

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 07 May 2024
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Nikita Bagga (Secretary)	(NB)	Joint Office
Adam Bates	(AB)	SEFE Marketing & Trading
Adaeze Okafor	(AO)	Equinor
Alex Nield	(AN)	Storengy UK
Amy Howarth from 10:17	(AH)	Storengy UK
Andrew Pearce	(AP)	BP Gas Marketing
Anna Shrigley	(AS)	ENI
Ash Adams	(AA)	National Gas Transmission
Carlos Aguirre	(CA)	Pavilion Energy
Colin Williams	(CW _i)	National Gas Transmission
Chris Wright	(CW)	Exxon Mobil
Christiana Sykes	(CS)	EON Energy
David Bayliss	(DB)	National Gas Transmission
David Eccles until 10:11	(DE)	PX Limited
Donald Lam	(DL)	Ofgem
Emma Robinson	(ER)	EON Energy
Jeff Chandler	(JC)	SSE
Julie Cox	(JC _x)	Energy UK
Kieran McGoldrick	(KM _c)	National Gas Transmission
Kirsty Appleby	(KA)	National Gas Transmission
Lauren Jauss	(LJ)	National Gas Transmission
Mariachiara Zennaro	(MZ)	Centrica
Marion Joste	(MJ)	ENI
Nick Wye	(NW)	Water Wye Association
Nigel Sisman	(NS)	Sisman Energy Consultancy Limited
Pavanjit Dhesi	(PD)	Interconnector
Richard Fairholme	(RM)	Uniper
Ritchard Hewitt	(RH)	Hewitt Home and Energy Solutions
Tim Gwinnell	(TG)	South Hook Gas

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.

Please note these minutes do not replicate detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of these are available at: <https://www.gasgovernance.co.uk/NTSCMF/070524>

1.0 Introduction and Status Review

Eric Fowler (EF) welcomed delegates to the meeting and confirmed that it was quorate.

David Eccles (DE) joined the meeting and requested an update on the funding mechanism for St Fergus upgrade. Colin Williams (CWi) advised that there was no proposal to discuss St Fergus during the meeting today and it is likely to be re-visited during the Workgroup in July.

1.1. Approval of Minutes (02 April 2024)

EF noted that Joseph Leggett's name was spelt incorrectly on the previous minutes. Tim Gwinnell (TG) advised that his organisation was noted as incorrect, clarifying that this should be "South Hook Gas". EF advised the corrections would be made.

1.2. Approval of Late Papers

EF advised that the Pre Modification – Alignment of TO Revenue and TO Correction terms to the current Gas Transporter License - was submitted late. Workgroup Participants did not object to considering it.

1.3. Review of Outstanding Actions

Action 0301: NGT (CWi) to decide whether a meeting to discuss the mechanism of the Capacity Neutrality is to take place as a separate agenda item at the next NTSCMF meeting or whether a separate, stand-alone meeting is required for discussions.

Update: CWi provided an update, advising that the plan to have a separate session to discuss the mechanism of Capacity Neutrality still remains however no fixed date has been decided. This session is likely to take place in June or early July, it was therefore agreed that this action would be carried forward. **Carried Forward**

0401: NGT (DB) to conduct enquiries into whether the FES forecast is published. If not, NGT is to consider providing this data to industry.

Update: David Bayliss (DB) provided an update, advising that this data was published in 2 areas, one being as part of an appendix, in graphical form, for the Gas Ten Year Statement and the other being with the FES report as a table, providing all Ofgem demands for the Gas Year. DB proposed to include a section on the forecast to provide clarity on the numbers. **Action Closed.**

0402: NGT (DB) to conduct investigations with the FES team to understand if there are significant underlying factors causing the drop in gas demand.

Update: DB provided an update on this outstanding action, advising that the values are constantly under review. DB advised that there appear to be 3 main underlying factors driving the drop in the forecast gas demand for Power Generation across future years. These include updates with respect to the Energy mix forecasts for electricity, the French Nuclear Power Generation capability and accounting for the new Viking Link electricity interconnector which is forecast to import electricity into the UK to meet demand. **Action Closed.**

0403: NGT (DB) to conduct enquiries into the FES forecast and actions over the last 3-4 years to understand if the data is undervalued or incorrectly calculated.

Update: DB provided an overview advising that a reason for the underestimate is electricity being imported through the interconnector which is reducing the requirement for domestic power generation. Values have been provided to the Energy Insights team for a validation to be conducted before being used in the final charge setting numbers.

