

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 02 March 2021
via Microsoft Teams

Attendees		
Rebecca Hailes (Chair)	(RHa)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Nield	(AN)	Storengy
Andrew Pearce	(AP)	BP
Anna Shrigley	(AS)	Eni Global Energy Markets SPA
Anna Stankiewicz	(ASt)	National Grid
Bill Reed	(BR)	RWE
Chris Wright	(CW)	ExxonMobil
Christiane Sykes	(CS)	Shell
Colin Williams	(CW)	National Grid
Daniel Hisgett	(DHi)	National Grid
Daniel Wilkinson	(DW)	EDF Energy
Dave Bayliss	(DB)	National Grid
David O'Neill	(DON)	Ofgem
David Mitchell	(DM)	CIA
Debra Hawkin	(DH)	TPA Solutions
Henk Kreuze	(HK)	Vermilion Energy
Jeff Chandler	(JCh)	SSE
Jennifer Randall	(JR)	National Grid
Julie Cox	(JCx)	Energy UK
John Costa	(JCo)	EDF Energy
Kamla Rhodes	(KR)	ConocoPhillips
Kirsty Ingham	(KI)	ESB
Kieran McGoldrick	(KG)	National Grid
Laura Johnson	(LJ)	National Grid
Lauren Jauss	(LJ)	RWE
Lauren Snoxell	(LS)	Citizens Advice
Nick Wye	(NW)	Waters Wye Associates Ltd
Nigel Sisman	(NS)	Sisman Energy Consulting
Nitin Prajapati	(NP)	Cadent
Paul Brennan	(PB)	Waters Wye
Paul Youngman	(PY)	Drax
Pavanjit Dhesi	(PD)	Interconnector UK
Penny Garner	(PG)	Joint Office
Richard Fairholme	(RF)	Uniper
Ritchard Hewitt	(RHe)	Hewitt Home & Energy Solutions

Ricky Hill	(RH)	Centrica
Rosannah East	(RE)	National Grid
Samuel Dunn	(SD)	Interconnector UK
Scott Keen	(SK)	Triton Power
Sinead Obeng	(SO)	Gazprom
Tracey Saunders	(TS)	Northern Gas Networks
Terry Burke	(TBu)	Equinor
Thomas Paul	(TP)	E.ON
<p><i>Copies of all papers are available at: https://www.gasgovernance.co.uk/ntscmf/020321</i></p> <p>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>		

1. Introduction and Status Review

Rebecca Hailes (RH_a) welcomed everyone to the meeting.

1.1. Approval of Minutes (02 February 2021)

RH_a overviewed a track change amended version of the minutes and drew attention the specific alterations and no further changes were proposed.

The minutes were the subsequently approved.

1.2. Approval of Late Papers

RH_a explained National Grid had provided late papers and a lengthy discussion ensued in relation to the acceptance of these and the prerequisite 5-day pre meeting date publication period. Penny Garner (PG) reiterated the fact that late papers gave rise to poor governance, as it did not give sufficient time for the meeting documents to be evaluated by attendees prior to the meeting date.

A general discussion took place, and the Workgroup agreed that a 3 day prior to the publication date would be more appropriate, especially in relation to the weekly Forecasted Contracted Capacity (FCC) Workshop updates.

Colin Williams (CW) apologised again for the late submissions and said that the production of the relevant material would be re-evaluated and addressed internally. David O'Neill (DON) said he felt exceptions should be made to allow the most recent material to be accepted and published. He added that 2 or 3 working days in advance of a meeting was more usual in his experience for the circulation of papers.

Certain participants also concurred with this suggestion and thought this was appropriate in relation to the National Grid-led FCC weekly Workshop updates. PG said she would sanction 3 working days but said that this would need to be strictly adhered to in each case. RH_a added that would mean that any material would need to be received by 3pm on the Wednesday prior to the NTSCMF Tuesday meeting.

1.3. Modifications with Ofgem

David O'Neill (DON) provided a status update regarding the Modifications with Ofgem as detailed below:

Modification 0686 Removal of the NTS Optional Commodity Rate with adequate notice. DON reiterated that Ofgem had de-prioritised this Modification. He asked if anyone felt this mod was still relevant.

