

**Gas Charging Review – National Transmission System Charging Methodology Forum  
(NTSCMF)  
Draft Terms of Reference**

**1. Background**

- Ofgem’s Gas Transmission Charging Review (GTCR) concluded in November 2015 with a policy letter outlining the preferred approach for GTCR. High level outcomes are:
  - i. Review of entry capacity discounts
  - ii. Adjusted entry prices but not yet
- At the National Transmission System Charging Methodology Forum (NTSCMF) in November 2015 a number of other issues were raised and discussed by those who attended. These related to areas of concern with the charging framework that GTCR, on its own would not address. These included:
  - i. Volatility / stability / predictability;
  - ii. Concerns that the current underlying charging methodology needed to be reviewed to see if it was the most appropriate;
  - iii. Understanding the Charging Principles / interactions / dependencies of all the inputs, calculations and impacts;
  - iv. Complexity of the underlying charging methodology, mostly linked to Capacity charging
- Rather than have a workgroup that only considers the output of GTCR it is proposed that a broader review of the GB Charging framework, including key elements of the charging methodologies, could be carried out.
- This document proposes some high level terms of reference to set the scope of such a charging review that will consider, as part of the objectives:
  - i. Timing and scope of potential changes.
  - ii. Ofgem’s GTCR policy position and thoughts on scope of GTCR;
  - iii. EU Tariff Code Compliance;
  - iv. Rationale and suitability of the methodology to charge appropriately for the NTS;
  - v. Licence Objectives.

**2. Meeting Frequency and Location**

- As part of the overall review of charges it would be beneficial for National Grid to host an initial session for interested parties as a teach-in workshop on the current framework to enable an equal level of understanding in advance of the review getting into detail discussions.
- Throughout the review it may also be helpful for National Grid to host the occasional workshop to cover aspects that some may not be familiar with, such as hosting a high level charging overview and current model overview workshops.
- Hold as part of NTSCMF at least on a bi-monthly basis. It may be more productive to move to a monthly meeting or more frequently as required.
- Hosted by the Joint Office of Gas Transporters (Joint Office) at one of the available locations (at Solihull or one of the London locations). In the initial meetings of this it may be beneficial to host alternate meetings in London to maximise opportunities for attendance. The location of future meetings should be kept under review.
- It may be necessary or helpful to host ad-hoc updates potentially via Teleconference as and when preferable.

- Updates to be given via the monthly Transmission Workgroup as and when required.

### **3. Attendees**

- Attendance will be open as per NTSCMF, to all those interested in the subject. Numbers may be limited due to location. Should numbers exceed levels that can be accommodated we will review the attendance / attendees.
- There is potential to set up sub groups to this workgroup to resolve specific issues, discuss them in greater depth and present back to the overall workgroup. Should this be beneficial to the group we will need to agree arrangements to host and chair such meetings which would benefit from further discussion.
- It may be beneficial to host education sessions on the (existing) charging framework or elements of EU for example. It is expected these will be offered by National Grid at locations to be determined depending on the number of likely attendees. These could be hosted at NG's office in Warwick using its conference facilities.

### **4. Overall Objectives**

- To produce a list of issues/problems that are identified with the existing GB Charging Framework;
- To have a review of the GB Charging Framework to assess whether there are changes that could be better suited than the existing one(s);
- To review and understand the GB Charging Methodologies and when discussing potential changes, the principles and the impacts on User Groups and the reciprocal impact on End Users through the GB Charging Methodology;
- To inform and engage so all can contribute and play their part in the discussion and review of the GB framework;
- To discuss and review the Licence objectives related to the GB Charging Framework to ensure relevance;
- Compare any potential change to Ofgem's GTCR policy position and highlight if there are any aspects of either that do not align;
- Compare any potential change to the latest understanding of the EU Tariff Code;
- To assess the need for change for the GB Framework recognising that the driver is not solely the EU tariff code but whether the GB Framework has issues that need to be addressed. EU compliance and GTCR compliance need to be considered throughout this review however only considering EU Code compliance or GTCR compliance should not be the only drivers.
- Potentially deliver changes in advance of mandatory EU Tariff Code changes.
- Encourage participation and contributions from all parties that attend meetings to understand impact on different parties and ensure that all parties have a voice.

It is expected that members are updating the progress of actions at a regular interval and facilitating their timely completion.

### **5. Scope**

- The scope should be subject to change and continually reviewed. Due to the complexity of the GB charging framework and /or the interactivity of elements, it will be likely that as items are discussed other issues or dependencies of drivers will also need to be reviewed.