

**Workgroup 0356 Minutes**  
**Demand Data for the NTS Exit (Flat) Capacity Charges**  
**Methodology**

**Friday 14 October 2011**

**ENA, 52 Horseferry Road, London SW1P 2AF**

**Attendees**

Tim Davis (Chair)	(TD)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Charles Ruffell	(CR)	RWE npower
Chris Wright	(CW)	Centrica
Debra Hawkin	(DH)	National Grid NTS
Eddie Blackburn	(EB)	National Grid NTS
Jacopo Vignola	(JV)	Centrica Storage Ltd
James Thomson	(JT)	Ofgem
Jeff Chandler*	(JC)	SSE
John Edwards	(JE)	Wales & West Utilities
Julie Cox	(JCx)	AEP
Lewis Hodgart	(LH)	Ofgem
Richard Fairholme	(RF)	E.ON UK
Richard Hounslea	(RH)	National Grid NTS
Ricky Hill	(RH1)	British Gas
Stefan Leedham	(SL)	EDF Energy

*Copies of all papers are available at: <http://www.gasgovernance.co.uk/0356/141011>*

**1. Review of Minutes and Actions from the previous meeting (07 July 2011)**

**1.1 Minutes**

The minutes of the previous meeting were approved.

**1.2 Actions**

The outstanding actions were reviewed.

**WG0503:** Demand Data: References and Glossary - Clarify definitions provided under "Extract from 20120 TYS – 3.8 Impact of Exit Reform on Peak Gas Demand".

**Update:** EB confirmed that the definitions had been included within the legal text. **Closed**

**2. Assessment of Legal Text**

The legal text was reviewed as part of the Workgroup Report discussions and no issues were raised. EB advised that the Charging Methodology had been copied directly into the UNC when Section Y was created. The intention is to rewrite the impacted sections into a more legalistic form, consistent with the remainder of the UNC, as and when modifications are implemented. Hence the legal text provided for 0356(A) includes this change of approach.

**3. Completion of Workgroup Report**

RH (0356) and SL (0356A) provided brief overviews of the amendments made since the last meeting to the original and alternative modification respectively.

RH clarified that there would be no fundamental changes to forecasting now that NTS/LDZ offtake considerations had been included.

When asked if consideration had been given to the implications of publishing individual offtake level data, and its timing, EB said he would expect the transportation model and prices to be published at the same time. EB added that it is not permitted to publish the data prior to the formal consultation process for Modification 0356 – publication would be permitted by implementation of the proposed changes to UNC TPD Section O – although the information is presently published up to Y+2. JC suggested consideration be given to raising a separate modification to enable information to be published ahead of consultation on 0356, thereby informing the consultation process. Others supported JCs request as it was felt that not having the information could hinder informed decision-making. However, EB felt that it was too late to consider splitting 0356. He expected to publish a Year 0–2 Transportation Model and provide information in an indicative charges spreadsheet.

JCx suggested that there could be issues around what National Grid forecasts for demand and what is actually booked. EB felt the issue centred on not releasing individual users information, but offered to investigate whether information such as LDZ offtake data could be provided. SL observed that in relation to power stations, the SOQ and NExA aspects are heavily dependant upon the actual running of the station in the first instance to ascertain the actual demand. Furthermore, he believes that plant load (daily) factors (backup and peak demand) could become an issue going forward.

#### 0356/0356A Exit Price Analysis presentation

RH provided a brief overview of the presentation.

When asked how National Grid factor in new power stations for forecasting purposes, EB advised that for setting prices they are capped at demand level, but forecasts allow for whether or not the power station is flowing gas, although it should be noted that the obligation is to meet 1:20 demand.

When asked why St Fergus was used in preference to Milford Haven in the example graph for '0356 Indicative NTS Exit (Flat) Capacity price per DN Exit Zone & sensitivity to St Fergus flow changes', RH explained that this reflected previous questions on the impact that St Fergus assumptions had on prices. EB added that, as St Fergus is also utilised as one of the balancing supplies, it's sensitivity is less reflective. JCx wondered how this would sit with RIIO reverse flow predictions for Scotland.

