

Technical group 2, Gas Transmission Charging Review

This group supports the development of the technical modelling of potential options for NTS entry charging arrangements.

From
Date and time of Meeting
Meeting materials

Victoria Volossov
20 Aug 2014, 10-12h

27 August 2014
Ofgem Millbank

<https://www.ofgem.gov.uk/publications-and-updates/fourth-technical-work-group>

1. Present

Laura Butterfield (NGG)
Jeff Chandler (SSE) (phone)
Pavanjit Dhesi (Interconnector)
Kirsten Elliot-Smith (Cornwall Energy)
Nigel Sisman (Sisman Energy Consultancy)
Lee Bowerbank (Exxon) (phone)
Julie Cox (EnergyUK)
Natasha Ranatunga (EDF Energy)

Richard Fairholme (Eon) (phone)
Gareth Davies (Statoil UK)
Colin Williams (NGG)
Nick Wye (Waters Wye)
Ofgem: Tim Aldridge, Alena Fielding, Victoria Volossov, Tom Farmer
CEPA/TPA: Ian Alexander, Debra Hawkin, Patrick Taylor, Andrei Vladareanu

2. Apologies

Graham Jack (Centrica)
Thomas Jesshop (Conoco Phillips)

Charles Ruffel (RWE)
Francisco Goncalves (Gazprom)

3. Overview of modelling results

3.1. Patrick Taylor (PT) presented slides on initial results from the model circulated prior to the meeting and available on the GTCR website. The presentation was in two parts, with the first part giving an overview of initial modelling results.

3.2. Recap of some model inputs:

- The model currently uses National Grid's slow progression future energy scenario. Model users will be able to input other scenarios. PT noted that other scenarios may have a relatively limited impact on the model results.
- At the moment the model starts in 2014/15. Any selected policy options can start in 2017/18 or an alternative date. This can be changed by the user.
- Multipliers can be changed year-by-year in the model. It was noted that it would be interesting to see multipliers within the extreme ranges of the draft Tariffs Network Code.
- The initial model results are based on no reverse flow BBL capability. However, the model has been developed with the functionality to select the year when BBL reverse flow capability (equal to forward flow capability) is possible. Participants' views on which date should be used for switching to BBL reverse flow capability (if considered appropriate) are welcome. **Action participants:** provide views on reasonable date.
- The initial model run results assumed NGG entry capacity charges at interconnection points (eg Bacton CAM) are treated as sunk. Whether capacity charges are treated as a sunk cost or a transaction cost in the modelling can be selected by the model user.

- Adjustments needed to recover the allowed revenue are applied in the same financial year in the model, not in the year after. There will be an option in the model to have zero commodity charge, with NGG recovering any shortfall subsequently.

3.3. A participant suggested that the model have the possibility of applying no capacity charges at storage entry/exit points to understand any impact on cross border flows.

Action

Participants to provide views on a reasonable assumption for start date of BBL reverse flows

Person – By

All – by 12 Sept 2014

4. Assumptions

Part 2 of presentation/ Assumptions

- 4.1. PT presented the kinked probability of constraint curve applied in the model. The model allows the user to define this probability of constraint curve for different ASEPs and potentially different supply sources. **Action participants:** give views on whether different groups of ASEPs or sources should have different curves.
- 4.2. Ian Alexander explained that currently the model assumes that any existing QSEC bookings will be used to support forecast flows in the model. The model doesn't include the possibility that NGG may release additional capacity.
- 4.3. It was noted that pricing assumptions will be important for flows at CAM points. In the current model wholesale gas prices are indexed at less than inflation. It was noted that GTS entry charges need to be indexed as well.

Action

Participants to give views on the probability of constraint curve, and if it should have a different shape for different groups of ASEPs.

Person – By

All – by 12 Sept 2014

5. Next steps

- 5.1. This meeting marks the end of the GTCR technical work group. We would like to thank participants for their valuable input to this process.
- 5.2. On 12 September the Gas Forum is set to publish an industry report on the four meetings, summarising discussions of the technical group, and covering options, price responsiveness, tariff modelling and the robustness of the outputs. To help inform the industry report we plan to publish the consultants' explanation of the model during w/c 1 September.
- 5.3. The industry report will give context for the model. We are considering ways of publishing the model while protecting commercially confidential data. The consultants are producing a user guide to accompany the model.
- 5.4. We plan to publish an Impact Assessment in Q4 2014, and to organise another stakeholder event before then.
- 5.5. To keep up to date with the GTCR, you can subscribe to the GTCR RSS feed: <https://www.ofgem.gov.uk/feeds/87224/rss>.