

NTS Charging Methodology Forum (NTSCMF) Minutes
Monday 30 November 2015
31 Homer Road, Solihull B91 3LT

Attendees

Amrik Bal	(AB)	Shell
Andrew Pearce	(AP)	BP
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 Consultants
Fabien LaRoche	(FLaR)	E.ON UK
Gerry Hoggan	(GH)	ScottishPower Energy Management
Graham Jack	(GJ)	Centrica
Jeff Chandler	(JCh)	SSE
John Costa	(JC)	EDF Energy
Julie Cox	(JCx)	Energy UK
Karen Visgarda (Secretary)	(KV)	Joint Office
Karin Elmhirst	(KE)	National Grid NTS
Laura Butterfield	(LB)	National Grid NTS
Les Jenkins (Chair)	(LJ)	Joint Office
Lucy Manning	(LM)	Gazprom
Marshal Hall	(MH)	Oil & Gas UK
Michael Lapper*	(ML)	National Grid Distribution
Nick Wye	(NW)	Water Wye Associates
Nigel Sisman	(NS)	Sisman Energy Consultancy
Richard Fairholme	(RF)	E.ON UK
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/301115>

1. Introduction and Status Review**1.1 Approval of Minutes (29 September 2015)**

The minutes from the previous meeting were approved.

1.2 Actions

0901: Ofgem to clarify the scope/role of GTCR and communications with DECC.

Update: Closed (See Section 3.1 for overview)

0902: National Grid NTS to contact Ofgem and seek a view on the possibility of a one off change in April.

Update: Closed (See Section 4.1 for the overview)

0903: National Grid to provide a view on whether volatility can be addressed on a more permanent basis.

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

1.3 Pre-Modification discussions

None were raised.

2. Workgroup

2.1 0563S – Moving the NTS Optional Commodity Charge Formula into the UNC

Minutes of this meeting are located at: www.gasgovernance.co.uk/0563/301115

3. Gas Transmission Charging Review (GTCR)

3.1 Ofgem communications (Action 0901)

DR gave a brief update explaining that the position between DECC and The Gas Transmission Charging Review (GTCR) that had been discussed at a previous meeting (the joint EU Stakeholder meeting) and that the GTCR was concluded and moving to implementation. He explained that the developments occurring within the EU Gas Code arena and other gas regulatory requirements had been taken into account, and that there was a general consensus that the Tariff Network Code did not yet provide enough clarity for the industry. DR explained that this matter was clarified further within their letter (referred to in 3.2 below).

3.2. Ofgem ‘Confirmation of Policy View’ letter 13 November – next steps.

DR then gave a brief update summarising the content of the Policy View letter that was circulated to the industry on 13 November 2015.

General discussion then took place surrounding the areas of the introduction of ‘floating’ capacity charges for entry capacity including long-term capacity products at all entry points (domestic, with the exception of storage users, and interconnection points (IPs)). DR advised that Ofgem’s initial view was that the alternative, a ‘dual regime’ consisting of floating charges at IPs only (as mandated by TAR NC) combined with the existing ‘fixed capacity + variable commodity’ regime at domestic entry points, would be challenging to implement and that it was likely to add significant complexity to the charging arrangements. DR explained that both of these create issues that would need to be explored via workgroups as Ofgem require both National Grid’s and the industry’s input. He also said there was no clear view regarding Floating Capacity Charges at IP’s at this stage. NW said it would be interesting to investigate how the rest of Europe addresses this. DR explained that presently the Tariff Network Code was the major focus and that the industry should hopefully get a better view after 15 December 2015 with regards to the way the Commission was thinking.