Julie Cox (JCx) and John Costa (JCo) both asked if it would be possible to take Modification 0686 out of the process as it would be helpful to see a conclusion.

Modification 0728/A/B/C/D (Urgent) - Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS. DON explained the Ofgem minded-to decision and impact assessment consultation regarding Modification 0728B had closed on the 19 February 2021 and Ofgem were reviewing the responses.

Modification 0729 - Applying a discount to the Revenue Recovery Charge at Storage Points. DON explained that Ofgem were considering this Modification and that a decision would be made in due course.

Modification 0737 - Transfer of NTS Entry Capacity from a Capacity Abandoned ASEP. DON explained that Ofgem were considering this Modification and that a decision would be made in due course.

Modification 0738 - Incremental NTS Entry Capacity Surrender. DON explained that Ofgem were considering this Modification and that a decision would be made in due course.

DON noted that in relation to Article 28 of EU TAR NC there was the requirement to consult on multipliers, seasonal factors, Article 9(2) discounts and interruptible (Article 16) discounts and that this consultation would be available later in March 2021. He explained that Ofgem could only initiate a change to the code in exceptional circumstances and on TAR NC we did not launch a SCR so it may be unlikely we would do one for (eg) multipliers.

Pavanjit Dhesi (PD) queried the Article 28 consultation process, and he said he understood that it encompassed 5 different parameters and that it would be helpful if Ofgem could explain within the consultation itself the change process, as not all countries were in line with the UNC and also the expected response timeline would add clarity. DON said that they would not be providing in-depth information on the process, however that they would provide cross references to the relevant legislation in the consultation letter.

Anna Shrigley (AS) asked DON when Ofgem would be making a decision on the Short-haul Modifications and if this could be prior to the FCC being defined and before the reserve capacity prices were set for the next Gas Year. DON said that it was Ofgem's intention to make a decision on these Short-haul Modifications by the end of May 2021 at the latest in time for the interconnector auctions.

CW added that from the FCC perspective that these would not have a bearing as the methodology would be completed by the end of March 2021, and there would not be any reference to multipliers or seasonal factors.

Debra Hawkin (DH) said that she understood the FCC would not be affected by the Short-haul Modifications decision, however she believed it would have an effect on the bookings. CW said that once Ofgem had made the decision, that only then would a subsequent decision be made regarding the FCC and the pricing calculations, which may affect some of the granularity. Dave Bayliss (DB) said that the current methodology was based on historic flows and there would be little impact in relation to the overall demand as forecasted, and that this was the most accurate way to evaluate this area.

1.4. Pre-Modification discussions

1.4.1. Innovation Derogation (TS) Northern Gas Networks

Tracey Saunders (TS) thanked the Workgroup participants for allowing her to overview her thinking in relation to the proposed pre-Modification – Innovation Derogation. For a full detailed update, please refer to the published slides on the meeting page via the link: <https://www.gasgovernance.co.uk/ntscmf/020321>

TS explained that presently the UNC (Uniform Network Code) did not have the concept of derogation, it was already present in other Codes such as SPAA (Supply Point Administration Agreement) and DCUSA (Distribution Connection and Use of System Agreement) and was also used by Ofgem.

TS explained that the proposal for this Modification was to introduce this concept to allow the Uniform Network Code (UNC) to facilitate the UK target of reaching Net Zero by 2050 as well as related projects allowing innovation to trial solutions. She added that there was a need to ensure that the industry had available solutions as soon as possible to allow these to be incorporated at local or national levels and become part of the infrastructure. TS explained that whilst this Modification would introduce the concept of derogations to the UNC and she was proposing to limit its scope to specific funded projects.

TS note the Modification would introduce an Innovation Derogation Guidance Document which would outline the application and approval process, including the evidence required to apply for Derogation. She stated any future actual Derogation request would also require unanimous approval by the UNC Panel members.

TS noted that Ofgem would also reserve the right to review any Derogation projects and she suggested that process this could be undertaken through an appeal. TS added that from a consistency perspective that she would review how Ofgem undertook other Derogation reviews within the other Codes and that her aspiration would be to mirror this process.

TS overviewed the potential options and solution as detailed below:

Options

- To do nothing – this could hamper Net Zero innovation projects and timescales.
- Progression without derogations could result in a breach of obligations in UNC/Licence.
- Introduce derogation for Net Zero innovation via progression of this modification proposal.