Moving on to examine the '0356A Indicative NTS Exit (Flat) Capacity price per DN Exit Zone & sensitivity to St Fergus flow changes' graph, SL stated that he did not think that the prices in Scotland suggested that 0356A was less cost reflective than 0356. EB suggested that the data demonstrated differences in the modelling impacts between the two modifications. SL advised that EDF recognise tensions exist between forecasting and investment decisions along with issues associated with the demand predictions Shippers provide to National Grid, and hence the preference for using bookings rather than forecasts.

Looking at the 'Estimates of 2012/13 Mod 0356/0356A NTS Exit (Flat) Capacity price per DN Exit Zone' slide, JE asked what the difference between the two modifications was in light of the fact they appear to be producing similar prices. EB responded by advising that the impact of Moffat pulls network demand Northward. SL observed that the Scottish DN Exit Zones display significant movements between 2014/15 which may reflect loads coming on/off the network.

EB thought that the information demonstrates that the variability in supply has a significant impact on prices.

TD asked each of the proposer's whether they might withdraw their modification given discussions today suggested there was little to choose between them. SL felt the alternative provides a more robust and cost reflective solution since it is based on bookings rather than forecasts. However, EB argued that a forecasting based solution remains the preferred option.

LH suggested that forecast transparency issues would need to be addressed. Others confirmed they remain nervous about a forecast based approach and associated transparency issues.

Asked if there was any additional information that Ofgem would like provided to assist them when the modifications reach them for decision, LH responded there was nothing additional. However, he would be speaking with Ofgem's European team to consider potential Moffat aspects from an interconnector pricing perspective and also with respect to bundled product considerations. JCx suggested that defining the quantities involved at Moffat would assist parties to understand the underlying differences between the two modifications. EB pointed out that, from an EU perspective, as long as the cost allocation is consistent across the domestic or Interconnector connection points, either modification would be acceptable.

#### 0356/0356A Exit Revenue Analysis presentation

RH provided a brief overview of the presentation.

On the 'Forecast Capacity + Commodity Revenues by percentage for Mod 0356' slide, RH confirmed that the figures are based on a forecast throughput percentage derived from the 10 year statement.

It was noted that the two additional spreadsheet presentations had been provided in support of the two main presentations.

It was noted that the Workgroup Report is due to be submitted for the Modification Panel meeting on 17 November 2011. TD indicated that the 0356 changes relating to UNC TPD Section O and TPD Section Y should be measured against different sets of relevant objectives.

It was recognised that the current Charging Methodology would not work in future, as the transportation model would not run. EB added that the legal advice he had been given is that, should no decision be provided by August 2012, charges would be undefined.

JCx wondered if the real issue related to the five sites that have gone down to zero. In response, EB suggested that the issue is actually related to shippers booking less capacity than the forecast demand, especially for direct connects. It was noted that 0356 could be regarded as more cost reflective than 0356A since it better reflects National Grid's planning processes, which are based on forecasts, using all available information rather than just bookings.

In considering relevant objective (c), SL felt that 0356A provided greater consistency and less judgement and, as a consequence, more stable charges – this would increase predictability and facilitate competition. EB felt that 0356 provided for increased transparency, thereby improving competition.

In light of the discussion, TD agreed to rewrite the relevant objectives section of the Workgroup Report . This would be published and comments invited, with a teleconference being possible on 02 November to finalise and agree the Report.

#### **4. Any Other Business**

None.

**5. Diary Planning for Workgroup**

*Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)*

If necessary to finalise the Workgroup Report, a teleconference will be held on 02 November 2011.

**Action Log - Workgroup 0356**

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
WG 0503	10/05/11	3.	Demand Data: References and Glossary - Clarify definitions provided under "Extract from 20120 TYS – 3.8 Impact of Exit Reform on Peak Gas Demand"	National Grid NTS (EB)	Update provided. <b>Closed</b>