- 4.** CW then went on to provide a brief presentation entitled ‘GTCR – Next Steps Following Confirmation of Ofgem Policy’ and overviewed the main areas for review, which encompassed floating and dual regimes/capacity charges at all entry points and the aspects related to the TAR NC. A lengthy debate then ensued surrounding the charging issues and CW asked for views from the participants on ways to address the Ofgem letter in order to develop a way forward for discussion at the next meeting. This feedback should be sent to:- box.transmissioncapacityandcharging@nationalgrid.com

5. Forecast Reduction in Peak Demand - charging impacts

5.1 Ofgem view on one off charge in April (Action 0902)

CW gave a high-level overview regarding the increase capacity charges and explained that National Grid were currently working through the impact of RIIO, together with the evidence that Ofgem wanted to see around a charge in April. He then commented that volatility was

driven by a number of factors including the time of year, specifically in relation to April and October.

5.2 National Grid view on volatility (Action 0903)

CW provided an overview and explained that many other factors had an impact on volatility, including:- revenue, throughputs, demand or merit order, and that these types of factors added to the complexity.

LM wanted to express her concern that having attended the DN Charging Methodology Forum, it was an unwelcome surprise that the demand had changed, most significantly as a result of the 5-year review of Seasonal Normal and the composite weather variables (CWVs) by the Demand Estimation Sub-Committee (DESC). She felt more comprehensive communication was required regarding the impact of these changes.

General discussion took place regarding the governance process around DESC and the individuals who were members of this sub-committee of the UNCC. DH suggested that there should be a link between the DN Charging Methodology Forum and the DESC, to ensure future comprehensive communications across both areas.

A lengthy debate then ensued concerning volatility and the overall current charging methodology and whether it was still fit for purpose in today's market. JCx also raised the point that the Winter Outlook Report, whilst remaining an excellent document overall, does not make sense, as some of the numerical information did not appear to add up.

CW proposed that this whole area needed to be investigated as a separate subject; i.e. the Modelling and the Charging Methodology format, this statement then led to a lengthy discussion. Recognising that this subject needed further consideration, LJ proposed that CW should provide further detail on the scope of the volatility and GTCR aspect, together with Terms of Reference for the Workgroup to discuss at the next meeting.

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

6. EU Codes – National Grid NTS

CH provided an overview of the 'EU Tariff Code Update' presentation. He explained the EU Tariff Code Timeline with regards to the forthcoming meetings and flagged that the ACER had decided not to do a qualified recommendation, as there was no requirement for ACER to do this, which now meant the Commission were able to freely adapt the text. Due to this, on the 15 December 2015 there will be an 'open informal information session' on the key changes to the Tariff Code.

NS enquired if this meeting was open to public registration and CH said no, it was not. DH asked if the information could be made available to the Workgroup participants and CH said he would have to investigate if that was possible. DR said he would be attending that meeting on behalf of Ofgem and also confirmed that Sue Harrison would be there. JC asked who would be giving feedback specifically from a GB perspective and NW added that in some instances DECC may not see the full justification for this Code. CH advised he did not have all the answers with regards to the exact process presently. He then explained that the next stage in the process would be when it was presented to Comitology in the meetings in March, April and June 2016 and where it could be de-scoped.

General discussion took place regarding this topic and CH said there would be a consultation period and talked through the areas that would be for consideration. He explained the timeline was two years which was very challenging indeed, but that some Stakeholders may want to move forward with this implementation timeline. He highlighted the main areas for consideration which were:- Use of Alternative Capacity Products,

Interaction with GTCR, Application of methodology to IP or all points – Interruptible and Multipliers.

7. NTS GCD11: NTS Gas Charging Document Report (GCD11) – National Grid NTS

CW advised that he intended to wait until Modification 0563S had ‘run its course’ via the formal process, expecting that UNC governance would then apply to any changes to the Optional Commodity Charge (OCC) formula.

General discussion took place and JC suggested that 0563S might not in actual fact change anything with regards to the ‘Shorthaul Review’ GCD11 and CW confirmed that could be the case, especially if it was not implemented.