Solution

TS explained that it was her intention to introduce the concept of derogation for Net Zero innovation projects as a defined process into the UNC. She added that the Modification itself was presently being produced and refined, together with the associated business rules with an accompanying comprehensive guidance document. She said that to aid clarity, the guidance document would provide detail in relation to the application and the approval process including evidence required and the considerations by UNC Panel members, (who would be required to give [unanimous] support in order to grant any future derogation).

Recommended Next Steps

TS proposed the Modification should be subject to Authority Direction because the Modification would cause a material change to the UNC governance procedures and/or including the Network Code Modification procedures by introduction of the concept of derogation throughout the UNC. She added whilst this Modification in itself was not likely to have a material impact to competition or operation of the pipeline system, should this Modification be approved, derogations of material impact may be requested for consideration.

Paul Youngman (PY) asked whether it was necessary for the Modification to be Net Zero dependent and TS said it had been ring fenced for Net Zero, as it was a new concept within the UNC and that it was easier to ring fence in relation to derogation scope. TS added that the derogations would be time and location limited, to allow a revert-back process. TS said that her thought process was to set up a trial in readiness for when a future derogation may be granted.

PY said if a trial was a success it made no sense to the subsequently remove it and Richard Fairholme (RF) concurred with this comment. RF added that if was a defined project within RIIO-2 then steps needed to be taken to make sure Ofgem enforced the process, especially from an exception perspective. He stated that this could get complex as the UNC Panel did not have access to a legal service and so would need to be tightly controlled. TS said she did not want to exclude parties for the sake of it and that there would be the necessary adherence criteria to followed, together with the comprehensive evidence documentation.

Julie Cox (JCx) said that she felt there was a feeling of ‘reinventing the wheel’ especially as the concept of derogation was already used in other Codes for example DCUSA. TS said she had deliberately narrowed the scope for the UNC as there was lots of derogation around hydrogen and that each Code undertook things differently. She reiterated the comprehensive guidance documents would provide clarity from a process perspective.

JCx said that it would be essential that Ofgem had a defined and active role, especially as some UNC Panel members did at times, not voice an opinion or just stayed quiet. She also questioned the funding aspect.

TS said that this would be encompassed within the existing Xoserve system changes and that a trial would not be paid for by the industry, as it would be deemed a DSC ‘Plus Service’. TS added that from a systems/Xoserve priority angle there would not be any potential queue jumping in relation to a trial. CW said it would be helpful to have specific examples or illustrations of which areas of Code could be affected. TS said it could impact any area of Code and this was the reason why she had kept the scope narrow. This forthcoming Modification is likely to be considered at the March UNC Modification Panel.

1.4.2. Capacity Neutrality – (Retrospective)

CW introduced the pre-Modification Capacity Neutrality – (Retrospective). For a full detailed update, please refer to the published slides on the meeting page via the link: <https://www.gasgovernance.co.uk/ntscmf/020321>

CW explained in relation to the Retrospective Modification for Capacity neutrality, National Grid had been exploring potential solutions regarding how to redistribute any charge back of capacity neutrality payments for 01 October to 31 December 2020 inclusive. He said from conversations in recent months, the solution needed to be revised to an approach that did not impact published charges. He said National Grid would be sharing some thinking on ways this could be achieved.

CW added that from a solution perspective that the view was to consider options that would not impact upon the published charges and that it was his intention at the April NTSCMF meeting to share a summary of the potential distributional impacts, together with updates and reflections from any feedback received from the Workgroup and then he would update the Modification proposal.

CW then provided an overview of potential solutions as detailed in the tables below:

To Charge back the capacity neutrality without impacting any published tariffs:

Topic	Feedback received	Accommodated in updated thinking
Customer Impacts in terms of how a charge would be levied (in one lump-sum of phased)	Not to impact via a one off charge or payment. Phase it over a number of months.	Yes, phasing both the charge plus the redistribution
Impacts to published charges, particularly RRCs	Would not want to have the RRCs adjusted either up or down, preference to have them not impacted.	Yes. Solutions thought about to mitigate this would be a targeted charge plus a redistribution in such a way to not impact published charges, notably RRCs.
UNC process (urgency versus non-urgent)	Not to seek urgency, could be managed via normal UNC change path	Yes, follow normal UNC change route (i.e. not urgent). The method of accommodating without impacting published prices also means urgency is not as critical to maintain in a given charge year for example.