Julie Cox (JCx) highlighted that these were valid points however it may be that there may be other factors such as timing causing causing the undervalued or incorrectly calculated data. The issue highlighted by National Gas Transmission (NGT) was that the forecast was low for this year and there was the intention to uplift by 50%. DB advised that NGT are currently doing 2 things: 1) Devising a forecast increase, and 2) Liaising with the team that have recently published the summer outlook which provides a forecast of demand over the next 6 months. The outlook of a number of teams is being obtained in an attempt to get the most reflective position.

JCx added that Workgroup discussed conducting a “backwards look” to understand whether there was a systemic issue in forecasting. DB provided comparative data to show the FES forecast of total system demand against the actual outturn, the same was also considered for the power generation:

2019/2020

The forecast for the total system demand was 925.3 kWh and the outturn was 904 kWh. For the power generation the forecast was 231 kWh and the outturn was 216 kWh, demonstrating a 5% variance.

2020/2021

The forecast for the total system demand was 891 kWh and the outturn was 896 kWh, demonstrating a variance of less than 1%. For the power generation, the forecast was 207 kWh and the outturn was 206 kWh, which again, is a variance of less than 1%.

2021/2022

The forecast for the total system demand was 877 kWh and the outturn was 870 kWh, which is less than 1% variance. For the power generation, the forecast was 175 kWh and the outturn was 209 kWh.

2022/2023

The forecast for the total system demand was 886 kWh and the outturn was 992 kWh, demonstrating a 12% variance. For the power generation, the forecast was 194 kWh and the outturn was 220 kWh which is a variance of around 15%. This total variance was driven by the impact of exporting high flows into Europe across the year, with Power Generation forecasts being impacted by the increased export of electricity across into Europe due to support the French Nuclear fleet.

2023/2024

The forecast for the total system demand was 938 kWh and the outturn was 798 kWh, this was due to forecasting 181 kWh of NTS exports into Europe and less than 100 kWh were seen. For the power generation, the forecast was 164 kWh and the outturn was 171 kWh, demonstrating a 3% variance.

DB drew reference to the volatility seen in recent years, however, it was noted that the figures were not always inaccurate, highlighting those instances where there was less than 1% variance noted. It was therefore concluded by DB that the forecasts are not entirely flawed. Jcx advised that any uplift will require rigorous justification for transparency reasons. Jcx queried whether there would be a disaggregation in the numbers, DB responded by advising that figures are obtained by market sectors. NGT is looking at various areas in terms of the level of disaggregation to inform the discussions. The key aspect is liaising with the Outlook team and the Energy Insights Team to build on the work they are conducting. There are further links with NESO to discuss the demand forecast.

Action Closed.

0404: NGT (CWi) to prepare a draft to present to the Workgroup to demonstrate the impact of Ofgem’s proposal regarding license changes.

Update: CWi presented the published slides as an update to the outstanding action, explaining that the ISOP (Independent System Operator and Planner) will hold the Electricity System Operator License and the Gas System Planner License. This will become NESO (National Energy System Operator) once live.

CWi presented the published slides which contained relevant sections of the Main Consultation Document for consideration where there is reference to expectations and obligations and Ofgem's responses to various questions, The gas-related charges from NESO will come through the General Non-Transmission Charge and there will be obligations on NESO in relation to separating the costs in the methodology. The gas system planning costs will come through the charges that are levied to Shippers through the General Non-Transmission Charge.

In relation to the mechanics of this, Annex Q of the Main Consultation Document contains useful guidance.

CWi advised that there will be a new proposed term to cover the costs to be provided from the ISOP to National Gas which is to be recovered through Charges. The main part of the Change is the new proposed term ARGSPt, which once received by NGT, will be added to the allowed revenues for the forthcoming year.

CWi provided an overview of Special Condition 6.4, advising that the assumption is for this to go live in the summer. Due to the proposed implementation of a specific provision, there will be no impact on the revenues and charges for 2024. Therefore, the value for this year and next year will be rolled into one value for 2025. Due to NGT not recovering any payments until October 2025, they propose to only start making payments from October 2025. There will then be 6 instalments of payments from October 2025 to March 2026, following this period it will be 'business as usual'. JCx queried these period payments, asking if the position is that the first year's charges would be recovered over 6 months but for 12 months' worth of revenue. CWi advised that the value will be from July 2024 to March 2025 plus the value from April 2025 to March 2026. This total will then be payable over a 6-month period.

