible	Point 3.1 (e)
Revenue Recovery – Transmission Services Revenue	Point 3.1 (f)
Revenue Recovery – Non Transmission Services Revenue	Point 3.1 (g)
Article 9	Point 3.1 (h)
Optional Commodity Charge	Point 3.1 (i)
Pricing Terminology	Point 3.1 (j)
GCR Subgroup Minutes 14 Dec 2106	Published within Sub Group Papers on the JO Website
GCR Subgroup Minutes 19 Dec 2016	Published within Sub Group Papers on the JO Website

3.1 Review of Sub-group Reports and next steps

CW outlined topics and items discussed at the two Sub-group meetings held on 14 and 19 December respectively, and explained that the minutes had now been published.

(a) Reference Price Methodology (RPM)

LJ introduced the Reference Price Methodology in relation to the two the models; Long Run Marginal Cost (LRMC) and Capacity Weighted Distance (CWD). She provided an overview of the Summary Document – Summary of Sensitivities Analysis on the LRMC Modelling, explaining that the LRMC was viewed as no longer suitable by the Sub-group due to the variances and sensitivities in relation to the pricing in the model.

A 10% increase and a 10% decrease on the inputs into the base model had been modelled (not unusual), to show the influence of these changes on the prices. LJ overviewed a graph schematic, which showed the prices for the different inputs (plus or minus 10%) at the exit and entry points, explaining the large change in prices. CW said due to these unpredictable variances, the Sub-group was now focusing on the CWD and Postage Stamp models. NS asked if Ofgem were in agreement with this decision. DR said that Ofgem were not directly involved in the decision but had an interest in the methodology options being investigated.

GR said that National Grid NTS had undertaken a lot of analysis in relation to the different models and a general discussion then took place concerning the two remaining models and their 'fit for purpose' criteria. NS questioned whether the input parameters and the negative Back-haul issue caused the LRMC model volatility and whether an opportunity was being missed to fix the model itself. Ultimately a move to a simpler more predictable model meant the Post Stamp Model could be more suitable.

CS said that as the summary documents had only just been published, he would encourage individuals to read these after the meeting to gain a greater understanding, while the Sub-group continued with the analysis of the CWD and postage models. He also said that any feedback should be sent directly to CW and LJ and not to wait until the next meeting to raise points or concerns.

New Action 0101: All to read the issue summary papers contained in the within the NTS CMF Document Library and provide feedback as necessary to CW, SC and LJ.

(b) Locational Signals

LJ said following the analysis of the Locational Signals it was felt that these did not have a big impact on the investment decisions made by the Network Users. A lengthy general discussion then ensued surrounding the topic & geographical charging and whether these signals were important in a world where the Network was not expanding.

CS reiterated that this subject/draft paper had already been discussed in the last meeting and that it had been highlighted that Locational Signals were being watered down in electricity also. RF asked that the conclusion be amended to capture it was the view of NTS as well as Network Users. CS said should anyone have any further comments on the summary paper then these should be sent directly to CW.

(c) Multipliers

LJ reiterated that it was agreed during the November Sub-group meeting that a simplistic approach should be followed in the modelling and multipliers of 1 should be used for all different auction types. CW also explained that a model was being developed that would allow people to change the specific variables. CS said as the development of the model was in its infancy at the present time, the topic of multipliers would need to be revisited once results were produced, to understand what role they could play in revenue recovery.. LM wanted greater clarification regarding the impact of the model in relation to the IPS and non-IPs process and how these two would interact. CW said they would need to provide a further written explanation regarding this area and JCx reiterated this still needed greater discussion.

(d) Formula vs Gas Year

LJ explained that it had been decided that a more sensible approach was to maintain the current Formula Year and Gas Year and then feed it into RIIO-T2 discussions, due to the fact any change would require a change to the Gas Transporter Licence. A general discussion then took place and KC wanted to know why it was difficult to forecast revenue over two half years and LJ said this was because revenue could vary from year to year and DR said the variations could also be caused by the Price Control variables. RF asked if both National Grid and Ofgem could propose this topic be added to the T2 initial discussions, as it was currently out of scope..