To Charge back the capacity neutrality without impacting any published tariffs:

Topic	Previous thinking	Potential method
Charge to collect proportion of the CN payments	To those in receipt of these, covering the Within Day and Daily Interruptible Entry Cap (like applying the change 0748 implemented)	Same, levied over a period of three months, following any implementation, one for each of October, November and December.
Capacity Reserve Prices	Would not expect to accommodate via adjusting these. Could only be done if decision and method timed with setting annual reference prices.	None. Would not be impacted.
RRC impacts	Main method of paying back parties. For any RRC in place, it would be expected to reduce the published rates based on the timing of any implementation.	None. Would not be impacted.
Bespoke redistribution	None. Targeting via adjusted RRCs.	Targeted redistribution based on a specific capacity basis. Options exist in terms of how this is potentially targeted. One example would be to use the fully adjusted entry capacity (net of existing available) for the same period, i.e. October to December 2020. Expect would also follow a three month distribution, one for each of October, November and December.

Nigel Sisman (NS) said he was struggling to understand the redistribution of £47million associated with October/November and December and the way the parties would receive the money back. He added that he believed the capacity holders should just be given back the money as an option especially as they were paying higher charges in February 2021 (i.e: that those capacity holders paying RRCs from February 21 to September 2021 should get the rebate as they were effectively paying the £47m).

CW said the Revenue Recovery Charge (RRC) did compensate for this. NS reiterated that this did have implications when reimbursing these amounts and CW said he would investigate this area. Lauren Snoxell (LS) said that it was crucial that National Grid sorted this situation out in an expedient way, as this £47million had had adverse impacts on consumers and she strongly urged that the Modification should be presented to the April Panel.

Jeff Chandler (JCh) said that there were still unanswered questions as part of Modification 0748 (Urgent) - Prospective Removal of Entry Capacity Revenue from Capacity Neutrality Arrangements in relation to commodity charges cash flows and these areas still needed to be addressed and that more detail should be provided. CW agreed that he would investigate this matter and provide further information.

New Action 0301: National Grid (CW) to provide detailed information regarding the cash flows around capacity neutrality

JCh said that he would be submitting an initial representation once the Modification had been raised.

2. Workgroups

2.1. 0751 – Capping Price Increases for Quarterly System Entry Capacity

(Report to Panel 15 April 2021)

<https://www.gasgovernance.co.uk/0751>

2.2. 0753 - Removal of Pricing Disincentives for Secondary Trading of Fixed Price NTS System Entry Capacity

(Report to Panel 15 April 2021)

<https://www.gasgovernance.co.uk/0753>

3. Issues

None.

4. Forecasted Contracted Capacity (FCC) Monitoring

4.1. Update on Capacity bookings vs FCC with potential impact on Revenue Recovery Charges (RRC)

This matter was deferred until the April meeting.

5. Long Term Revenue Forecasts

5.1. RIIO-2 Charging Implications

This matter was deferred until the April meeting.

6. Next Steps

6.1. Review the feedback from the weekly National Grid-led FCC Workshops

CW provided an overview of the status and progress to date as detailed below; the presentation can be accessed via the link: <https://www.gasgovernance.co.uk/ntscmf/020321>