JCx raised her concern regarding the Non-Transmission Services going negative which could be addressed by the smoothing Modification, albeit not entirely. CWi addressed this point, highlighting that it is not possible for the pricing to go negative as there is a floor at zero. NGT do not currently have the figures to demonstrate the position however they do not appear to have any concerns in relation to expecting a massive trough.

Nigel Sisman (NS) queried the level of costs. CWi advised he was unsure as NESO have not provided NGT with a figure. CWi added that he does not envisage this figure to be high. JCx queried whether there was any offset by a reduction in cost elsewhere or whether there will be additional costs to the industry due to duplication of roles. CWi responded that there is some detail in the consultation regarding the ISO methodology for splitting the costs between gas and electricity to ensure this is clear however, CWi was unsure of what exactly this would cover. It was highlighted that the materiality is probably small and the reduction in NGT's revenue over time is unlikely to be seen. **Action Closed**

[Please refer to the presentation slides published for further detail.](#)

1.4. Industry Update from Ofgem

The following update was provided to the estimated decision dates timetable published at <https://www.ofgem.gov.uk/publications/code-modificationmodification-proposals-ofgem-decision-expected-publication-dates-timetable>:

Modification	Estimated Decision Date
0841 - Introduction of cost efficiency and transparency requirements for the CDSP Budget	17 May 2024
0857 - Revision to the Determination of Non-Transmission	Approved

Services Gas Year Target Revenue

19 April 2024

1.5. Pre-Modification discussions⁰⁸

Ash Adams (AA) provided an overview of the Pre-Modification, apologising for the late submission of the paper. AA advised that NGT have been working on correcting references which relate to out-of-date license terms and wanted to complete this project to ensure transparency and clarity prior to the publication of the Default SMP which is due in July.

AA drew attention to the Summary section of the document, highlighting 2 reference terms which are no longer used in the current version of the National Gas License. TRO terms are replaced by TO Recover and TOK terms are replaced by K. The proposal is to update these terms however, NGT will not know the recovered revenue position until the following April. NGT are also proposing to replace TORt (Transportation Owner Revenue term) and TOK (Transportation Owner Correction term) with ADJRt (The Adjusted Revenue) to simplify the text and allow for the alignment with the current license drafting.

AA advised that the Legal Text is relatively straightforward, this will just require the removal of TORt and TOKt and replace with ADJRt. NGT are proposing to submit the mod to Panel in May and request it go straight to consultation.

Ritchard Hewitt (RH) queried whether NGT had conducted back-year calculations to see if the results would deliver the same as what would have been obtained in the past. AA responded, advising that if NGT were to use the recovered revenue term from the previous year, the effect would be 0.0012p/kWh in terms of the Change as opposed to an allowed revenue figure. This, therefore, would not match what is in the UNC as it defines the current year's revenue.

RH advised it is important for calculations to produce similar results, however, he advised that without seeing figures, it is difficult to be confident in the end result.

JCx highlighted the fact that the previous calculations did not appear to be in accordance with the Code and it is lucky this discrepancy has been noted now. It underlines comments made about complexity around licences and highlights concerns around non-compliance with the Code for a number of year. JCx therefore queried what else could be non-compliant.

NS highlighted that there has not been a robust basis for around 2 or 3 marginal price settings, it is therefore important to understand what NGT and National Gas have done for the previous 3 calculations. For the original calculation, it is not possible due to the change in terminology however it is important to understand that what has been done, is reflected in the drafting. AA confirmed this position is correct, adding that it is difficult to follow the text in the Code. This issue only came to light when collating the information for the Default SMP, however, NGT are now working on getting this issue rectified.

In relation to the license, NS highlighted that where terms are amended within the license, it is important to ensure that the intention behind the license is still implemented, there should therefore be no concerns about the process followed. With that being said, there does appear to be a question about the mechanism being appropriate as it appears to be yielding much higher differentials than before.

In relation to the forecast, AA highlighted that this is being calculated by taking the adjusted revenue and dividing by the peak day demand. There is the potential to raise an alternative route to obtain the Default SMP, if a more appropriate route is found.

When NGT take the matter to Panel, EF suggested that NGT inform Panel of the discussions and concerns raised by Workgroup in relation to the gap between Licence and Code that has been identified and the period in which there was mis-alignment.