(e) Interruptible

LJ said that the calculation of the probability of interruption was specified in the TAR NC, this was IP specific and that the key extracts of Article 16 were listed in the one page summary. She said the preliminary conclusion of the sub group was that there was no reason why IP's and Non-IP's should be priced differently, especially as no one in the sub-group had provided any feedback on this matter.

CW said the interruptible pricing at Interconnector Points needed to be discussed further, as otherwise there would be one 'uniform' approach regarding Interruptible. RF wanted to know if this was Congestion Management Pricing or Interruptible. CS suggested that this area needed more consideration and encouraged participants to read the 'initial' summary paper and provide feedback to CW. SC said in due course, a colour-coded issues table would be produced to add clarity to topics like this that were still undergoing investigation..

(f) Transmission Services Revenue

CW said the summary paper provided an overview of the discussions and that the conclusion was that the use of revenue recovery for Transmission Services should be

predominantly Capacity based for both Entry and Exit points.

GJ said that this could mean that the capacity based revenue recovery could actually be only 51% and that he felt this area needed greater discussion. DH asked if this was IPs only or could it be applied to a dual regime. JCx said this approach depends on the forecast of contracted capacity and this was still being discussed. Last year's flows had been used as an option but could not be used, as these were not sufficiently robust or justifiable. A lengthy general discussion took place regarding the Tariff Code and who should pay and whether this should be via Capacity or Commodity charges. Both NW and JCx explained this was very much still a 'work in progress' area within the Sub-group currently, and that discussions still needed to be undertaken regarding a 'dual regime'.

(g) Non-Transmission Services Revenue

CW said the summary paper provided an overview of the discussions and that one suggestion was that the use of Revenue recovery for Non-Transmission Services should be Commodity based, although the application of this may depend on the denominator used in the calculation (flows). NS asked which parts of the revenue would this cover and CW stated that it would be the SO revenue and that a table had been presented regarding this matter at an earlier meeting.

(h) Article 9

SC provided a brief overview to the Article 9 previous discussions, as were detailed in the Summary Paper. She said that there would be a 50% discount to the capacity-based Transmission Tariffs at the Entry and Exit points from Storage facilities, providing this facility was named as a 'Storage Site' in the Licence.

SC highlighted that there may be some ASEPs where a storage point and a non-storage point are combined and are therefore not designated as a storage site in the Licence. In order to apply a discount appropriately at these points, they may need to be split so that the relevant parts can be designated as Storage Sites. A lengthy general discussion then took place as to how these facilities are defined presently and in the future under the Tariffs Code. SC said that an appendix was going to be supplied listing the storage sites defined in the licence. CS proposed that this was an evolving paper and that people should provide feedback accordingly with specific questions or areas that they felt needed greater clarification.

(i) Optional Commodity Charge (OCC)

LJ explained that the present OCC would need to be amended if a new product was introduced to avoid any inefficient bypass of the NTS. Under TAR NC two potential options were possible; one being, a discount to the charge to collect the Non-Transmission Services Revenue or the other being, a discount to the capacity charges to collect the Transmission Services Revenue, both of which needed to be fully investigated and explored further. NS indicated that the critical policy decision was whether an approach to deliver an efficient short-haul pricing regime where the risks of inefficient by-pass are avoided or whether a cheap alternative-to-standard transmission service should be developed that might be economically advantageous to a wider number of supply points. DR added that he could see the value of a deeper discussion in relation to any 'bypass' solution proposed by the subgroup. CS urged individuals to provide feedback on this matter to LJ.

(j) Pricing Terminology

LJ informed the Workgroup that a Pricing Terminology reference document had now been published that showed the comparisons between the EU Tariffs Code and the current GB Charging Framework. LJ provided an overview of the document and drew attention the heading and content as listed; *Term*, *Current Treatment* and *TAR NC Definition*. She explained that the definitions had been taken out the UNC Code and pointed out certain terms that were new, these included; *Fixed Payable Price* and, *Multipliers*. She also pointed out that *Incremental Capacity* had been added in relation to Modification 0597.

CS indicated that he would place this document in the NTS CMF Document Library also.

