

NTS Charging Methodology Forum (NTSCMF) Minutes
Monday 15 September 2014
31 Homer Road, Solihull B91 3LT

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Ben Tucker	(BT)	EDF Energy
Charles Ruffell	(CR)	RWEst
Colin Hamilton	(CH)	National Grid NTS
Colin Williams	(CW)	National Grid NTS
Dave Chalmers	(DC)	National Grid Distribution
Debra Hawkin	(DH)	Consultant
Gareth Davies*	(GD)	Statoil
Graham Jack*	(GJ)	Centrica
Isabelle Agnes-Magne*	(IAM)	GDF Suez
Jeff Chandler*	(JCh)	SSE
Joel Martin*	(JM)	Scotia Gas Networks
John Edwards*	(JE)	Wales & West Utilities
Jon Trapps*	(JT)	Northern Gas Networks
Jos Kuiper*	(JK)	Gas Terra
Julie Cox	(JCx)	Energy UK
Karin Elmhirst	(KE)	National Grid NTS
Laura Butterfield	(LB)	National Grid NTS
Nick Wye	(NW)	Waters Wye Associates
Nigel Sisman	(NS)	sisman energy consultancy
Richard Fairholme	(RF)	E.ON
Roddy Monroe	(RM)	Centrica Storage
Tim Davis	(TD)	TDEnergy
Thomas Dangarembizi	(TD1)	National Grid NTS

*via teleconference

Copies of all papers are available at: www.gasgovernance.co.uk/ntscmf/150914

1. Introduction and Status Review

LJ welcomed participants to the meeting.

1.1 Review of Minutes

The minutes from the previous meeting (21 July 2014) were accepted.

1.2 Review of Actions

NTS0508: *GSOG Report* - Review the report; commence review of merit order; consider further analysis required and present assumptions and approach to the next meeting for discussion/agreement, and identify any other appropriate options for consideration.

Update: A presentation was made by LB, addressing the requirements set out under Action 0508. National Grid NTS had analysed the two scenarios to amend the Merit Order that were proposed in the GSOG Report. The findings were presented. There was a brief discussion on how LNG was broken down (Isle of Grain and Milford Haven) and pro rating by the capability; how the make

up (actual) influences and changes exit prices at the extremities and whether this should be looked at. Was it reflective of the history; was it realistic; what were the basic assumptions?

LB then outlined the options identified and asked if there were any other that might be considered. It was noted that swings were of concern to customers. It was suggested that the Merit Order should be got rid of entirely and run as, for example, a Monte Carlo analysis. A method should be sought/applied that has inherent stability.

NW suggested that if the Merit Order was to be continued then recent history should be looked at, with a regular review to ascertain that it remained as realistic as possible. It was clearly not appropriate as it was configured now, and a 'quick fix' was needed to engender change. A full review of the whole model would be a long-term ambition. JCx agreed the current order did not reflect reality. LJ agreed that some sort of optimisation process was needed.

NW observed that Option 4 (*Use the amount specified against LNG within Winter Outlook Report (WOR) first, then utilise Mid Range Storage (MRS), and then the remaining amount to LNG*) looked to be the most sensible way to proceed to facilitate stability in charges. JCx asked on what was the WOR based? What happened in the past should be assessed. NW confirmed that the WOR had been analysed and appeared to be a good match to the forecasting. Commenting on the other options, NW believed that Option 1 was not valid; Option 2 was a sensitivity test rather than an option; and Options 3 and 4 were the most credible.

NS commented that Option 3 feels the 'least wrong'. JCx suggested that stress tests were required. CW confirmed that modelling had already been done on Options 2 and 4. Modelling could be done against Option 3.

CW observed that a modification would be required to make changes to UNC TPD Section Y. LJ advised National Grid NTS to closely consider process and implementation timescales and what would be achievable in the short time frame available.

Referring to the information provided in the Appendix to the presentation, GJ commented on the huge percentage changes visible in the results. Were these changes going to be permitted? He did not think that these impacts could be ignored. The numbers should be carefully considered and how they could be explained within the modification.

JCx asked what were the stress tests? KE briefly explained the information that might be used, eg the Ten Year Statement. JCx voiced concerns that the Terminal flow level data (forwards) may be difficult to access. LJ suggested looking at Peak Day flows and a percentage of Peak Day flows over a number of years. The analysis should demonstrate what is believed to be right.

For stress testing, NW suggested looking at promoting MRS over LNG, and also on the current Merit Order. JCx was concerned that any big changes at boundaries/power stations has an impact on charges. DH observed that there would be different charges if using different underlying data; care should be taken that the data used is of relevance. NW concluded that Option 3 should be modelled, the result reviewed to see what it was actually showing, and then any refinements could be addressed. JCx reiterated that awareness was required of boundary effects between positions in the Merit Order. Option 3 would appear to provide the best stability and it would be quite informative to assess this.

It was agreed that the Option 3 analysis should be presented at the October Transmission Workgroup, and that National Grid NTS should consider a timetable for the next steps. **Closed**

NEW Action NTS 0901: *Merit Order Options* - Perform modelling on Option 3 (LNG and Mid Range Storage grouped together in merit order) and present analysis for review at the October Transmission Workgroup, and consider timetable for next steps.

NTS0601: *RRPs* - Explain and provide an indication of where performance might be assumed to be.

Update: CW confirmed there would be an influence on charges. Attention was drawn to the National Grid Stakeholder Statement, which will include relevant information and would be available at the end of September. At the beginning of November Indicative Charges will be available and will include a commentary on the influences on charges for 2015/16. Allowed Revenue streams were discussed. CW indicated that it would be difficult for National Grid NTS to provide a view by the next meeting, and suggested it might be better to wait and see what level of information comes out first.

