

NTS Charging Methodology Forum (NTSCMF) Minutes

Wednesday 01 August 2018

at Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA

Attendees

Penny Garner (Chair)	(PG)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Nield*	(AN)	Storengy
Andrew Pearce	(AP)	BP
Bill Reed	(BR)	RWE Supply & Trading
Charlotte Friel	(CF)	Ofgem
Colin Williams	(CW)	National Grid NTS
Debra Hawkin	(DH)	TPA Solutions
Graham Jack*	(GJ)	Centrica
Jeff Chandler	(JCh)	SSE
John Costa*	(JC)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kirsty Ingham*	(KI)	ESB
Nigel Sisman	(NS)	SEC
Paul Brennan	(PB)	Waters Wye Associates
Paul Toole*	(PT)	NGN
Sinead Obeng	(SO)	Gazprom Marketing & Trading
Steve Pownall	(SP)	Xoserve

* via teleconference

Copies of all papers are available at: <https://www.gasgovernance.co.uk/NTSCMF/010818>

1. Introduction and Status Review

Penny Garner (PG) welcomed Workgroup Members to the meeting. In her introduction she referred to the Ofgem decision letter in relation to UNC Modification 0636/A/B/C/D: Updating the parameters for the National Transmission System Optional Commodity Charge which had been received on 31 July 2018. The contents of the decision letter would be discussed later in the meeting.

1.1. Approval of Minutes (03 July 2018)

PG advised that three amendments have been made to the original minutes published on 10 July and thanked Debra Hawkin for spotting where clarification was required in relation to the two points below:

- Clarifying that EU consultation responses should be sent to JO who will forward them to Colin Hamilton at NG NTS.
- Clarifying that comments for Ofgem about the list of questions Workgroup sent should be addressed directly to Ofgem.

The third amendment was in relation to a comment wrongly attributed to Julie Cox. This was updated to be attributed to Jeff Chandler.

No further comments were received, so the minutes from the previous meeting were

approved.

1.2. Modifications with Ofgem

PG invited Ofgem to provide an update on UNC Modifications 0621/A/B/C/D/E/F/H/I/J/K/L - Amendments to Gas Transmission Charging Regime and the questions previously communicated by the Workgroup on 03 July.

Discussion of this item was taken following discussion of Agenda item 3.1 - UNC Modification 0653 Updating the parameters for the NTS Optional Commodity Charge – Introducing the NTS Optional Capacity Charge.

Charlie Friel (CF) provided the Joint Office with a formal post-meeting update in relation to the points made in respect of the UNC 0621 suite of Modifications:

- Ofgem are disappointed that the Modification Panel considered that none of the 0621 Modifications were fit for implementation.
- Ofgem consider it is the industry's responsibility to develop Modification Proposals that Ofgem can reasonably consider for implementation, including ensuring Proposals are compliant with the European Network Code, in the case of UNC Modification 0621, specifically.
- Ofgem are now proceeding with the Regulatory Impact Assessment on the UNC 0621 suite of Modifications. Taking account of the Impact Assessment findings, Ofgem will consider its options with regard to next steps. This may include sending the Modifications back to the Modification Panel to address any issues that may hinder Ofgem's ability to make a decision on the modifications (this may include compliance issues).
- While Ofgem will consult ahead of their decision, at this time Ofgem cannot state when they plan to consult since the timing of this may be impacted by the findings of the Regulatory Impact Assessment.
- Ofgem have not determined whether they will consult on a 'minded to' position. However, they anticipate aligning the timings of their consultation with the article 26 consultation. The format of this is to be confirmed at a later date.

CF indicated that Ofgem would welcome further evidence from industry in support of the modifications and that Ofgem would also welcome further discussion if it is needed.

PG invited Ofgem to provide a further update in addition to that provided for UNC 0621 in the context of UNC Modification 0653.

Charlie Friel (CF) directed Workgroup participants to Ofgem's decision letter in relation to UNC Modifications 0636/A/B/C/D: Updating the parameters for the National Transmission System Optional Commodity Charge (<https://www.gasgovernance.co.uk/0636>).