3.2 EU Tariffs Code - Current Outlook

CW then overviewed the Process Steps and dates, noting that Entry Into Force (EIF) should be after the annual auction on 06 March 2017, and before the allocation of the QSEC auction. He explained that ENTSOG was proposing an implementation workshop for 29 March 2017 (to be confirmed) and they will be producing an Implementation Document (what/when to implement) that is to be published prior to the workshop.

The Simplified Implementation Timeline (with no pause for EU consultation) schematic was displayed and CW said that all the UNC processes would need to be completed by the end of May 2018. Responding to questions regarding the ACER consultation, CW indicated this would be run in parallel with the UNC and an information pack will be provided to ACER. CW also said this exercise would need careful consideration as to how any 'minded' decisions were presented to ACER. He expected that the UNC process would operate as normal and should facilitate an early delivery of the EU Tariff Code if ACER raised no concerns. RW voiced concern over the timings in relation to the risk of NTS publishing prices in line with the existing methodology that would not apply if the Modifications are approved and said he would like to discuss this further with Ofgem. DR proposed that RW contacted himself or Ofgem directly, to open up dialogue surrounding this matter. CW highlighted that depending on the nature of the proposed modification that it could be possible to provide two sets of prices.

TAR supporting MODS for CAM

CW then moved on to overview the TAR supporting Modifications for CAM explaining that National Grid NTS would be raising further modifications to support the CAM amendments.

He then explained the detail of some specific interactions between the two Codes, i.e. floating payable price for existing annual yearly entry, and incremental capacity. RF wanted to enquire when the Daily Auctions would be captured and CW agreed to produce a separate reference table of when the new charges would apply to the different capacity products, which would encompass the Daily Auctions, all agreed that would be useful.

New Action 0102: National Grid NTS (CW) to produce a separate reference table explaining when the new charges would apply to the different capacity products.

CW then moved on to overview the new concept regarding TAR NC Article 33, in that it introduces the concept of a 'Mandatory Minimum Premium' (MMP), which might be applied to incremental release in both auctions and alternative allocation mechanisms.

CW also highlighted that due to the impact on allowed revenue NG shall not be proposing a fixed price approach in the modifications.

3.3 Workplan - review progress and refine approach

CW provided an update on the Plan and Change Process and the items to be covered by the sub-group over the next few months, explaining it was similar to that presented last month. It was highlighted that the 'behaviour' surveys would be issued on Friday 13 January 2017 and that the results would be analysed by the sub group. .

CW explained that the documents that had been produced within the NTS CMF Sub-group would be useful when developing the modification and provide a good reasoned foundation for the types of change it would include. He also said that the Model would be available for review in Q1 of 2017 and that this would allow the Users to model various different scenarios and their associated impacts,

3.4 Next Steps

CS explained that in order to save time, he had reconciled the Outstanding Actions and Issues Register and showed a document that linked the current actions to the Issues Register. The Issues Register was still in 'draft form' and needed to be updated further to reflect the 13 Summary Papers that were published on Tuesday 10 January 2017. JCx wanted to be sure that the new Issues had been captured in the appropriate manner. CS acknowledged the concern and said he would check that all the issues had been captured but believed they had.

CS requested where possible, that National Grid NTS presented documents in advance of the meeting, or 'drip fed' them if appropriate, to allow the Workgroup adequate time to review them prior to any meeting, which had not been possible in advance of this meeting, due to insufficient publishing time.

It was anticipated that the Sub-group would continue its analysis and assessments of the topics outlined and it would provide one-page summaries or further updates as appropriate to the NTS CMF for review and debate, when the issues identified have been fully investigated.

The NTS CMF will continue its work in the following areas:

- Assessment of Sub Group reports/summaries
- Identification of other issues and agree any actions
- Review Issues Register
- Receive an update on EU Tariffs Code
- Review progress and refine the Workplan/approach as appropriate.

4. Issues

4.1 Issues Register

The Issues Register will be formally reviewed at the next meeting.

5. Any Other Business

5.1 None.

6. Review of Actions Outstanding

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: Further details regarding Article 35 were requested so that action was carried forward. **Carried forward**

1101: *Locational Signals - Review of importance of having Locational Signals going forward, to understand if they should be retained or removed and the consequential effect of this decision on the model(s).* To be added to the Issues Register and reviewed by the Sub-group.