LJ suggested that in real terms, 0563S could be implemented as soon as January 2016. NW then enquired if it was National Grid’s intention to progress with the ensuing UNC modification to enact National Grid’s Shorthaul review in an expedient manner and what would be the timeline. CW explained he could not put a definite timeline on this process and he also clarified that National Grid were not intending to proceed with the review of GCD11 until the outcome of Modification 0563S.

8. Issues

8.1 ISS066 - Charging implications of decommissioned Exit/Entry points

CW explained at the last meeting discussions took place surrounding the entry prices and that these prices did not really change, as the physical network stayed the same. JCx then asked what was the impact regarding the exit pricing. CW said that was in relation to the revenue, which would get re-distributed with impacts being small from a ‘pence per kilowatt hour’ perspective.

A lengthy debate then ensued concerning this matter, specifically in relation to decommissioned sites and the associated charging/location impacts. The Workgroup requested clarification on this matter.

CW agreed he would provide more in-depth information on this topic with emphasis on decommissioned sites and the impact on the Licence agreements. He said he would liaise with Fergus Healy, and also suggested that this issue might be better addressed in the Transmission Workgroup moving forward since it was essentially a Licence rather than a Charging issue.

8.2 New Issues

No new issues raised

9. Any Other Business

9.1 National Grid NTS – NTS Long Term Revenue Forecast

KE reminded participants that the ‘NTS Long Term Revenue Forecast’ Excel Spread sheet had now been published on the JO website.

(<http://www.gasgovernance.co.uk/ntscharges/LTrevenue>) and explained that two sets of forecasts had been published; for the SO and the TO out to the end of the RIIO period. These were consistent with the April charges for 2016. KE confirmed there would be another update in May 2016, which would be also be published on National Grid’s and the JO’s Websites and she requested feedback from the participants ahead of any update.

Participants asked for an explanatory document to be included alongside the Excel spread sheet to give clarity. LJ suggested that this could be a topic for the next meeting, so that the form would be clearly understood ahead of the May update, at which time focus could be given to the delta. KE confirmed she would produce this.

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

FLaR confirmed he would be providing feedback and that he would be raising a new modification to formalise the timings of when these updates were made available to the industry. CW explained that the timing of the updates is driven by the financial results, together with the post reporting pack at the end of October. Further debate took place, with a general view arising that it might be too early to codify the report, since it would no doubt change as industry requirements became clearer over time.

9.2 National Grid NTS – Feedback on NTSCMF and Charging publications.

KE and CW requested feedback on the NTSCMF and general Charging publications, as to how these publications were working for the participants in relation to; content, format, clarity and the relevance of the subject matter. All participants were invited to respond accordingly to the team box account included earlier in these minutes.

10. 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
Wednesday 10 February 2016	31 Homer Road, Solihull B91 3LT	NTSCMF: Post-GTCR Review Terms of Reference EU Update ISS0066: Charging implications of decommissioned Exit/Entry points and Licence agreements Long Term Revenue Forecast – explanation of content <i>*Short notice may be required for some papers</i>
June 2016, date tbc	31 Homer Road, Solihull B91 3LT	Revenue Forecasts - updated
November 2016, date tbc	31 Homer Road, Solihull B91 3LT	Revenue Forecasts - updated

Action Table (29 September 2015)

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0901	29/09/15	3.0	Ofgem to clarify the scope/roll of GTCR and communications with DECC.	Ofgem (DR)	Closed
0902	29/09/15	5.0	National Grid NTS to contact Ofgem and seek a view on the possibility of a one off change in April.	National Grid NTS (CW)	Closed

0903	29/09/15	5.0	National Grid NTS to provide a view on whether volatility can be addressed on a more permanent basis.	National Grid NTS (CW)	Closed
1101	30/11/15	5.2	CW to propose ToR for a charging review following the GTCR Policy letter.	National Grid NTS (CW)	Pending
1102	30/11/15	9.1	KE to produce an explanatory document to provide clarity alongside the Long Term Revenue Forecast.	National Grid NTS (KE)	Pending