In relation to UNC Modification 0653, CF indicated in theory agreement that there is a need to review short-haul charging arrangements where sensible. The analysis provided to Ofgem via the 0636 FMR, was insufficient to allow Ofgem to fully assess whether the potential benefits from the proposals would outweigh the potentially negative impacts. CF noted that this is discussed further in the 0636 decision letter. CF suggested it would be helpful to consider the changes holistically in the context of the wider changing landscape. The key question is timing – when is the appropriate time to consider this modification.

Workgroup participants made the following comments/observations during an open discussion:

- a. DH suggested that it would be helpful to understand what additional analysis Ofgem require to support their decision. In response, CF reiterated that Ofgem's decision letter highlighted the static approach to analysis in UNC Modification 0636. She suggested that more thinking around the behavioural analysis would be helpful, including thinking about sensitivities if specific behavioural impacts are difficult to quantify.
- b. JCx expressed concern that the analysis burden always falls to National Grid and that when other parties provide analysis it does not carry as much weight as NG analysis.
- c. PG stated that as the Code Administrator, unless a Modification is deemed to be Urgent or part of a Significant Code Review all Modifications are given equal weighting from an administrative perspective. A view from Ofgem on the use of Alternatives would be helpful as the number of Alternatives may impede the quality of debate. CF indicated that the Ofgem letter refers to governance under other issues and seeks more information from industry if it is considered that the UNC modification process is not working.
- d. JCx stated that charging historically was not in the UNC and control was with NG who could raise modifications as necessary. There was concern that when charging was included in the UNC that this might lead to a proliferation of modification proposals, this did not occur. However, where wide ranging changes are proposed and there are commercial consequences of the distributional impacts, multiple alternative proposals are inevitable.
- e. BR stated that Ofgem in their letter, indicated that Optional Commodity Charge should not be looked at in isolation but should be considered holistically. The letter also suggests that a piecemeal approach at this time, could create unnecessary uncertainty and undermine long-term planning. In the context of this he questioned what the implications are for UNC Modification 0653. When and how should this change be made?
- f. CF indicated that the current timing is challenging given wider changes being considered in UNC Modification 0621 and that next steps in relation to TAR implementation are not determined. With a likely change by Autumn 2019 it may not be appropriate to consider short-haul in isolation. CF noted the date at which most 0621 modifications no longer cater for the OCC.
- g. DH stated that as the Ofgem letter suggests that there is a problem with the Standard Commodity Charge should this not be addressed before considering changes to short-haul or optional commodity? CF reiterated that Ofgem's 0636 decision was not implying the OCC is without issue but noted the comment that there may also be issues in relation to the differential between the SCC and the OCC.
- h. There were a number of comments in relation to compliance with EU Tariff Code (Regulation 2017/460). Concerns were raised about the implications for short-haul and that the current arrangements could be maintained for the next three years. NS asked if there had been any dialogue with ACER. AP drew parallels with the Dutch model on implementation of the EU tariff code highlighting the open and transparent discussions that took place through 6 meetings organised by the Transmission System Operator (GTS) and the regulator (ACM).

In response, CF indicated that Ofgem are aware of the questions raised about short-haul and that there are no final views at this stage as their investigations are at pre-analysis stage. In relation to compliance with EU Tariff Code

(Regulation 2017/460) CF indicated that Ofgem were disappointed that the Final Modification Report did not address this area more fully and reiterated that it is industry's responsibility to ensure the proposals are fit for purpose in relation to compliance. She reiterated that there is still an opportunity for industry parties to provide feedback and any further information in relation to compliance would be welcomed.

CF then provided a brief update on Ofgem's current thinking and next steps. CF confirmed that Ofgem will continue work over the summer on the Regulatory Impact Assessment with the goal of more thoroughly understanding the potential impacts of the proposals and reviewing compliance in more detail. She reiterated that a substantial emphasis will be placed on compliance with the EU Tariff Code (Regulation 2017/460). Taking account of the IA findings, Ofgem will consider further options such as sending the modifications back to the Panel if required.

A brief discussion took place on the implications of the 0621 suite of modification being sent back by Ofgem. Direction was sought from Ofgem on the level of amendments that can be made to the modifications. PG confirmed that the UNC Modification Rules (Section 9.3.8) state that new alternative modifications cannot be introduced.

