

NTS Charging Methodology Forum (NTSCMF) Minutes

Monday 19 May 2014

via teleconference

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Alena Aliakseyeva	(AA)	Ofgem
Ben Tucker	(BT)	EDF Energy
Charles Ruffell	(CR)	RWEst
Colin Hamilton	(CH)	National Grid NTS
Colin Williams	(CW1)	National Grid NTS
Debra Hawkin	(DH)	Consultant
Dimuthu Wijetunga	(DW)	RWE npower
Elizabeth Hawkins	(EH)	Ovo Energy
Graham Jack	(GJ)	Centrica
Jeff Chandler	(JC)	SSE
John Costa	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Karin Elmhirst	(KE)	National Grid NTS
Nick Wye	(NW)	Waters Wye Associates
Richard Fairholme	(RF)	E.ON UK
Roddy Monroe	(RM)	Centrica Storage
Victoria Volossov	(VV)	Ofgem

Copies of all papers are available at: www.gasgovernance.co.uk/ntscmf/190514

1. Introduction

LJ welcomed participants to the meeting and explained its purpose.

2. Review of Minutes and Actions from the previous meeting (02 May 2013)

2.1 Minutes

The minutes of the previous meeting were approved.

2.2 Actions

NTS0501: National Grid NTS to clarify lagging of allowed revenues under RIIO-T1.

Update: Addressing this within National Grid NTS' presentation, CW provided a list of items with a two year lag in RIIO-T1. These were briefly discussed and further information was requested. CW agreed to confirm whether incentive costings are reconciled within year or lagging, and by how much. **Closed**

NEW Action NTS0503: Allowed Revenues under RIIO-T1 - Confirm whether incentive costings are reconciled within year or lagging, and by how much.

NTS0502: Charging Volatility – Consider providing more clarity in respect of figures used in modelling, ie how far out of date the figures are, what figures are actually used for establishing these charges and where they are published.

Update: Addressing this within National Grid NTS' presentation, CW outlined the source data used and the related timings. JCx expressed her surprise at how out-of-date the source data was, given the importance placed on accurate cost-reflectivity. This was briefly discussed. AA questioned how changeable

were the underlying numbers, and observed it would be useful to understand how different the final data would be. JCx added that it would also be useful to check if the datasets used were consistent or not. CW indicated that the Ten Year Statement (TYS) reflects demand data for the May of that particular calendar year. Responding to a request from LJ, CW agreed to provide comparative demand data over a sample number of years. **Closed**

NEW Action NTS0504: *Charging Volatility* - Provide comparative demand data over a sample number of years.

3. Charging Information and Publications

CW provided a summary of the current charging information and publications, and encouraged feedback from meeting participants regarding:

- what purpose(s) it was used for
- its usefulness
- level of detail provided.

Action NTS0505: *Charging Information and Publications* - a) Shippers to provide feedback on use to:

box.transmissioncapacityandcharging@nationalgrid.com

b) National Grid NTS to summarise any feedback received for consideration at the next meeting.

CW then drew attention to the translation of the Transportation model format from Excel 2003 to Office 2010. In order to understand if it needs to manage two versions of the model National Grid NTS will need to be aware if any party is still using Excel 2003.

Action NTS0506: *Transportation Model format* – Advise National Grid NTS if still using Excel 2003.

3.1 Update on EU Tariff Code

CH gave a brief overview of the Tariff Code timeline and drew attention to key dates. It did not include the ENTSOG internal timeline. The code was being finalised now and would be sent to ENTSOG on 20 May for approval. (The code was 51 pages, and the Supporting Document was 115 pages.) CH noted that there had been a good response from GB stakeholders and that this active involvement had positively influenced the decisions and the documents. There will be two months in which to review the draft Tariff Code, starting 30 May 2014.

CH outlined issues for GB and explained in a little more detail. Short-haul at IPs - is a dedicated service and is included in the Supporting Document; Storage – text was to be kept as open as possible to retain flexibility, the same as in the Framework Guideline (FG). A number of points raised by GB stakeholders had been captured.

National Grid NTS was now beginning to look at the cost allocation methodology selection and test, and the single regulatory account, to identify impacts on the current GB regime, but there were no clear answers yet. Shippers expressed their concerns that they were expected to engage in the process and respond to a consultation within a very short timeframe and without a sound understanding of any implications or impacts.

CH indicated that the current draft FG preserves the existing GB regime. If there were a clear deviation then ACER would require a sound justification of why it should be taken account of. It had been very clear so far in EU

discussions that the market wants fixed prices. JCx reiterated the Shippers' concerns; charging was an important aspect and more transparency was required.

LJ asked if the previous forecasting would be updated. CW indicated that National Grid NTS could look at refreshing what had been done before and what other appropriate scenarios might be considered in addition to those addressed at the December Gas Transmission Charging Review (GTCR) meeting. CW also drew attention to the monthly updates on the Tariff Code given at the EU Workgroup.

