

UNC Workgroup 0616S Minutes
Capacity Conversion Mechanism for Interconnection Points
Thursday 04 May 2017
Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW

Attendees

Andrew Blair	(AB)	Interconnector UK
Anna Shrigley	(AS)	Eni UK
Colette Baldwin	(CB)	E.ON
Colin Hamilton	(CH)	National Grid NTS
Graham Jack	(GJ)	Centrica
Jeff Chandler	(JCh)	SSE
John Costa	(JC)	EDF Energy
Karen Visgarda (Secretary)	(KV)	Joint Office
Les Jenkins	(LJ)	Joint Office
Malcolm Montgomery	(MM)	National Grid NTS
Peter Bolitho	(PB)	Waters Wye Associates
Phil Hobbins	(PH)	National Grid NTS
Rebecca Hailes (Chair)	(RH)	Joint Office
Robin Dunne*	(RD)	Ofgem
Sarah Carrington	(SC)	National Grid NTS
Steve Britton*	(SB)	Cornwall
Steve Pownall*	(SP)	Xoserve
Terry Burke	(TB)	Statoil

*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0616/040517>

The Workgroup Report is due to be presented at the UNC Modification Panel by 20 July 2017.

1.0 Outline of Modification

MM introduced the modification that was raised at the April Panel and he advised that this would be a self-governance modification, explaining that it was to provide a process for converting unbundled capacity into bundled capacity in compliance with the amended EU CAM code. He explained it was due to the amendment to the EU network code on capacity allocation mechanisms which was published into the EU Official Journal on the 17 March 2017 as regulation 2017/459. MM clarified that CAM required a capacity conversion mechanism with effect from 01 Jan 2018 to be offered to network users at interconnection points (IP), and this modification would introduce that process into the Uniform Network Code, and by doing so, would deliver compliance with CAM.

MM explained that users who held unbundled capacity on one side of an IP may wish to acquire matching unbundled capacity on the other side of the IP. However, because priority would be given to offering capacity as bundled as defined in CAM, then the user may find that they had no option but to buy a new bundled product to acquire capacity on both sides of the IP. This would then mean in some circumstances, without this modification, that the user would need to purchase capacity twice on one side of the IP.

MM said that there had been an ENTSOG consultation on the capacity conversion model which had been launched on 14 April 2017 with a close out date of 05 May 2017, and that National Grid NTS were currently reviewing the modification in light of the feedback to ENTSOG and any subsequent changes to the ENTSOG Model.

MM moved on to overview the schematic for the 'Available Capacity with Adjacent TSO' (on slide 28) which showed that a modification could be proposed based on several approaches ranging from "more restricted" to a 'more relaxed' approach regarding whether capacity was available with the adjacent TSO. He went on to explain the rationale behind it, regarding bundled and un-bundled capacity. He reviewed various options, and narrowed it down to two that were the most applicable, these were:-

- *Option 1. Capacity conversion request quantity is > unsold quantity of unbundled capacity offered* (MM said this was the option that was presently included within the Modification)
- *Option 2. Ignore status of adjacent TSO unbundled capacity* (MM said this was one other potential option to explore)

He said that the earlier feedback received indicated that when the unbundled auction was close to being sold out, then the Shippers would likely use the bundled auction, rather than both bundled and unbundled auctions.

Following a brief discussion, MM confirmed he would look at Option 2 in more depth and would provide a summary for the 01 June 2017 meeting.

New Action 0501: National Grid NTS (MM) to investigate Option 2 - *Ignore status of adjacent TSO unbundled capacity* and provide a summary for the 01 June 2017 meeting.

A lengthy general discussion took place surrounding the ENTSOG existing model and whether that should be generic or not, following on from this topic, a debate then took place regarding the overall process for bundled and unbundled capacity, in relation to price, availability and if it could be a Daily option. MM said the Daily Option was not possible as National Grid NTS had to deliver the solution by 01 October 2018 and a Daily proposal, would impact on that deadline, as well as the fact the systems were not configured to include Daily, as presently, it was designed to cover yearly, monthly and quarterly only. He also added that to include Daily would mean raising a new modification to encompass Daily, and this was not in the National Grid NTS's remit at the present time.

