

NTS Charging Methodology Forum (NTSCMF) Minutes
Friday 31 October 2014
31 Homer Road, Solihull B91 3LT

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Ian Hollington (Secretary)	(LD)	Joint Office
Ben Tucker*	(BT)	EDF Energy
Colin Hamilton	(CH)	National Grid NTS
Colin Williams	(CW)	National Grid NTS
Debra Hawkin	(DH)	TPA Consultants
Francisco Goncalves	(FG)	Gazprom
Jeff Chandler*	(JCh)	SSE
Joel Martin*	(JM)	SGN
John Costa*	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Hannah Mottram*	(HC)	Ofgem
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
Richard Pomeroy	(RP)	Wales and West Utilities
Ricky Hill*	(RH)	Centrica Storage
Sue Ellwood*	(SE)	Gas Terra
Thomas Dangarembizi	(TD)	National Grid NTS

*via teleconference

Copies of all papers are available at: www.gasgovernance.co.uk/ntscmf/311014

1. Introduction and Status Review

LJ welcomed participants to the meeting.

1.1 Review of Minutes (15 September 2014)

The minutes were accepted.

1.2 Review of Actions

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.

Update: CW confirmed that this topic was presented to October Transmission Workgroup and also included in the presentation to be given later in this meeting. **Closed.**

NTS 0902: RRP's – Review forecast charges information produced by the DNs and propose a similar approach for NTS.

Update: CW advised that this information was available and asked participants to feedback to him areas that they thought were important or too detailed. Similarly he asked for everyone's thoughts on the April 2015 Indicative

Charging Statement which included information on 2013/14 performance. A link to this document is shown below :

http://www.gasgovernance.co.uk/sites/default/files/Indicative_gas_charges_for_April_2015.pdf

Item Carried Forward

2. Workgroups

2.1 Modification 0517 - Review of the Supply Matching Merit Order in Setting Capacity Charges

The minutes of this meeting are at: www.gasgovernance.co.uk/0517/311014

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

HM advised that Ofgem were still on course to publish this by the end of the year and DH asked if there were any plans for a meeting to be held before then.

JC asked about progress on the use of pricing stacks and RH asked about the length of the consultation period. LJ asked HM to liaise with her colleagues and to produce an update note on these questions to be circulated by the Joint Office.

4. EU Update (National Grid NTS)

4.1 EU Tariffs Code Update

CH advised that the final draft has now been produced although it is still subject to change. He confirmed that following the Board meeting on 06 November the document will be available for publication either immediately following the meeting or on the 7th with the review period running up to 21 November. JCo asked if a change marked version will be made available and CH agreed to feed this question back.

CH then provided an explanation of the refined definitions within the document which included allowed revenue, transmission services, dedicated services and regulatory account. He advised that there will be an Analysis of Decisions document also published to explain how the decisions have been arrived at.

CS asked if lower pressure systems are included in transmission services or dedicated services. CH advised that this was not consistent between member states but he expected that the dedicated services section would be small in the UK.

CH then went through the presentation with the main points being explanations of transmission services, complimentary revenue recovery charge, cost allocation test and shorthaul. CH advised that there is no settled view on shorthaul which is not member state specific.

JCx asked if there is a regulation that prohibits charges on a point to point basis and CH answered that it is a matter of interpretation.

FG commented that the dedicated services section needs to be wide enough to cope with all of the different systems present across member states.

CH continued with the presentation covering additional publication requirements, revenue reconciliation, fixed prices at I.P.s and the expected date of entry into force which is thought to be June 2018 in the UK although October 2017 is actually listed. He noted that any fixed price capacity booked before this comes into effect cannot be changed.

JCx asked whether fixed prices at QSEC's will remain and CH answered yes. In reply to a further question from JCx CH advised that there will be a period of consultation running from 6th or 7th until 21st November but this would not be an opportunity for any major alterations, although a strong body of opinion would be helpful should this be necessary.

