

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 06 October 2020
via Microsoft Teams

Attendees		
Rebecca Hailes (Chair)	(RH)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alsarif Satti	(AS)	Ofgem
Andrew Pearce	(AP)	BP
Anna Shrigley	(ASh)	Eni Trading & Shipping
Anna Stankiewicz	(ASt)	National Grid
Bill Reed	(BR)	RWE
Chris Wright	(CWr)	Exxon Mobil
Christiane Sykes	(CS)	Shell
Colin Williams	(CW)	National Grid
Daniel Hisgett	(DHi)	National Grid
Dave Bayliss	(DB)	National Grid
David O'Neill	(DON)	Ofgem
Debra Hawkin	(DH)	TPA Solutions
Henk Kreuze	(HK)	Vermilion Energy
Jeff Chandler	(JCh)	SSE
Jennifer Randall	(JR)	National Grid
Julie Cox	(JC)	Energy UK
John Costa	(JCo)	EDF Energy
Kamla Rhodes	(KR)	Conoco Phillips
Kirsty Ingham	(KI)	ESB
Laura Johnson	(LJ)	National Grid
Lucy Manning	(LM)	Grain LNG
Nick Wye	(NW)	Waters Wye Associates Ltd
Paul Youngman	(PY)	Drax
Richard Fairholme	(RF)	Uniper
Ricky Hill	(RH)	Centrica
Sinead Obeng	(SO)	Gazprom
Smitha Coughlan	(SC)	Wales & West Utilities
Steve Pownall	(SP)	Xoserve
Terry Burke	(TBu)	Equinor

Copies of all papers are available at: <https://www.gasgovernance.co.uk/ntscmf/061020>

NTSCMF meetings will be quorate where there are at least six participants attending, of which at least two shall be Shipper Users and one NTS Transporter is in attendance.

1. Introduction and Status Review

Rebecca Hailes (RH) welcomed everyone to the meeting.

1.1. Approval of Minutes (04 August and 08 September 2020)

As the amended minutes from 04 August 2020 were not externally visible it was agreed at the September meeting approval would be sought at the October meeting for the August amended minutes.

The minutes from the 04 August and 08 September were approved.

1.2. Approval of Late Papers

There were no late papers to approve.

1.3. Modifications with Ofgem

Alsarif Satti (AS) provided an update on the following Modifications:

Modification 0686 - Removal of the NTS Optional Commodity Rate with adequate notice. AS confirmed, this had been deprioritised.

Modification 0727 (Urgent) - Increasing the Storage Transmission Capacity Charge Discount to 80%. AS confirmed that Ofgem are not undertaking an Impact Assessment for this Modification and a decision will be made as soon as possible.

Modification 0728/A/B/C/D (Urgent) - Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS. AS referred to the Ofgem Impact Assessment Notification Letter dated 16 July 2020 and confirmed that Ofgem are undertaking an impact assessment (IA), the results of which will be consulted on. The implementation date, if any, will be part of Ofgem's decision. AS explained that CEPA will be supporting Ofgem with the IA and will assess Modification 0728 using the modelling framework developed for the Modification 0678 modifications with adaptions to reflect both the learnings from Modification 0678 and the particular features of Modification 0728:

- The modelling will use the FES2020 Steady Progression and Consumer Transformation scenarios.
- The modelling will utilise data from the World Energy Outlook 2019 (for global commodity prices and EU carbon prices).
- The welfare (NPV) results will take account of the impact of inefficient bypass.
- The General Non-Transmission Services charge will be incorporated into the modelling.
- Based on information provided by NGG, power stations will be modelled either as individual or aggregated nodes: (i) The individual nodes include all previously modelled power stations, plus all power stations that could be eligible for the discount under Modification 0728. (ii) The aggregation of nodes will be based on technology, efficiency and whether they are NTS or LDZ-connected.
- CEPA will assume that short-haul eligible users will profile short-haul capacity bookings to meet flows unless prevented to do so by capacity constraints, in which case they will 'top up' with interruptible capacity. For non-eligible short-haul users, CEPA will assume that these users retain historic proportions of interruptible capacity bookings.
- The differences between Modification 0728 and Modification 0728C are small and nuanced such that trying to capture them through modelling would lead to results which are heavily driven by judgement based assumptions. As there is little historical context on which to infer impacts, the most robust consideration of Modification 0728C relative to other modifications

would be principles-based but informed with qualitative and quantitative analysis. This will include consideration of the incentives to book different levels of short haul capacity under Modification 0728C in comparison to Modification 0728.

Paul Youngman (PY) enquired if industrial users will be modelled, and if Shorthaul will be applied to LDZ Power Stations connected to Distribution Networks. AS confirmed industrial users will be modelled, exit points will be modelled individually, and where appropriate Ofgem will consider nearby exit points and clustering. AS said Ofgem has already been in touch with stakeholders about considering clustering of nearby exit points.

