

**NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 07 February 2023
via Microsoft Teams**

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Helen Bennet (Secretary)	(HB)	Joint Office
Ashley Adams	(AA)	National Gas Transmission
Anna Shrigley	(ASh)	ENI
Christiana Sykes	(CS)	Shell International Trading and Shipping Company Limited
Chris Wright	(CW _r)	Exxon Mobil
Colin Williams	(CW _i)	National Gas Transmission
Dan Hisgett	(DH _i)	National Gas Transmission
David A Bayliss	(DAB)	National Gas Transmission
Davide Rubini	(DR)	Vitol
Jenny Schofield	(JS)	Ofgem
Jeff Chandler	(JCh)	SSE
Joseph Glews	(JG)	Ofgem
Julie Cox	(JC _x)	Energy UK
Kieran McGoldrick	(KM _c)	National Gas Transmission
Kirsty Appleby	(KA)	National Gas Transmission
Marion Joste	(MJ)	ENI
Mariachiara Zennaro	(MZ)	Centrica
Matt Atkinson	(MA)	SEFE Energy
Nick Wye	(NW)	Waters Wye Associates
Oliver Weston	(OW)	Ofgem
Oreoluwa Ogundipe	(OO)	Interconnector
Richard Fairholme	(RF)	Uniper
Ritchard Hewitt	(RHe)	Hewitt Home and Energy
Terry Burke	(TB)	Equinor
<p>Copies of all papers are available at: www.gasgovernance.co.uk/NTSCMF/070223</p> <p>Please note that NTSCMF meetings will be quorate where there are at least six participants attending, of which at least two shall be Shipper Users and one Transporter is in attendance.</p> <p>Please note these minutes do not replicate/include detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of all papers are available at: www.gasgovernance.co.uk/NTSCMF/070223</p>		

1. Introduction and Status Review

Eric Fowler (EF) welcomed everyone to the meeting.

1.1. Approval of Minutes (04 January 2023)

The minutes from the previous meeting were then approved.

1.2. Approval of Late Papers

EF noted the monthly agreed late paper from National Gas Transmission for Capacity and Revenue Monitoring was published on 06 February 2023.

1.3. Review of Outstanding Actions

Action 1001: National Gas Transmission (CWi) to provide an explanation on the treatment of non-obligated capacity and overruns for January 2023.

Update: Colin Williams (CWi) advised Workgroup that the material to satisfy this action is not quite ready. A presentation pack will be provided shortly to facilitate the conversation around the 4 categories in discussion and how they are treated from a charging perspective and will cover how the charges work; how are they recovered via UNC and Licence; reconciliation vs target:

- Non-obligated capacity Entry
- Non-obligated capacity Exit
- Overruns Entry
- Overruns Exit

CWi confirmed the information will be published in readiness for the March 2023 NTSCMF. **Carried forward.**

Action 0101: All Workgroup participants to re-assess the industry Issues Tracker in relation to which issues are still current, in readiness for the February meeting.

Update: Generic action and will be covered via agenda item 3.0 Industry Issues Tracker. **Closed**

Action 0102: Joint Office (EF) to add a new issue proposed by RHe to the Issues Tracker; Potential impact of UK Government's signalled intent to repeal EU related legislation.

Update: Comments received and will be reviewed as part of agenda item 3.0 Industry Issues Tracker **Closed**

Action 0103: National Gas Transmission (DAB) to provide data analysis for November 2022 daily breakdown of prices paid each day and the capacity.

Update: Kieran McGoldrick (KMc) provided an overview of data analysis which shows:

- The Capacity split for Bacton Exit IP for November 2022 daily breakdown of prices across products for the month of November 2022
- The Revenues across the range of Exit Capacity for the Month of November
- The Revenue amounts from the reserve price and the amount bid above the reserve price (Auction Premium) for the Month of November
- Each chart also shows the Max price for each day in November.

Anna Shrigley (ASh) noted the information provided was very useful and asked how would the revenue be distributed?