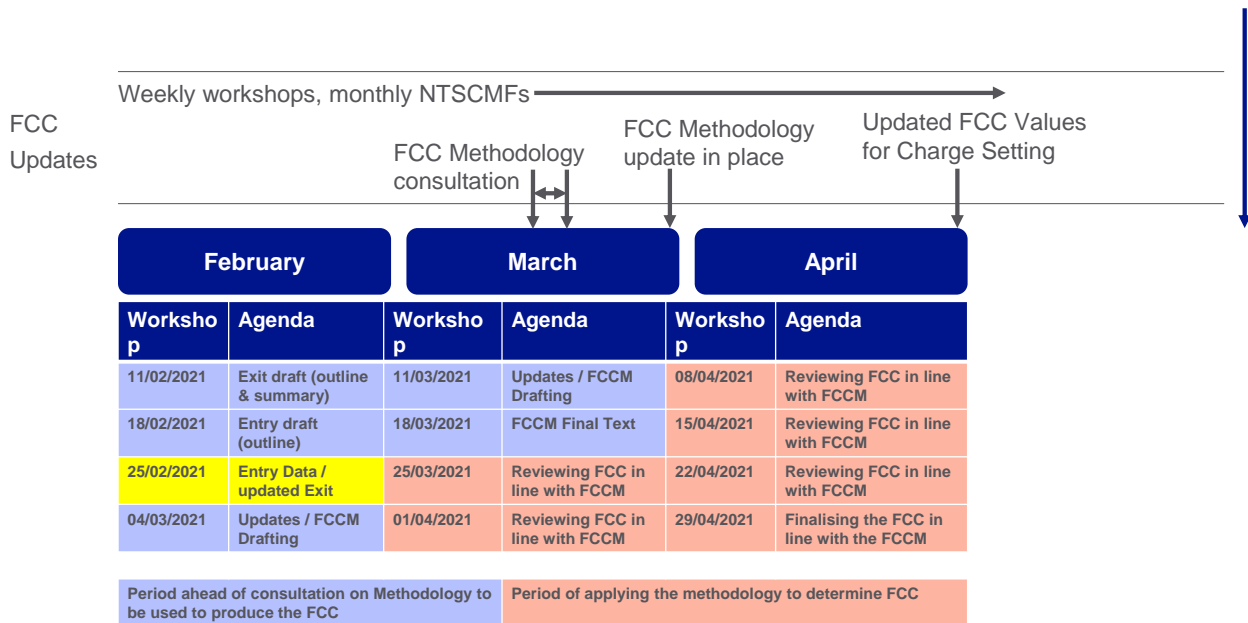
- 04/02 – Initial discussions on range of topics, focus on flows and utilisations and some inputs to help shape FCC thinking.
- 11/02 – Suggested key inputs for FCC, an approach for Exit including a summary values of the outputs this would have on FCC.
- 18/02 – Initial Entry Approach shared at principle level, series of steps and summary data.
- 25/02 – Updated Exit numbers from those shared on 11/02 and re-run through the entry steps including summary data applying this.

Material from 25/02 is presented here.

All material will soon be available on the National Grid website here:

<https://www.nationalgrid.com/uk/gas-transmission/charging/gas-charging-discussion-gcd-papers>

High level timeline between now and May 2021:



High level overview of what was discussed on 18 February 2021:

- Difficult to get an actual forecast and what is required is an accurate forecast.
- Sensitivities on the FCC and what the impact would be if incorrect forecast is used. National Grid will look to provide some sensitivities at suitable point to make them relatable.
- PARCAs – look at whether should look at the value for all gas years even at Stage 2 as the date may change,
- GDN – links to the Exit Capacity Planning Guidance which is going to be introduced as part of RIIO T2,
- Entry specific: review of proposed methodology to follow to determine an initial set of numbers.
- Quarterly FCC values to create an annual value is a good idea for Entry, would this also be used to inform the phasing? Phasing may mean different things to people. It may be revenue assumed phasing from a revenue collection assumptions (to potentially inform RRC expectations). The use of the quarterly values in determining an annual FCC is another approach on phasing that is now part of the Entry FCC development.
- Overall seems in the right direction of travel noting refinements will be likely and balance on detail for the FCC Methodology,
- Transparency – National Grid will look at how it provides data externally shortly.

Dave Bayliss (DB) provided an overview of the FCC Methodology schematics that can be viewed via the link at: <https://www.gasgovernance.co.uk/ntscmf/020321>

Next Steps

CW provided an overview of the next steps:

- Provision of data to support what has been shared to date.
- Drafting of the FCC Methodology for comment.
- Iterative development on feedback, in preparation for consultation in March 2021.
- Aim to have the FCC Methodology in place for the end of March 2021.

- Working within the methodology should not prevent use or application of any relevant or beneficial updates for the FCC and would require National Grid to explain any such condition.
- FCC itself National Grid is aiming for end of April 2021 providing time to refine the FCC values and also understand the application into the potential prices.
- Throughout transparency is important for the methodology, the FCC and how the FCC Methodology has been applied.