AA agreed there is a learning point to consider all related license and Code terms when references are updated as had happened when switching to the new license.

2.0 Workgroups

2.1. 0869 - Revision to the Calculation Methodology of the Security Amount for Planning and Advanced Reservation of Capacity Agreement (PARCA).

(Report to Panel 20 June 2024)

<https://www.gasgovernance.co.uk/0869>

3.0 Transmission Service Review

CWi and Kirsty Appleby (KA) provided an overview of the Transmission Services Review.

CWi advised that the Transmission Services are looking at the current arrangement, focusing on the Entry/Exit split within the methodology. The discussions to date have focused on considering the methodology through the perspective of the Relevant Objectives.

The interpretation of the relevant objectives can assist in informing the views of the Relevant Objectives. As such, CWi suggested that this item be kept on the agenda to continue discussions at the next Workgroup.

KA provided an overview of the Transmission Services Revenue, advising that the revenues presented relate to the regulatory year of 2024. The key takeaway is that although the percentages of the revenue are the same, the relative prices for Entry/Exit differ due to the volume of capacity bought at the Exit points and Entry is more sensitive to changes in the revenue sharing.

Workgroup discussed the capacity holdings in relation to the associated flows with Exit/Entry and the associated impacts.

In relation to the Relevant Objectives, KA advised that each one might be considered with the interpretation of NGT, highlighting that this interpretation is subjective. KA advised that NGT are looking to understand the effect of changing the Entry/Exit splits, how the current status quo matches the objectives and what effect a change may have on the objectives.

KA provided an overview of the relevant objectives with the understanding and interpretation of NGT.

a) Efficient and economic operation of the pipe-line system

RH highlighted that Economies of Scale is a key area when considering the Entry/Exit split. If NGT is looking to improve the current position/status quo, it may be worth considering other opportunities to improve throughput. RH discussed where amendments to the Entry/Exit split would encourage consumers to use more gas, discussing the analogy of lowering the average charges paid to large industries connected to NTS and making them more internationally competitive. This may lead to more exporting, increasing production and therefore increasing throughput.

JCx discussed how previously, throughput was part of the calculation used for price control, but has since been removed from the process.

CWi discussed the comparison of the Relevant Objectives, and how strong one might be when compared against another in relation to pricing or competition. It is important to ensure that the objectives stay relevant to the topic of discussion and to ensure the best use of Industry's time. Workgroup discussed the vague wording, highlighting that this is useful in relation to the various Modifications being raised as it assists in the application of the Relevant Objective to a particular Modification proposal, the vagueness also assists in allowing the discussions to be broad.

RH believed that a good outcome is where transmission charges can encourage a more efficient use of the pipeline systems and charges are reduced due to throughput increasing.

b) Coordinated, efficient and economic operation of i) the combined pipe-line system, and/or ii) the pipe-line system of one or more other relevant gas transporters

JCx queried who the 'relevant gas transporters' are. RH responded that this extends to include NTS, DNO's and anyone in practice who is a licensed transporter. Based on the discussions of

Workgroup, JCx added that this appears to be a more downstream angle as more Exit than Entry issues, therefore JCx highlighted that this Relevant Objective does not appear to be the most important. KA agreed with this, highlighting that this opinion aligns with that of NGT.

Lauren Jauss (LJ) discussed the effect of changing the Entry/Exit split as users being incentivised to purchase different volumes. Currently, users appear to be purchasing more Exit capacity ahead of time. If the cost is more expensive, users may purchase less which could be a material change. Based on this, LJ highlighted the importance of understanding why people do what they do and their responses to economic incentives.

c) Efficient discharge of the licensee's obligations

Workgroup did not have any further comments in relation to this relevant objective.

d) Securing effective competition i) between relevant shippers, ii) between relevant suppliers and/or, iii) between DN operators and relevant shippers

RH highlighted that the difference between this and the first Relevant Objective is that this contains a competition element and does not appear to consider the wider GBplc which was considered by the first Relevant Objective. If the charging regimes is applicable to all parties in the market in the same way, then this is just about providing a level playing field.

e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards are satisfied as respects the availability of gas to their domestic customers

Workgroup did not have any further comments in relation to this relevant objective.

f) Promotion of efficiency in the implementation and administration of the Code

Workgroup did not have any further comments in relation to this relevant objective.

g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators

In relation to this relevant objective, RF highlighted the different splits adopted by EU countries and their justifications. RF added that the different splits are likely to be based on discussions regarding competition around users and equity. Netherlands was considered as an example, with the split of 30/70 being highlighted in response to wanting LNG to be more attractive with the Dutch Regulators agreeing. The relevant split will be dependent on the appetite of each company.

