

**NTS Charging Methodology Forum (NTSCMF) Minutes**  
**Wednesday 10 February 2016**  
**31 Homer Road, Solihull B91 3LT**

**Attendees**

Amrik Bal	(AB)	Shell
Anna Shrigley	(AS)	Eni
Charles Ruffell	(CR)	RWEST
Colette Baldwin	(CB)	E.ON
Colin Hamilton	(CH)	National Grid NTS
Colin Williams	(CW)	National Grid NTS
David Reilly	(DR)	Ofgem
Debra Hawkin	(DH)	TPA Solutions
Frank Lough*	(FL)	Exxon Mobil
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
Jeff Chandler	(JCh)	SSE
John Costa	(JC)	EDF Energy
Julie Cox	(JCx)	Energy UK
Karen Visgarda (Secretary)	(KV)	Joint Office
Laura Johnson	(LJo)	National Grid NTS
Les Jenkins (Chair)	(LJ)	Joint Office
Lucy Manning	(LM)	Gazprom
Nick Wye	(NW)	Waters Wye Associates
Pav Dhesi*	(PD)	IUK
Richard Fairholme	(RF)	E.ON UK
Ricky Hill	(RH)	Centrica Energy
Roddy Monroe	(RM)	Centrica Storage
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/100216>

**1. Introduction and Status Review**

**1.1 Approval of Minutes (30 November 2016)**

The minutes from the previous meeting were approved.

**1.2 Pre-Modification discussions**

None were raised.

**2. Workgroup**

**2.1** None.

**3. EU Update**

CH provided an overview of the 'EU Tariff Code Update' presentation, describing the process in relation to the recent EC, ACER and ENTSOG meetings regarding the potential

changes to the TAR NC. He explained that the Code was now formally in Comitology, with any changes being made under the Commission's direction. CH said more meetings would be held to share the Commission's thinking in relation to the re-drafting of any text. The Code had been delayed initially by one month, as the Impact Assessment had been rejected because it was seen as too technical. CH went on to explain that each department within the Commission would sense check the text and make changes with regards to the format and order, and it was now looking unlikely this would be completed by the end of February, as originally planned. He said the 'quasi-comitology' meeting (informal comitology meeting) was scheduled for March, for which the final English language text was likely to still be in a draft format. CH said the formal process would be completed in June.

CH explained there was still a large amount of debate taking place regarding the appropriate implementation time, with the EC wanting a 12 months lead-time and ENTSOG believing that 2 years was required. He explained the process was a long and complex one with many specific milestones to achieve, especially if ACER took the full 4 months for the non-binding opinion, which the EC had acknowledged was a challenge. CH overviewed two illustrative timeline schematics, one over 12 months (how the process could be made to fit the available time) and the other over 23 months (ENTSOG's 'more realistic' view). CH reiterated that it had been explained to the Commission that the 12 months timeline was unrealistic, however the final decision would be made by the Member States.

CH overviewed the schematic for an implementation for 01 October Tariff Year and the associated impacts on 01 October 2018, assuming a 12 month implementation timeline. In addition, CH highlighted discussions with the Commission regarding how implementation of some parts of the Tariff Code could be delayed in order to align with the start of the next regulatory period: in the case of GB this would be April 2021. He said that more discussions were being undertaken in relation to ACER having more power, with the Member States not necessarily in agreement with this.

RH asked about the logic behind the Default Methodology. He said it was felt a 'single methodology' approach was required, as per the re-written Capacity Weighted Distance (CWD), to create a more 'Vanilla' and generic version. CH explained it was regarding the Cost Allocation Test and the impacts if different approaches were adopted. AB asked if the Member States would be required to use CWD as the counterfactual and CH said yes this was correct, hence the 'Vanilla' version.

One participant wondered whether ACER would have the required resource to confirm each TSO's approach. JCh then asked DR if Ofgem were sufficiently 'geared up' to cope and DR replied that the Industry would propose the methodology, and that Ofgem were not overly happy with ACER instructing the Industry. DR added that many other aspects would have to be built into the timeline and taken into consideration with regards to missing elements. CH said within the 12 and 23 months timelines, the Impact Assessment had not been included which would be a particular challenge from a National Grid perspective. DR once again reiterated that the regime that most suited GB should be focused on, rather than a 'quick' solution, and that the industry would get a clearer view once the text had been confirmed. JCx agreed with this statement and said that at least the industry had time to look at it further.

