

NTS Charging Methodology Forum (NTSCMF) Minutes

Thursday 07 March 2013

via teleconference

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Brendan O’Riordan	(BOR)	Bord Gais
Charles Ruffell	(CR)	RWE npower
Chris Wright	(CW)	Centrica
Colin Williams	(CW1)	National Grid NTS
Debra Hawkin	(DH)	National Grid NTS
Graham Jack	(GJ)	Centrica
James Thomson	(JT)	Ofgem
John Costa	(JC)	EDF Energy
Julie Cox	(JCx)	Energy UK
Laura Butterfield	(LB)	National Grid NTS
Lewis Hodgart	(LH)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Richard Fairholme	(RF)	E.ON UK
Richard Hounslea	(RH)	National Grid NTS
Stuart Brady	(SB)	Corona Energy

Copies of all papers are available at: www.gasgovernance.co.uk/ntscmf/070313

1. Introduction

TD welcomed participants to the meeting.

2. Review of Minutes and Actions from the previous meeting (06 September 2012)

2.1 Minutes

The minutes of the previous meeting were approved.

2.2 Actions

NTS01/01: Publish an update of indicative charges effective from October 2013.

Update: DH confirmed this had been done. **Completed**

NTS01/02: *Charging Volatility* – Provide options, with any identified pros/cons, to the next meeting (March).

Update: Covered in the presentation, see 3.2 below. **Completed**

3. Issues

3.1 RIIO Issues

3.1.1 UNC Modifications to the NTS Charging Methodology as a result of RIIO

RH gave a presentation highlighting the key changes required to the exit capacity charging methodology and reported that additional changes have also

been identified in order to fully align the charging methodology with the RIIO-T1 Licence requirements, to ensure that the correct incremental capacity types/values are included in the charging base at the appropriate time. Further details will be provided at the next NTSCMF meeting prior to raising a modification to address these.

Following a number of questions, RH explained what is released after 01 April, and what would have been signalled a while ago and released before 01 April (legacy). Legacy incremental capacity sales will continue to be collected through the SO price control.

National Grid NTS would prefer to see Modification 0436S completed before proposing any further modifications, and RH presented a suggested timeline that may enable additional work on modifications to progress appropriately.

Responding to questions on potential charging impacts as a result of the RIIO changes, RH believed there would be none on exit models and entry models (apart from perhaps QSEC), and none on the next set of models. JCx asked if there were any view on the impact on charges at this stage – it would be helpful to have a better understanding at an earlier point. DH answered that it depends on the extent of incremental signals.

3.1.2 Calculation of 'K' under RIIO-T1 and NTS Charging Methodology Impacts

LB gave a brief presentation highlighting key changes and impacts. National Grid NTS intends to raise a modification to address required changes relating to Appendix B – Treatment of Under/Over Recovery 'K' – of the charging methodology. DH observed that, although not particularly urgent, it would be prudent to start work on this. Further details would be provided at the next NTSCMF meeting

Asked what sort of impact this might have, DH confirmed it would not be large; it would not reduce the volatility associated with 'K', but would give more of an idea as to what it might be. JCx commented that the impact and how it affected charges going forward needs to be clearly understood. TD suggested that it would be one less number to work out when National Grid NTS sets its charges – 'K' will be known – and he understood the intention was to make charges more predictable.

3.2 Charging Volatility

CW1 presented a summary of NTS GCD 10, which had initiated a one off change to NTS Exit Capacity charges effective from 01 April 2013. A revised indicative view of October 2013 charges had also been published. Options for addressing charging volatility were outlined and views were sought on whether any others should be considered.

NW suggested that if the main cause of volatility is changes in allowed revenue, an occasional one off change might work well. TD asked whether Shipper concerns relate to volatility in the average level of charges, or whether it is volatility around the average that is a greater concern.

LH suggested that the issue and correct response depends on where bigger swings come from – whether it is changes in demand or supply forecasts, and whether these are predictable. Some modelling may be required to inform the issue. NW said that the information provided in support of the one-off April 2013 change, showing charges over the next 5-6 years, was useful and should be

rolled forward.

LH asked about the option of aligning the charging year with the formula year – would there be any perceived benefit? Can it be demonstrated that it would be worth doing? For example, would this increase stability. Asked if National Grid NTS could provide any analysis to inform his, DH indicated that National Grid NTS can only do its best using the forecasts that it currently has, and questioned whether it might be better to wait and maintain a watching brief regarding the predictability of charges going forward.

TD suggested discussing these issues at the next NTS CMF meeting. DH welcomed all views for consideration in advance of the next meeting. NW suggested producing two sets of indicative charges looking, say, three years forward, assuming they were changed in April or October each year.

JCx noted that there were two clear annual points at which charges were affected:

- The revenue model run in November
- The time when National Grid NTS comes to decision on its forecasts.

Should something be published after each event?

3.3 New Issues

None raised.

4. European Developments

Tariffs

DH reported that the latest consultation had closed and information on the Framework Guidelines was awaited; she would provide an update when available. There were no definite dates yet for the stakeholder workshops.

The Expert Group was continuing at present.

5. Any Other Business

None raised.

6. Diary Planning

It was suggested that the next NTSCMF meeting should take place on Thursday 02 May 2013, at the Energy Networks Association (ENA), 6th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF, following the Transmission Workgroup.

Date	Time	Venue
Thursday 02 May 2013	(After Transmission Workgroup)	Energy Networks Association (ENA), London SW1P 2AF

NTS Charging Methodology Forum – Action Log

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
NTS 01/01	10/01/13	4.2	Publish an update of the indicative charges effective from October 2013.	National Grid NTS (DH)	Closed
NTS 01/02	10/01/13	4.2	<i>Charging Volatility</i> – Provide options, with any identified pros/cons, to the next meeting (March).	National Grid NTS (DH)	Closed