KA then provided an overview of the charging objectives.

a) Save in so far as paragraphs (aa) or (d) apply, that compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business

Christiane Sykes (CS) highlighted in relation to discounts that it may be worth considering the approach taken by other EU member states who have introduced discounts for LNG, based on security and reducing the reliance on Russian gas.

aa) That, in so far as prices in respect of transportation arrangements are established by auction, either: no reserve price is applied, or that reserve price is set at a level i) best

calculated to promote efficiency and avoid undue preference in the supply of transportation services; and ii) best calculated to promote competition between gas suppliers and between gas shippers

RH discussed the association between changing prices and changes in behaviour in association with a product. Market forces can be considered to determine what responses might be to a change in tariff. Although relevant, it was highlighted that it may be difficult to assess the impact of.

CS discussed the potential impact to existing contracts, adding that it is not possible to cancel the same, although there is nothing to stop someone from raising a proposal regarding this.

RF raised the process adopted by Ofgem in relation to assessing matters, highlighting that in the event there is not data that adds up to prove a theory, this does not necessarily mean the theory does not exist. Quantitative data is easier to understand, however, Ofgem has previously approved proposals on the basis of qualitative data in relation to charging.

b) That, so far as is consistent with subparagraph (a), the charging methodology properly takes account of developments in the transportation business

RH discussed the relevance of this charging objective, highlighting that since the 50/50 split was put in place, there have been significant changes to how the Great Britain regime works. It is important to consider how a change in the system use is supported by the structure of charges. Therefore, this appears to be a very relevant charging objective.

RF advised that he does not disagree with this point raised by RH, however, it is important not to forget that when implementing within Great Britain, the direction from Ofgem is in relation to a 50/50 split, and any developments will be around that as a concept. The European compliance point is something that Ofgem should have considered when conducting a governance review.

c) That, so far as is consistent with sub-paragraphs (a) and (b), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers

CWi advised that a lot of commentary on charging is focused on this objective, highlighting Modification 0857.

RF advised that the intention to make Great Britain a competitive destination is explicitly an Ofgem obligation/objective, not detailed within the Code. The security element for trade and making Great Britain attractive is within the government's remit, it is, therefore, difficult to understand where this point sits in relation to the charging objectives. RH added to this, explaining that traders have previously referenced higher entry tariffs being a barrier, this was provided as anecdotal evidence that gas was being landed elsewhere other than the UK. To ensure that everything is being done to attract energy to the UK at the lowest possible price to benefit the end consumers throughout the network, RH highlighted that this may be an appropriate charging objective. Workgroup continued to discuss this point, highlighting the complexity of this area.

d) That the charging methodology reflects any alternative arrangements put in place in accordance with a determination made by the Secretary of State under paragraph 2A(a) of Standard Special Condition A27 (Disposal of Assets)

Workgroup did not have any further comments in relation to this charging objective.

e) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators

JCx discussed the option of aligning with electricity changes. It was highlighted that the problem is in relation to being locked in to retained law.

Workgroup agreed that review of the Relevant Objectives and of the charging objectives was a useful exercise to draw out discussions and opinions. CWi indicated that next month's discussions are likely to include an expansion of discussions to include consumer benefits which are included in the Modification template. RF highlighted that when considering consumers, it will be important to distinguish between which type of consumer is being discussed (i.e. domestic or industrial). JCx added that the discussion should focus on the "what" and how it impacts the relevant objective and customers. Discussions on K and transition are likely to be dealt with further along the process as they relate to the implementation of the proposal.

4.0 Non-Transmission Service Reform

CWi provided an update, advising that the comments and views expressed during the previous Workgroups have been considered by NGT who are looking to provide an update on this agenda item in July.

5.0 NTS Gas Charging Consultation

CWi advised that this agenda item was covered by the discussions in the Workgroup today.

6.0 Capacity and Revenue Routine Reporting

Kieran McGoldrick (KMc) provided an update on the Capacity and Revenue Routine Reporting.

