

## Gas Transmission Charging Methodologies Forum

### Draft Meeting Report: 24 Aug 2006

*This report outlines the key discussions of the sixth Gas TCMF meeting held at Elexon, 350 Euston Road, London on 24<sup>th</sup> August 2006. All supporting material can be found at [www.nationalgrid.com/uk/gas](http://www.nationalgrid.com/uk/gas)*

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#### ATTENDEES

Tim Davis (Chair)	TD	Joint Office of Gas Transporters
Adam Cooper	AC	Merryl Lynch
Amrik Bal	AB	Shell
Angela Love	AL	Pöryr
Andrew Pester	AP	Ofgem
Chandima Dutton	CD	National Grid NTS
Chris Wright	CW	BGT
Colin Dickens	CDi	ExxonMobil
Dennis Timmins	DT	RWE NPower
Dominic Harrison	DH	National Grid NTS
Helen Bray	HB	CIA
John Baldwin	JB	CNG Services
Julie Cox	JC	AEP
Leigh Brown	LB	GdF
Paul Roberts	PR	National Grid NTS
Peter Dickinson	PD	Ofgem
Ritchard Hewitt	RH	National Grid NTS
Rekha Patel	RP	Conoco Phillips
Rob Morgan	RM	Exxon Mobil
Roddy Monroe	RD	Centrica Storage
Sharif Islam	SI	Total Gas and Power
S.Buchanan	SB	BG
Shelley Rouse	SR	Statoil
Stefan Leedham	SL	EDF Energy
Yasmin Sufi	YS	ENI

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#### 1. Report of Previous Meeting

The meeting report of the Forum held on 6 July 2006 was agreed as accurate.

#### 2. Actions and Issues from previous meetings

1. *National Grid NTS to demonstrate the effect of assuming that currently interruptible NTS Supply Points were firm.*

CD advised that analysis to determine the effect of assuming all interruptible sites were firm was underway.

**Action Live**

*20 National Grid NTS to consider whether the Transportation Model Spreadsheet could be publicly available if commercially sensitive values were hidden.*

PR advised that the issue of the publication of demand data at nodal level would be raised at a future Transmission Workstream meeting. As the data would be classed as confidential data, it could require a change to UNC (Section V) and an amendment to National Grid NTS' GT Licence to avoid a breach of Section 105 of the Utilities Act. He further advised that the possible licence change would necessitate an Industry Consultation. TD suggested that all Users should be included in the consultation, and encouraged in particular responses from the representatives of Consumer Groups.

**Action Live**

### **3. Update on Enduring Exit Arrangements**

PR gave this presentation. He explained that following a series of EOWG Industry meetings, specific proposals could now be progressed through the relevant Industry Groups. PR described the capacity products and the proposed charging arrangements that would comprise the enduring exit arrangements, including the suggested timelines. [A copy of the slides are included on the Gas Charging Methodology web-site]

RM requested whether the 22 mcmd figure (of flex availability) could be put in context to better understand its scale and significance. In response, PR stated that this value was the amount of flexibility that the NTS could accommodate in all supply/demand conditions, and therefore would arguably be on the conservative side. In practice, with certain favourable conditions the level of availability on a particular day could be greater than this.

TD commented on the notice periods for changes to reserve prices for auctions as set out in the GT Licence, and that conceivably reserve prices in the invitation letter in August would have to be published on an indicative basis in the previous February.

TD also queried how prices for new loads would be published.

CD mentioned that if we know where the anticipated demand is, we can publish indicative prices for it. Alternatively, assuming the pricing model and supply/demand is available to the industry, they would be able to do their own forecast of prices.

Following a question on the effects on prices as a result of commissioning a new entry point, CD explained that the Transportation Model should give a reduction in LRMCs for affected exit points once the new ASEP comes on stream (e.g. Milford Haven). JC enquired whether there were circumstances where an exit price could see a dramatic increase, to which CD speculated that this may occur only where a supply ceased to flow from one year to the next.

JC expressed concern that there may be risks with publishing prices a number of years out, in that Years 1, 2 & 3 may be fairly predictable but beyond that the prices would be speculative, and hence what long term signals would these give.

TD put forward the possibility of publishing prices for different supply/demand scenarios in the same way that the TBE document publishes forecasts for different cases.

JC suggested that basing the data published for exit prices on 1 in 20 conditions, akin to the TBE, may not be appropriate and may give out the wrong messages about National Grid's view of likely peak demand patterns in the unconstrained period. She further questioned whether the peak flow numbers used to calculate charges were the same as those used for supply/demand scenarios.

