

Gas Transmission Charging Methodologies Forum (“Gas TCMF”) Draft Terms of Reference

Introduction

National Grid NTS proposes the establishment of a Gas Transmission Charging Methodologies Forum (“Gas TCMF”), similar to that in place for electricity transmission charging. This paper proposes Terms of Reference for such a forum, including the rationale for such a forum and its proposed membership, meeting frequency, scope of issues to be covered, appointment of the Chair and Technical Secretary and publication of papers and minutes. An initial work plan for the forum is also proposed for discussion by the forum.

Rationale

The relevant Gas Transporter Licence Conditions require National Grid NTS to keep its NTS Transportation Charging Methodology under review and to propose revisions to the methodology that would achieve the Relevant Objectives set out within the Licence. It would therefore be beneficial if a dedicated forum is established to allow National Grid NTS to provide information to the industry on its ongoing review of its Transportation Charging Methodology and other relevant charging methodologies and issues, and to provide an opportunity for Users’ views to be represented and discussed.

Meeting Frequency and Location

National Grid NTS will propose the date and venue for Gas TCMF meetings based on the requirement for industry discussions.

Membership

The following membership is proposed for the Gas TCMF:

- ❖ Existing UNC parties and all prospective UNC parties, limited to one representative for each party;
- ❖ Ofgem representatives;
- ❖ Representatives of end consumers (for example, energywatch, the MEUC)
- ❖ A lead representative nominated by National Grid NTS who will be supported at the Gas TCMF by a number of nominated National Grid NTS experts as appropriate to the agenda.

Scope

The Gas TCMF will consider:-

- the principles and methodologies in respect of setting
 - NTS Gas Transportation Charges (including TO/SO commodity charges, capacity charges)
 - NTS Connection Charges
 - NTS Metering Charges;
- supporting charge calculation tools;
- NTS transmission charging issues; and

- relevant charging developments in Europe.

The Gas TCMF will provide the opportunity for National Grid NTS to discuss recent or forthcoming progress to the development of its charging methodologies and for industry participants to raise relevant issues for discussion. It is the intention that this forum would provide the means for Users to raise issues they felt worthy of review and provide the opportunity for Users to provide comment on National Grid NTS proposed modifications to its charging methodologies.

For the avoidance of doubt, the Gas TCMF will not be concerned with the development of any consequential, or related, modifications to the Uniform Network Code (UNC), as these will be dealt with through the relevant UNC Workstreams.

Responsibilities and Appointment of the Chair

The Gas TCMF chair will be appointed by National Grid NTS on the basis that the forum is to play a key role in efficiently fulfilling National Grid NTS's licence obligations in respect of its Charging Methodologies.

The Chair will be responsible for ensuring the smooth running of the Gas TCMF and ensuring the Terms of Reference are met and regularly reviewed.

A Deputy Chair will also be appointed by National Grid NTS.

Responsibilities and Appointment of the Technical Secretary

The Technical Secretary will be appointed by National Grid NTS.

The Technical Secretary will be responsible for the preparation and distribution of the draft Agenda prior to each meeting, preparing and distributing the draft Minutes (and the summary of meeting report) after each meeting and preparing and distributing the final Minutes after approval. Papers will be distributed, if possible, one week prior to the meeting to all Members.

Use of National Grid's website

The Gas TCMF will have a dedicated page on National Grid's Industry Information website, under the Gas Charging area, and can be accessed at the link below.

www.nationalgrid.com/uk/gas

The website is used as the prime vehicle for notifying meetings, publishing a report following each meeting, publishing final approved minutes and storing presentations and papers. This means that all papers and final minutes will be available to an audience wider than TCMF members. Draft minutes will be circulated to attendees by email and minutes will only be published once they are finalised. In addition, a report containing a short summary of proceedings will be published on the website after each meeting.

Appendix 1. Draft Work Plan

In light of the potential changes to support implementation of the TPCR and enduring NTS offtake arrangements, it would be beneficial if an initial work plan was agreed at the first meeting. Clearly this work will require to be informed by the progress and outcome of the consultations and discussions on the TPCR and enduring NTS offtake arrangements (to be discussed at Ofgem's Enduring Offtake Working Group), which are anticipated to run in parallel with the above work programme.

A draft work plan is attached below for consideration.

Step I – Review of the current NTS transportation charging arrangements

- To review the current methodologies employed to determine capacity and commodity charges at NTS entry and exit points (**Feb 06**);
- To review the tools (Transcost/Graphical Falcon) that are employed to determine transportation charges based on the charging methodologies (**Feb 06**);
- To collate and assess stakeholder issues on current arrangements (**Jan - Feb 06**).

Step II – Consideration of the options and associated costs and benefits of amendments to the NTS Transportation Charging Methodologies

- To consider potential enhancements to the current NTS Transportation Charging Methodologies and supporting tools based on the stakeholder assessment undertaken in step I (**Mar - Apr 06**). This could include:
 - consideration of ways to simplify the current approach and the impacts on the cost reflectiveness of transportation charges;
 - comparison with the approach undertaken in respect of electricity transmission charging;
 - consideration of whether charges are levied on appropriate Users (e.g. whether storage users should continue to be excluded from paying the SO Commodity Charge on flows into storage and the SO and TO commodity charge on flows out of storage)
- To consider the options for required new charging methodologies for:
 - Entry/exit reserve price setting (**Feb - Mar 06**)
 - Managing under/over recovery of TO allowed revenue from the entry (and potentially exit) auctions (**Mar - Apr 06**).
 - Implementation of enduring exit capacity products (**consistent with Ofgem agreed work programme**).
- To consider the approach to be taken to rebalancing of NTS exit capacity charges

Step III - Development of proposals to amend the NTS gas transportation charging arrangements

- To develop detailed proposals to enhance the current arrangements and/or develop new methodologies consistent with developments under phase II (**Apr – July 06**)