Steve Pownall (SP) asked about the Shorthaul system for networks, and how the LDZ optional charge will be considered. AS explained that the modelling will focus on the 0728 products and the impact for users, when it comes to power stations Ofgem will look at NTS and LDZ power stations. SP noted that there will still be a Shorthaul arrangement for those connected sites.

Nick Wye (NW) confirmed that LDZ Power Stations will potentially qualify for both the LDZ optional charge and the 0728 Shorthaul charges, depending on the proximity to the NTS.

Laura Johnson (LJ) clarified Modification 0728 will only give a discount on NTS Charges.

David O'Neill (DON) confirmed that Ofgem is looking at the impact to all Users/Consumers, including a focus on large industrial and Power Stations, directly and indirectly affected. DON explained the impact to domestic customers will also need to be considered as the discount given to NTS users will need to be picked up somewhere through charges.

Modification 0729 - Applying a discount to the Revenue Recovery Charge at Storage Points. AS confirmed that Ofgem are currently considering the Modification.

1.4. Pre-Modification discussions

None raised.

2. Workgroups

RH confirmed there are currently no NTSCMF related Modifications for inclusion with the Workgroup. Referring to Modification 0737 - Transfer of NTS Entry Capacity from an abandoned ASEP (<https://www.gasgovernance.co.uk/0737>), RH explained this Modification will be considered in a separate Workgroup, but immediately following the NTSCMF meeting.

3. Forecasted Contracted Capacity (FCC) Monitoring

Julie Cox (JC) wished to understand how bookings will deviate for Forecasted Contracted Capacity (FCC), noting that this could introduce Revenue Recovery Charges (RCC) later in the year, and wished to see some reporting on the issues.

Colin Williams (CW) confirmed that National Grid hoped to have the October data available early November and aimed to provide a report for the November NTSCMF meeting, noting that this may be provided at very short notice for the meeting on 03 November. CW explained that for any information that cannot be provided before the meeting this will be provided as soon as possible after the meeting, to inform a good debate about RCC.

JC was keen to get the framework right.

Nick Wye (NW) enquired if further information was going to be provided under the AOB item 7.1. Capacity bookings verses FCC. It was agreed to provide the update for item 7.1. before moving to item 4.0 (see below).

4. Long Term Revenue Forecasts

CW thanked JC for providing comments and confirmed that National Grid would normally have a forecast out in the next couple of months. With the final determinations from RIIO-2 not expected until December, CW believed it was prudent to wait for the next revenue forecast to avoid providing a potentially misleading report. The report will be provided as soon as possible after the RIIO-2 final determinations are published by Ofgem.

JC enquired about the current consultations and if considerations are being made for potential delays.

RH enquired when the final determinations were due. JC believed and DON confirmed it was 9th of December and asked if there were a set of contingency dates, in case of any delays. JC wanted more of an understanding about the lead times and communications to the industry. DON confirmed there were no plans to miss that date.

5. Issues

No New issues were raised.

RH wished to note two new Modifications:

- 0738 - Incremental NTS Entry Capacity Surrender and
- 0739 - Aggregate overrun regime for Original Capacity held at the Bacton ASEPs.

Both were raised on 05 October and will be considered at UNC Modification Panel on 15 October 2020. RH also wished to note the thinking around abandoned capacity which ties into Modification 0737.

6. Review of Outstanding Action(s)

0901: National Grid (CW) to provide an update on the Exit Capacity July window at the October meeting.

Update: See item 7.1. PY enquired when National Grid will be publishing the report. CW confirmed this should be available by the end of this week, 09 October and will be added to the material for November's meeting. **Closed.**

0902: Joint Office to invite DNs to attend the January NTSCMF meeting to provide an update on RIIO-2 and the price impact.

Update: RH confirmed this action would need to be carried forward until December. JC confirmed that she was keen for the DNs to provide clarity on how the DN charges will reflect charges and whether this would be in 2 years' time or if the allowance will be reset.

It was agreed to reword this action to add this clarity to state: "*Joint Office to invite DNs to attend the January NTSCMF meeting to discuss the impact on DN charges for the new 0678A methodology regime from 01 October 2020.*"

Smitha Coughlan (SC) confirmed these will be reported and that the allowances will be reset in 2021/22 with a 2-year cost true up. SC clarified that the base allowance will be reset, there will be a stepped change, and that this will be presented by the DNs at the DNCMF (next meeting 11 January 2020, see here for more details: <https://www.gasgovernance.co.uk/dncmf>). SC explained that in RIIO-2, Ofgem proposes that, rather than use an allowance, DNs will use a re-forecast so the cost true up will be smaller than in GD1.

PY enquired what would happen with the revenue recovery charge, and if this will be collected in 2 years' time and on what basis. SC explained it terms of how much notice, DNs may only be provided with 60 days', with a mid-year price change its hard to predict how DNs will react,

depending on the timings, size and impact. SC confirmed that nothing is concrete at the moment, the minimum is 60 days, and there would need to be an agreement with Ofgem for a mid-year price change.

