

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 07 January 2020
at Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA

Attendees		
Rebecca Hailes (Chair)	(RH)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Adam Bates*	(AB)	South Hook Gas
Alan Raper	(AR)	Joint Office
Alex Nield*	(AN)	Storengy
Alsarif Satti	(AS)	Ofgem
Anna Shrigley	(ASh)	Eni Trading & Shipping
Bill Reed	(BR)	RWE
Colin Williams	(CW)	National Grid
Chris Wright	(CWr)	Exxon Mobil
David Mitchell	(DM)	CIA
David O'Neill	(DON)	Ofgem
Debra Hawkin	(DH)	TPA Solutions
Henk Kreuze	(HK)	Vermilion Energy
James Jackson*	(JJ)	Sembcorp
John Costa	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kamla Rhodes	(KR)	Conoco Phillips
Kirsty Ingham	(KI)	ESB
Laura Johnson	(LJ)	National Grid
Niall Coyle	(NC)	E.ON Energy Economics UK
Nick Wye	(NW)	Waters Wye Associates Ltd
Nicky White	(NWh)	Npower
Nitin Prajapati*	(NP)	Cadent
Paul Youngman*	(PY)	Drax
Penny Garner	(PG)	Joint Office
Rebecca Jones*	(RJ)	Mercuria
Richard Fairholme	(RF)	Uniper
Sinead Obeng	(SO)	Gazprom
Steve Pownall	(SP)	Xoserve
Terry Burke*	(TB)	Equinor

Copies of all papers are available at: <http://www.gasgovernance.co.uk/ntscmf/070120>

1. Introduction and Status Review

Rebecca Hailes (RH) welcomed everyone to the meeting and invited introductions.

1.1. Approval of Minutes (03 December 2019)

The minutes from the previous meeting were approved.

1.2. Modifications with Ofgem

David O'Neill (DON) briefly introduced the discussion on UNC 0678 Modifications and the Ofgem minded to decision letter and draft impact assessment by stating that Ofgem have set out their thinking in detail in the letter. He acknowledged that industry have some questions in relation to the CEPA analysis in order to gain a better understanding but didn't feel it was appropriate for CEPA to attend the meeting at this stage. He suggested that industry questions are collated and co-coordinated by the Joint Office, as it would help to ensure that the questions have not already been addressed by the analysis and **report and** also to help to group similar questions together. He indicated that CEPA could be invited to the meeting in February 2020 **and report**. **He said his would not be an iterative process**.

DON reminded Workgroup of the timescales, confirming that the consultation responses would be published by the 24 March 2020 and the ACER response would be received by 24 April 2020 in line with EU Tar NC. Whilst, the final decision is **required by 24 July 2020**, there was a strong indication that a decision may be made sooner.

Workgroup asked how these timescales impact the National Grid pricing timetable. Colin Williams (CW) suggested that this will depend on the timing of the Ofgem decision and that indicative charges may need to be published based on the minded to decision with appropriate caveats. The final charges would be published as soon as possible.

Workgroup also asked what deviation is likely in the prices and also what would change? CW suggested that a significant deviation between the indicative prices and final prices is not expected. Laura Johnson (LJ) indicated that the model would be updated with Forecasted Contracted Capacity (FCC) and Revenue data.

Nick Wye (NW) asked if the DNs would be impacted by different charges if this would result in DNs asking Ofgem to review exit allowances and what the timetable would be for this? Nitin Prajapati (NP) suggested that Cadent would need to assess the level of change first. There were no other DNs present to respond to this question.

Workgroup discussed the implications of the Ofgem minded to decision from a process perspective and whether there was the potential for industry to raise new Modifications in relation to two topics which Workgroup Participants highlighted were indicated in the Ofgem minded to letter as areas for further change: short-haul and storage discount, assuming Modification 0678A is implemented. Workgroup questioned whether new Modifications could be raised on these topics with a final decision still pending on Modification 0678.

Penny Garner (PG) provided some clarification stating that from a code administrator's governance perspective the UNC Modification process is complete. This means that in principle industry can raise a new, unrelated Modification on any subject. PG suggested that industry parties discuss any new proposals with Ofgem and National Grid with the caveat that the final decision on Modification 0678 is pending.

NW expressed concern that this might lead to multiple new Modifications and also confusion about what a new Modification would propose, given the current status of an Ofgem minded to decision and not a final decision.

DON indicated that Ofgem would be happy to hold discussions with National Grid, Joint Office and industry parties as appropriate. He suggested that industry seek to co-ordinate ideas to provide a limited number of options for proposals.

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In addition, Ofgem noted that the experience of 0621 and 0678 indicated that the process for making decisions on future modifications would likely be expedited where:

- i) There are fewer modifications to go through the Ofgem decision making process
- ii) There appears to be industry consensus as far as possible
- iii) There is a positive Panel decision.

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Ofgem noted this as an observation, but the process was for industry to take forward.

Workgroup indicated that more than one Modification is likely as there are areas in the impact assessment that need exploration, such as the storage discount and short-haul. There was concern about the short development time, given the planned implementation date for 01 October 2020 and also the uncertainties due to the fact industry is working with an Ofgem minded to decision and not a final decision.

Workgroup considered how best to manage the introduction of new proposals within this context. Richard Fairholme (RF) suggested a review group approach, highlighting that the review group for shorthaul in Request 0670R already exists and a draft Modification could be developed through that group. RH clarified that this would be a pre-Modification. Bill Reed (BR) agreed that short-haul issues should be discussed within Workgroup 0670R but there was no appropriate forum for storage discount. RH suggested that a pre-Modification discussion on storage discount would fall within the standing agenda item 1.3 of the NTSCMF Workgroup which is available for all pre-Modification discussions.