#### **4. Addressing the GTCR Policy outcomes / Charging Methodology Volatility**

##### **4.1 Transmission Charging Developments – Proposal**

JCx overviewed the document and explained that it had been produced by Energy UK Members to find a way through a charging review whilst taking account of TAR and the challenges from Ofgem's GTCR policy decisions. JCx overviewed the diagram within the document and explained the four models, which were broken down into; CWD-combined CCWD, CWD-dual DCWD, TRANS-combined CTRANS and TRANS-dual DTRANS. JCx said the challenge for the industry was to decide

which model was the most 'fit for purpose' and to persuade both Ofgem and ACER accordingly.

CW then overviewed the slide 'Charging Discussions - How ToR was Drafted' and explained this was intended to describe the thinking behind development of the ToR. He explained that the review was a chance to identify what worked/didn't work in the current framework (including the underlying capacity charging model) and develop improvements whilst taking into account EU compliance and GTCR policy. It was also an opportunity to investigate Capacity Weighted Distance (CWD). He said that other areas to take into consideration were in relation to the Licence Objectives and the associated impacts of a new framework, including the measurement of those objectives.

General discussion then ensued and NW agreed that future discussions should not be limited to compliance, but should consider the current regulatory regime as it might still be valid, and hence the objectives might need to be reassessed. He also said the industry had to work through these issues and assess the impacts, noting that compliance would have to be investigated further within the overall process. Both DR and CH agreed and said that the industry would have a more comprehensive view once the first draft had been completed and the impacts of the Tariff Code would become clearer. JCx and NW both proposed that the CWD model and Tariff Code required in-depth analysis and that the industry should not be constrained by the EU Codes. LJ suggested that a compliance assessment against TAR should be developed and maintained, as this would prove invaluable to whoever needed to test the output.

#### **4.2 Consider First Draft Terms of Reference**

CW overviewed the Terms of Reference document and explained this was a draft version for comment and he hoped it described how improvements could be achieved from the current framework. RF proposed that delivering the changes in advance of the EU Tariff Code would be distracting and not necessary. CW explained that this had been included in case the Tariff Code gets delayed. General discussion then took place and JCx asked for the objective in relation to 'early or advanced delivery' be removed, as it was not realistic. She also proposed both aspects of the Licence and Code objectives of the Charging Methodology should be included. CW confirmed he would update the document with these amendments. All agreed that it was important that the scope under the Terms of Reference should be continually reviewed.

AB then asked if there was an assumption that the EU Code had gone through Comitology and CW said no, that was not the case. AB moved on to ask, if there were two processes in parallel, who would make the decision as to compliance. DR explained any changes would be made via the modification process via Ofgem's usual channels, and that regarding compliance, ACER may also be involved in the decision process.

CW then proposed setting up regular monthly meetings to work through these areas and proposed that National Grid NTS organise a 'learning' workshop to get everybody to the same standard of understanding about the current methodology, prior to Easter. He explained this workshop would be tailored for the industry, to provide an overview from both a GB and EU perspective of what was involved. All participants agreed with this proposal.

CW moved on to overview the 'Draft High Level Work Plan for Gas Charging Review and Potential Timescales' document. He explained this document was to give an overview of the likely running order of the review and that specific dates would be added in due course. General discussion took place and participants voiced their concern that there was no gas Distribution Network representation, which they felt was required and had to be addressed. CW confirmed that input

from the Distribution area was being sought. LJ proposed that all participants should provide comments and additions regarding the ToR directly to CW.

**New Action 0201: All participants to provide ToR feedback directly to CW.**

LJ asked for views on how best to proceed and did the review need a formal UNC Request? Participants felt the process should be kept on an 'informal basis' for the time being, and escalated to a 'formal process' at some point in the future if it became necessary, such as in the event no feedback was forthcoming from the Distribution arena. JCo wanted to know when the process would be made formal and LJ explained that this was not yet known, as it would depend on how the processes developed along with the Work Plan. LJ also confirmed that new monthly meetings would be added to the JO calendar and the venues and dates would be confirmed in due course.

