

**UNC Workgroup 0621 Minutes**  
**Amendments to Gas Transmission Charging Regime**  
**Thursday 14 December 2017**  
**at The St Johns Hotel, 651 Warwick Road, Solihull. B91 1AT**

<b>Attendees</b>		
Rebecca Hailes (Chair)	(RH)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Adam Bates	(AB)	National Grid NTS
Benoit Enault*	(BE)	Storengy
Charles Ruffell	(CR)	RWE Npower
Christiane Sykes*	(CS)	Shell
Colin Williams	(CW)	National Grid NTS
Danishtah Parker	(DP)	Cadent
David Mitchell*	(DM)	SGN
Debra Hawkin	(DH)	TPA Solutions
Emma Buckton	(EM)	NGN
Gerry Hoggan	(GH)	Scottish Power
Graham Jack	(GJ)	Centrica
Joanne Parker*	(JP)	SGN
John Costa*	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Nahed Cherfa	(NC)	Statoil
Nick Wye	(NW)	Waters Wye Associates
Paul Toole*	(PT)	NGN
Paul Youngman	(PY)	Drax Power Limited
Phil Lucas	(PL)	National Grid NTS
Richard Fairholme	(RF)	Uniper
Richard Miller	(RM)	Ofgem
William Webster	(WW)	Oil & Gas UK
* <i>via teleconference</i>		

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0621/141217>

## 1.0 Introduction and Status Review

The minutes from the previous meeting were approved.

## 2.0 Pre-Modification Discussion

RH explained that two Alternative Proposals to Modification 0621 have been submitted so far; 0621A (submitted by Storengy via Waters Wye and 0621B “Minimal Distortion” (submitted by SSE, as outlined at the last 0621 Workgroup meeting by Julie Cox of Energy UK). RH reminded the Workgroup that anyone intending submitting an Alternate to Modification 0621 needs to indicate to the workgroup in a reasonably straightforward manner that they are planning to submit an alternate.

The proposer of Modification 0621 is planning on asking the UNC Panel for an extension to the current reporting date to March 2018 UNC Panel. Alternates can be submitted up to the point when the Workgroup Report is complete, once the Workgroup Report is complete Alternate Modifications cannot be accepted.

The deadline for submitting an Alternate for inclusion to the UNC Panel in January 2018 is 05 January and 08 January is the deadline for all other papers for the January UNC Panel.

RH showed the Supporting Paper provided for the meeting to support the Storengy 0621A Alternate to Modification 0621.

NW advised, on behalf of Storengy, there are two minor changes to the text in paragraph 3. Page 15, the main point is the solution for Article 9 which, in Modification 0621, is proposing a 50% discount.

The Storengy Alternate Modification 0621A is proposing an 86% discount.

The explanation and rationale as to why an 86% discount is referred to in a separate document which is still in draft form and is published here:

<https://www.gasgovernance.co.uk/0621/141217>

This document has been produced to provide the rationale for having a greater discount of 86% rather than 50%.

The 50% is proposed within National Grid's Modification 0621, to remove double counting.

The provisions within EU TAR NC state that charges applied should reflect contributions to security of supply and infrastructure. Storengy is proposing that a storage discount of 86% is required to reflect these contributions.

Extensive analysis, previously outlined to the workgroup and highlighted in the supporting document shown at this meeting was based around Cheshire and compared the transmission cost of moving gas to offtakes in Cheshire utilising or alternatively not utilising the storage facility there. The costs of moving gas without utilising the storage facility is cheaper (average cost in kWh) which indicates that the cost applied via storage is excessive.

NW went on to explain the analysis on Table 1 explaining that the Average increase in unit cost to transport gas via the storage facility is 36% more expensive. Therefore 36% should be added to the already suggested 50% by National Grid NTS.

NW clarified that all storage sites would be included (now only MRA sites).

Based on an 86% discount, the impact of the proposed discount on Users of the network would be approx. £6m.

GJ asked National Grid to consider what the impact would be on User Commitment if a discount of 86% as opposed to 50% were to be applied.

**New Action 1201: Assess impact on User Commitment regime for entry and exit capacity for storage facilities for entry and exit based on 50% or 86%.**

When asked, NW confirmed that Modification 0621A does propose a different approach on the enduring regime (page 18) and that the discount applies to any form of capacity and is consistent with National Grid Firm or Interruptible Capacity.

Alternate Modifications 0621A and 0621B will be presented to UNC Panel on 21 December.

### 3.0 Progress Update

CW explained that all positions are still currently the same as when the Workgroup met on 06 December 2017 and that more of a change will be visible at next week's meeting on 20 December.

CW explained that the intention of the review for this meeting would include:

- Update since 06 December
- Overview of the high-level timeline
- Review items on the Impact Assessment list shown to the Workgroup last week.

RH mentioned that in addition to the above, consideration of any additional material for the EU consultation should be considered.

Starting with slide 5 of the presentation provided for the meeting, CW advised the Workgroup on some of the updates that are being made to the Modification, such as:

- Provision of additional clarity on certain areas
- Review of how to provide sufficient detail for the modification without over-complicating the solution (legal text) – finding the balance of detail
- Provision of additional detail where helpful to do so
- Include as the Modification is developed, the missing parts to the proposal to have a complete package to assess against and comment on
- Review of how to accommodate enduring processes for multipliers, interruptible and other aspects requiring an enduring process.