CW explained that the aspiration is to provide 2 months' notice, but National Grid can restrict this to a month depending on the circumstances. Sharing as much information will be encouraged to provide some form of trajectory. PY enquired when this will be captured and if this will flow through in 2 years' time. CW clarified that upon implementation, charges become payable, and the DNs are liable to pay against the fully adjusted capacity from that point forward. How that translates into DN charging changes, will depend on the timing and what is permitted under the price control. SC explained that the final determinations are being set now, along with the pass-through costs, without this information DNs cannot change this in time for the final price notices in January. SC clarified that the DNs would need information at the end of November when finalising allowed revenue, to reflect this in the April charges.

NW enquired about the April LDZ Exit Capacity NTS (ECN) charge, his expectation was that the revenue will be lower than the forecast, so from October he understood the charges will come down, and as a result, there will be a reduction in the allowed revenue. It was understood that the DNs would not be able to include this until April, reflecting the lower charge, and it was likely the industry would get a see-saw affect in April 2022. It was acknowledged that the April 2021 charges will be different to April 2022. **Carried Forward.**

7. Any Other Business

7.1. Capacity bookings vs FCC with potential impact on RRC (monthly update)

CW confirmed that the net potential impact from the July window, for increases and decreases, in terms of proportions would be an overall decrease. CW reported 32 decreases from either an allocation or potential allocation (via substitution), 14 of which had been requested to 'go to zero'.

CW explained that this represents a request to reduce the enduring annual commitments and needs to understand/see the impact of this. Those that have requested to 'go to zero', will involve a movement from annual to some of the daily products. In terms of scale in comparison to the FCC numbers, in setting the October charges, for Exit there appears to be just under 6%. As the increase represents 1%, there will be a net 5% reduction.

PY enquired about the capacity bookings.

NW asked what the total FCC aggregate value was in GWh. CW confirmed Exit would be 6.5m kWh per day, FCC value. The equivalent for reduction was 376m kWh per day (6%), a 50m kWh per day increase.

NW assumed and asked for confirmation that none of the 14 requests, to 'go to zero', were DN Offtakes. CW confirmed that at a quick glance it is not believed any of these were DN Offtakes.

PY asked if it was a firm assumption saying exit will be going down by 5% on actual capacity recovery, as a starting point. CW clarified the 5% is a worst-case scenario and daily sales will probably show some recovery on this.

JC enquired about the accessibility of reports for reductions and annual booking as she was wanting to have information on the enduring increases. This is currently in a very lengthy format (over 700 pages). JC explained the benefits of seeing where people are making incremental bookings. CW offered to look at what could be provided. JC welcomed a form of a summary report in an easier format.

7.2. RIIO2 – Implications for Charging/Volatility

RH confirmed the expectation that DNs will attend the January NTSCMF meeting to provide an update on RIIO-2 and the pricing impacts.

CW reported that National Grid have started to have a look at the re-opener mechanisms, in terms of revenue adjustments and pricing implications. He hoped to have something published later this month for discussion in November.

It was agreed to refine the title of the agenda item for next month to: RIIO-2 Potential Charging Implications.

JC welcomed a wider discussion on the topic and not restricting this to the numbers but to include discussions around the process for better clarity. JC stressed that there is a need to understand the process and when this will be incorporated into charges.

JC asked Ofgem when they will provide more information on the re-openers. DON explained that Ofgem was not in a position to provide any further information above that already relayed. JC understood that Ofgem may not be able to provide more information on the re-openers in RIIO-2, until the final determinations are provided. However, JC was still concerned about a January re-opener. DON clarified there is nothing more that could be provided at this stage (in addition to the answers provided at the last NTSCMF) until a final determination, though he noted that NTSCMF wanted to know whether RRC can be used (taking Art. 29-32 of EU Tariff Code into account). JC encouraged Ofgem to communicate any change in views as soon as possible.

Christiane Sykes (CS) also expressed concern about the tariff uncertainty and urged Ofgem to consider that the earlier a view can be provided the better.

7.3. Request to National Grid for Regular Overrun Reporting

JC made a request for National Grid to set up regular Overrun reporting, including volumes and the number of shippers and if possible, the types of points.

CW confirmed that National Grid would look into how this could be pulled together and where/how to provide the information (this topic could be covered in Transmission Workgroup or NTSCMF).

8. Diary Planning

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

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:00 Tuesday 03 November 2020	Via Teleconference	Standard Workgroup Agenda
10:00 Tuesday 01 December 2020	Via Teleconference	Standard Workgroup Agenda

Action Table (as at 06 October 2020)

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0901	08/09/20	3.1	National Grid (CW) to provide an update on the Exit Capacity July window at the October meeting.	National Grid (CW)	Closed
0902	08/09/20	6.0	<p>Joint Office to invite DNs to attend the January NTSCMF meeting to provide an update on RIIO2 and the price impact.</p> <p>Joint Office to invite DNs to attend the January NTSCMF meeting to discuss the impact on DN charges for the new 0678 methodology regime from 01 October 2020.</p>	Joint Office / DNs	Carried Forward