

**Gas Charging Review – Sub Group
Teleconference
23 February 2017**

Attendees:

Apologies:

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

Discussion items

Please note: When any paper or subject has reference to being “agreed” or “locked down” this does not prevent future updates. It means that the discussion at the sub-group and NTSCMF has reached a point where no further updates have been suggested and the conclusion is agreed by the sub-group. Should any paper or subject area need to be reviewed they will be revisited as and when required.

As discussed all updates following this meeting will be change marked so the updates can be seen when reviewing the papers.

Multipliers

There was an update to the paper suggested in relation to capturing the potential impact of multipliers if the multiplier is set at a high level in that it may drive shippers to purchase longer term capacity when it may not be capacity that would be used every day. This, depending on the behavioural changes that result from price changes over today’s framework may impact planning and forecasting however behavioural changes is something to continue to discuss as the review moves on. Conclusion remains as per previous version. Recommend paper be locked down and further discussion as and when the use and application of multipliers is revisited.

Action GCR-SG043: NG to update paper (V1.3) and version to incorporate additional comments and to reflect status of locked down.

Interruptible Capacity

The group discussed the probability of interruption in relation to the pricing for interruptible (entry and exit) capacity. Here there is a link to the Ofgem letter of 21 February updating their GTCR policy (<https://www.ofgem.gov.uk/publications-and-updates/open-letter-european-union-network-code->

[harmonised-transmission-tariff-structures-gas-tar-nc](#)). In the policy Ofgem recommend pricing interruptible capacity based on the probability of interruption for all GB Entry and Exit points. As a result it is necessary to review the calculation under Article 16 of the TAR NC. It has two elements that are multiplied together, the probability of interruption (Pro factor) and an Adjustment Factor (“A”). If the Pro is likely to be zero then the A factor has no influence on the calculation given it would be multiplying a value by zero. As the A factor is there to represent the economic value associated to the incremental capacity, it was discussed whether this should be developed. It was proposed that if the Pro factor is expected to be zero then the A factor would be irrelevant and could be ignored at this stage. One option to nullify the impact of the A factor whilst retaining it as a value in the calculation would be to default it to “1”, this can be revisited should it be necessary to do so.

It may be necessary to only consider the A factor for a few points and should be kept under review.

It was discussed whether there would be value in an interruptible capacity product if it were priced the same as firm capacity and whether shippers would continue to use the product in this case.

Updates will be made to the paper to reflect the discussions. Any approach would need to be considered against other objectives of Licence / TAR NC and issues such as discrimination. Whether applied at IPs only or all points, there is a need to work through the calculation of interruptible capacity prices as given in TAR NC and this will be done at sub group and outputs fed back to NTSCMF.

A question had been raised previously to check for any impact or interaction with the CAM NC changes. As CAM NC does not amend the amount or price of interruptible capacity this can be acknowledged and paper updated to reflect this. Previous versions of the CAM NC amendment did have potential impacts on interruptible capacity but the CAM amendments which should enter into force late March 2017 do not impact the current GB arrangements for interruptible capacity).

Action GCR-SG044: NG to update Interruptible Capacity Pricing paper and share update version (V0.5) for comments.

Forecasted Contracted Capacity (FCC)

There was a lot of discussion on the FCC and several updates are required to the discussion paper to reflect this. The main changes to note are:

- Updating the discussion section of the document: moving some aspects from the background section to the discussion section to ensure that the background factual only.
- Some users (DNs) must book a level of capacity under their Licence and for the remainder of capacity bookings it is more open in the competitive market – it would helpful to look at this level of capacity to assess the proportions against the obligated level as part of analysis needed to see if there are more certain booking levels for certain user groups and to see what percentage this may make up.
- It was challenged whether the use of historical bookings and flows as a measure for FCC was being discounted too early in the process. Whilst it could be revisited, overall there is a large degree of uncertainty in using past bookings as a measure of future bookings due to the number of variables that could change over time for any given User or User Group.
- The inclusion of some objectivity criteria to help assess and reduce the number of FCC options. These are: whether information is published, the duration of the forecast, stability (yr to yr) and objectivity of method / values. These have been added into the appendix and

- will be populated as they are discussed for each option in the appendix.
- Additional important criteria could be:
 - Levels of transparency of any method or values and limiting the openness to challenge and interpretation;
 - Cost reflectivity;
 - Stability;
 - Predictability.
- For any prices that come out as errors, negative or zero under the CWD model these will be replaced with values linked to the nearest entry or exit point.
- The ambition is to reduce the number of FCC options down to a few that represent the strongest methods of forecasting through assessment against the criteria.

Action GCR-SG045: NG to share updated draft paper (V0.3) on Forecasted Contracted Capacity for comment

Action GCR-SG046: NG to produce analysis in relation to FCC options

Modelling Progress

A brief summary of the modelling was given. National Grid is taking the outputs of the discussions on the various topics, including the conclusions, and incorporating them into the options available in the end to end model being developed. As previously discussed the model will be shown and shared to the sub group for comments and some time will be given to incorporate feedback on its development ahead of a wider release. The model will be shown at the next sub group on the 15th March and shared afterwards.