Update: Included in the Issues Register TCMF05, and so it was agreed this action could be closed. **Closed**

1102: Add topic "*Options with regard to the GTCR proposal to reduce Reserve Price discounts*" to Issue Register (linking to Multipliers issue), for further investigation by Sub-group.

Update: Included in the Issues Register TCMF01, and so it was agreed this action could be closed. **Closed**

1103: *Payable Price and revenue recovery* - Sub-group to review potential changes to the current methodology in light of the payable price articles and in particular the forecasts currently used.

Update: Included in the Issues Register TCMF03, and so it was agreed this action could be closed. **Closed**

1104: *Article 9 Discounts (a) clarify background and intent behind article and, b) define the process for setting of and application of such discounts in GB)* - To be added to the Issues Register and considered by the Sub-group.

Update: Included in the Issues Register TCMF06, and so it was agreed this action could be closed. **Closed**

1201: *Issues List* - Produce a list of the items, colour coded, with one page summaries where appropriate (including one for entry/exit spilt and storage discounts), for the Sub-group to review and develop positions.

Update: Requirement for one-page summaries Included in the Issues Register under TCMF06 and TCMF07. Colour coded issues list still being produced and so action carried forward. **Carried forward.**

7. Diary Planning

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

Please see details below.

2017 Meetings

Time/Date	Venue	Workgroup Programme
10:00, Wednesday 01 February 2017	Orange Room, ELEXON, 350 Euston Road, London NW1 3AW	<i>To be confirmed</i>
10:00, Monday 06 March 2017	Consort House, Prince's Gate Buildings, 6 Homer Road, Solihull B91 3QQ	<i>To be confirmed</i>
10:00, Wednesday 05 April 2017	Orange Room, ELEXON, 350 Euston Road, London NW1 3AW	<i>To be confirmed</i>
10:00, Monday 08 May 2017	Consort House, Prince's Gate Buildings, 6 Homer Road, Solihull B91 3QQ	<i>To be confirmed</i>
10:00, Monday 05 June 2017	Orange Room, ELEXON, 350 Euston Road, London NW1 3AW	<i>To be confirmed</i>
10:00, Monday 03 July 2017	Solihull	<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, Monday 04 September 2017	Solihull	<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	Solihull	<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 11 January 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 - 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).</i>	National Grid NTS (CH)	<i>Due Wednesday 01 February 2017</i> Carried forward
1101	02/11/16	3.3	<i>Locational Signals - Review of importance of having Locational Signals going forward, to understand if they should be retained or removed and the consequential effect of this decision on the model(s). To be added to the Issues Register and reviewed by the Sub Group.</i>	National Grid NTS (CW)	Closed
1102	02/11/16	3.3	<i>Add topic "Options with regard to the GTCR proposal to reduce Reserve Price discounts" to Issue Register (linking to Multipliers issue), for further investigation by Sub Group.</i>	National Grid NTS (CW)	Closed
1103	02/11/16	3.4	<i>Payable Price and revenue recovery - Sub Group to review potential changes to the current methodology in light of the payable price articles and in particular the forecasts currently used.</i>	National Grid NTS (CW)	Closed
1104	02/11/16	3.4	<i>Article 9 Discounts (a) clarify background and intent behind article and, b) define the process for setting of and application of such discounts in GB) - To be added to the</i>	National Grid NTS (CW)	Closed

			Issues Register and considered by the Sub Group.		
1201	06/12/16	4.1	<i>Issues List</i> - Produce a list of the items, colour coded, with one-page summaries where appropriate (including one for entry/exit spilt and storage discounts), for the Sub-group to review and develop positions.	National Grid NTS (CW)	<i>Due Wednesday 01 February 2017</i> Carried forward
0101	11/01/17	3.1	All to read the issue summary papers contained in the within the NTS CMF Document Library and provide feedback as necessary to CW, SC and LJ.	ALL	Pending
0102	11/01/17	3.2	National Grid NTS (CW) to produce a separate reference table explaining when the new charges would apply to the different capacity products.	National Grid NTS (CW)	Pending