
NTS Charging Methodology Forum (NTSCMF) Minutes
Wednesday 06 May 2015
Ellexon, 350 Euston Road, London NW1 3AW

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Alena Fielding*	(AF)	Ofgem
Amrik Bal	(AB)	Shell
Andrew Pearce	(AP)	BP Gas
Anna Shrigley	(AS)	Eni
Charles Ruffell	(CR)	RWEST
Colin Williams	(CW)	National Grid NTS
Debra Hawkin*	(DH)	TPA Consultants
Francisco Goncalves	(FG)	Gazprom
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	British Gas
James Thomson*	(JT)	Ofgem
Jeff Chandler	(JCh)	SSE
John Costa	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Laura Butterfield	(LB)	National Grid NTS
Marie Maurice*	(MM)	Engie/GDF Suez
Nick Wye	(MW)	Waters Wye Associates
Ric Lea	(RL)	Deloitte LLP
Robert Wigginton	(RW)	Wales & West Utilities
Sue Ellwood*	(SE)	TPA Solutions
Terry Burke*	(TB)	Statoil
Thomas Dangarembizi	(TD)	National Grid NTS

* *via teleconference*

Copies of all papers are available at: <http://www.gasgovernance.co.uk/ntscmf/060515>

1. Introduction and Status Review**1.1 Minutes**

The minutes from the previous meeting on 09 February 2015 were approved.

1.2 Actions

0902: *RRPs* – Review forecast charges information produced by the DNs and propose a similar approach for NTS.

Update: CW confirmed that work is ongoing and it is anticipated that National Grid NTS will be providing a comprehensive revised forecast 2016-2021 towards the end of this month. The intention will be to provide this twice a year (May and October). **Closed**

1.3 Pre-Modification discussions

UNC TPD Section Y - Housekeeping Modification Proposal

LB advised that National Grid NTS was contemplating bringing forward a proposal to address a number of minor 'housekeeping' changes required to UNC TPD Section Y; this would be likely to cover the updating of references and links, etc, and National Grid NTS would like to take the opportunity to tidy up Section Y and get it into a more up-to-date state before the forthcoming period of major industry change.

LJ drew attention to the possibility of using the fast track route for a modification that was seeking to address minor housekeeping changes, but that it would be beneficial for a draft modification to be presented to NTS CMF for a close review first, to provide clarity and assurance of the level of the proposed changes.

2. Gas Transmission Charging Review (GTCR) - Ofgem Update

AF gave a brief update. Following the review a conclusions/'minded to' document was to be published this summer, with a final decision published next year when the code is more settled. It was confirmed that it was likely the 'minded to' decision would remain in place unless an intervening major development that changes the landscape forces a review, in which case Ofgem may reconsider. The implementation date will be tied to the TAR code.

3. EU Code – National Grid NTS Update

Advising that a full update on the Tariff Code would be made at the Transmission Workgroup the next day (by C Hamilton, National Grid NTS), CW reported that the Comitology process was being delayed until December 2015 to give more time for exploration and prior agreement on the more difficult areas (fixed pricing, use of multiplier caps, definitions of Transmission dedicated services, etc). Workgroups were being held in May and June to address these areas ready for submission to the Commission in July. The process was expected to be concluded around February 2016. There was no indication yet to suggest that the October 2017 implementation date was to change.

4. Review of Shorthaul Principles/Modification

TD gave a presentation, outlining the background and illustrating graphically the impacts of Shorthaul on commodity rate percentage change and on revenues.

GJ commented that TO commodity rates were driven by capacity bookings, rather than by Shorthaul. CW countered that there was a second order effect and explained in more detail. Whilst acknowledging what National Grid NTS was trying to expound, GJ did not see Shorthaul having a huge influence on the TO commodity rates. CW believed the size of the commodity charge made it pertinent and necessary to show the effects in the illustration, even though it was of second order. GJ observed that the key issue was that capacity charges were far too high in the first place; that they were disproportionately so was also acknowledged by CW.

The information provided on slide 7 was reviewed; this highlighted the contribution that Shorthaul made to total revenue. Clarity was sought on defining the top 25% by distance. CW confirmed these were points that were generally (depending on the year, and in latter years) over 50 kms distant from an entry point.

JCo queried the view that RPI did not have much of an impact on updating Shorthaul. This was discussed in more detail. Looking at a step change of £10 million increase from Shorthaul (backdated to 1998) and £10 million less from commodity, it was concluded it was a minor change.

