

**UNC Workgroup 0621 Minutes**  
**Amendments to Gas Transmission Charging Regime**  
**Wednesday 06 November 2017**  
**at Energy UK, Charles House, 5-11 Regent Street, London, SW1Y**  
**4LR**

<b>Attendees</b>		
Rebecca Hailes (Chair)	(BF)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Adam Bates	(AB)	National Grid NTS
Alex Healy	(AH)	Engie
Andrew Pearce	(AP)	BP
Anna Shrigley	(AS)	ENI
Charles Ruffell	(CR)	RWE Npower
Chris Hogg*	(CH)	NGN
Colin Hamilton	(CH)	National Grid NTS
Colin Williams	(CW)	National Grid NTS
Danishtah Parker*	(DP)	Cadent
David Mitchell	(DM)	SGN
Davide Rubini	(DR)	Shell
Debra Hawkin	(DH)	TPA Solutions
Gerry Hoggan	(GH)	Scottish Power
Graham Jack	(GJ)	Centrica
Henk Kreuze	(HK)	Vermillion Energy Ireland
Jeff Chandler	(JCh)	SSE
Joanne Parker	(JP)	SGN
John Costa	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kamila Nugumanova*	(KN)	ESB
Lee Bowerbank*	(LM)	ExxonMobil
Marcel Neef*	(MN)	BBL
Matt Hatch*	(MH)	National Grid NTS
Nahed Cherfa	(NC)	Statoil
Nick Wye	(NW)	Waters Wye Associates
Paul Orsler	(PO)	Xoserve
Paul Toole*	(PT)	NGN
Paul Youngman	(PY)	Drax Power
Pavanjit Dhesi	(PD)	Interconnector
Penny Garner	(PG)	Joint Office
Phil Lucas	(PL)	National Grid NTS
Richard Fairholme*	(RF)	Uniper
Richard Miller	(RM)	Ofgem
Robert Wigginton*	(RW)	Wales & West Utilities
Samuele Repetto*	(SR)	EDF Trading

Sean Hayward	(SH)	Ofgem
Sinead Obeng	(SO)	South Hook Gas
William Webster	(WW)	Oil & Gas UK
* via teleconference		

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0621/221117>

## 1.0 Introduction and Status Review

RH welcomed all to the meeting highlighting that there is a need for a discussion with regards to the agenda for the day and handed over to PG.

PG addressed the Workgroup by mentioning the concerns raised with the Joint Office that Modification 0636 had been added to the agenda. She first offered an opportunity for concerns to be aired as to why Modification 0636 is on the agenda for this meeting.

GJ said that it is the understanding that every 2<sup>nd</sup> meeting would concentrate on Modification 0621 only.

There is a concern that there is a lot of work and development required for Modification 0621.

PG explained that, to give adequate time to all parties, discussions with the proposer of Modification 0636 led to the decision being made that utilising this meeting was the best option.

When asked, it was confirmed that any alternates to Modification 0621 would be dealt with at the Modification 0621 Workgroup meetings.

A suggested way forward is put to the Workgroup that NTSCMF meetings could cover Modification 0636 plus anything else associated, and for Modification 0621 to move to its own Workgroup.

JCh said that having Modification 0636 covered within NTSCMF meeting dates was a reasonable suggestion, but requested that Modification 0621 is also reviewed on the NTSCMF dates.

In terms of Modification 0636, PG suggested that the Workgroup could ask UNC Panel for an extension, as there are further considerations for the Workgroup to determine and timescales could be very demanding, considering it is currently due to go to UNC Panel on 18 January 2018.

The Workgroup agreed that Modification 0621 should be discussed first on the agenda followed by Modification 0636.

Here is the suggested timetable for the upcoming meetings for NTSCMF; Modification 0621 and Modification 0636.

The workgroup then followed the agenda for Modification 0621 and Modification 0636

<b>Date</b>	<b>Topic to be covered</b>	<b>Workgroup</b>
06 December 2017 Elexon, London	NTSCMF and Modification 0621	NTSCMF
07 December 2017 (1pm start time) Elexon, London	Modification 0636, to take place after completion of Transmission Workgroup	Workgroup 0636
14 December 2017 St Johns Hotel, Solihull	Modification 0621	Workgroup 0621
18 December 2017 Joint Office, Pure, Warwick	Modification 0636	Workgroup 0636
20 December 2017 Solihull venue TBC	Modification 0621	Workgroup 0621
03 January 2018 Elexon, London	NTSCMF and Modification 0621	NTSCMF
04 January 2018 Elexon, London	Transmission Workgroup and Modification 0636	Workgroup 0636

## 2.0 Progress Update

### Diary Planning

CW confirmed that there is an intention to ask UNC Panel for an extension, provisionally to February 2018 but CW is mindful of the Ofgem Licence consultation and that there are concerns of time constraints being able to dedicate to Modification 0621 and indeed any other Modifications/Alternatives that might be proposed.

The Workgroup supported the suggestion that Modification 0621 Workgroup should be considered on its own (twice per month).