KMc advised that the Exit Capacity and revenue have remained in line with the forecast. In relation to the Entry Capacity, this has improved since last month. The consequence of the lower demand in the lower entry has affected the General Non-Transmission Charges.

JCx noted the large variations, querying whether this would increase the charges from October this year, which will be included in the publication next month. KMc confirmed NGT are currently working on this.

7.0 Issue Tracker

EF provided an overview of the Issue Tracker, highlighting that it would be useful to conduct an interactive review.

CMF001

EF advised that the generic view is that the drafting is unclear and there are differences in interpretation. CWi recommended to leave this as ongoing in the tracker, highlighting that although this is in relation to a relatively simple Modification, NGT propose to pick up and consider around Autumn 2024.

CMF002

EF advised that this is in relation to terminology and alignment with different pieces of regulations and legislation. The mapping document is published on the Joint Office website. There were no comments from Workgroup and it was agreed to leave this item open to allow parties to consider any further improvements.

CMF003

EF highlighted the link of this issue with CMF006. These items are live and were considered during this Workgroup meeting.

JCx advised that although some work has been conducted, the session on Capacity Neutrality is still yet to be confirmed which is likely to be the next step in closing down this item. Following the session, there may be further specific queries raised.

NS highlighted that around 3 or 4 months ago, National Gas advised that they did not wish to do anything in relation to Non-Obligated Entry as it was not considered material at the time, however the slides presented during this meeting suggest the scale appears to be £3.4 million.

In relation to the materiality of this issue, CWi advised that this was discussed as an original objective however NGT reached the conclusion that there did not appear to be a specific element that needed to be fixed. CWi added that it may be worth including the topic of Overruns in the planned session. Workgroup agreed that the workshop on Capacity Neutrality will be a good opportunity to elevate the understanding of the industry and as such, this issue will remain open.

CMF004

EF highlighted that this issue is in relation to System Operator Incentive Performance and users wishing to understand mechanisms and how they may be driving the behaviour of NGT.

JCx discussed that previously, updates were provided on a monthly basis, however now information appears to be contained within a quarterly report, published months after the event. JCx highlighted that both Ofgem and National Gas are keen to engage with industry on the future structure of incentives however there does appear to be a lack of transparency on actual performance.

CMF006

EF advised that this issue arose from specific comments and in relation to previous Modifications. It was therefore proposed that this issue was revived during this Workgroup as a topic for further discussion in Summer 2024.

CMF007

EF advised of the links between this issue and Modification 0799/A. Ofgem rejected the decision on Modification 0799/A and in relation to Modification 0863. LJ, as the proposer, was no longer present during the Workgroup for this discussion, therefore, EF advised he would liaise with her separately regarding the close down of this issue.

CMF008

EF queried with Workgroup whether this issue links to the intended workshop on Capacity Neutrality.

NS advised that National Gas were asked to explain what Capacity Neutrality is and on this basis, considerations will need to be given to cash flows to understand which treatments are appropriate and which are not. NS advised that it would be helpful to capture this point on the spreadsheet.

CWi drew reference to NS's wording of "appropriate", advising that this is a subjective term. NS elaborated, explaining that from discussions had so far in relation to Non-Obligated Entry Capacity, various prices are higher due to the treatment of Capacity Neutrality. NS asked whether the treatment gives rise to an inflation of the transportation charges which are either of a capacity or commodity nature.

CF009

EF advised that this issue has remained on the tracker on the basis that Workgroup was unsure what was included and were therefore unable to evaluate. CWi re-iterated JCx's point in relation to the changes in European Codes being beneficial for implementation in the UK and whether this can be done within the UNC or whether a change in law is required.

It was agreed amongst Workgroup that this would be kept as a live issue for further discussion.

RH requested for an additional issue to be added in relation to the establishment of NESO.

CWi highlighted that this is not a Modification that has been raised by Industry but by Ofgem.

New Action 0501: Hewitt Home and Energy Solutions (RH) to draft wording to be included in the tracker as a candidate for further debate at the next Workgroup, in relation to the establishment of NESO.

Anna Shringley (AS) raised that given NESO and Code Managers are due to become parties to the UNC, AS agreed with RF's point about following up when the license change process is rolled out. EF advised something would be added to the tracker to understand the role and how it will evolve.

8.0 Any Other Business

None.