DAB advised, for November 2022 there was not a significant amount of non-obligated capacity purchased therefore 100% is applicable to the TO revenue for Transmission Services and will be fed through as K Factor for Exit Capacity Prices for next year.

Action Closed

Action 0104: National Gas Transmission (DB) to provide high-level indicative exit capacity prices for 2024.

Update: DAB provided a view of 3 scenarios which could provide potential end of year positions and highlighted any information in the presentation is an estimate only.

DAB explained that he has taken the current overrun position as of December 2022 (198m) and accounted for the additional months (January to March) based on the following scenarios:

Scenario 1: £220.8m overcollection FY22.

Deleted: what would happen in a scenario where it is assumed there is Interconnector maintenance and no Capacity release,

- The average additional capacity purchased (above forecast) across Oct - Dec to calculate revised monthly forecast of capacity sold, multiplied by the WAP of Exit Capacity to calculate new forecast of capacity revenues;
- The applicable long term auction premium in place for Jan - Mar (c£1.2m per month)
- No additional short term auction premiums.

Scenario 2: £234.2m overcollection FY22

- As above, but short term auction premiums based on the average daily auction premiums collected across the period April to September (c£4.5m per month)

Scenario 3: £326.3m overcollection FY22

- As above, but short term auction premiums based on the high auction premiums collected in October 22 (c£35m per month)

Exit Capacity FY23 Overrun Scenario Forecasting - Slide 4

Exit Capacity FY23 Overrun Scenario Forecasting

These over-recovery positions used to set the forecast of over-collection for the current Gas Year in the allowed revenues model to work through impacts on allowed revenues for Y+1 (Oct 23) to run through the Tx Model to provide indicative prices.

	Forecast Over-recovery	Current Price	Oct 23	Oct 24	Oct 25	Oct 26
Scenario 1	£220.8m	0.0218	0.0119	0.0258	0.0234	0.0247
Scenario 2	£234.2m	0.0218	0.0110	0.0260	0.0234	0.0247
Scenario 3	£326.3m	0.0218	0.0053	0.0272	0.0231	0.0247
Indicative Prices Only						

When JCx asked if the price for each scenario could impact bookings for the next year and if capacity in October 2023 saw more bookings, is that captured in FCC, DAB clarified that FCC looks at historic flows, and adjustments would be made using assumptions forward looking. He further clarified that a lower price would not necessarily see more capacity being booked as only Users are booking for the amount they are wanting to flow.

DAB further confirmed the information presented was purely for modelling purposes for NTSCMF and not any indication of price setting for next year.

Final prices and four years' worth of indicatives will be published in May 2023.

Anna Shrigley (ASH) commented that it is difficult to apply the same assumptions for the forward period because up to now, over the last several months, a lot of capacity has been sold on a bundled basis, also Shippers are purchasing unbundled. So far all unbundled capacity sold, did not attract any premium prices, only bundled capacity attracted premium prices.

DAB clarified that forecast bookings are based on reserve price and premium price is not in the modelling.

JCx said it would be helpful to see more transparency as each month goes by showing more actuals against the forecast and asked if it would be possible to update the three scenarios again before the final prices are published in May 2023.

Action Closed

New Action 0201: Result of Closed Action 0104 - National Gas Transmission DAB to update the 3 scenarios, to include the most up to date actual data. (Note: this will not be indicative prices for next year and does not include revised FCC's).

1.4. Industry Update from Ofgem

EF referred Workgroup to the most recently published Expected publication dates timetable and confirmed the publication date of 24 November 2022. <https://www.ofgem.gov.uk/publications/code-modificationmodification-proposals-ofgem-decision-expected-publication-dates-timetable>.

EF highlighted Modification 0761 - Arrangements for Interconnectors with additional Storage capability, has a report date of 28 April 2023.

Oliver Weston (OW) updated Workgroup:

- Modification 0805 - Arrangements for Interconnectors with additional Storage capability, was rejected on 30 January 2023.
- Modification 0809 - Distribution of Last Resort Supplier Payment (LRSP) claims to include IGT sites, was approved on 30 November 2022.