It was asked if this was similar to what the DNs do/produce; DC explained what information the DNs produced. NS observed it was difficult to forecast incentive performance. It was not known how the DN information compared in its complexity to that of the NTS.

LJ summarised that there was clear desire for better forecasting than at present.

DH referred to a report (previously produced in the past, and may have lapsed), which might be relevant. CW responded that he would not want to offer information that, because of its age, may be fundamentally flawed. DC gave an example of how the DNs had approached producing the right level of information, starting with what was flawed and evolving it over time into something far more useable. **Closed**

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

2. Workgroups

2.1 Modification 0508 - Revised Distributed Gas Charging Arrangements

The minutes of this meeting are at: www.gasgovernance.co.uk/0508/150914

3. Gas Transmission Charging Review (GTCR) Update (Ofgem)

Industry Report

Referring to a recent email, VV indicated that the Gas Forum had published a report, for which VV thanked NW and the Gas Forum.

Model

Ofgem was working on how the model could be published (looking to anonymise the data) then will hope to publish by the end of the month. The model is the very important first step in looking at impacts and policy decisions.

Next Steps

Ofgem was planning to consult before the end of the year (sometime between October and December) and the date will be confirmed when known. The consultation will contain a number of questions (VV directed attention towards the Gas Forum report). A workshop will be organised prior to consultation, potentially around 06 October 2014 (to be confirmed).

4. EU Update (National Grid NTS)

4.1 CAM - Charging Update (Modification 0500)

LB gave a presentation, outlining the charging changes required to implement CAM into the GB charging regime, and addressed through Modification 0500.

Small and Large Price Steps were explained, together with their use in Ascending Clock Auctions. CW confirmed that PRISMA worked to more than 4 decimal places and GB systems will be adjusted to cope; Shippers were advised to check their systems would cope with Prices that could have more than the current 4 decimal places.

LB had provided some worked examples for entry and exit (per cent increases and fixed amounts). Prices will apply from November 2015. LB clarified how the Price Steps would work. It was observed it was only relevant if going over the Reserve Price (combination of TSOs and NTS).

There were potential options in relation to the application of Large Price Steps and LB would welcome any additional suggestions (send by email to Laura Butterfield at: Laura.Butterfield@nationalgrid.com) or parties could offer suggestions at the next Workgroup 0500 meeting (being held next day, on 16 September 2014).

4.2 EU Tariffs Code Update

CH gave a short presentation on the current position. The recent consultation had drawn out a large number of issues (230) for discussion by ENTSOG concerning changes to draft text. Each issue would be discussed between now and the end of October. Observing that this was one of the more controversial codes, CH gave a brief overview of the initial issues under discussion and the debates happening in ENTSOG. Parties will want all settled before it goes into Comitology. The timescales are short and Stakeholders are concerned there are not enough opportunities to discuss. CH confirmed there were UK representatives in the 'Prime Movers' group. Various summary documents, including the responses, were available on the ENTSOG website.

5. New Issues

5.1 Optional Commodity Charge ("Shorthaul")

Indicating that National Grid NTS was considering undertaking a review of the Shorthaul principles, CW gave a short presentation, explaining what Shorthaul was, how it currently works and the reasons for reviewing.

In considering a review there were potentially three options (remain 'as is', remove, or refine the calculation). Assuming retention, it was noted this might also be an opportunity to influence the EU Tariff Code. JCx asked if the desire for review had arisen because commodity charges were now high. CW indicated it was the right time, irrespective of other factors, to review costs/rates to ascertain its continued relevance and viability, and whether there was a need

to update.

National Grid NTS intended producing analysis for each option and presenting at the next NTS CMF meeting; views from parties were sought.

JC indicated that he would like to see the magnitude to give a feel for the size of the issue. Referring to slide 7, last bullet point, he would like to see some evidence to support the statement that the 'Distance that some of the Shorthaul (rates) cover would not be economic to build a pipe'. JC also commented that the GTCR will focus/have an impact on Shorthaul and its usage; some way of qualifying this was needed as well.

NW would like to know the longest distance that any party was benefitting from Shorthaul, and the amount of the benefit.

CW noted these comments for consideration.

6. Any Other Business

None raised.

7. Diary Planning

NTSCMF meetings will take place as follows:

Date	Venue	Programme
<i>To be confirmed</i>	31 Homer Road, Solihull B91 3LT	<i>To be confirmed</i>

Action Table – NTS Charging Methodology Forum

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
NTS 0508	19/05/14 amended 23/06/14	5.0 2.2	<i>GSOG Report</i> - Review the report; commence review of merit order; consider further analysis required and present assumptions and approach to the next meeting for discussion/agreement, and identify any other appropriate options for consideration.	National Grid NTS (CW)	Closed
NTS 0601	23/06/14	2.2	<i>RRPs</i> - Explain and provide an indication of where performance might be assumed to be.	National Grid NTS (CW)	Closed

<p>NTS 0901</p>	<p>15/09/14</p>	<p>1.2</p>	<p><i>Merit Order Options</i> - Perform modelling on Option 3 (LNG and Mid Range Storage grouped together in merit order) and present analysis for review at the October Transmission Workgroup, and consider timetable for next steps.</p>	<p>National Grid NTS (CW)</p>	<p>Pending</p>
<p>NTS 0902</p>	<p>15/09/14</p>	<p>1.2</p>	<p><i>RRPs</i> - Review forecast charges information produced by the DNs and propose a similar approach for NTS.</p>	<p>National Grid NTS (CW)</p>	<p>Pending</p>