9.0 Diary Planning

NTSCMF meetings are listed at: <https://www.gasgovernance.co.uk/NTSCMF>

All other Joint Office events are available via: <http://www.gasgovernance.co.uk/events-calendar/month>

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Tuesday 04 June 2024	5pm Friday 24 May 2024	Microsoft Teams	Standard Agenda
10:00 Tuesday 02 July 2024	5pm Monday 24 June 2024	Microsoft Teams	Standard Agenda
10:00 Tuesday 06 August 2024	5pm Monday 29 July 2024	Microsoft Teams	Standard Agenda
10:00 Tuesday 03 September 2024	5pm Friday 23 August 2024	Microsoft Teams	Standard Agenda

NTSCMF Workgroup Action Table

Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0301	05/03/2024	1.1	NGT (CWi) to decide whether a meeting to discuss the mechanism of the of Capacity Neutrality is to take place as a separate agenda item at the next NTSCMF meeting or whether a separate, stand-alone meeting is required for discussions.	March 2024	NGT (CWi)	Carried Forward / Closed
0401	02/04/2024	1.3	NGT (DB) to conduct enquiries into whether the FES forecast is published. If not, NGT is to consider providing this data to industry.	May 2024	NGT (DB)	Carried Forward / Closed

NTSCMF Workgroup Action Table						
Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0403	05/03/24	1.1	NGT (CWi) to decide whether a meeting to discuss the mechanism of the of Capacity Neutrality is to take place as a separate agenda item at the next NTSCMF meeting or whether a separate, stand-alone meeting is required for discussions.	March 2024	NGT (CWi)	Carried Forward
0402	02/04/24	1.3	NGT (DB) to conduct investigations with the FES team to understand if there are significant underlying factors causing the drop in gas demand.	May 2024	NGT (DB)	Closed
0403	02/04/24	1.3	NGT (DB) to conduct enquiries into the FES forecast and actions over the last 3-4 years to understand if the data is undervalued or incorrectly calculated.	May 2024	NGT (DB)	Closed
0404	02/04/24	1.4	NGT (CWi) to prepare a draft to present to the Workgroup to demonstrate the impact of Ofgem's proposal regarding license changes.	May 2024	NGT (CWi)	Closed
0501	07/05/24	7.0	Hewitt Home and Energy Solutions (RH) to draft wording to be included in the tracker as a candidate for further debate at the next Workgroup, in relation to the establishment of NESO.	June 2024	Hewitt Home and Energy Solutions (RH)	Pending

UNC Workgroup 0869
Revision to the Calculation Methodology of the Security Amount for
Planning and Advanced Reservation of Capacity Agreement
(PARCA)

Tuesday 07 May 2024
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Nikita Bagga (Secretary)	(NB)	Joint Office
Adam Bates	(AB)	SEFE Marketing & Trading
Adaeze Okafor	(AO)	Equinor
Alex Nield	(AN)	Storengy UK
Amy Howarth from 10:17	(AH)	Storengy UK
Andrew Pearce	(AP)	BP Gas Marketing
Anna Shrigley	(AS)	ENI
Ash Adams	(AA)	National Gas Transmission
Carlos Aguirre	(CA)	Pavilion Energy
Colin Williams	(CW _i)	National Gas Transmission
Chris Wright	(CW)	Exxon Mobil
Christiana Sykes	(CS)	EON Energy
David Bayliss	(DB)	National Gas Transmission
Donald Lam	(DL)	Ofgem
Emma Robinson	(ER)	EON Energy
Jeff Chandler	(JC)	SSE
Julie Cox	(JC _x)	Energy UK
Kieran McGoldrick	(KMc)	National Gas Transmission
Kirsty Appleby	(KA)	National Gas Transmission
Lauren Jauss	(LJ)	National Gas Transmission
Mariachiara Zennaro	(MZ)	Centrica
Marion Joste	(MJ)	ENI
Nick Wye	(NW)	Water Wye Association
Nigel Sisman	(NS)	Sisman Energy Consultancy Limited
Pavanjit Dhesi	(PD)	Interconnector
Richard Fairholme	(RM)	Uniper
Ritchard Hewitt	(RH)	Hewitt Home and Energy Solutions
Tim Gwinnell	(TG)	South Hook Gas

The Workgroup Report is due to be presented at the UNC Modification Panel by 20 June 2024.

This Workgroup meeting will be considered quorate provided at least two Transporter and two Shipper User representatives are present.