CW confirmed to the Workgroup that a formal Amended Modification is expected before the end of next week 21<sup>st</sup> December 2017.

It was also confirmed that Alternate Modifications 0621A and 0621B will have their own workgroup reporting dates.

#### **Avoiding Inefficient Bypass of the NTS (AIBoNTS)**

CW explained that National Grid is looking at the development of a capacity alternative and a commodity alternative and that the capacity alternative is challenging and quite complex. The current timescales are leading National Grid to think about the transition and the enduring solution and whether to have the same approach for both or not.

Consideration is being given to a reasonable distance (looking at sites that may 'just miss out'), looking at not just [50km] but also sites affected at 50.1km for example.

CW confirmed National Grid will consider how IPs will be dealt with during the transition period given that Transmission Services cannot be commodity based.

When asked, CW confirmed the existing calculation and that National Grid is looking at bringing it more up to date by reviewing costs and looking at distance.

JCx mentioned that there may be a flurry of justifications for an arbitrary value for the distance proposed of 59km in Alternate Modification 0621B.

JCx said that if the enduring solution for Capacity is difficult and complicated it can't be in the Modification, therefore, only the transition solution should go in the Modification.

There followed a discussion around the complexity and challenges being faced by National Grid in order to get the Amended Modification completed by 21 December. In order to meet this timescale, it is possible the transition arrangements rather than the enduring solution will be put in.

JCx mentioned that, if Modification 0636 is implemented before Modification 0621, the reference points in Modification 0621 will need to be changed.

It was also mentioned that Alternate Modification 0621B, Minimal Distortion (which has no transition) could be the way forward for short-haul as it remains commodity based rather than capacity.

Referring to slides 16 to 19, CW reminded the Workgroup that this information was shared at the last meeting and covers options on how the revenue recovery approach could be applied, adding that there is further work to do highlighted on slide 20 regarding the materiality assessment. It is hoped this will be shared at the Workgroup meeting planned for 20 December.

### **Timescales**

Moving on to Timescales, slide 24, CW reminded the Workgroup of the timescales the Workgroup are working towards. If anything changes the planning slide will be updated.

It was mentioned that it would be useful to have another line showing when National Grid plans to reflect when prices will be published, the earliest possible publication date and an earliest indication of prices too.

### **Plan and Change process**

CW talked through the dates around the timing of the consultation and that this is linked to the statutory consultation which Ofgem put out a couple of months ago, responses should be submitted by early January 2018.

JCx advised that as Substitution is not yet decided, allowed revenues are commonly known. If Avonmouth and Fleetwood get taken out, this could have a big impact.

### **Impact assessment**

CW reminded the Workgroup to provide as much feedback on Impact Assessments as possible.

Reflecting on the last time charges were changed, RH asked the Workgroup if it were possible to look at historic impact assessments; members advised that no Impact Assessments were carried out.

With regards to the requests received to date, RF thinks a lot of this will be covered in the Workgroup Report and thinks any specific time spent on the lists shown on slide 30 at this stage will be a duplication of effort.

The Workgroup agreed that largely, the listed items on slide 30 will be covered by development of the Workgroup Report. It was suggested that this list can be referred to upon completion of the Workgroup Report and that this can be used as a checklist.

#### 4.0 Next Steps

It is proposed that the Amended Modification 0621 will be submitted to the Joint Office on 21 December 2017.

#### 5.0 Any Other Business

None presented.

#### 6.0 Diary Planning

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

Time / Date	Venue	Workgroup Programme
10:0 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>
10:00 Wednesday 20 December 2017	St Johns Hotel, Solihull	<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>
10:00 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>
10:00 Tuesday 06 March 2018	Energy UK, Charles House, 5-11 Regent Street, London, SW1Y 4LR	<ul style="list-style-type: none"> <li>NTSCMF Gas Charging Forum</li> <li>Workgroup 0621</li> </ul>
10:00 Tuesday 20 March 2018	Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW	<ul style="list-style-type: none"> <li>Workgroup 0621</li> </ul>
10:00 Wednesday 04 April 2018	Solihull venue TBC	<ul style="list-style-type: none"> <li>NTSCMF Gas Charging Forum</li> <li>Workgroup 0621</li> </ul>

10:00 Wednesday 25 April 2018	Solihull venue TBC	• Workgroup 0621
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As at 14 December 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 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)	Carried Forward
0621-0901	26/09/17		<i>Plan and Change process:</i> RH; Ofgem and CW to provide more information on ACER consultation plus the UNC consultation at the next meeting.	RH; Ofgem; CW	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 discrete points just for use in the impact assessments.	National Grid (CW/CH)	Carried Forward
0621-1201	06/12/17		<b>New Action 1201:</b> All to visit the Impact Assessment Requests to date slide 33 <a href="https://www.gasgovernance.co.uk/ntscmf/061217">https://www.gasgovernance.co.uk/ntscmf/061217</a> and go through each bullet point on and suggest whether it fits in to Modification 0621 Impact Assessment or the Ofgem Impact Assessment. Also consider how the information can be provided.	All	Pending