

Gas Transmission Entry Charging Review

Meeting Report: 22 February 2010

This report outlines the key discussions of the fifth GTECR meeting held at Ofgem Offices, 9 Millbank, London, SW1P 3GE on 22nd February 2010. Supporting material can be found at www.nationalgrid.com/uk/Gas/Charges/TCMF

Attendees

Tim Davis	TD	Joint Office
Clive Woodland	CW	Centrica
Debra Hawkin	DH	National Grid NTS
Eddie Blackburn	EB	National Grid NTS
James Thomson	JT	Ofgem
Julie Cox	JC	AEP
Jeff Chandler	JeC	SSE
Paul O'Donovan	PD	Ofgem
Richard Fairholme	RF	EON
Roddy Monroe	RM	Centrica Storage
Rekha Patel	RP	WatersWye
Stefan Leedham	SL	EDF Energy
Siobhan Lismore	SiL	Heren
Shelley Rouse	SR	Statoil

1. Introduction

TD welcomed attendees to the meeting. There were no comments in regard to the notes of the previous meeting. .

2. Actions

ECR 13/01: EB to issue supplementary note asked for responses to the question 'what are the issues and problems with having high TO charges'.

Note issued and responses to GCD08 covered this question. **Action Closed**

ECR 13/02: UNC mods for (i)removal of zero reserve price and (ii) restriction of UIOLI release to when 90% of obligated has already been sold to be submitted at February Workstream

The UNC mods were taken to the February Transmission Workstream for discussion. There will be further development as a result of issues raised and they will be taken to the March Workstream for discussion. **Action Closed**

ECR 13/03: Potential costs for 'removal of the within day capacity revenue from neutrality' to be investigated.

The indicative costs provided ahead of the rough order of magnitude (ROM) analysis for this mod were between £82,000 and £171,000. **Action Closed**

[Post meeting note; the confirmed figures released from the ROM analysis were between £103,000 and £228,000. The analysis indicated that a 1st October 2010 implementation was not achievable.]

ECR 13/04: Update on Governance Review timetable and implications for Charging process to be sought from Jenny Boothe by next Gas TCMF.

PD stated that there had been a delay due to DECC and the EU third package. TD asked what would happen for charging proposals in progress when the new governance comes in. PD replied that this would be covered by the final proposals.

Action Carried forward

3. Discussion Paper GCD 08

EB gave an update on the discussion paper GCD 08. There were 9 responses of which 6 were in favour of removing the discounts and restricting the release of interruptible; 2 were against both issues and a further 1 was against the restriction of interruptible release. Of those that weren't in favour, there were concerns regarding the appropriateness of limiting the release of interruptible capacity. EB restated National Grid's belief that if there was no contractual constraint there was no necessity to release interruptible under the EU obligations.

JC said that the framework does not apply at all entry/exit points and therefore 'if no constraint' rule does not apply to all entry/exit points but does so at interconnectors.

EB commented that the alternative to restricting the release of zero reserve priced interruptible entry capacity (discussed in the ECRG) is to continue to release the prevailing level of interruptible entry capacity but at a price that reflects the likelihood of interruption. The EU objective to reflect costs incurred and the likelihood of interruption are contradictory. EB suggested the charge could be anywhere between 50% and 99% of the firm price. CW suggested that release should be at 90/95% of the firm price.

EB stated that the EU (ERGEG) recommendation is that monthly or longer term capacity should be sold at the sum of the daily costs. The implication of this is that the zero reserve price should go otherwise everything would need to be at zero reserve price.

SL raised the adjusted versus non-adjusted issue for interruptible. EB replied that if the charge for interruptible capacity applied to the adjusted capacity holding (i.e. post interruption) the firm price should apply, and that the approach of applying a price reflecting the likelihood of interruption to the un-adjusted quantity should result in the same average charges if the likelihood of interruption was accurate.

CW suggested that a tiered approach with some at zero price, some at a higher price and some at an even higher price, close to firm, might be appropriate but that this was really for phase 2.

EB said that pricing at $1/365^{\text{th}}$ of the annual cost leads to high commodity prices. Current EU multipliers are too high but moving to $1/365^{\text{th}}$ might be an extreme step and the EU may need to take a lead from the GB experience; however, phase 1 to remove the discounts is entirely consistent with the EU.

It was agreed that the next steps were for EB to publish the conclusions report on the discussion GCD08. Charging consultation GCM19 will be raised shortly, prior to the March QSEC auction, as would the supporting UNC mod. The UNC proposal covering interruptible capacity release would be discussed further within the UNC Transmission Workstream.

ECR 14/01: EB to issue Conclusions report on GCD 08.

ECR 14/02: EB to raise GCM19 prior to the March QSEC and DH to raise the supporting UNC mods

4. Entry Over Recovery Mechanisms

EB presented on the prevailing entry over recovery mechanisms and asked for views on whether they would be appropriate should firm discounts be introduced. TD asked what other options had been considered? EB replied that a zero notice for a reduction in charges had been considered but did not gain support through the TCMF discussions. This year the cold weather had resulted in an over recovery but it was not possible to change prices due to the requirement to set charges from the 1st of the month and the two months notice required, and hence there will be a TO Entry Commodity rebate. There was a general opinion that a short notice change sets a dangerous precedent.

RP commented that force majeure should be considered if there were to be any further changes to the over recovery mechanisms. CW stated that if the TO commodity was at zero there was a need to reconsider the mechanisms. This was because storage do not pay commodity and therefore do not get a rebate and force majeure have paid capacity but get no rebate since they have a zero flow and the credit is paid on flow. He also raised the issue regarding interest on money held in National Grid's bank account. EB answered that as Entry Capacity was paid up to 2 months in arrears, the level of implied over recovery would have to represent a number of months of actual revenue before National Grid was in a position of having the annual over recovery in the bank. It might be possible to change the charging arrangements so that if the over recovery was bigger than 1/12th of the annual target, the allowed revenue rebates/credits could happen earlier. The systems should be able to cope with this.

To summarise RP stated that this meant we would need to think about force majeure. CW and SL said that things were ok for now. The question as to whether this was a priority or issue was answered in the negative. Ofgem thought the level of review was OK for now.

5. Date of Next Meeting

The next meeting for the EGRG will be a teleconference and has been scheduled for Tuesday 16th March. This meeting will focus on the GCM19 consultation paper.

6. Any Other Business

The February Gas TCMF followed this meeting and minutes will be produced separately.

Action Log – Gas Transmission Entry Charging Review 22 February 2010

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
ECR 13/01	26/01/10	3	EB to issue supplementary note asked for responses to the question 'what are the issues and problems with having high TO charges'.	National Grid NTS (EB)	Action Closed
ECR 13/02	26/01/10	4.2	UNC mods for (i)removal of zero reserve price and (ii) restriction of UIOLI release to when 90% of obligated has already been sold to be submitted at February Workstream	National Grid NTS (DH)	Action Closed
ECR 13/03	26/01/10	4.2	Potential costs for 'removal of the within day capacity revenue from neutrality' to be investigated.	National Grid NTS (EB)	Action Closed
ECR 13/04	26/01/10	9	Update on Governance Review timetable and implications for Charging process to be sought from Jenny Boothe by next Gas TCMF.	Ofgem (RiM)	Action Carried forward
ECR 14/01	22/02/10	3	EB to issue Conclusions report on GCD 08	National Grid NTS (EB)	
ECR 14/02	22/02/10	3	EB to raise GCM19 by end of February and DH to raise the supporting UNC mods	National Grid NTS (EB/DH)	