6.2. RIIO-2 Modification National Grid to speak with Ofgem and the Joint Office in relation to the full text from RIIO-2

This matter was deferred until the April meeting.

7. Review of Outstanding Action(s)

Action 0102: National Grid (CW) to undertake data analysis in relation to the potential impacts of the proposed Modification - Capping Price Increases for Quarterly System Entry Capacity on the Tariffs and all other Users.

Update: CW confirmed this action could now be close as the analysis had been undertaken.
Closed.

Action 0107: National Grid (CW) to provide documented explanation and diagrams detailing the relationship between the SO /TO and TS/nonTS revenue services.

Update: CW explained that further material on these topics would be provided by April NTSCMF, earlier if possible. **Carried forward**

Action 0108: National Grid (CW) to provide information regarding potential Licence changes and *TPD section Y 1.5.1 (d) "Allowed TS-Related NTS System Operation Revenue"*

Update: CW said further material on these topics would be provided by April NTSCMF, earlier if possible. **Carried forward**

Action 0201: Ofgem to consider a response regarding the outputs from Action 0109: *DNs to provide confirmation and indication of the difference between 1 in 20 bookings and their charging base(s).*

Update: DON said this action had been given to Ofgem without their knowledge (Ofgem had not been at that part of the meeting as it had taken place after workgroups) and a brief discussion took place and it was agreed this action could be closed. **Closed.**

JCx requested that Ofgem provided an update from Ofgem on the ECPG at the Transmission Workgroup meeting on 04 March 2021.

New Action 0302: Ofgem (DON) to provide an update on the ECPG.

8. Any Other Business

8.1. Analysis on the impact of Final Determinations (FDs)

Nitin Prajapati (NP) said that he would like National Grid to provide some analysis on the impact of the FDs and CW said he would investigate this area for the following meeting.

9. Next Steps

RH said that the next meeting was scheduled for Tuesday 06 April 2021 with the usual standard agenda and that her aspirations for that meeting were to:

- Update on Capacity booking vs FCC with potential impact on Revenue Recovery Charges (RCC)
- Review the feedback from the weekly National Grid-led FCC Workshops.
- RIIO-2 – Modifications- National Grid to speak with Ofgem and the Joint Office in relation to the full text from RIIO-2.

10. 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 06 April 2021	Via Microsoft Teams Please note: Publication of Papers deadline is 3pm Monday 29 March 2021	Standard Workgroup Agenda <ul style="list-style-type: none"> • Update on Capacity booking vs FCC with potential impact on Revenue Recovery Charges (RCC) • Review the feedback from the weekly National Grid-led FCC Workshops. • RIIO-2 – Modifications- National Grid to speak with Ofgem and the Joint Office in relation to the full text from RIIO-2.
10:00 Tuesday 04 May 2021	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 01 June 2021	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 06 July 2021	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 03 August 2021	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 07 September 2021	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 05 October 2021	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 02 November 2020	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 07 December 2021	Via Microsoft Teams	Standard Workgroup Agenda

Action Table (as at 02 March 2021)

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0102	05/01/21	1.4.1	National Grid (CW) to undertake data analysis in relation to the potential impacts of the proposed Modification - Capping Price Increases for Quarterly System Entry Capacity on the Tariffs and on all other users.	National Grid (CW)	Closed
0107	05/01/21	5.0	National Grid (CW) to provide documented explanation and diagrams detailing the relationship between the SO /TO and TS/nonTS revenue services.	National Grid (CW)	Carried forward
0108	05/01/21	5.0	National Grid (CW) to provide information regarding potential Licence changes and TPD section Y 1.5.1 (d) "Allowed TS-Related NTS System Operation Revenue"	National Grid (CW)	Carried forward
0201	02/02/21	6.0	Ofgem (DON/TBo) to consider a response regarding the outputs from Action 0109: DNs to provide confirmation and indication of the difference between 1 in 20 bookings and their charging base(s).	(DON/TBo)	Closed
0301	02/03/2021	1.0	National Grid (CW) to provide detailed information regarding the cash flows around capacity neutrality	National Grid (CW)	Pending
0302	02/03/2021	7.0	Ofgem (DON) to provide an update on the ECPG.	Ofgem (DON)	Pending