

Gas Transmission Charging Methodologies Forum

Draft Meeting Report: 07 May 2009

This report outlines the key discussions of the thirty second Gas TCMF meeting held at Elexon Offices, 350 Euston Road, London NW1 3AW on 7th May 2009. Supporting material can be found at www.nationalgrid.com/uk/Gas/Charges/TCMF

Attendees

Tim Davis (Chair)	TD	Joint Office
Amrik Bal	AB	Shell
Angus Paxton	AP	Pöyry Energy
Charles Ruffel	CR	RWE npower
Debra Hawkin	DH	National Grid NTS
Eddie Blackburn	EB	National Grid NTS
Ismail Gun	IG	Centrica
Jeff Chandler	JeC	Scottish and Southern Energy
John Bradley	JoB	Joint Office
Joy Chadwick	JoC	Exxon/Mobil
Jamie Paul	JP	RWE
Jemma Spencer	JS	National Grid NTS
James Thomson	JT	Ofgem
Julie Cox	JuC	Association of Electricity Producers
Martin Watson	MW	National Grid NTS
Richard Fairholme	RF	E.ON UK
Richard Miller	RM	Ofgem
Rekha Patel	RP	WatersWye Associates
Richard Street	RS	Corona Energy
Stefan Leedham	SL	EDF Energy

1. Introduction

TD welcomed attendees to the meeting.

2. Report of Previous Meeting

The meeting report of the forum held on 02 April 2009 was approved.

3. Review of actions

None

4. Update on Recent Pricing Discussion and Consultation Papers

4.1. GCM15 – User Commitment and Entry Capacity Cancellation Fees

DH gave this presentation. This proposal depends on whether UNC Proposal 0246, 0246A or 0246B is implemented. EB clarified that advice had been received that under the GT Licence, the term “Cancellation Fee” would be appropriate and so this term was used in Proposal 0246. Ofgem was unable to indicate whether the impact assessment envisaged for the Modification Proposal would encompass the charging methodology change. EB stated that National Grid NTS would probably not formally issue a charging proposal

to Ofgem until the necessary timeline was clear such that decisions could be taken together on the Modification Proposals and charging methodology changes. This was accepted by the forum. EB outlined the process by which specific charges are aligned to the TO and SO elements of charging.

4.2. GCM16 – Supply and Demand Balancing Rules and Supply Source Data

JS gave this presentation. She identified that two alternative proposals will be included within the consultation document. EB outlined the reasons for National Grid NTS' decision to consult on these two examples rather than the others. SL asked what effect Exit Capacity "re-jigging" would have on prices. EB did not believe that prices would be materially affected as the re-jigging would be between adjacent NTS Exit Points. EB acknowledged that this could tend to encourage DN usage at offtakes closer to the ASEPs and discourage DN usage at offtakes further away from ASEPs but did not believe the change in charges would be substantial. MW suggested that driving a more efficient use of the NTS would have a beneficial impact on prices.

4.3. GCM17 - QSEC New ASEP NTS Entry Capacity P0 Pricing

EB gave this presentation. This was aimed at closing a current loophole. He stated that the obligated capacity level at new ASEPs would be set at zero initially; however GCM17 was the best way of deriving the charges within the Transportation Model when a New ASEP was introduced as this represented the cost of increasing capacity from this level. This would make the charging methodology consistent for new and existing ASEPs. SL suggested that any cross-subsidy justification would apply in the same way to negative Long Run Marginal Costs. EB did not agree with this and outlined the reasons that the two issues were different.

EB concluded by presenting time-lines for all three consultations.

5. Optional 'Short-haul' Commodity Charging

DH gave this presentation. National Grid NTS believed that this charge may no longer be cost reflective. Definitions of distance need to cover occasions when system Entry Points at a single ASEP are distances apart. There was also a need to consider load factor, timeline assumptions, and whether there should be a minimum charge. National Grid NTS suggested, also, that charges could be updated automatically to reflect other indices. SL pointed out that the UNC only allows charging at Storage Points for own-use gas. National Grid NTS agreed to review this.

It was suggested that National Grid NTS should contact the impacted end users since any change could have a material impact on these businesses. National Grid NTS confirmed it had not written specifically to end-users in respect of this change as it wished for the discussion with shippers to proceed further in this forum. Analyses of each issue would be presented at the June forum. When the options were more defined, a presentation could be made at the Gas Customer Forum.

6. Charging Information

6.1. Charge Setting Quarterly Report

This has been updated and is on the National Grid website.

6.2. TO and SO Revenue Data (Five Year Forecast)

This is on the Joint Office website and will be presented at the next Forum.

6.3. DADSEC Report

This has been updated and now includes a full twelve months of data starting from April 2008.

6.4. Charging Methodology Statement Update

This has been updated to take into account the implementation of GCM12 and includes an appendix that covers the implementation of GCM05. The statement is now on the National Grid website.

7. Any Other Business

The next meeting will be held on Thursday 4th June 2009 at Elexon, 350 Euston Road, following the Transmission Workstream.