

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

Attendees:

Apologies:

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

Review of minutes

There were no comments on the minutes from the December 14th sub group.

Discussion item: Multipliers

The group discussed the summary document on multipliers that had been circulated. There were some additional conversations in relation the purpose of multipliers and specifically on incentives and behaviours however behavioural impacts will be something to consider as part of the overall changes for charging not just multipliers and any impact on the Licence is also not limited to incentives. It was highlighted that for all the issues (not just multipliers) all aspects of change and impacts would be considered (e.g. Licence, UNC or methodology or charging statements). The paper summarising the position reached so far, acknowledging there are a number of additional issues linked to multipliers that will need to be considered, was agreed.

LRMC, CWD and PS Sensitivity Analysis

Following on from the sub group on the 14th December three documents were prepared and shared.

- One on the LRMC sensitivity analysis;
- One on CWD and PS;
- One overall conclusions paper to bring the sensitivity of each together with an overall conclusion.

For the LRMC sensitivity paper the main comment was requesting the addition of some text on how the sensitivity analysis measures against the charging relevant objectives. There was also a request to put into the paper a statement that acknowledged that there was a time for GB when the LRMC was more suitable, however the nature of the NTS (with less investment), how it is used and has been used over time, the links to investment are not as strong as they once were. There were no comments on the CWD / PS paper. For the overall conclusions paper there was agreement on the

overall conclusion that the LRMC (or Virtual Point) model is no longer considered suitable and the sub group's view is that it should not be the focus for developing a proposed RPM for the Gas Charging Review.

This material will be presented at NTSCMF in January to talk the NTSCMF group through the analysis and conclusions.

Action GCR-SG020: NG to update the LRMC, CWD & PS and Conclusions papers and circulate ahead of NTSCMF in Jan 2017.

Discussion item: Entry and Exit Split

A draft paper on the Entry and Exit split was discussed. There were a few updates to make and an updated version will be shared ahead of January NTSCMF. The overall conclusion was agreed, that it is not something where there is compelling evidence to support a change away from 50/50, therefore it should remain. However for the purposes of modelling the models will be able to accommodate a variable split.

The link to revenue reconciliation was discussed briefly and accepted that the sub group still need to hear NG's legal view on the EU Tariffs Code regarding revenue reconciliation and the levels to which it can be done (e.g. Entry and Exit within Transmission Services). NG advised that legal resource is currently focused on CAM however recognised the importance of getting Legal resource onto this ASAP.

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

Forecasted Contracted Capacity

There was further discussion on the use of a capacity value for forecasted contracted capacity, the value that would be the capacity input to any RPM. The group discussed what sort of values might be useable and the criteria they would like to follow; including the values being published, not open to subjective assessment and not subject to significant swings year on year. The group understood the issues arising and consequences from the capacity values being set at the obligated level or a lower level. The use of historical flows was not considered helpful as an option to develop due to the variable nature and unpredictability of values. Even with looking for an option different to obligated, the obligated level was requested to be used as one measure at this time

One option that was suggested was using the winter outlook report and there were questions if there was sufficient detail behind the data that could be used for the purposes of setting capacity charges. National Grid will investigate and feed back to the group.

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

Remaining discussion issues

There were a number of other discussion items that were mentioned and the sub group referred to the list that was presented at December NTSCMF. These were talked through as a summary with the

key points and actions below:

Fixed versus Floating - Incremental

A question was asked about fixed versus floating relating to incremental. NG went through the position it gave December NTSCMF relating to the issue. There was more information given here and the outcome was for National Grid to prepare a paper on the subject highlighting the key parts of the EU TAR NC that could mean that Fixed payable relating to incremental at IPs is less suitable than the floating payable approach. It was also mentioned that the application of IP / NON-IP approaches will be an integral part of the discussions as the Gas Charging Review develops.

Action GCR-SG021: NG to share a draft paper on Fixed versus Floating for Incremental

Interruptible pricing

There was a short discussion on interruptible and that the interruptible article in the TAR NC is IP only, it does not prohibit separate IP/ NON IP application. The question was asked as to what justification would there be to have interruptible applied differently to IP and NON IPs. At the time no rationale could be thought of, group encouraged to think more on the subject. If there was to be one method applied then it would need to follow the TAR NC in which case the TAR NC articles on interruptible will need to be reviewed further.