There was general agreement within Workgroup that a co-ordinated programme of work would be helpful with a coalescence of industry ideas.

Workgroup also discussed the implications of the minded to decision in the context of the development of proposals for short-haul given that the final decision of which 0678 Modification is implemented could change. There was general agreement within Workgroup that any new Modification proposals on this area should be predicated on Modification 0678A.

PG suggested that Modification Panel are updated as early as possible. She informed Workgroup that Wanda Goldwag has been appointed as the new Independent Modification Panel chair with effect from the January 2020 meeting.

RH concluded the discussion by inviting Workgroup to suggest questions for a possible discussion with CEPA. DON indicated that it would be helpful to receive any questions in advance (two weeks before if possible) to allow CEPA the opportunity to provide a full answer. He also suggested that it would be helpful if any duplicate questions are removed and questions grouped into meaningful categories and that the report is fully checked by industry to ensure the questions are not already answered in it.

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RH indicated that there was an opportunity to hold a meeting before the next scheduled meeting of NTSCMF on 04 February 2020.

PG emphasised that questions of a commercial or confidential nature should be sent directly to Ofgem.

It was agreed that industry questions should be sent to Joint Office by close of play on Monday 13 January 2020 so that the Joint Office can collate and publish the questions by close of play on Friday 17 January 2020 on the 0678 Modification page (<http://www.gasgovernance.co.uk/0678>)

New Action 0101: Workgroup to provide questions in relation to the CEPA impact assessment to Joint Office by 5pm on Monday 13 January 2020 and Joint Office to send the industry questions to Ofgem by 5pm on 17 January 2020.

John Costa (JCo) raised a point made in the Ofgem minded to decision letter in relation to the potential benefits to consumers if power prices go down, stating that there may be a negative impact on power stations. He expressed an interest in understanding the underlying analysis related to this.

RH stressed the importance of industry providing specific questions for CEPA to consider and respond to.

Chris Wright (CWr) sought clarification of the right of appeal, asking if Ofgem's final decision is to implement Modification 0678A, would there still be the right of appeal. DON confirmed that no matter what Ofgem's decision was, there is still the right of appeal.

1.3. Pre-Modification discussions

None raised.

2. Workgroups

2.1. 0670R - Review of the charging methodology to avoid the inefficient bypass of the NTS

(Report to Panel 16 July 2020)

<http://www.gasgovernance.co.uk/0670>

3. Forecasted Contracted Capacity (FCC) Review Update

3.1. FCC Methodology Issues Log

The FCC Methodology Issue Log was not discussed.

RF raised a point in relation to the comments made in the Ofgem minded to decision letter about the inclusion of the FCC Methodology in the UNC and asked if this is likely to need another Modification.

DON reiterated that it is Ofgem's view that the FCC is better placed in the UNC but suggested that there is other work which is more urgent, such as short-haul and storage discount. He suggested that a Modification for this could come forward later in 2020 or potentially after that, but it was up to industry,

PY asked National Grid about the availability of FCC data. CW confirmed that for Request 0670R, data which is publicly available from March 2019 would be used. Final data will be available following the final decision on Modification 0678. He added that around March-April 2020 it will be possible to flag to industry the latest available data.

4. Update on Long Term Revenue Forecasts

This agenda item was not discussed.

5. Issues

None.

6. Review of Outstanding Action(s)

Action 0905: National Grid to provide an explanation of why there is a 14% drop in entry charges between RIIO-1 and the 1st year of RIIO-2.

Update: CW confirmed that an update will be provided at the next meeting. **Carried Forward.**

7. Any Other Business

RH asked Ofgem for an update on Modification 0686 - Removal of the NTS Optional Commodity Rate with adequate notice. DON confirmed that the analysis was carried out in parallel with Modification 0678. He explained that the focus and priority has been on Modification 0678. He reiterated that the intention is to implement major decisions on charging by 01 October 2020. In terms of timing, the attention is now on Modification 0686 and DON suggested that most if not all of the analysis is already available.

Post-Meeting Update:

Ofgem clarified and confirmed to UNC Modification Panel on 16 January 2020 that the focus and priority has been on Modification 0678 because of the consultation requirements in TAR NC and to get GB compliant with the law.

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8. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

Workgroup meetings will take place as follows:

Post-Meeting Update

Please note that the 04 February meeting has moved to 11 February 2020 to enable attendance by Ofgem and CEPA colleagues.

Time / Date	Venue	Workgroup Programme
13:00 Tuesday 28 January 2020	Teleconference	Workgroup 0670R only (note start time)
10:00 Tuesday 11 February 2020 (changed from 04 February)	Elexon, 350 Euston Road, London NW1 3AW	Standard Workgroup Agenda
10:00 Tuesday 03 March 2020	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Standard Workgroup Agenda
10:00 Tuesday 07 April 2020	Elexon, 350 Euston Road, London NW1 3AW	Standard Workgroup Agenda
10:00 Tuesday 05 May 2020	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Standard Workgroup Agenda

Action Table (as at 07 January 2020)

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0905	03/09/19	3.0	National Grid to provide an explanation of why there is a 14% drop in entry charges between RIIO-1 and the 1st year of RIIO-2.	National Grid	Carried Forward
0101	07/01/20	1.0	Workgroup to provide questions in relation to the CEPA impact assessment to Joint Office by 5pm on Monday 13 January 2020 and Joint Office to send the industry questions to Ofgem by 5pm on 17 January 2020.	ALL	Pending