**New Action 0202: National Grid NTS (CW) to confirm the Workshop date and circulation criteria for attendees.**

*Post meeting note:- NTS CMF Workgroup Meeting now confirmed for **Wednesday 06 April 2016** at Energy UK, London. (\*please note this meeting is not the National Grid Learning Workshop, that will be confirmed separately (CW) by National Grid NTS )*

**5. Long Term Revenue Forecast**

CW overviewed the 'Draft Long Term Revenue Forecast' document and explained that additions and amendments had now been included following requests last year, and he welcomed further feedback. He explained this document was published twice a year, in May and October, with the May version being published after the close of the financial year.

General discussion took place and queries were answered in relation to revenue figures. CW talked through the new column 'P' which provided further detail in a narrative format. Participants requested further detailed information on Incentives, particularly around volatility together with the range of risk. CW confirmed there would be an update for the next version to be issued in May 2016. Any further feedback can be provided direct to [box.transmissioncapacityandcharging@nationalgrid.com](mailto:box.transmissioncapacityandcharging@nationalgrid.com).

**6. Issues**

None discussed.

**7. Any Other Business**

**7.1 NTS Optional Commodity Charge ("Shorthaul") review - update**

CW explained that options were still being investigated around the potential review of the Optional Commodity Charge.

LJ provided an update on Modification 0563S (applying UNC governance to the shorthaul formula) and confirmed that it had been implemented, though there had been a split vote by the Panel. Some Members were concerned about the principle of enshrining formula variables within Code. General discussion ensued and GJ observed that, if the variables were addressed then the methodology would have to match also. JCx proposed that it was too much work at this time and it would detract from the Charging review, which was not advisable, especially as shorthaul might become irrelevant following the EU Code. JCo wanted to know what the timeline was and CW explained the matter was being kept under review and nothing had been decided. JCo suggested that National Grid NTS could raise a new Modification. CW explained that this was still an option and will consider options about the next course of action. CW mentioned it is still a live issue especially given the formula essentially places a fixed price into the UNC for the NTS Optional Commodity charge.

## 8. Outstanding Action(s)

**1101:** CW to propose ToR for a charging review following the GTCR Policy letter.

**Update: Closed.** (See Section 4.2 for overview)

**1102:** KE to produce an explanatory document to provide clarity alongside the Long Term Revenue Forecast.

**Update: Closed.** (See Section 5.0 for overview)

## 9. Diary Planning

LJ confirmed he would investigate available dates and venues for monthly NTS CMF meetings, as all the participants had agreed this was now a requirement moving forward. The next meeting will take place on Wednesday 06 April 2016 at Energy UK, 5-11 Regent Street, London, SW1Y 4LR.

*Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)*

Workgroup meetings will take place as follows:

Time/Date	Venue	Workgroup Programme
06 April 2016,	Energy UK, Charles House, 5-11 Regent Street, London. SW1Y 4LR	NTSCMF: EU Update Approve the ToR Confirm Workplan Commence Charging Review – topics tbc.
May 2016, date and venue tbc	TBC	Charging Review – topics tbc. Consider Long Term Revenue Forecast - May 2016

**Action Table (10 February 2016)**

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
<b>1101</b>	30/11/15	5.2	CW to propose ToR for a charging review following the GTCR Policy letter.	National Grid NTS (CW)	<b>Closed</b>
<b>1102</b>	30/11/15	9.1	KE to produce an explanatory document to provide clarity alongside the Long Term Revenue Forecast.	National Grid NTS (KE)	<b>Closed</b>
<b>0201</b>	10/02/16	4.2	All participants to provide ToR feedback directly to CW for inclusion in the forth coming National Grid Workshop.	All	<b>Pending</b>

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<b>0202</b>	10/02/16	4.2	National Grid NTS (CW) to confirm the Workshop date and circulation criteria for attendees.	National Grid NTS (CW)	<b>Pending</b>
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