

NTS Charging Methodology Forum (NTSCMF) Minutes

Friday 14 October 2011

ENA, 52 Horseferry Road, London SW1P 2AF

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Charles Ruffell	(CR)	RWE npower
Chris Wright	(CW)	Centrica
Debra Hawkin	(DH)	National Grid NTS
Eddie Blackburn	(EB)	National Grid NTS
Jacopo Vignola	(JV)	Centrica Storage Ltd
James Thomson	(JT)	Ofgem
Jeff Chandler*	(JC)	SSE
John Edwards	(JE)	Wales & West Utilities
Julie Cox	(JCx)	AEP
Lewis Hodgart	(LH)	Ofgem
Richard Fairholme	(RF)	E.ON UK
Richard Hounslea	(RH)	National Grid NTS
Ricky Hill	(RH1)	British Gas
Stefan Leedham	(SL)	EDF Energy

*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/ntscmf/141011>.

1. Review of Minutes and Actions from the previous meeting (07 July 2011)

1.1 Minutes

The minutes of the previous meeting were approved.

1.2 Actions

NTS0701: National Grid to provide analysis regarding how two-tier TO Entry Commodity charge arrangements might be defined.

Update: Presentation provided, see 3.1 below.

Closed

2. Workgroups

2.1 0356 – Demand Data for the NTS Exit (Flat) Capacity Charges Methodology

The Workgroup 0356 (Demand Data for the NTS Exit (Flat) Capacity Charging Methodology) meeting took place.

Minutes are available at www.gasgovernance.co.uk/0356/141011.

3. Issues

3.1 Methodology for collecting Allowed Revenue – options in light of decision to veto GCM19

EB presented views on implementing a two tier commodity charge, varying depending on whether short or long term capacity is held..

In considering the 'Booked 2010/11 NTS Entry Capacity by Auction' data, RF questioned whether the information provided was a representative sample. In his view, had the 2007 data been used, where a significant over recovery was undertaken, then the results could be significantly different. In response, DH suggested that the 2010/11 data provided a good starting position.

Looking at the 'Process Steps', CW wondered whether or not it would be better to base the solution around what type of capacity is purchased by the shipper, whilst SL believed that incremental capacity may need to be treated separately.

In explaining the 'Shipper Booking by Auction 2010/11' slide, EB confirmed that the data includes storage capacity booked by shippers and that the analysis is presented on an individual User basis.

EB advised that as far as the '2010/11 Entry Revenues' slide is concerned, the allowed revenue over the period was in the region of £300k. Asked if the QSEC difference was basically comprised of RPI, EB confirmed that, whilst fundamentally correct, there are also additional elements for optimisation and formula year change impacts.

Looking at the 'Forecast throughput separately for tier 1&2 shippers' slide, EB suggested that the answer could lie in adopting a retrospective rate based approach. This was not a universally supported view and SL believed that predictability is the key benefit, whilst RF felt it is less about predictability and more to do with reducing TO Charges.

In considering the various issues, EB believes that with regard to the potential 2-tier commodity charge impact on trading, whoever was allocated the capacity, should pay the commodity charge. Furthermore, where a party is not registered with National Grid then they would potentially incur overrun charges. Both RF and SL believed that trading capacity was a different issue entirely. EB suggested that 'badging capacity' post trade would be a key issue, whilst RF was of the opinion that this highlights baseline issues. EB reminded parties that the obligation is to make capacity available.

LH indicated that, whilst this was an interesting presentation that essentially fulfilled the requirements of action NTS0701, he believed that it fell short of fully answering his points from the July meeting. He remains concerned that any change in the 'balance' between short and long term users needs justification. In response, EB suggested that the approach could address cross subsidy issues. LH was unconvinced, pointing out that the information in the graph on slide 6 did not demonstrate the existence of cross subsidies. Paying different amounts for capacity does not necessarily indicate a cross subsidy is taking place.

LH went on to suggest that the incremental capacity issues remain a concern. CW noted that incremental capacity may only be booked long term, whilst SL believes that commercial risk comes into play as well, with short term capacity booking potentially carrying a higher risk. In considering potential shortfall issues, EB suggested that it really boils down to whether or not parties feel it is fair for National Grid to recover revenue via the commodity charge and that, in responding to the action, National Grid had attempted to provide a balanced response.

LH believed the principle question is whether to continue to recover charges via either a commodity or capacity based approach and that this matter is currently being considered within the ongoing EU tariff discussions and he would be providing feedback to these in due course. TD advised that, regardless of which approach is adopted, auctions would inevitably mean that under/over recovery would continue and the question is how best to move forward on this matter. EB observed that maximising commodity charges does not guarantee security of supply. LH felt that a consensus view on the priority of making a change to the current arrangements would be helpful. EB advised that National Grid's concern is focused on satisfying their licence obligations.

When asked about the progress of the ongoing EU discussions, EB advised that a set of (tariff) framework guidelines (CAM development auctions) had been

provided to the System Operators and development of a Network Code is underway. He also noted that the (tariff) framework guidelines may go straight to the EU for approval and the intention is to finalise these by the end of 2011.

In summing up, TD suggested that it is up to those parties seeking change to present their views. CW responded by advising that he has some charging ideas he would like to discuss with National Grid NTS with a view to presenting these at a future meeting.

4. EU Developments

Covered under item 3.1 discussions above.

5. Any Other Business

None.

6. Diary Planning

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

It was agreed that the next meeting of the NTSCMF would be arranged when requested and details would be advised nearer the time.

NTS Charging Methodology Forum Action Log

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
NTS 0701	07/07/11	4.1	Provide analysis regarding how two-tier TO Entry Commodity charge arrangements might be defined.	National Grid NTS (EB/RH)	Update provided. Closed