TD then outlined the possible solutions and the corresponding potential consequences, and reiterated the impacts of any change to Shorthaul. The key aspects of any review would have an effect on either the Statement of Gas Transportation Charges or the UNC.

Summarising the feedback received at the previous meeting TD advised that National Grid NTS had given this consideration in determining its approach to reviewing Shorthaul. The proposed approach was then described.

It was noted that the formula update was not part of the UNC, and this gave cause for concern to a number of participants. It was questioned how the formula was derived and what governance surrounded it. CW explained that historically the Methodology had sat outside UNC, but had been brought into UNC in 2010. The formula was not in the UNC because it needed to be updated on a more regular basis to reflect updated costs. It was then questioned what else sat outside the UNC that might have an effect on charges that parties face. CW gave brief details of areas that were not included in UNC and these were discussed. Not including the formula in UNC was believed to be more to do with having flexibility, accessibility and utilisation; the methodology contained the rules, and the formula was a mechanism to update costs that may need to more readily and closely reflect the changing landscape being faced. JCx remained unconvinced by the discussion and believed that for the formula to sit outside UNC did not 'feel right'.

Based on the views expressed and the concerns relating to assurance of governance LJ suggested that National Grid NTS might like to consider whether the formula should sit in the UNC.

GJ asked what was stopping National Grid NTS from updating it now? CW observed that in theory National Grid NTS could just give an appropriate notice period, but would prefer to have visibility of detail/process and provide the industry with an opportunity to review and comment. GJ reiterated the concerns regarding scrutiny for the derivations that formed the basis of the formula and associated costs; should it be Ofgem doing the scrutinising? Was there a Licence Condition to govern this, or nothing in place? JCx added there was a need to clarify and understand exactly what governance exists for the Statement and the formula, e.g. Licence Conditions. CW agreed to do this.

AF indicated that the Methodology Statements were part of the Licence obligations and must be approved by Ofgem; Ofgem did not have vires over the Charging Statement, but where any changes are substantive Ofgem may review.

LJ summarised that National Grid NTS should set out the appropriate governance arrangements clearly in the consultation document, and suggested that CW should speak with Ofgem to agree what should be done.

National Grid NTS was going to consult and it needs to be openly approved. It was confirmed that there was a general feeling amongst those present that Ofgem should approve this.

Action NTSCMF 0501: *The Statement of Gas Transmission Transportation Charges and the Shorthaul formula* - Clarify and report on the Licence obligations and governance arrangements in respect of each.

TD then outlined the next steps, indicating that National Grid intended to publish a discussion document in early June showing how the formula is being updated. Feedback from interested stakeholders was anticipated by mid July, and following consideration National Grid NTS would then decide how to proceed. Conscious of timescales associated with providing notice of changes to charges etc, JCo urged National Grid NTS to initiate its approach as soon as possible.

Participants noted that evolution of the Methodology was closely related to other charging-related developments, such as TAR and GTCR, and that any further work would be deferred until early 2016, when the direction of these should be clearer.

5. Issues

None raised.

6. Workgroups

6.1 0517/0517A/0517B - Review of the Supply Matching Merit Order in Setting Capacity Charges

(Report to Panel 17 September 2015)

www.gasgovernance.co.uk/0517

Minutes of this meeting are available at: www.gasgovernance.co.uk/0517/060515.

7. Any Other Business

None raised.

8. Diary Planning

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

The next NTS CMF meeting will take place at 10:30 on Wednesday 22 July 2015, at 31 Homer Road, Solihull B91 3LT.

Meeting papers (including Action updates) and agenda items should be submitted to the Joint Office (enquiries@gasgovernance.co.uk) by Monday 13 July 2015.

NTS CMF Workgroup meetings will take place as follows:

Time/Date	Venue	Workgroup Programme
10:30 Wednesday 03 June 2015	31 Homer Road, Solihull B91 3LT	Workgroup 0517 only
10:30 Wednesday 22 July 2015	31 Homer Road, Solihull B91 3LT	NTS CMF

Action Table (06 May 2015)

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0902	15/09/14	1.2	RRPs - Review forecast charges information produced by the DNs and propose a similar approach for NTS.	National Grid NTS (CW)	Closed

0501	06/05/15	4.	<p><i>The Statement of Gas Transmission Transportation Charges and the Shorthaul formula</i> - Clarify and report on the Licence obligations and governance arrangements in respect of each.</p>	National Grid NTS (CW)	Pending
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