

Minutes of the NTS Charging Methodology Forum

Thursday 06 January 2011

Elxon, 350 Euston Road, London NW1 3AW

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Alan Raper	(AR)	National Grid Distribution
Amrik Bal	(AB)	Shell
Asma Jalal	(AJ)	Centrica
Charles Ruffell	(CR)	RWE npower
Chris Wright	(CW)	Centrica
Colin Thomson	(CT)	Scotia Gas Networks
Debra Hawkin	(DH)	National Grid NTS
Eddie Blackburn	(EB)	National Grid NTS
Fiona Gowland	(FG)	Total E & P
Graham Jack	(GJ)	Centrica
Ivan Purves	(IP)	AES Ballylumford
Jacopo Vignola	(JV)	Centrica Storage Ltd
James Thomson	(JT)	Ofgem
Jeff Chandler	(JC)	SSE
Jill Brown	(JB)	RWE npower
Julie Cox	(JCx)	AEP
Mark Dalton	(MD)	BG Group
Mark Sutton	(MS)	TPA Solutions
Mike Wassell	(MW)	National Grid NTS
Phil Broom	(PB)	GDFSuez
Rekha Theaker	(RT)	Waters Wye Associates
Richard Fairholme	(RF)	E.ON UK
Richard Hounslea	(RH)	National Grid NTS
Richard Miller	(RM)	Ofgem
Ritchard Hewitt	(RHe)	National Grid NTS
Roddy Monroe	(RM)	Centrica Storage Ltd
Stefan Leedham	(SL)	EDF Energy
Sue Ellwood	(SE)	TPA Solutions

**via teleconference*

1. Introduction

Copies of all papers are available at www.gasgovernance.co.uk/ntscmf/060111.

TD welcomed attendees to the first meeting of the NTS Charging Methodology Forum, and explained that charging methodologies have been brought within the UNC. The purpose of the NTS Charging Methodology Forum is set out in the Modification Rules as being to consider any proposed modification in relation to the NTS charging methodologies.

National Grid NTS had requested that a meeting be arranged to provide an opportunity to present a draft modification that would be formally raised for submission to the January Modification Panel.

2. UNC Modifications

2.1 Draft Modification: “Demand Data for the NTS Exit (Flat) Capacity Charging Methodology”

EB gave a presentation on the proposed modification, outlining the background and highlighting the key issue that the NTS Exit (Flat) Capacity Charging Methodology could become unworkable due to increases in obligated NTS Exit (Flat) Capacity and reductions in the Ten Year Statement (TYS) forecast supplies, respectively the modelled demand and supply flows. Responding to a question from MS, EB believed the diversified number would be lower than that in the TYS.

The impact of capacity reductions was then described and explained; EB believed that this provided strong reasons for not waiting any longer before formally raising this modification.

MS questioned whether any quantity sold above the obligated, baseline, level is automatically released in future. BE indicated that, once incremental capacity release has been triggered, the available level cannot go down other than through substitution. MS was concerned that the UNC obligations may be different to this, and requested that this be checked and confirmed. However, EB said this was provided for in the Licence.

Action NTS0101: National Grid NTS to confirm that the exit capacity release obligations in the UNC operate as intended.

MS also suggested that further consideration be given to the user commitment for incremental capacity in the light of substantially changing exit charge levels - Users may face a bigger financial commitment than when capacity was first booked. DH responded that this was an unusual situation and one that was not anticipated when the rules were set.

An issue was raised as to whether it is plausible to argue that charges are cost-reflective if the modelled flow is no longer relevant. EB stated this was not within the scope of this meeting but would be considered.

EB outlined the impact of exit substitution and explained that if substitution occurred other than at a 1 to 1 ratio, obligated levels could go down.

EB then explained the change proposed to the charging methodology, and how this would affect bi-directional sites, DN offtakes and other directly connected offtakes.

MS asked if consideration was given to using information other than Moffat 1-in-20 forecast demand, such as that produced by the Irish Regulator. EB responded that other data sources were considered but needs to be demonstrably consistent in order to treat Moffat and the DNs in the same way. MS requested that this be added to the modification to demonstrate what has been considered and discounted, together with reasoning for the view held.

Action NTS0102: Explain (in regard to exit capacity charging) why the Irish Regulator’s number for demand offtake at Moffat is not being used for exit capacity charge setting.

JCx noted that the proposed approach raised an issue about the use of forecasts; this may be seen as retrograde and less transparent than the current approach and there may be some concern regarding this and users ability to validate their own actual or potential charges.

EB suggested that if others felt it would be preferable to use different capacity numbers for Moffat or elsewhere, they could raise an alternative proposal. EB offered to produce indicative charges based on current levels of booked capacity, for any party that wished to raise this alternative, but would need to know what the detail of the alternative to ensure it was modelled correctly.

JCx voiced concerns that the modelling was moving to a forecast flow rather than capability approach whereas previous decisions had emphasised the desirability of avoiding forecasts. EB responded that costs incurred in building the network had to be reflected and if this data was used within the planning process then the charges should be cost reflective and consistent. JCx added that as part of the GCM05 discussions the issues now identified should have been noted much earlier and was further concerned that this was now trying to perform a 'sticking plaster' action. At minimum, the modification should include an obligation to publish the data that was to be used.

EB confirmed that he would like to publish all relevant data, and produce a version of the transportation model that allows for processing more easily, and include supply/demand balancing rules. He was aware of the concerns regarding reduced transparency. While publication of data would be the intention, this would sit outside the UNC to make it more flexible/workable.

Graphs illustrating the analysis by exit zone/year, and the indicative prices, had been produced. The impact on classes of NTS Exit Point was outlined. JC asked what the impact would be if all offtakes were based on forecast demand. EB responded that he could produce numbers to illustrate this.

Action NTS0103: The analysis to be repeated using the 2010 Ten Year Statement forecast demands for Direct Connects.

JC said that he would like to understand the rationale for different treatment (diversified/undiversified), and what the assumed maximum flow would be.

JCx believed there to be more of a case for doing something different at Moffat and the DNs.

EB then presented a timeline, the implications of which were briefly discussed. Indicative charges will be based on the best available data at the time, including the proposed change if the modification had been approved by May 2011. TD suggested this was highly unlikely given the normal timeline for a modification to be implemented.

MS noted that indicative charges affect User commitments such that reliable figures were important.

TD requested that any further suggestions for analysis to support assessment of the modification or alternatives be sent to National Grid NTS either directly or via the Joint Office. Also suggested agenda items for future NTSCMF meetings would be welcome.

3. Any Other Business

None raised.

4. Diary Planning

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

TD noted that progression of the suggested modification was dependent on decisions taken by the Modification Panel, and a timetable for meetings would be established in light of those decisions.

NTS Charging Methodology Forum Action Log: 06 January 2011

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
NTS 0101	06/01/11	2.1	Confirm that the exit capacity release obligations in the UNC operate as intended.	National Grid (NTS) (EB)	
NTS 0102	06/01/11	2.1	Explain (in regard to exit capacity charging) why the Irish Regulator's number for demand offtake at Moffat is not being used for exit capacity charge setting.	National Grid (NTS) (EB)	
NTS 0103	06/01/11	2.1	The analysis to be repeated using the 2010 Ten Year Statement forecast demands for Direct Connects.	National Grid (NTS) (EB)	