

UNC Workgroup 0539 Minutes
Removal of NTS Exit Commodity Charges for Distributed Gas
Tuesday 30 June 2015
via teleconference

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Helen Cuin (Secretary)	(HC)	Joint Office
Colin Williams	(CW)	National Grid NTS
Craig Neilson	(CN)	National Grid Distribution
Debra Hawkin	(DH)	Independent Consultant TPA Solutions
Erika Melén	(EM)	SGN
Fabien LaRoche	(FLR)	E.ON
Fergus Healy	(FH)	National Grid NTS
Laura Butterfield	(LB)	National Grid NTS
Robert Wigginton	(RW)	Wales & West Utilities
Tim Davis	(TD)	Barrow Shipping

* *via teleconference*

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0539/300615>

The Workgroup Report is due to be presented at the UNC Modification Panel by 19 November 2015.

1.0 Outline of Modification

TD introduced the modification and explained that currently the UNC applies NTS Exit Commodity Charges to all gas offtaken at Distribution Supply Points. Gas entered directly into the Distribution Network through Distributed Gas entry points does not use the Transmission system and so, to be cost reflective, Transmission Exit commodity charges should not apply. If Distributed gas does not flow through the NTS charges should not be paid for these flows.

The modification seeks to incorporate NTS Exit Commodity charges in the established Charging Methodology for distributed gas and treat the same as other elements. It is proposed that the Distribution Transportation charging methodology, in respect of Distributed Gas entry points, is revised so that an additional rebate element, set as the level of Transmission Exit commodity charges, is provided.

Since current transportation charging arrangements consider entry and exit separately and do not normally link entry at a location with exit at a particular Supply Point, the easiest manner to achieve the cessation of NTS Exit commodity charges for transportation from DN Entry points to DN Supply points, is to provide a rebate at the level of the NTS Exit commodity charges for gas entered at a DN Entry point.

2.0 Initial Discussion

CW asked TD to clarify the difference between Modification 0508 - Revised Distributed Gas Charging Arrangements previously raised by National Grid Distribution and Modification 0539. TD explained that ultimately this modification would not have a requirement to publish rates but simply refer to the rates already published by National Grid NTS.

TD clarified that there wouldn't be an impact to National Grid NTS systems or charging. He reiterated that the modification would offset the rates published by National Grid NTS and address the practicality issues identified in Modification 0508.

The rationale for withdrawing the modification was documented and published at:
<http://www.gasgovernance.co.uk/0508>

CN summarised the key points of challenge outlined in the report:

- 2.1 No NTS Service for DN Embedded Entry flows** - Gas entered into the Distribution Pipeline System at Distributed Gas Entry Points does not benefit from any NTS service and therefore should not bear any associated cost;
- 2.2 Robustness of Regime** - That the regime for determining and applying the rebates should be robust; and
- 2.3 Distributional Impacts** - The rebates provided by GDNs at the Distributed Gas Entry Point would be reflected to customers downstream.

CN believed it would be worthwhile for the Workgroup examining these issues again.

TD believed having considered item 2.1 regarding virtual flows, that parties may have a difference in opinion between virtual and actual flows. However, it is clear that gas does not flow from the DN into the NTS.

He believed, as Modification 0539 does not set a rate as this is published by National Grid NTS, the issues relating to item 2.2 would fall away.

RW enquired about allowed revenues, the charging process, and the application of a rebate, which could be seen to subsidise some customers. TD explained this modification would not create subsidies; this is about redistributing costs for better cost reflectivity; needing a fair allocation/distribution of charges across the different customer types. He further explained that the Transporter's allowed revenue would not change, the net bill to Shippers would remain unchanged, and there would be no change in costs. It simply reapportions costs across the market. This would be no different to any charge or methodology review.

CW suggested the Workgroup ought to consider further the concept of 2.1 and the embedded entry points. CW suggested a worked up example might help parties understand how the rebate process would work. TD was unsure how an illustration of the existing charge minus the prevailing rate would add any further clarity and that Distribution Networks and NTS were better placed to provide these examples as they had the information to hand.

CW explained he had difficulty rationalising / demonstrating that all entry is staying within a distribution network. TD explained there are no reverse flows and challenged the DNs on whether they anticipated reversing flows in the near future. TD explained he would not be able to provide any examples, as he does not have access to the DN data required.

National Grid Distribution agreed to work with other DNs to provide an impact assessment and a worked up example on the distribution charges.

Action 0601: National Grid Distribution to identify any potential issues relating to using a rebate and provide an assessment / impact analysis.

Action 0602: National Grid Distribution to provide an illustrative example of charges and an assessment of the value of a rebate.

CN believed the rebate of potentially 0.04 of a 1p per kWh would be lost in the rounding. TD estimated a value of £750 a day across all networks.

DH challenged the materiality of issues if the change was so small of an impact and could be lost in rounding. She suggested the change is insignificant within the current market. She recognised the concern this could become a more significant issue if there was a change in the current market but that the methodology could be revisited if it was deemed no longer appropriate.

2.1. Initial Representations

None received.

2.2. Issues and Questions from Panel

BF confirmed that the UNC Panel had suggested the Workgroup review the issues identified under Modification 0508 withdrawal report.

3.0 Legal Text

BF confirmed that Scotia Gas Networks (SGN) are assigned to provide the Legal Text.

EM planned to have an initial a discussion about the text and hoped to provide an outline of at the next meeting.

4.0 Next Steps

Further consideration on 18 August; with the intention of concluding the Workgroup Report on 01 September 2015; and reporting to Panel on 17 September 2015.

5.0 Any Other Business

None.

6.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
09:30 Tuesday 18 August 2015	Teleconference	Assessment of Impacts Development of Workgroup Report Legal Text Outline
09:30 Tuesday 01 September 2015	Teleconference	Review Legal Text Conclude Workgroup Report

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0101	30/06/15	2.0	National Grid Distribution to identify any potential issues relating to using a rebate and provide an assessment/impact analysis.	National Grid (CN)	Pending
0102	30/06/15	2.0	National Grid Distribution to provide an illustrative example of charges and an assessment of the value of a rebate.	National Grid (CN)	Pending