

Gas Transmission Charging Methodologies Forum

Draft Meeting Report: 01 October 2009

This report outlines the key discussions of the thirty sixth Gas TCMF meeting held at Elexon Offices, 350 Euston Road, London NW1 3AW on 1st October 2009. Supporting material can be found at www.nationalgrid.com/uk/Gas/Charges/TCMF

Attendees

Tim Davis (Chair)	TD Joint Office
Andrew Pearce	APeBP
Craig Purdie	CP Centrica Storage
Debra Hawkin	DH National Grid NTS
Eddie Blackburn	EB National Grid NTS
Guang Yang	GY Centrica
Jenny Boothe	JeB Ofgem
Jeff Chandler	JeC Scottish and Southern Energy
Joanna Ferguson	JF Northern Gas Networks
John Bradley	JoB Joint Office
Julie Cox	JuC Association of Electricity Producers
James Thomson	JT Ofgem
Richard Fairholme	RF E.ON UK
Richard Miller	RM Ofgem
Rekha Patel	RP WatersWye
Steve Fisher	SF National Grid NTS
Sofia Fernandez Avendaño	SFATotal
Stefan Leedham	SL EDF Energy
Shelly Rouse	SR Statoil UK
Simon Trivella	ST Wales & West Utilities

1. Introduction

TD welcomed attendees to the meeting.

2. Report of Previous Meeting

The meeting report of the forum held on 03 September 2009 was approved.

3. Review of actions

TCM 09/01 Advise TCMF of historic breakdowns of costs contributing to the shorthaul commodity charge.

Covered under agenda item 6.

Action Closed

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.

EB confirmed this had been published as requested and would be happy to respond to any follow up questions.

Action Closed

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

EB confirmed that the DADSEC had been updated and would be further updated as required **Action Closed**

4. Update on Recent Pricing Discussion and Consultation Papers

4.1. GCM15 – User Commitment and Entry Capacity Cancellation Fees

Ofgem's Impact Assessment (IA) is due to be published in October 2009 and National Grid NTS will issue the consultation report after the IA has been published.

4.2. GCM18 – NTS Entry Capacity Retention Charges

Prior to issuing a formal consultation report, a draft report will be submitted to Ofgem. The timing of the formal report will be such that Ofgem can decide on the charging and UNC proposals at the same time. One minor change, to reflect leap years, will be made to the previous proposal.

5. Charging Governance Review

JeB gave this presentation. She began by summarising the results of the consultation on options for charging governance. The Network Operators supported retaining the status quo; the majority of Users supported Option 3 (Subsume within the industry code governance). Ofgem preferred either Option 2 (Refine Licence Obligations) or Option 3 and suggested, in addition, that there would be change/implementation windows and only designated persons and code parties would be able to propose changes. JeB stated that Ofgem might only consider designating a party for the purpose of a single proposal after reviewing its prospective proposal.

SL questioned how a change window would operate if the time needed to develop a proposal extended beyond the window. JeB clarified that the window would restrict when proposals could be proposed and implemented but, once proposed, development of a proposal could continue for as long as necessary.

There was some debate regarding what applying Code governance processes to charging methodology changes would mean. EB believed that the charging methodology would become a Code ancillary document that would be governed and modified in the same way as other ancillary documents. This was, however, less clear in the case of the DNs which each maintain their own different statement of the charging methodology.

JeB then clarified that licence drafting will be developed and consulted on for both Options 2 and 3.

It was recognised that Shippers had been able to forward suggested methodology developments at TCMF. Some suggestions for change had been debated and in some cases the ideas were subsequently incorporated into National Grid NTS's Transmission charging proposals. This demonstrated that the current process does not prevent Shipper initiated suggestions coming to fruition. However, SL suggested that, had it been possible, EDF may have proposed an alternative to the 95:5 capacity:commodity split considered at DCMF. JF responded that, whilst she recognised the intention, it would be difficult for a Shipper to back up such an alternative proposal with the level of analysis Ofgem typically require from DNs to justify a change to the charging methodology.

6. Optional “Shorthaul” Commodity Charging

DH summarised the responses to the draft discussion paper and explained that an error in the flow distance calculation had been corrected. She then reviewed options 1, 2a and 2b/c against the licence and EU objectives. As a pragmatic way forward, a 50/50 pipe distance/connection costs split has been proposed. SL asked for an explanation of connection costs, and EB outlined that these were the costs associated with the SO commercial arrangements and not physical connection costs.

DH identified the impact on the shorthaul rates associated with options 1a, 1b and 2. To inform customer analyses, the following action was agreed:

TCM 10/01: Publish the spreadsheet behind the graphs presented in the shorthaul presentation.

DH asked if it would be appropriate to incorporate all the options in the discussion document. This was agreed - there would be opportunities to reduce the options at later stages of the consultation.

In light of the way in which the charging methodology is applied, National Grid NTS was proposing that storage facilities be excluded from the shorthaul tariff. No objection to this was raised.

Reviewing historic breakdowns of costs contributing to the shorthaul commodity charge, DH suggested that 2008/09 looked atypical and this may reflect the recently reported meter errors and the impact these had on Unaccounted for Gas. SL suggested that the errors affected both 2008/9 and 2007/8 and so this should not be the case. DH undertook to check the data presented and to clarify which years were impacted by meter errors.

TCM 10/02: Establish if the impact of recent meter errors affected both 2007/8 and 2008/9 unaccounted for gas.

Finally DH set out the next steps. Implementation timetables were set out with a view to the change being implemented in either April or October 2010, with the difference being whether or not Ofgem undertook an impact assessment. At this stage, RM felt that the materiality meant that the criteria for undertaking an impact assessment were unlikely to be met.

7. Charging Methodology Statement Update

DH identified that an updated statement is with Ofgem for consideration prior to formal publication.

8. Any Other Business

Following discussion of possible agenda items for the next meeting, it was agreed that the meeting planned for 5 November should be cancelled. Further consideration would be given as to whether or not to go ahead with the 3 December meeting. In the meantime, any urgent items can be discussed at the NTS Entry Capacity Pricing Workshops.

Action Log – Transmission Charging Methodology Forum 01 October 2009

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TCM 09/01	03/09/09	5	Advise TCMF of historic breakdowns of costs contributing to the shorthaul commodity charge.	National Grid NTS (DH)	TCMF advised at October forum Closed
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)	Placed on the National Grid website. Closed
TCM 09/03	03/09/09	9	Investigate why the DADSEC report had not been updated since March 2009	National Grid NTS (EB)	Now updated Closed
TCM 10/01	01/10/09	6	Publish the spreadsheet behind the graphs presented in the shorthaul presentation.	National Grid NTS (DH)	
TCM 10/02	01/10/09	6	Establish if the impact of recent meter errors affected both 2007/8 and 2008/9 unaccounted for gas	National Grid NTS (DH)	