Ritchard Hewitt (RHE) requested an update on Modification 0814 (Urgent) - Temporary Access to the Enhanced Pressure Service and Increase to the Maximum NTS Exit Point Offtake Rate of the BBL interconnector, OW confirmed that Ofgem are concluding due diligence and are aiming to publish their decision in the next few weeks.

1.5. Pre-Modification discussions

No pre-Modification discussions.

2. Workgroups

There are currently no Modification Workgroups associated with NTSCMF.

3. Issues

3.1. Industry Issues Tracker Update

EF provided an on-screen overview of the Industry Issues Tracker for Workgroup to assess if the issues are still appropriate and to evaluate if any of the issues have any greater urgency or importance.

Each of the issues were considered, the updated Issues Tracker is now published here: www.gasgovernance.co.uk/ntscmf/.

A summary of the updates is as follows:

The naming National Gas Transmission will be updated to the new branding of National Gas.

- **CMF001**

Workgroup agreed to review in the Spring prior to entering into the next charging year.

- **CMF002**

JCx confirmed the mapping document is helpful but the challenge remains that the same things have different names in different documents.

It was agreed the first step is the elaboration of the mapping document, and then to include all reference to Code and Licence.

Chris Wright: noted the Energy Bill currently going through Parliament which signals the way Industry Codes are managed, highlighting that one favoured outcome is that the IGT UNC and UNC are merged into one document, and whereas this could be on the distant horizon, consideration might be not to change too much now.

CWi suggested leaving Licence and Code as-is and start to break down knowledge issues or terminology issues. Revisit this issue in April 2023.

- **CMF003**

CWi clarified the mitigation for this issue is progressing through outstanding action 1001 – *National Gas Transmission (CWi) to provide an explanation on the treatment of non-obligated capacity and overruns for January 2023* which is looking at the 4 elements; Non obligated Entry and Exit Capacity and Entry and Exit Capacity Overruns.

EF advised this should remain on the Tracker for monitoring to make sure that if the materiality does increase there is something in place to fix.

- **CMF004**

JCx noted that there used to be much more regular reporting at the Ops Forum, but this Forum has now been disbanded and that reporting needs to be more transparent and regular.

CWi advised there was some changes to some of the reporting for the SO performance and he will assess to see what is available and what frequency it is, and then feed back to the team that reports it.

The most recent Quarterly Report can be found published here: <https://www.nationalgas.com/about-us/system-operator-incentives>

- **CMF006**

CWi advised this will be mitigated as part of the draft discussion document NTS Gas Charging Discussion which is looking at views around alternative options to the Modification 0790 - *(Urgent) - Introduction of a Transmission Services Entry Flow Charge*, decision.

- **CMF007**

This issue will be closed now that the Ofgem decision to reject Modifications 0779 and 0779A - *Introduction of Entry Capacity Assignments*, has been published.

- **CMF008**

CWi highlighted the dominating part of this issue is the Non-obligated pass through and is linked to CMF003. He suggested keeping this issue open in case it does not get addressed as part of CMF003.

- **CMF009**

This is the new issue raised by Ritchard Hewitt – RHe.

The NTSCMF Issues Tracker can be found here: <https://www.gasgovernance.co.uk/ntscmf>.

4. Forecasted Contracted Capacity (FCC)

4.1. FCC Methodology

Ashley Adams (AA) explained that National Gas is required to maintain and keep under review the FCC Methodology, and consult with Users on any material change to it.

AA advised that National Gas has reviewed the FCC Methodology for this current year (2022/23) and confirmed that there is no further refinement required that would be beneficial for the Forecasted Contracted Capacity (FCC) Methodology 2023/24.

Although changes are proposed to update the name following the change of ownership and National Gas Transmission to National Gas, these changes are deemed to be Gas Transmission immaterial, therefore, there will be no formal consultation on the methodology this year.

