

## Gas Transmission Charging Methodologies Forum

### Draft Meeting Report: 03 September 2009

*This report outlines the key discussions of the thirty fifth Gas TCMF meeting held at Elexon Offices, 350 Euston Road, London NW1 3AW on 3<sup>rd</sup> September 2009. Supporting material can be found at [www.nationalgrid.com/uk/Gas/Charges/TCMF](http://www.nationalgrid.com/uk/Gas/Charges/TCMF)*

#### Attendees

Tim Davis (Chair)	TD Joint Office
Alex Barnes	AB Gazprom
Andrew Pearce	APeBP
Angus Paxton	AP Pöyry Consulting
Clive Woodland	CW Centrica
Debra Hawkin	DH National Grid NTS
Eddie Blackburn	EB National Grid NTS
Gareth Evans	GE WatersWye
Guang Yang	GY Centrica
Jeff Chandler	JeC Scottish and Southern Energy
Jemma Spencer	JS National Grid NTS
John Bradley	JoB Joint Office
Julie Cox	JuC Association of Electricity Producers
Mark Dalton	MD BG Group
Richard Fairholme	RF E.ON UK
Richard Jones	RJ xoserve
Richard Miller	RM Ofgem
Shelly Rouse	SR Statoil UK
Sofia Fernandez Avendaño	SFATotal
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 02 July 2009 was approved.

#### 3. Review of actions

*TCM 07/01 Advise whether Ofgem's views on the principle of zero reserve prices (as set out for PC76) still apply.*

RM expressed the view that the discussions should go forward without being constrained by this principle. TD expressed the view that Ofgem should not let discussions proceed too far on a course that would ultimately be rejected by Ofgem.

**Action Closed**

#### **4. Update on Recent Pricing Discussion and Consultation Papers**

##### **4.1. GCM15 – User Commitment and Entry Capacity Cancellation Fees**

National Grid NTS are awaiting the issue of Ofgem's impact assessment before proceeding further.

##### **4.2. GCM18 – NTS Entry Capacity Retention Charges**

Consultation on this will close-out on 14 September 2009.

#### **5. Optional “Shorthaul” Commodity Charging**

DH gave this presentation. A draft of the planned discussion paper (GD07) had been placed on the National Grid website and comments by 11 September 2009 were invited. A number of options were then outlined.

AB asked why a ten year depreciation assumption had been applied previously. DH responded that it had been determined as “reasonable” but no detailed methodology was behind it. The discussion paper would not include an initial National Grid NTS preference.

A variant within option two includes a “connection” element. JuC questioned the logic for this, suggesting that also applying a minimum connection charge would be double counting. EB explained that there was still an avoided cost of bypass that needed to be considered and therefore this was not double counting. SR asked how much the cost breakdowns, within option two, varied from year to year. DH agreed to investigate these historic breakdowns and advise the outcome.

RF asked what effect changing the shorthaul rates would have on the standard commodity charge. DH said that analysis on the commodity rates had been covered in a previous TCMF and the discussion document could include some analysis on the effects of options on the SO commodity rate. DH agreed to provide the impact of the proposals on the standard commodity charge.

**TCM 09/01: Advise TCMF of historic breakdowns of costs contributing to the shorthaul commodity charge and the impact of proposals on the standard commodity charge.**

EB emphasised that any charge would, in the future, change each year. DH added that this would apply in respect of whichever option was adopted.

CW identified that a load factor of 40% had been assumed throughout for option two and suggested alternatives may be more representative. DH suggested that applying the system load factor was appropriate, and advised that analysis of existing shorthaul loads suggested the average load factor for these was around 50%.

The draft discussion document will be updated in light of the discussion any written views submitted, and will be issued for consultation prior to the next TCMF.

#### **6. Transportation Model Update**

JS gave this presentation, demonstrating the improvements made, including how to add a new exit point. National Grid NTS would welcome volunteers to test the updated version, following some initial in-house testing, prior to a more general issue.

#### **7. Changes to 2009 QSEC Prices**

EB gave this presentation, explaining the changes in expansion constant and supply and demand, and the effect these have on prices. In addition, the obligated level at Cay Thorpe had increased which increased the entry price at this site. In response to

SFA, EB explained that entry prices had not been linked to allowed revenue since 2001. When the link was first broken, over-recovery had continued for several years.

BE confirmed that, for the purpose of the Transportation Model, Fleetwood continued to be treated as obligated capacity.

## **8. Changes to 2009 Exit Prices**

EB began by comparing indicative and actual data and the reasons for these changes. The change in TO Exit Capacity had particularly affected the weighted average prices. Showing a breakdown by LDZ Exit Zone, he demonstrated how reductions in Barrow and Teesside had affected the neighbouring zones. JuC asked for the difference in actual prices to be published in a similar format on the National Grid NTS website, which EB agreed to do.

**TCM 09/02: Publish, on the National Grid website, the results of the analysis of year on year changes to exit pricing data using the same components included in the actual vs. indicative analysis.**

## **9. Any Other Business**

EB referred to a question on under recovery at a previous TCMF. He explained that, contrary to the immediate expectation, analysis had indicated that this was more due to a reduction in throughput than changes in shrinkage costs.

SR raised the issue that the DADSEC report had not been updated on the website since March 2009. National Grid NTS therefore agreed to this action:

**TCM 09/03: Investigate why the DADSEC report had not been updated since March 2009**

It was agreed that the next meeting will be held on Thursday 1<sup>st</sup> October at Elexon, 350 Euston Road, following the Transmission Workstream. In addition, the first workshop on the Entry Charging Review will take place on 9<sup>th</sup> September 2009. It was agreed that documentation relating to this Review should be published in the TCMF area of the National Grid website.

**Action Log – Transmission Charging Methodology Forum 03 September 2009**

<b>Action Ref</b>	<b>Meeting Date(s)</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
TCM 07/01	02/07/09	5.1	Advise whether Ofgem's views on the principle of zero reserve prices (as set out for PC76) still apply	Ofgem (RM)	Ofgem advised that discussions should proceed on the basis that non-zero reserve prices might be acceptable <b>Closed</b>
TCM 09/01	03/09/09	5	Advise TCMF of historic breakdowns of costs contributing to the shorthaul commodity charge and the impact of proposals on the standard commodity charge.	National Grid NTS (DH)	
TCM 09/02	03/09/09	8	Publish on the National Grid website the results of the analysis of year on year changes to exit pricing data using the same components included in the actual vs indicative analysis.	National Grid NTS (EB)	
TCM 09/03	03/09/09	9	Investigate why the DADSEC report had not been updated since March 2009	National Grid NTS (EB)	