Please note these minutes do not replicate/include detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of all papers are available at: <https://www.gasgovernance.co.uk/0869/070524>

1. Introduction and Status Review

Eric Fowler (EF) welcomed delegates to the meeting. Nigel Sisman (NS) requested that when Workgroup go through the discussions for this Modification, to ensure that the following are made clear:

- a) What costs are to be recovered; and
- b) In the event PARCA gets terminated, how is the amount the applicant has to pay, determined?

1.1. Approval of Minutes (02 April 2024)

The minutes from the previous meeting were approved.

1.2. Approval of Late Papers

There were no late papers to approve.

1.3. Review of Outstanding Actions

There were no Outstanding Actions to review.

2. Development of Workgroup Report

It was agreed amongst Workgroup that it was too early in the process to discuss the Workgroup Report. This agenda item was therefore deferred for further discussion at the next meeting.

3. Presentation slides on Revision to the Calculation Methodology of the Security Amount for Planning and Advanced Reservation of Capacity Agreement (PARCA)

Kieran McGoldrick (KMc) provided an overview of the presentation slides which include the actions from the previous discussion, highlighting that the Modification is designed to provide consistency, clarity and equality.

The presentation included statements made in relation to Milford Haven.

DB commented that in terms of the cash flow and loan impacts, each project is unique, it is therefore hard to address the question directly. KMc highlighted that there does not appear to be any further entry projects in the pipeline.

Workgroup discussed KMc's point in which he advised that no termination fees have been paid. Julie Cox (JCx) advised that she has been keeping a record of these and notes that she recalls a number of instances where termination fees have been paid, with some dating back to 2018, which KMc confirmed were within the remit of PARCA existing. Jeff Chandler (JC) confirmed this information. In light of this contradicting information presented, KMc advised that he would revert to colleagues to investigate. JCx queried where this money is going if the termination fees are not being captured by NGT. KMc advised that it would feed into the allowed revenues.

NS advised that he had 2 questions in relation to the point that these costs feed into revenues: 1) Which costs are being discussed in relation to Phase 2, adding that this is in relation to the assumption that Phase 2 is still prior to what is referred to as the "major construction" phase which will come into play once capacity has been confirmed and booked by way of the normal process. 2) Who is paying, who is protected and whether there is any interaction allowed with regulated revenues.

KMc advised that something will be collated for the next meeting to articulate the costs included, currently this is a desktop activity rather than a construction activity which is why the costs are substantially lower than if an investment was made. In terms of when it should impact allowed revenues, this is likely to apply when the termination amount is smaller than the costs, the difference will be picked up by the community.

Workgroup discussed the fact that the process has not changed but the value has. JC advised that the initial introduction of the fees was in relation to financial commitment to preserve capacity and to avoid gaming. It is accepted that a security and recovery of costs is appropriate if a project is terminated.

Workgroup discussed the methodology, with Colin Williams (CWi) suggesting the option of revisiting this and raising questions in relation to the underlying principals. JCx advised that the averaging proposal is to ensure that the costs reflected are considered. JCx further added that Workgroup are aware that the Modification is not querying whether the methodology is still correct and as such, raised to Workgroup whether consideration will be given to considering whether the methodology is still appropriate or whether an adjustment is to be proposed.

Workgroup discussed the termination fee and the relevant calculation, with KMc advising that this is counted from Phase 2 of PARCA starting. Nick Wye (NW) queried whether the termination fee is the correct level and whether it is reflective of the costs incurred. A further consideration at the time of the creation of PARCA was that people shouldn't be paying different amounts.

Please refer to the presentation slides published for further details.

[Mod 0869 presentation 7 May 2024](#)

4. Next Steps

EF advised that the next steps for Workgroup will be a review of the Workgroup Report. EF advised that if Workgroup think more time is required, he is happy to request an extension from Panel. CWi confirmed this would be an appropriate approach given the amount of work that has been created further to the discussions from this Workgroup meeting. EF advised he would request an extension from Panel to August.

5. Any Other Business

KMc advised that the contact email addresses on the presentation slides was incorrect. The migration has now taken place and any emails sent to the old email address will not be auto-forwarded. The @nationalgas email address should be used.

6. Diary Planning

Workgroup 0869 meetings are listed at: <https://www.gasgovernance.co.uk/0869>

All other Joint Office events are available via: www.gasgovernance.co.uk/events-calendar/month

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Tuesday 04 June 2024	5pm Friday 24 May 2024	Microsoft Teams	Conclusion of Workgroup Report