5. Review of Shorthaul Principles

CW gave an overview of the shorthaul charging arrangements covering the background and need for it to be reviewed. He went on to discuss the analysis which looked for trends that have been seen to shape the options for a potential future modification. TD continued discussing this advising that actual data from 2007/08 and 2013/14 had been used along with forecasted figures for 2014/15. JCx asked if there were many new sites and LB thought there were very few.

TD advised that the distances involved with shorthaul sites are increasing and after discussing the trend which saw an increase in shorthaul volume from 4% to 8%, LJ asked if the cause which was marked from 2011 was known. JCx replied that it was probably as simple as market realisation of this product being available.

In answer to a question from JCo, CW confirmed that there was no maximum distance limiting the use of shorthaul. RF asked how many sites are near to the longest distance on the list. CW replied that this was covered in the presentation pack later adding that the top 25% by distance are over 50km.

TD moved on to discussing the impacts on commodity rates and the shorthaul contribution to total revenue with RP highlighting the situation where a customer could avoid a higher existing transportation cost by using the shorthaul system and whether this created a subsidy.

The interaction between shorthaul and the other charges were discussed with CW noting that the existing shorthaul rate is not adjusted for items such as inflation and includes an assumption that customer behaviour does not change.

The presentation moved on to discuss the effects if the shorthaul mechanism was not available and if the shorthaul volumes associated to the top 25% of sites by distance were removed, with a number of participants commenting that a large load was needed to offset the distance, which is to be expected.

JCx asked if all sites who could benefit from the shorthaul mechanism have been considered. LB and KE advised that as a sites' gas supplier was not known this could not be done.

CW discussed other developments currently on-going in the industry adding that shorthaul can be reviewed independently of these other developments. In summary TD noted that shorthaul is influencing other charges. The distances involved with shorthaul are increasing and there is a need to keep the purpose and relevance of shorthaul under review.

CW said he believed that shorthaul still needed to be refined in some way and planned to provide further analysis for consideration at future meetings. He thought that areas to be looked at might include formula review, eligibility, flexibility and a review of the rules but asked for feedback from the meeting on what the participants felt important.

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

FG asked if it was thought whether there might be a world where commodity charges do not exist making shorthaul unnecessary. NW suggested that there will always be a charge of this type although it may be subject to a simpler mechanism.

The use of distance was discussed with all agreeing that along with costs and benefits it was an important consideration. NW asked for information on how the investment numbers were derived and CW agreed to take this into account in further presentation material.

BT asked if predictability could be looked at in terms of forecasting and CW agreed that something could be done along the lines of load shift. JCx requested a breakdown of industrial, storage and generation allocations.

6. Issues

There were no new issues raised.

7. Any Other Business

7.1 Cost Allocations

JCo asked for an idea of what the cost allocations used for the cost allocation test under the EU Tariff Code looked like for GB. CW replied that if this was wholly based on a capacity regime it would be quite simple to follow. If charges are based on capacity and commodity it may appear simple but what underpins the calculations are very complex. He advised that when a robust process was available he would share it with the workgroup.

7.2 Supply Data for the Merit Order

LB advised that supply data for the Merit Order can be made available week commencing 03 November for publication on the Joint Office web site under the meeting page for 25 November.

7.3 NTS Publications

CW advised that National Grid NTS had migrated to office 2010 so any Transportation Model issued from this point forward will only be compatible with Excel 2007 onwards. LB confirmed that a new Transportation Model user guide is due to be published and CW asked for feedback on the level of detail in the charging statement and any other publications National Grid NTS make.

8. Diary Planning

NTSCMF meetings will take place as follows:

Date	Venue	Programme
10:00, Tuesday 25 November 2014	31 Homer Road, Solihull B91 3LT	Workgroup 0517 <i>To be confirmed</i>
10:00 Monday 15 December 2014	31 Homer Road Solihull B91 3LT	Workgroup 0517 <i>To be confirmed</i>

Action Table – NTS Charging Methodology Forum

Action Table

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
NTS 0901	15/09/14	1.2	<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.	National Grid NTS (CW)	Closed
NTS 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
NTS 1001	28/10/14	5.0	All to provide feedback on areas within the shorthaul mechanism for consideration and analysis	All	Pending