AA confirmed the following timeline:

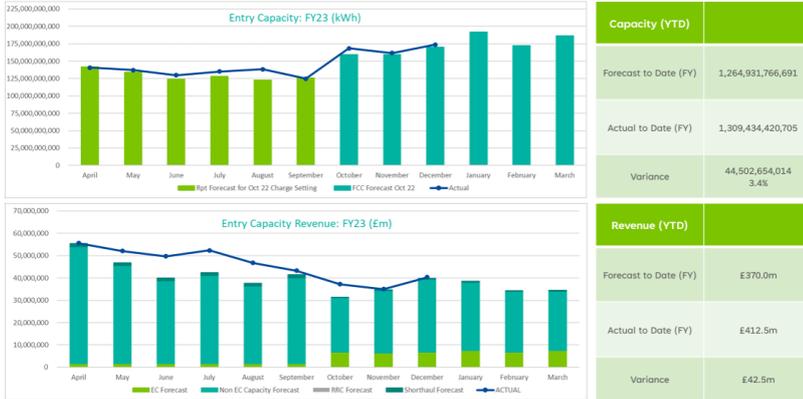
Task	Date
NTSCMF signpost	07 February 2023
Publication of the FCC Methodology	Before 31 March 2023
FCC Methodology used for charge setting	May 2023

4.2. FCC Monitoring

David Baylis (DB) provided an overview summary of the Capacity and Revenue FY23 as detailed below:

Entry Capacity & Revenue FY23 - Slide 2

Entry Capacity & Revenue FY23 – at December 2022



Exit Capacity & Revenue FY23 - Slide 3

DAB noted the Revenue figures have dropped significantly which is due to:

1. Ongoing support of power generation to EU, and
2. Ongoing flows across the Interconnector into EU which has been forecasted as though they are not going to contribute but they have. Year to date forecast is around 7% out.

Exit Capacity & Revenue FY23 – at January 2023

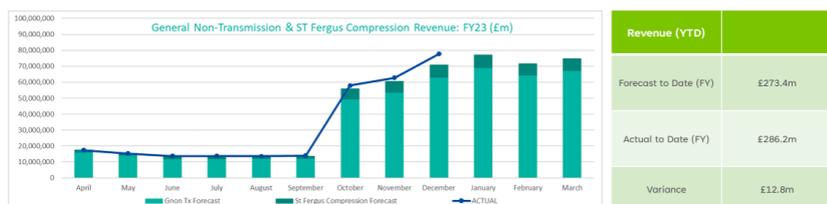


General Non-Transmission & St Fergus Compression Revenue FY23 - Slide 4

DAB advised National Gas Transmission have collected slightly more than what was in the forecast.

The very cold weather in December 2022, led to additional gas flowing out.

General Non-Transmission & St Fergus Compression Revenue FY23 – at January 2023



Revenue (YTD)	
Forecast to Date (FY)	£273.4m
Actual to Date (FY)	£286.2m
Variance	£12.8m

5. Long Term Revenue Forecasts

CWi noted this was a 'rolling agenda item' and that there was no update this month.

6. Any Other Business

6.1. St Fergus Compression Update

Daniel Hisgett (DH) advised that the consultation report has been published here: www.nationalgas.com/st-fergus-consultation.

6.2. NTS Gas Charging Discussion

DHi introduced this agenda item and advised that it has been highlighted over recent NTSCMF meetings that National Gas Transmission propose to issue a Charging Discussion Document on which the purpose is to gather views on several key areas of Gas Transportation Charging.

DHi drew attention to the last page in the Draft Discussion Document which is published here: www.gasgovernance.co.uk/ntscmf/070223, which lists the questions for discussion that will be included in the consultation.

DHi proceeded to explain the contents of the draft document clarifying points when asked and the following comments were noted:

- JCx noted, in general the practicalities on timelines and questioned, given how long Modifications have taken in the past to prepare, and this may need an Ofgem impact assessment, it seems optimistic to have a Modification ready by May 2024.
 - DHi clarified that National Gas will not force a Modification through if it was not ready.
- JCx noted that the discussion document is bringing some of the Modification development in early and that more information is needed on possible implementation dates.
- JCx requested that if system changes are needed they should be included in an 'outline implementation plan' and will need early discussions with Xoserve.
- RHe concurred and added that some idea of whether an option has greater amounts of system impacts would be good (traffic light) in order to assess significant or less system impacts and will aid Xoserve providing a view on the materiality of those system impacts.

