

**Gas Charging Review – Sub Group  
Teleconference  
14 December 2016**

**Attendees:**

**Apologies:**

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

**Review of minutes**

There were no comments on the minutes from the November sub group.

**LRMC Sensitivity Analysis**

National Grid presented the analysis that reviewed the sensitivity of adjusting the key inputs to the LRMC, or Virtual Point, Reference Price Methodology RPM that is currently in place for GB. There was an appetite from the group at the November meeting to focus on this aspect of the LRMC model with a view to try and narrow the focus the options development of the RPM. Following NTSCMF in December this was also discussed to see if there was a case to continue developing the LRMC model of it, due to the sensitivity analysis showing, there was supporting evidence for us to focus more on an alternative model.

The analysis outputs, a spreadsheet showing the inputs, changes and the output prices was shared just ahead of the workgroup and was discussed at the meeting. We focused on the outputs that shows the results and talked through the way in which the outputs were represented with large changes standing out more and having a grading from large to small changes (both +ve and –ve directions). It was agreed that this helped identify and focus the analysis and was a good way to present back to NTSCMF.

The results were summarised in a paper shared just ahead of the meeting and we went through the key messages of the paper. It was agreed that this would be updated for the next meeting and also ready for January NTSCMF.

When discussing Entry and Exit, as Exit has additional components (notably the revenue adjustment), the Exit prices seem to show more variability than Entry. With entry there are also fewer points in the pricing comparisons.

For completeness it was requested to include some additional information. This is the differences between the baseline models for 15/16 and 16/17 and to also list the other variable inputs to the LRMC RPM (e.g. Expansion Constant). Recognising these have far less of an impact it was considered helpful to reference the complete list for the analysis/documentation.

The conclusion of the group was that the LRMC model is not intuitive in terms of the impact of changing the inputs, the swings in prices being too unpredictable and volatile, with little consistency between years. The LRMC model is so sensitive and through this analysis is being shown as hard to fix and therefore consider it time to review an alternative RPM that has more intuitive results from the calculations.

#### Postage Stamp and CWD Sensitivity Analysis

Whilst not presented via a spreadsheet or paper we shared the outputs of changing the two main variable inputs to the postage stamp and CWD RPMs.

National Grid agreed to produce a summary paper for the CWD/Postage Stamp and and Conclusions paper overall for the RPM development.

***Action GCR-SG015:NG to prepare and share for comment updated paper on LRMC, new paper on CWD/PS and separate conclusions paper***

#### **Discussion item: Multipliers**

Briefly discussed the draft paper on multipliers. Generally ok with paper with a few suggestions for how to update it to include reference to cost reflectivity, links to any RPM and highlight that there are a number of linked issues that will need to be considered in the conclusion.

***Action GCR-SG016: NG to update Multipliers paper for final agreement by the sub group***

#### **Discussion item: Entry and Exit Split**

Following NTSCMF in December where National Grid presented a list of items for discussion to establish what positions could be reached now for the purpose of developing an end to end model that could then inform a UNC change. One subject was the Entry Exit split where it was suggested to keep the 50/50 split. National Grid was keen to hear views in case there were any further thoughts following NTSCMF. It was the consensus of the group that we should keep 50/50 split in the model development (it will be possible to adjust in the model for analysis purposes). Should anyone wish to bring a case to change the 50/50 split it was considered necessary that they will need to justify this with a rationale to show why any other proportion is more appropriate at this stage.

The link to revenue reconciliation was discussed and accepted that we still need to hear NG's legal view on the EU Tariffs Code regarding the revenue reconciliation. Advised that legal resource is focused on CAM however recognised the importance of getting Legal resource onto this asap.

***Action GCR-SG017:NG to share summary document for Multipliers***

***Action GCR-SG018: NG to follow up with Legal teams on Revenue Adjustment.***

#### **Discussion item: Forecasted Contracted Capacity**

An additional item for the day was to discuss the capacity values that will be used for the modelling. Whilst there will be options, it was a good time to have the discussion on the options that could be used and the pros and cons of them. Generally the group wanted to have capacity values that they had confidence in, values that were transparent and publicly available. Hence the use of historical only as an option, whilst presented so far to help illustrate potential change, was less favoured by the group. A different measure to the 1 in 20 peak values was discussed; using Winter Demands could also be a possibility along with treating Entry and Exit separately.

National Grid agreed to write a paper summarising some potential options as a starter. The group was asked to send in any suggestions to help inform the first draft. This will then form the basis of a paper on forecasted contracted capacity that can be developed over coming sub groups.

**Action GCR-SG019: NG to share a draft paper on Forecasted Contracted Capacity**

**Discussion item: Updating the papers**

It was considered helpful to be concise where possible however no requirement to limit notes to one page. Also need to have a record on the papers when they were discussed, updated and agreed.

**Discussion item: Behavioural Assessments**

There was a general discussion recognising the importance of behaviours on the charging framework and how network users may respond to changes to prices as a result of changing the RPM, multipliers, etc. Nick reminded the group of the survey being reviewed through the Midstream group that will hopefully be run in January 2017. National Grid also holds an action to review the CEPA analysis that was done for Ofgem as part of the Gas Transmission Charging Review.

**Action GCR-SG014: NG to share the review of existing material on behavioural assessments based on CEPA review and any other relevant info to find**

**Next Meeting and additional updates**

The next scheduled meeting of this group will be on 19 December 2016 and will be held as a Teleconference.

Ahead of NTSCMF in January 2017 (11<sup>th</sup>) it was requested that any additional material (papers, analysis, etc) to come out of the 19<sup>th</sup> be shared with the group for comment so this can help shape and inform material at the January NTSCMF. Due to the Christmas break to give time to update following any comments, the NTSCMF material will likely need to be submitted on Monday 9th January, leaving limited time between the submission and the meeting. Sub Group was ok with this suggestion. NG will, as before try and submit a skeleton or a draft material in advance, however NG to advise Joint Office of this proposal for submitting final material for Jan 17 NTSCMF.

**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	Open

	further models.	
GCR-SG006	National Grid to develop these suggested models for discussion	Open
GCR-SG007	NG to review how the output of the scenario analysis is presented, and to undertake some additional sensitivity analysis on supply/demand	Open
GCR-SG008	Group to review output of scenario analysis following receipt	Open
GCR-SG009	Rob to share Mapping tool with NG	Closed
GCR-SG010	National Grid to ensure multipliers can be amended in models	Open
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	Open
GCR-SG016	NG to update Multipliers paper for final agreement by the sub group	Open
GCR-SG017	NG to share summary document for Multipliers	Open
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	Open