

Gas Transmission Charging Methodologies Forum

Draft Meeting Report: 02 April 2009

This report outlines the key discussions of the thirty first Gas TCMF meeting held at Elexon Offices, 350 Euston Road, London NW1 3AW on 2nd April 2009. Supporting material can be found at www.nationalgrid.com/uk/Gas/Charges/TCMF

Attendees

Tim Davis (Chair)	TD	Joint Office
Eddie Blackburn	EB	National Grid NTS
Emma Hayes	EH	BG Group
Ismail Gun	IG	Centrica
John Bradley	JoB	Joint Office
Jenny Higgins	JH	RWE
Jemma Spencer	JS	National Grid NTS
James Thomson	JT	Ofgem
Julie Cox	JuC	Association of Electricity Producers
Martin Watson	MW	National Grid NTS
Paul O'Donovan	PoD	Ofgem
Richard Fairholme	RF	E.ON UK
Roddy Monroe	RM	Centrica Storage Limited
Rekha Patel	RP	Waters Wye Associates
Sofia Fernandez Avendaño	SFA	Total
Shelley Rouse	ShR	Statoil UK
Stefan Leedham	SL	EDF Energy
Steve Rose	StR	RWE

1. Introduction

TD welcomed attendees to the meeting.

2. Report of Previous Meeting

The meeting report of the forum held on 05 March 2009 was approved with the exception that Jenny Higgins of RWE was present.

3. Review of actions

Action 69: *Supply Source Data – Further analysis based on alternate sources of supply data to be produced.*

Within its presentation, National Grid NTS supplied these analyses as appendices.

Closed

4. GCD06: Supply and Demand Balancing in the Transportation Model

4.1. Supply Source Data

JS gave this presentation and summarised the responses received to the discussion document. National Grid NTS had concluded that using Ten Year Statement supply data for beach terminals and physical capability capped at obligated entry capacity for other entry points, was the favoured approach

and identified that National Grid NTS would be consulting on this basis. This was accepted as a way forward.

4.2. Supply and Demand Balancing Rules

EB gave this presentation. IG reiterated BGT's comments in support of option 8. EB suggested that, while attractive in principle, in practice this option could produce instability and step changes when there was movement between groups. JuC stated that a degree of stress testing is required to help decide on the best option and illustrate the way in which such instability might be seen. EB acknowledged this. He concluded that consultation should take place on options 3, 6 and 9, and this was accepted as a way forward.

4.3. Entry and Exit Capacity Price Variation

EB reviewed a number of graphs that showed grouping rules tended to produce more stable charges than applying a merit order, but it was unclear which of the groups was the most consistent. JuC again suggested this made the case for stress testing to see if any option might be more stable under a range of scenarios.

In summary, JS expressed National Grid NTS's preference for Rule 9 but they would be consulting on Rules 3 and 6 as well. IG asked whether data could be provided about variances. EB responded that, as there was fixed revenue to recover there should be no difference in average prices across all Users. Particular Users with their own portfolios would, however, see differences in price levels. IG reiterated that Option 8 should be included. EB responded that he would be willing to include it but, of the grouping options, he believed that Option 8 was the least stable.

Finally, JS put forward two alternative timelines – one based on delivery in time for September QSEC auctions, the other in time for the October changes in Exit prices. National Grid NTS would be seeking views within the consultation on which timeline was preferred. EB acknowledged the issue of more than two price changes in one year if the first timeline were adopted.

5. NTS Obligated Entry Capacity (“P0”) Reserve Prices

EB identified that an issue could arise at New ASEPs where the reserve price (P0) would be set at zero. This might occur for years following those that met the economic test, which is currently set at 50% NPV. He suggested instead that P0 should be derived from the LRMC. Forum members acknowledged this issue. The alternative of raising the economic test criteria was discussed but discarded. National Grid NTS will be issuing a consultation document on this and presented a timeline.

6. User Commitment and Security Recovery

EB summarised UNC Proposal 0246 and its concept of applying a cancellation fee. To implement this element, a charging proposal would have to be approved. In essence the revenue would be allocated to reduce the appropriate commodity charges i.e. TO and SO at entry and exit. TD suggested issuing the charging methodology prior to UNC consultation so that they could share the same end-date. This would also allow Ofgem to carry out a single impact assessment on both.

7. Any Other Business

IG asked about AMSEC auction income, which was lower than put forward in figures supporting the charge levels. EB confirmed that, other things being equal, this impact would lead to an increase in commodity charges from October. He would be explaining this further at the next TCMF.

The next meeting will be held on Thursday 7th May 2009 at Elexon, 350 Euston Road, following the Transmission Workstream.

Transportation Model Training sessions will also be held, subject to demand, in Glasgow and London (details to follow).

Action Log

No.	Date Raised	Description	Status	Comments
61	03/03/09	Supply Source Data – Further analysis based on alternate sources of supply data to be produced.	Closed	Analysis presented