Following a further question from JC about how this approach (of 1 in 20 firm fig's) would work for storage points, there followed discussion about the importance of publishing the right data, i.e. data which would be used to generate the prices. An option was suggested of whether exit baselines should be used to generate charges, to avoid having to publish the nodal 1 in 20 peak demand and National Grid agreed to consider a number of alternatives

## **Action National Grid**

### SO Commodity Flexibility Charges

Following a request from PR for views on the merits or otherwise of introducing a SO flexibility commodity charge, JC suggested there was merit in checking the responses to the TANIF consultation, but added that in her view minimising systems complexity should be a priority.

The decision to include the definition of a "Flexibility Commodity Charge" in the proposed UNC legal text, which could be set at a zero level initially, was questioned by a number of parties. In their view this could be seen as introducing principles by a "Trojan Horse". National Grid reminded the group that any subsequent implementation of a non-zero charge would still require a full Industry consultation, and therefore including it in the legal text should not be viewed with any great significance.

In respect of the proposed timings of the consultation and implementation, JC questioned Ofgem on the likelihood of an Impact Assessment for the enduring exit proposals. Ofgem indicated that no decision had yet been made, and that a decision would depend on the complexity of the modification proposal. For example, if charging were to move to a simpler transport model they would expect to undertake an Impact Assessment.

PR reminded the Group of the challenging timescales and clarified that if a Pricing consultation were not raised, we would continue to use the prevailing methodology, although there would need to be some new way of determining a reserve price for Flexibility Capacity in the July 2007 auctions.

## **4. SO Storage Commodity Charging**

Following a presentation from DH (slides included on Gas Charging Methodology Web-site), discussion took place on the arguments for and against introducing a specific "discounted" charge for certain classes of exit points. National Grid indicated that the reason for the introduction of a new SO commodity charge for storage points followed previous Ofgem statements (in decision letters to Network Code modifications) that they (Ofgem) would consider approval of a reduced SO commodity rate for storage sites.

DH explained that the introduction of a specific commodity charge for storage sites would always be a balance of the relevant licence objectives of avoiding undue discrimination and achieving cost-reflectivity. Following a question from the Group, Ofgem stated that they would like to see both consistency between different types of exit points and cost-reflectivity.

JC questioned how the introduction of a new commodity charge for storage would fit with the new EU Draft Regulations Directive which required consistency between different types of exit points

The decision not to include Ops Margins costs in the storage rate due to their classification as interruptible was challenged, on the basis that the interruptible site classification does not exist in the enduring regime, and that we should also apply the reduced rate to other interruptible sites in the current regime.

Questions were asked about what charges IUK and embedded DN Entry points would attract in light of the proposal.

In respect of the timescales and process for any pricing consultation exercise and UNC modification, National Grid agreed to consider whether these should be raised as part of the enduring exit modification.

Ofgem agreed to report back to the next Gas TCMF on the requirements of EU Regulations with respect to non-discrimination, and to also give their current view on storage commodity charges. Following a question to Ofgem from AB, Ofgem agreed to provide the Group at the next meeting a guidance note on those circumstances where the Authority could deviate from the principle of single treatment for all Users.

**Action: Ofgem**

Regarding the anticipated revenues generated if a new SO commodity charge were introduced, JB suggested that it would be useful to view the storage flows for the gas year 2005/6.

**5. AOB**

None

**6. Dates of Next Meeting**

It was suggested that a further gas TCMF meeting be scheduled for a date in September 2006.

## Action Log

No.	Date Raised	Description	Status	Comments
19	06/07/2006	National Grid NTS to demonstrate the effect of assuming that currently interruptible NTS Supply Points were firm.	Live	Analysis is being undertaken to determine the effect of assuming current interruptible sites book firm capacity.
20	06/07/2006	National Grid NTS to consider whether the Transportation Model Spreadsheet could be publicly available if commercially sensitive values were hidden.	Live	The publication of demand data at nodal level, which would be classed as confidential data, may require a change to UNC (Section V) and an amendment to National Grid NTS' GT Licence to avoid a breach of Section 105 of the Utilities Act.
21	24/08/2006	National Grid NTS to consider alternative options for publishing supply/demand data (e.g. baseline figures) used to calculate charges		
22	24/08/2006	Ofgem to report back at the next Gas TCMF on the requirements of EU Regulations with respect to non-discrimination, and to provide a guidance note on those circumstances where the Authority can deviate from the principle of single treatment for all Users.		