MM overviewed the Cash Flow Formula process concerning the three auctions: unbundled, bundled and resell, from a reserve price and a possible auction premium perspective. He also overviewed the Cash Flow Option and explained the most preferable from a National Grid NTS viewpoint, was the 'Suppress Invoice' monthly option.

MM highlighted the Commercial Validation, in that, National Grid NTS proposed to use 'Registered Capacity' to validate requests for capacity conversions, and as such, only unbundled capacity that was bought in an auction could be converted. This would mean that traded capacity could not be converted, with the original owner then making use of the Conversion Service. MM added this was the simplest approach and was easy to monitor, as in what capacity was purchased before and after CAM.

He said with regards to the ENTSOG model, this was to allow for the conversion of pre-CAM capacity only, high-lighting as per the ENTSOG model also, that then part conversion of quantity would be allowed, but part conversion of duration, would not be, hence there would be no ability to do a quarterly conversion of a yearly product, as it would have to be a yearly conversion.

He explained that the proposal was for the GB transition rule, which would allow enduring annual (Exit) capacity to be converted as an annual, quarterly or monthly product. A lengthy general discussion then took place surrounding the GB transition rule and AS and GJ both felt this did not have the required flexibility and was not a reasonable solution, in relation to the pre bundled capacity under CAM. MM agreed he would look at the model from a specific GB perspective as distinct from the existing ENTSOG Model, and SH/RD agreed to attend the June meeting with an Ofgem position concerning the implementation direction the modification should take regarding a potential solution.

New Action 0502: National Grid NTS (MM) to investigate the model from a GB perspective as distinct from the existing ENTSOG Model.

New Action 0503: Ofgem (SH/RD) to provide an Ofgem position concerning the implementation direction the modification should take regarding a potential solution.

MM confirmed he would update the Modification accordingly following the discussions in the Workgroup meeting in readiness for the June meeting, and said the Legal Text and Business Rules would be available in time for the July meeting.

New Action 0504: National Grid NTS (MM) to submit the formally amended modification for the 01 June 2017 meeting

New Action 0505: National Grid NTS (MM) to provide the Legal Text and Business Rules for the 06 July 2017 meeting.

2.0 Initial Discussion

2.1. Initial Representations

None received.

2.2. Terms of Reference

The standard UNC Workgroup Terms of Reference will apply and these are available at <http://www.gasgovernance.co.uk/mods>

3.0 Next Steps

RH confirmed that her expectations for the meeting on 01 June 2017 were to review the amended modification, together with the outstanding actions and to start to develop the Workgroup Report. She also stated that the Legal Text and Business Rules would be reviewed at the 06 July 2017 Workgroup meeting.

4.0 Any Other Business

None.

5.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

Workgroup meetings will take place as follows:

Time/Date	Venue	Workgroup Programme
Thursday 01 June 2017	Elaxon, 4 th Floor, 350 Euston Road, London, NW1 3AW	<i>Detail planned agenda items:</i> <ul style="list-style-type: none"> • <i>Review Amended Modification</i> • <i>Review Outstanding Actions</i> • <i>Development of Workgroup Report</i>
Thursday 06 July 2017	Elaxon, 4 th Floor, 350 Euston Road, London, NW1 3AW	<i>Detail planned agenda items:</i> <ul style="list-style-type: none"> • <i>Review Legal Text</i> • <i>Review Business Rules</i> • <i>Development of Workgroup Report</i>

Action Table (as at 04 May 2017)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0501	04/05/17	1.0	National Grid NTS (MM) to investigate Option 2 - <i>Ignore status of adjacent TSO unbundled capacity</i> and provide a summary for the 01 June 2017 meeting.	National Grid NTS (MM)	Pending
0502	04/05/17	1.0	National Grid NTS (MM) to investigate the model from a GB perspective as distinct from the existing ENTSOG Model.	National Grid NTS (MM)	Pending
0503	04/05/17	1.0	Ofgem (SH/RD) to provide an Ofgem position concerning the implementation direction the modification should take regarding a potential solution.	Ofgem (SH/RD)	Pending
0504	04/05/17	1.0	National Grid NTS (MM) to submit the formally amended modification for the 01 June 2017 meeting.	National Grid NTS (MM)	Pending
0505	04/05/17	1.0	National Grid NTS (MM) to provide the Legal Text and Business Rules for the 06 July 2017 meeting.	National Grid NTS (MM)	Pending