Action NTS0507: *EU Tariff Code - forecasting* – In consideration of refreshing what has been done before and adding other appropriate scenarios, produce a view of what can be done and by when, for circulation by email this week.

3.2 Update on Ofgem's Gas Transmission Charging Review (GTCR)

AA gave an overview of progress made. Attention was directed to the Literature review/report published on Ofgem's website through the following link: [Link to Literature Review – Gas Transmission Charging review](#) and AA gave a brief summary of the contents. This will be used to inform policy development.

Three core options were outlined and will be further developed over the summer; in June/July the focus will be on modelling and Ofgem will be procuring external consultancy support for this. There was a desire to engage the industry in a GTCR Technical Workgroup and the purpose, objective, and an indication of the potential commitment that might be required were outlined.

An Ofgem presentation giving further detail can be found at: www.gasgovernance.co.uk/tx/010514.

There was a request from JC that the Ofgem Technical Workgroup be put back to the first week in July; AA would consider this.

JC commented that rather than developing another model from scratch, using the National Grid model would be more comforting.

4. A study into the benefits which storage facilities may provide to the UK gas transmission system

It was noted that the Gas Storage Operators Group (GSOG) had commissioned this piece of work. NW then gave an overview of the background to the report, on the benefits which gas storage may provide to the transmission system.

Previous analysis had been produced in 2007 and NW briefly outlined the assumptions and basis on which that had been performed. The findings from this were then re-evaluated taking into account changes to the supply merit order since 2007. NW then explained the differences, which it was believed provided a sound justification for a re-examination of what was currently employed within the Transportation Model.

Two scenarios, used to test the NTS CAPEX benefits that could be ascribed to storage, were described together with the conclusions reached.

NW briefly summarised the report's recommendations.

It was observed that care should be taken to avoid overlaps with the Ofgem GTCR business where possible.

NW offered to present the GSOG analysis in more detail to help define a reasonable and sensible supply merit order for use. It was suggested that National Grid NTS provide a view on potential changes to the merit order. CW will present some thoughts/feedback on the analysis and any other appropriate options for consideration.

Action NTS0508: GSOG Report - Present a view on potential changes to the merit order, and identify any other appropriate options for consideration.

RM agreed that consideration of the merit order would involve National Grid NTS, but that consideration of the benefits provided by Storage might be more of a policy issue and would feed into the Ofgem GTCR. It was questioned how this would be addressed – were the Storage Operators in dialogue with Ofgem?

NW suggested that a modification could be raised to the code. RM observed there were different views in Europe, ie in leaving more discretion to the NRAs; evolution will clarify where any actions may better reside (EU codes or UNC). It was intended to present this report to wider audiences and interested parties.

5. Content for future NTS CMF Meetings

LJ summarised that this could include a review of publications and data, updated forecasting, and consideration of the recommendations of the GSOG report.

6. Any Other Business

None raised.

7. Diary Planning

The next NTSCMF meeting will take place as follows:

Date	Venue	Programme
10:30 Monday 23 June 2014	31 Homer Road, Solihull B91 3LT	To be confirmed

Action Log - NTS Charging Methodology Forum

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
NTS 0501	02/05/13	3.2	National Grid NTS to clarify lagging of allowed revenues under RIIO-T1.	National Grid NTS (DH/LB)	Closed
NTS 0502	02/05/13	3.4	<i>Charging Volatility</i> – Consider providing more clarity in respect of figures used in modelling, ie how far out of date the figures are, what figures are actually used for establishing these charges and where they are	National Grid NTS (DH/CW1)	Closed

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
			published.		
NTS 0503	19/05/14	2.2	<i>Allowed Revenues under RIIO-T1</i> - Confirm whether incentive costings are reconciled within year or lagging, and by how much.	National Grid NTS (CW)	Pending
NTS 0504	19/05/14	2.2	<i>Charging Volatility</i> - provide comparative demand data over a sample number of years.	National Grid NTS (CW)	Pending
NTS 0505	19/05/14	3.0	<i>Charging Information and Publications</i> - a) Shippers to provide feedback on use to: box.transmissioncapacityandcharging@nationalgrid.com b) National Grid NTS to summarise any feedback received for consideration at the next meeting.	a) Shippers b) National Grid NTS (CW)	Pending
NTS 0506	19/05/14	3.0	<i>Transportation Model format</i> – Advise National Grid NTS if still using Excel 2003.	Shippers	As soon as possible Pending
NTS 0507	19/05/14	3.1	<i>EU Tariff Code - forecasting</i> – In consideration of refreshing what has been done before and adding other appropriate scenarios, produce a view of what can be done and by when, for circulation by email this week.	National Grid NTS (CW)	By 23 May 2014 Pending
NTS 0508	19/05/14	5.0	<i>GSOG Report</i> - Present a view on potential changes to the merit order, and identify any other appropriate options for consideration.	National Grid NTS (CW)	Pending