JCx asked Ofgem with regards to the Consultation, when is it likely that a decision and publication of responses will be made, SH advised that Ofgem are working on a response and intend to publish next week, 7 responses have been received so far.

PG advised that, on a best endeavours basis, Joint Office will support the Modification 0621 meetings as and when required.

PG suggested there is a discussion to be had regarding whether National Grid-led WebEx or other types of meetings might be useful; some of these might not be facilitated/minuted by the JO.

CW said that, as more capability is built in to the models, it may be appropriate to have some educational sessions and then feedback in to the Workgroup.

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It was agreed that, if there is a need for more than two Modification 0621 meetings per month, the additional meetings would be covered via a Webex, the two Modification 0621 meetings per month will be facilitated by Joint Office.

JCh said that Alternative Modifications might not be submitted until Modification 0621 is in a stable position.

HK suggested that Modification 0621 is considered at the next NTSCMF meeting on 06 December and Modification 0636 is moved to be considered after completion of the Transmission Workgroup on 07 December 2017.

### **Transition 2019 and 2021**

Referring to the material provided for today's discussion, CW explained the transition arrangements as outlined in the presentation which can be found here: <https://www.gasgovernance.co.uk/NTSCMF/221117> encouraging the workgroup for views on the transitional approach being proposed.

Whilst reviewing the information in the presentation on slides 6-8, GJ said that the information going in to the modification could be being too explicit, and thinks it might be worth having a degree of flexibility within the modification. Agreeing JCx said if the forecast is at an individual point level and the forecast is wrong, what impact would that have on the prices, suggesting it will lead to under and over paying.

HK added that if 100% is being used then at least the Shipper knows and has clarity and asked if what is being proposed is compliant with TAR?

CW will be adding in to the next iteration of the CWD Model a calculation for the cost assessment.

With regards to capacity based methodology, NW said that during the transition period multipliers of 1 etc. will lead to a greater recovery post 2019. If capacity based methodology commences with existing contracts, NW thinks 2021 is at least a year too early and suggests 2022 to allow derivation of FCC on the system and National Grid NTS being able to predict Entry and Exit prices based on 12 months' data. Discrimination is likely if FCCs are largely wrong.

AS asked if the justification on why transition is required can be included in the modification, adding that with a step change from zero capacity price to a non-zero capacity price, Shippers need to adjust to the new regime and asks for proper justification of how National Grid NTS are going to manage the transition.

RH confirmed that there will be a section in the Workgroup Report, justification for use of transition moving from Commodity to Capacity.

JCh supports the transition proposal suggesting that the impact on security of supply and the National Balancing Point (NBP) price needs to be looked at to look at any unforeseen impacts.

### **Transition and enduring compliance**

SH reiterated that the Ofgem Letter from February 2017 expressed concerns about having a commodity based tariff and suggested there needs to be more information about how National Grid NTS is ensuring compliance with TAR.

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NW suggested that an alternative would be less cost reflective on the basis if the FCCs are wrong, the FCC has a less cost reflective outcome than if you went through what is proposed as a step change.

When asked, CW confirmed that there will be more information on all of the compliance points being made on slide 9, possibly in December.

JCx suggested a 'postage stamp' approach from 2022, this being a fixed charge approach.

WW said that a transition period gives a better chance of getting to a cost reflective system.

PD asked for clarification on what National Grid NTS will be delivering in December, CW confirmed National Grid NTS will be delivering the proposal on Slide 9 with justification.

GJ added that any differences in opinion will be reflected in the Workgroup Report.

### **Proposal for Interruptible/Off-peak Reserve Price**

CH advised that National Grid NTS are looking at a number of methodologies and confirmed that the Interruptible/Off Peak Reserve Price will always will have a discount of at least 10%.

JCh advised that in the North East there are currently 4 or 5 PARCAs (Planning and Advanced Reservation of Capacity Agreement) which would create a high risk of interruptible. CH responded that in Code it says if there is something exceptional or different happened, National Grid NTS can revisit the percentage discount within the year.

AS asked for National Grid NTS to include an explanation as to why there is a discount on interruptible capacity. CH advised that he would have to look at the tariff code to see why it is mentioned in the first instance, adding that Article 16 mentions a reasonable discount.

CH confirmed that the reason why interruptible capacity is offered is so that capacity is always available.

GJ said it would be useful to explain what the 10% discount is for, e.g. reserve price of the equivalent firm product.

LB asked for clarification on the predicted liability and why a 10% discount is being offered if it is usually less than 5%. MH confirmed that National Grid NTS were looking for something simple which gives the industry certainty and should be easy to roll over, adding that he does not see any justification to use a 5% banding. Also, MH does not think it would give Users the opportunity to choose interruptible capacity if only a 5% discount is being offered.

MH also confirmed that National Grid NTS are not incentivising users to choose interruptible.

PY asked for any information on historical buyback costs as a close substitute.