5.2 A new commodity charge applied to all Entry flows - Page 24

Nick Wye (NW) commented that the option of a commodity charge applying to all flows does not comply with TAR NC and feels that the options being presented are unworkable.

DHi advised that if National Gas Transmission feel an option is unworkable, it will be very clear and fully documented.

5.3 A review of Existing Contracts, their flexibility and usage – page 25

NW noted that the assumption and how the market may overcome this as a barrier may actually be minimal.

5.4 Review of the Entry/Exit split – page 26

Within the example table shown on page 27, RHe said it would be useful to see how that impacts the current situation in regard to existing and new capacity prices.

Marion Joste (MJ) noted an amendment to the list of Nations Entry/Exit split and advised Germany only has one Market Area since October 2020.

DHi concluded his review by advising he will update the document according to the feedback received and aims to publish the document towards the end of February 2023.

Christiana Sykes (CS) commented that a large proportion of the Existing Contracts cease in 2026/27, as this will take such a long time is it worthwhile? DHi advised that would fit under the Do Nothing approach and would be a result of the consultation.

NW requested that National Gas Transmission provide options that are realistic, and which can be consulted on.

CWi advised it was important for National Gas Transmission to provide all options and not just what National Gas Transmission thought as parties may have different views in terms of what is workable or not.

JCx suggested that National Gas Transmission views are made clear in the document and the reasons why come to that view.

JCx suggested that the consultation period is for 8 weeks which CWi agreed to.

Going forward, CWi advised that next steps would be, if there is an approach that has support, that is where the focus will be for development. No further questions

7. Diary Planning

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

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Tuesday 07 March 2023	5pm Monday 28 February 2023	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 04 April 2032	5pm Monday 27 March 2023	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 02 May 2023	5pm Monday 24 March 2023	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 06 June 2023	5pm Monday 30 May 2023	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 04 July 2023	5pm Monday 26 June 2023	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 01 August 2023	5pm Monday 24 July 2023	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday	5pm Monday	Via Microsoft Teams	Standard Workgroup Agenda

05 September 2023	28 August 2023		
10:00 Tuesday 03 October 2023	5pm Monday 25 September 2023	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 07 November 2023	5pm Monday 30 October 2023	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 05 December 2023	5pm Monday 27 November 2023	Via Microsoft Teams	Standard Workgroup Agenda

Action Table (as of 07 February 2023)

Action Ref	Meeting Date(s)	Minute Ref	Action	Reporting Month	Owner	Status Update
1001	04/10/22	1.3	National Gas Transmission (CW) to provide an explanation on the treatment of non-obligation capacity and overruns for January 2023.	February 2023	National Gas Transmission (CW)	Carried forward
0101	04/01/23	3.0	All Workgroup participants to re-assess the Industry Issues Tracker in relation to which Issues are still current, in readiness for the February meeting.	February 2023	All Workgroup participants	Closed
0102	04/01/23	3.0	Joint Office (EF) to add a new issue proposed by RH to the Issues Tracker; Potential impact of UK Government's signalled intent to repeal EU related legislation	February 2023	Joint Office (EF)	Closed
0103	04/01/23	4.1	National Gas Transmission (DAB) to provide data analysis for November 2022 daily breakdown of prices paid each day and the capacity.	February 2023	National Gas Transmission (DAB)	Closed
0104	04/01/23	4.1	National Gas Transmission (DAB) to provide high level indicative exit capacity prices for 2024.	February 2023	National Gas Transmission (DAB)	Closed
0201	07/02/2023	1.3	Result of Closed Action 0104 National Gas Transmission (DAB) to update the 3 scenarios, to include the	March 2023	National Gas Transmission (DAB)	Pending

			most up to date actual data. <i>(Note: this will not be indicative prices for next year and does not include revised FCC's).</i>			
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