Workgroup participants sought a clear steer from Ofgem on what further analysis might be required. CF suggested that Ofgem provide a steer, as appropriate, to inform any send back if this were to occur. Workgroup participants also expressed concern about timescales if more work is going to be required. CF noted the timescales are a concern but Ofgem still aims to make a decision by the May 2019 TAR deadline and would expect support from industry in this process.

Workgroup participants discussed whether the UNC was the right forum to discuss compliance issues to ensure wider industry engagement. PG asked if NTSCMF is the right forum or whether a proposal should be made for a review by the Modification Panel.

Workgroup participants appreciated that CF was able to attend the meeting and thanked her for the opportunity to participate in an open discussion.

1.3. Pre-Modification discussions

None.

2. Standard NTSCMF topics

2.1. Update on Long Term Revenue Forecasts

PG confirmed that no formal update had been submitted for consideration at the meeting. She then invited National Grid NTS to provide an update on the two outstanding NTSCMF Actions 0601 and 0602.

In relation to NTSCF Action 0601, Colin Williams (CW) confirmed that in relation to Long Term Revenue Forecasts the PARCA termination values show as zero as a result of rounding.

In relation to NTSCF Action 0602, CW explained what has driven the change for Constraint Management in relation to the SO Revenue Forecast. He stated that there was previously an assumed full spend against allowance in the forecast which is now updated to more accurate forecast of costs based on actual figures. This is the reason behind the step change in the amount of adjustment seen. CW also confirmed that the changes are in the current forecast (published May 2018) and from this to subsequent updates there should now be fewer material changes in the constrained management part of the forecast. The next update would be available in

October/November 2018.

New Action NTSCMF 0801: National Grid (CW) to provide an update at the November meeting on Long Term Revenue Forecast.

2.2. Discussion on EU preliminary and final consultations (0621)

Ofgem confirmed that it aims to undertake the EU Tariff Code Article 26 Final consultation at same time as the wider regulatory impact assessment consultation. The format and timing of this will be confirmed at a later date.

3. Workgroups

3.1. 0653 – Updating the parameters for the NTS Optional Commodity Charge – Introducing the NTS Optional Capacity Charge

(Report to Panel 19 July 2018)

<https://www.gasgovernance.co.uk/0653>

4. Issues

PG reminded Workgroup that Issue 066 in relation to ISS066 – Implications of decommissioned Exit/Entry points is being dealt with at Transmission Workgroup.

5. Review of Outstanding Action(s)

Action NTSCMF 0601: *Reference Long Term Revenue Forecasts* – National Grid NTS (CH) to check PARCA Termination values which are showing zero, should it be showing a value (could be a rounding issue).

Update: Please refer to discussions under item 2.1 above. **Closed**

Action NTSCMF 0602: *Reference Long Term Revenue Forecasts* – Regarding the SO Revenue Forecast, National Grid NTS (CH) to advise what has driven the change for Constraint Management.

Update: Please refer to discussions under item 2.1 above. **Closed**

Action NTSCMF 0603: *Reference Consultations* – Ofgem (SH) to present an update to the next Workgroup including timescales, who is going to do what and when.

Update: Please refer to discussions under item 3.1 above. **Closed**

6. Any Other Business

None.

7. Diary Planning

Further details of planned meetings are available at: <https://www.gasgovernance.co.uk/events-calendar/month>

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:00 Tuesday 04 September 2018	Elexon, 350 Euston Road, London NW1 3AW	Standard Workgroup Agenda
10:00 Tuesday 02 October 2018	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Standard Workgroup Agenda

Action Table as at 01 August 2018

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
NTSCMF 0601	05/06/18	2.1	Long Term Revenue Forecasts National Grid to check the PARCA Termination values which are showing zero, should it be showing a value. (Could be a rounding issue).	National Grid NTS (CH)	Closed
NTSCMF 0602	05/06/18	2.1	Long Term Revenue Forecasts Regarding the SO Revenue Forecast, National Grid to advise what has driven the change for Constraint Management.	National Grid NTS (CH)	Closed
NTSCMF 0603	05/06/18	2.2	Consultations Ofgem to present an update to the next workgroup including timescales, who is going to do what and when.	Ofgem (SH)	Closed
NTSCMF 0801	01/08/18	2.1	National Grid (CW) to provide an update at the November meeting on Long Term Revenue Forecast.	National Grid NTS (CW)	Pending