**New Action 0621-1101 – National Grid NTS to provide aggregate figures for buyback costs year on year, historically going back 15 years at discrete points for use in the impact assessments.**

### **Avoiding Inefficient Bypass of the NTS**

AB took the workgroup through the four options and the two solutions being proposed, asking the workgroup for their thoughts.

PD asked when National Grid NTS will have a decision on which option to go with? CW advised the purpose of showing this is to share the challenges being faced with any of the four options.

JCx asked if National Grid NTS can come up with some form of methodology for Option 4 for the next meeting.

NW asked for confirmation that National Grid NTS are recommending a methodology that would sit inside Code and the formula outside of code.

### Transmission Services Revenue Recovery

CW advised there would be a revenue recovery approach particularly on these items:

- Existing Contracts
- Interim Contracts
- Interconnection Points

GJ asked how existing contracts will be treated from 2021. CW advised that a secondary capacity charge will apply to existing contracts.

NW added that if the timeframe is set at 2022, existing contracts could be excluded. Longer term he can see a case for excluding capacity charges for existing contracts.

This concluded the parts of the presentation material that CW felt were most important to go through, for more information, please review the presentation provided.

### 3.0 Development of the Workgroup Report

RH confirmed that the workgroup report will be updated when a further Amended Modification is received.

### 4.0 Next Steps

### 5.0 Any Other Business

CW asked for any feedback, comments, concerns and questions on the new National Grid website.

### 6.0 Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

Following earlier discussion, workgroup meetings for NTSCMF; Modification 0621 and Modification 0636 will take place as follows:

Time / Date	Venue	Workgroup Programme
10:00 Wednesday 06 December 2017	Elaxon, 4th Floor, 350 Euston Road, London, NW1 3AW	<ul style="list-style-type: none"> <li>• NTSCMF Gas Charging Forum</li> <li>• Workgroup 0621</li> </ul>
approx. 13:00 Thursday 07 December 2017	Elaxon, 4th Floor, 350 Euston Road, London, NW1 3AW	<ul style="list-style-type: none"> <li>• Workgroup 0636, to take place after completion of Transmission Workgroup</li> </ul>

10:30 Thursday 14 December 2017	St Johns Hotel, Solihull	<ul style="list-style-type: none"> <li>• Workgroup 0621</li> </ul>
10:30 Monday 18 December 2017	Joint Office, Pure, Lake View House, Tournament Fields, Warwick CV34 6RG	<ul style="list-style-type: none"> <li>• Workgroup 0636</li> </ul>
10:30 Wednesday 20 December 2017	Solihull venue TBC	<ul style="list-style-type: none"> <li>• Workgroup 0621</li> </ul>
10:00 Wednesday 03 January 2018	Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW	<ul style="list-style-type: none"> <li>• NTSCMF Gas Charging Forum</li> <li>• Workgroup 0621</li> </ul>
13:00 Thursday 04 January 2018	Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW	<ul style="list-style-type: none"> <li>• Workgroup 0636, to take place after completion of Transmission Workgroup</li> </ul>
10:00 Monday 23 January 2018	Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW	<ul style="list-style-type: none"> <li>• Workgroup 0621</li> </ul>
10:30 Tuesday 06 February 2018	Solihull venue TBC	<ul style="list-style-type: none"> <li>• NTSCMF Gas Charging Forum</li> <li>• Workgroup 0621</li> </ul>
10:00 Tuesday 20 February 2018	Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW	<ul style="list-style-type: none"> <li>• Modification 0621</li> </ul>

As at 22 November 2017					
Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0621-0301	06/03/17	3.0	National Grid NTS (CW) to articulate and capture Storage Review concerns within the Storage discussion document.	National Grid NTS (CW)	Carried Forward
0621-0404	24/04/17	4.1	'Avoiding Inefficient Bypass of the NTS' (one-pager) - CW and the Subgroup to revisit/re-word the final paragraph to add clarity, and re-publish.	National Grid NTS (CW)	Carried Forward
0621-0707	17/07/17	3.1	CW/LJ to check the calculations of CWD to better understand when to include the existing contracts, clarifying the influence on entry vs exit impact in the CWD model of existing contracts. This will be illustrated at future workgroup. <b>Action extension:</b> CW/LJo to give a view on materiality and analysis is required to see if the calculations cancel each other out. <b>Action extension 05/09/17:</b> CW to re-examine the principles behind the charging model and provides justification as to how NTS undertook the charging modelling.	National Grid (CW/LJ)	Carried Forward
0621-0901	26/09/17		<i>Plan and Change process:</i> RH; DR and CW to provide more information on ACER consultation plus the UNC consultation at the next meeting.	RH; DR; CW	Carried Forward
0621-0903	26/09/17		<i>Plan and Change process:</i> All to respond to the comments made in the presentation regarding the Impact Assessment, specifically slide 61.	All	Carried Forward
0621-1101	22/11/17		National Grid NTS to provide aggregate figures for buyback costs year on year historically going back 15 years at discreet points just for use in the impact assessments.	National Grid (CW/CH)	Pending