

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 25 November 2014
31 Homer Road, Solihull B91 3LT

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Helen Cuin (Secretary)	(HC)	Joint Office
Alice Mitchell*	(AM)	Ofgem
Anna Shrigley	(AS)	Eni
Charles Ruffell	(CR)	RWE
Colin Hamilton	(CH)	National Grid NTS
Colin Williams	(CW)	National Grid NTS
Debra Hawkin	(DH)	TPA Consultants
Francisco Gonçalves	(FG)	Gazprom
Graham Jack	(GJ)	British Gas
Jeff Chandler	(JCh)	SSE
Gerry Hoggan	(GH)	Scottish Power
John Costa*	(JC)	EDF Energy
Jonathan Trapps	(JT)	Northern Gas Networks
Julia Haughey*	(JH)	EDF Energy
Julie Cox	(JCo)	Energy UK
Karin Elmhirst	(KE)	National Grid NTS
Laura Butterfield	(LB)	National Grid NTS
Peter Bolitho	(PB)	Waters Wye
Rachel Turner	(RT)	BG International
Richard Fairholme	(RF)	E.ON
Richard Pomroy	(RP)	Wales and West Utilities
Roddy Monroe	(RM)	Centrica Storage
Sue Ellwood	(SE)	Gas Terra
Thomas Dangarembizi	(TD)	National Grid NTS

* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/ntscmf/251114>

1. Introduction and Status Review

1.1 Minutes

Approved

1.2 Actions

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

Update: CW anticipated providing an initial NTS view of what customers might find useful in the New Year. Action deferred until 09 February 2014. **Carried Forward**

1001: All to provide feedback on areas within the shorthaul mechanism for consideration and analysis.

Update: See item 5. **Closed**

1.3 Pre-Modification discussions

None.

2. Workgroups

2.1 0517 - Review of the Supply Matching Merit Order in Setting Capacity Charges
(Report to Panel 15 January 2015)
www.gasgovernance.co.uk/0517

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

AM advised that Ofgem will be publishing a policy decision at the end of the year. CW believed there would also be a period of consultation.

CW explained there are some close links to the EU tariff code and clarified that the next steps could be moulded by the results of the GTCR consultation and taking into consideration developments in the EU tariff code.

JCo expressed concern about the linking of the draft EU tariff code. It was suggested that it would be helpful if Ofgem could be clear on any timing issues relating to interaction with the EU Tariff Code.

4. EU Update - National Grid NTS

4.1 CAM - Charging Update

CW clarified that this agenda item relates to Modification 0500 - EU Capacity Regulations - Capacity Allocation Mechanisms with Congestion Management Procedures and could now be removed from the agenda given that 0500 was being consulted upon. LJ confirmed the consultation for Modification 0500 will close on 19 December 2014.

4.2 Stakeholder Support Process

CH provided a verbal update explaining that the stakeholder support process had just been concluded. A change marked copy of the changes will be published. He confirmed another meeting will take place on 27 November 2014 for signing off any changes to the stakeholder support process, and that this will then go through a formal approval process on 17 December 2014, with the intention of submitting this to ACER on the 18 December 2014. He anticipated that ACER would provide an opinion between January and March 2015. The Code can be returned for further work at the end of March with publication due during June 2015. Updates will be provided for further clarity as the process progresses.

CH summarised the issues considered, for example the expectations for fixed priced contracts and floating price contracts, the cost allocation methodology for which the threshold will need to be defined. CH anticipated there would be a publication of the stakeholder document in due course.

The Workgroup briefly discussed the harmonisation of the codes, transparency and the regimes that have developed over the years.

There has been some movement on the publication of prices, and the draft consultation suggested indicative prices will be provided but this is still under discussion.

5. Review of Shorthaul Principles

TD provided a presentation on the [Optional Commodity Charge \(“Shorthaul”\) which covered the potential impacts adjusting shorthaul rates for inflation could have had on revenues and commodity charges.](#)

RP expressed concern about the principles behind changing shorthaul. CW highlighted the obligations under which National Grid is required to work under in reviewing aspects of the charging regime. It was also noted that shorthaul is also charged under the DN charging methodology and the same formula is used in calculating shorthaul rates. The importance of cost reflectively and the efficient use of the network was explained in the presentation by National Grid. RP felt that this was an inconsistent approach by National Grid NTS to that taken for Modification 0517. FG also questioned why discounts are offered on the commodity charge and not the capacity charges.

Reminding the meeting of the difference between this review and the development of a modification proposal, LJ explained that National Grid NTS recognise shorthaul is not working as it was intended and NTS are bringing the issues to the forum to enable the industry to consider the options.

The Workgroup considered the potential impact of inflation on the average shorthaul rates and the consequential impact on Commodity Charges which on its own was shown not to have a substantial impact.

JCo enquired whether commodity rates had increased inline with RPI since 1998, otherwise using RPI could be introduce a disproportionate skew.

TD summarised that RPI only influences the SO (Entry and Exit) and the combined Commodity rates, the RPI component of average Shorthaul rate increased from c.20% in 2010/11 to c.75% 2014/15 and adjusting Shorthaul for RPI has an impact on combined Commodity Rate of c.3% in 2014/15.

Action 1101: National Grid NTS to evaluate the historical commodity rate increases since 1998 and compare to the RPI applied in the modelling

Action 1102: National Grid NTS to strip out TO commodity charge and identify the impact of shorthaul in the context of replacing SO Commodity only

The Workgroup considered the next steps and potential options. It was recognised that Shorthaul may not currently be fit for purpose and the Workgroup needs to establish what the problem with shorthaul is and try to identify solutions / how should it look.

RP suggested National Grid NTS might wish to first consider the problem that shorthaul seeks to address and determine whether other solutions exist before looking in more detail at shorthaul.

Action 1103: National Grid NTS to articulate the problem shorthaul addresses and produce a high level impact of potential solutions

It was anticipated that there would be further analysis and consideration ahead of any potential modification and that the Workgroup might review the formula, eligibility, flexibility and rules.

6. Issues

No new issues raised.

7. Any Other Business

None raised.

8. Diary Planning

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

Workgroup meetings will take place as follows:

Time/Date	Venue	Workgroup Programme
10:00 Monday 15 December 2014	31 Homer Road, Solihull B91 3LT	Workgroup 0517
10:00 Tuesday 06 January 2015 Provisional	31 Homer Road, Solihull B91 3LT	Workgroup 0517
10:00 Monday 09 February 2015	31 Homer Road, Solihull B91 3LT	NTSCMF: Gas Transmission Charging Review (GTCR) Review of Shorthaul Principles

Action Table

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0902	15/09/14	1.2	<i>RRPs</i> - Review forecast charges information produced by the DNs and propose a similar approach for NTS.	National Grid NTS (CW)	Carried Forward until 09Feb15
1001	28/10/14	5.0	All to provide feedback on areas within the shorthaul mechanism for consideration and analysis	All	Closed
1101	25/11/14	5.0	National Grid NTS to evaluate the historical commodity rate increases since 1998 and compare to the RPI applied in the modelling.	National Grid NTS	Pending
1102	25/11/14	5.0	National Grid NTS to strip out TO commodity charge and identify the impact of shorthaul in the context of replacing SO Commodity only.	National Grid NTS	Pending
1103	25/11/14	5.0	National Grid NTS to articulate the problem shorthaul addresses and produce a high level impact of potential solutions.	National Grid NTS	Pending