The conversation moved on to the calculation under the TAR NC. NG quickly went through the calculation that includes an "A" factor that will need to be understood further as to any limitations or criteria that may be required. NG and sub group will look into the interruptible calculations in the TAR NC so that the group can discuss the understanding of interruptible if one GB approach is the method to adopt. NG also took an action to draft and share a paper on interruptible and the discussions to date.

Action GCR-SG022: NG to share a draft paper on interruptible

Revenue Recovery – Transmission Services

The group had a discussion on the recovery of Transmission Services revenue. This is to do with the method by which Transmission Services revenue is recovered as part of the RPM and overall framework of charges. At NTSCMF in December National Grid proposed that the RPM should be linked to revenue recovery. There was a discussion on the links to revenue recovery, the use of capacity charges and whether the capacity charges should be the main contributor to the Transmission Services recovery. The TAR NC requires capacity charges to be the main contributor for Transmission Services for both Entry and Exit. Additionally Ofgem's GTCR policy (from Nov 15) also suggested that capacity was more cost reflective than commodity so is there a weighting of arguments to have more capacity than commodity on Transmission Services? It was noted that not all agreed with Ofgem's GTCR policy, however this is one of the measures the Gas Charging Review has on hand to be able to measure against, and as part of the gas charging review, it was noted should be referred to. This will be discussed further by the sub group.

There was not total agreement on this and NG took an action to draft a paper to summarise discussions to date and for comment.

Action GCR-SG023: NG to share a draft paper on revenue recovery for Transmission Services

Revenue Recovery – Non Transmission Services

There was a short discussion on Non Transmission Services revenue recovery. One train of thought that was generally thought to be reasonable was that Non Transmission Services could be predominantly commodity based with one unit price for all (there would still need to be a discussion over the values used for the denominator of the calculation). For this there are some links to the categorisation of Non Transmission Services and therefore the value of Non Transmission Services that will feed in as required. NG took an action to draft a paper to summarise discussions to date and for comment.

Action GCR-SG024: NG to share a draft paper on revenue recovery for Non-Transmission Services

Shorthaul

The shorthaul charge was discussed and as per the December NTSCMF this will need some further discussion. NG took an action to draft a paper to summarise discussions to date and for comment.

The discussion summarised some of the potential options for shorthaul. Any shorthaul product would need to be considered alongside the RPM and the charging framework. National Grid suggested that it could be updated to be either a capacity based product (as was referenced in earlier drafts of the CAM code – with links to TAR NC, although not in final versions), or could be a commodity based charge. Either way it would seem prudent that the inputs would need reviewing along with the calculation and objectives of the product to fit in with a wider review of the charging framework. These are just suggestions and it was recognised that there are different views on shorthaul however there was agreement that the way in which shorthaul interacts and is part of the overall charging framework and any potential impacts will need to be considered as part of the Gas Charging Review. NG took an action to draft a paper to summarise discussions to date and for comment.

Action GCR-SG025: NG to share a draft paper on shorthaul

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

Providing output from the sub group to NTSCMF and use of summary 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 so a version control will be introduced.

Action 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

Next Meeting and additional updates

The next scheduled meeting of this group will be on 18 January 2017. It is provisionally a face to face meeting with teleconference facilities provided. Feedback is welcome on the balance between face to face meetings and teleconferences.

As a reminder ahead of NTSCMF on 11th January 2017 the meeting will have a fair amount of material to refer to as an output from the sub group to share with the wider group. A draft agenda and skeleton slide pack will be provided in December. Any comments on the papers so far that will be provided in before or in the early part of the first week in January will allow changes to be accommodated into the NTSCMF material that will be submitted on 9th January.

NGG will inform JO of the anticipated submission dates for material for information.

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	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	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	Open
GCR-SG020	NG to update the LRMC, CWD & PS and Conclusions papers and circulate ahead of NTSCMF in Jan 2017.	Open
GCR-SG021	NG to share a draft paper on Fixed versus Floating for Incremental	Open
GCR-SG022	NG to share a draft paper on interruptible	Open
GCR-SG023	NG to share a draft paper on revenue recovery for Transmission Services	Open
GCR-SG024	NG to share a draft paper on revenue recovery for Non-Transmission Services	Open
GCR-SG025	NG to share a draft paper on shorthaul	Open
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	Open