Next Meeting and additional updates

An additional teleconference is to be arranged for 3rd March to cover some of the topics not covered at 23rd February meeting, notably Revenue Recovery mechanisms (with a particular look at Non Transmission Services), Storage and also Avoiding inefficient bypass of the NTS.

There is an NTSCMF on 6 March. The next sub group meeting will be on 15th March and this will be a face to face for those able to attend at NG's office in Warwick. T-Con facilities will be available for those not able to attend in person. There is to be another Sub group on 27th March. This is likely to be another face to face meeting with optional T-con facilities depending on the material to be shared and discussed.

At NTSCMF on 6 March a brief summary will be given on the sub group's outputs, encouraging those not attending and who wish to read up on the specific discussion topics, to read up on the subjects of interest to them and to review the minutes on the Joint Office website. Any feedback, comments or questions can be directed to National Grid.

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.	Closed
GCR-SG006	National Grid to develop these suggested models for discussion	Closed
GCR-SG007	NG to review how the output of the scenario analysis is presented, and to undertake some additional sensitivity analysis on supply/demand	Closed
GCR-SG008	Group to review output of scenario analysis following receipt	Closed
GCR-SG009	Rob to share Mapping tool with NG	Closed
GCR-SG010	National Grid to ensure multipliers can be amended in models	Closed
GCR-SG011	Nick to share the Gas Forum technical analysis in relation to the modelling of behaviours done for GTCR	Closed
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	Closed
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
GCR-SG015	NG to prepare and share for comment updated paper on LRMC, new paper on CWD/PS and separate conclusions paper	Closed
GCR-SG016	NG to update Multipliers paper for final agreement by the sub group	Closed
GCR-SG017	NG to share summary document for Multipliers	Closed
GCR-SG018	NG to follow up with Legal teams on Revenue Adjustment	Open
GCR-SG019	NG to share a draft paper on Forecasted Contracted Capacity	Closed
GCR-SG020	NG to update the LRMC, CWD & PS and Conclusions papers and circulate ahead of NTSCMF in Jan 2017.	Closed
GCR-SG021	NG to share a draft paper on Fixed versus Floating for Incremental	Closed
GCR-SG022	NG to share a draft paper on interruptible	Closed
GCR-SG023	NG to share a draft paper on revenue recovery for Transmission Services	Closed
GCR-SG024	NG to share a draft paper on revenue recovery for Non-Transmission Services	Closed
GCR-SG025	NG to share a draft paper on shorthaul	Closed
GCR-SG026	Members of the Sub Group to review the papers circulated and provide any comments so they can be included ahead of January NTSCMF submission	Closed
GCR-SG027	Action GCR-SG027: NG to update LRMC/CWD/PS Sensitivity trio of documents to reflect the locked down status.	Closed
GCR-SG028	Action GCR-SG028: NG to update Locations Signals paper and reflect the locked down status.	Closed
GCR-SG029	Action GCR-SG029: NG to update Article 9 paper and share for comments.	Closed
GCR-SG030	Action GCR-SG030: NG to update paper and version to reflect status.	Closed
GCR-SG031	Action GCR-SG031: NG to update paper and share for comments. Paper name has changed from Optional Commodity to Avoiding inefficient bypass of the NTS	Closed
GCR-SG032	Action GCR-SG032: NG to update Interruptible paper and share for comments.	Closed
GCR-SG033	Action GCR-SG033: NG to bring initial review of the calculation of interruptible from TAR NC to a sub group.	Closed

GCR-SG034	Action GCR-SG034: NG to update Formula Year versus Gas Year paper and reflect the locked down status.	Closed
GCR-SG035	Action GCR-SG035: NG to update Transmission Services Revenue Recovery paper and share for comments.	Closed
GCR-SG036	Action GCR-SG036: How does grandfathering rights work and can capacity be handed back?	Open
GCR-SG037	Action GCR-SG037: NG to update Non Transmission Services Revenue Recovery paper and share for comments.	Closed
GCR-SG038	Action GCR-SG038: NG to update Entry / Exit split paper and reflect the locked down status.	Closed
GCR-SG039	Action GCR-SG039: NG to update Incremental paper and reflect the locked down status.	Closed
GCR-SG040	Action GCR-SG040: NG to share a draft paper on Forecasted Contracted Capacity for comment	Closed
GCR-SG041	Action GCR-SG041: NG to share a draft paper on Revenue Recovery mechanisms for comment	Closed
GCR-SG042	All in the Sub-Group to review and provide comments on papers or to provide inputs for future discussion topics.	Open
GCR-SG043	NG to update paper (V1.3) and version to incorporate additional comments and to reflect status of locked down.	Open
GCR-SG044	NG to update Interruptible Capacity Pricing paper and share update version (V0.5) for comments.	Open
GCR-SG045	NG to share updated draft paper (V0.3) on Forecasted Contracted Capacity for comment	Open
GCR-SG046	NG to produce analysis in relation to FCC options	Open