

UNC Workgroup 0621 Minutes
Amendments to Gas Transmission Charging Regime
Thursday 20 December 2017
at The St Johns Hotel, 651 Warwick Road, Solihull. B91 1AT

Attendees

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 Cox*	(DC)	London Energy Consulting Ltd
David Mitchell	(DM)	SGN
Debra Hawkin	(DH)	TPA Solutions
Gerry Hoggan	(GH)	Scottish Power
Graham Jack	(GJ)	Centrica
Julie Cox	(JCx)	Energy UK
Nahed Cherfa	(NC)	Statoil
Nick Wye	(NW)	Waters Wye Associates
Nigel Sisman	(NS)	Sisman Energy Consultancy
Pavanjit Dhesi*	(PD)	Interconnector
Phil Lucas	(PL)	National Grid NTS
Richard Fairholme	(RF)	Uniper
Richard Miller	(RM)	Ofgem
Robert Wigginton	(RW)	Wales & West Utilities
William Webster	(WW)	Oil & Gas UK

* *via teleconference*

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

Apologies Jag Basi (ESB)

1.0 Introduction and Status Review

It was agreed that the workgroup will look to approve the minutes from the previous meeting held on 06 December at the next planned meeting on 11 January 2018.

JCx commented with regards to the lateness of material being published for the meeting, the process is getting messy with Modification 0636 and Modification 0621 and there is concern this is detrimental to the workgroup being able to have a good quality debate. Looking at the material cold, the workgroup cannot progress as effectively and efficiently as should be expected.

RH advised that having meetings this close together makes it very difficult. JCx said going forward the Workgroup needs to be better at all of this otherwise it could get really disorganised.

CW apologised and explained that his promise to get the Amended Modification out to Industry as promised by 21 December has been a contributing factor for the lateness of material for the meetings.

RH advised that fortnightly meetings require significant resourcing and given the workload it is probably the maximum frequency which can be supported by the J.O. at the moment, unless additional resources are made available.

With that in mind, the Workgroup agreed to look at rescheduling the planned meeting on 03 January 2018 in the Diary Planning part of the agenda, given the small number of working days there are in between now and then.

2.0 Progress Update

CW explained to the Workgroup the drive to get the Amended Modification out for 21 December 2017.

Talking through an onscreen review of the material provided at short notice to the Workgroup, there were many discussion points which are articulated below at a high level. For further detail please refer to the material provided and the Draft Amended Modification which both can be found here: <https://www.gasgovernance.co.uk/0621/201217>

CW confirmed that there was no change to the approach for Reference Priced Methodology (RPM); Forecasted Contracted Capacity (FCC); Multipliers; Interruptible and Specific Capacity Discounts.

CW confirmed that the Modification and its Alternates can be amended/refined up until the Workgroup Report is submitted to Panel.

Avoiding Inefficient Bypass Charge

National Grid presented the proposals under Modification 0621 that included updating cost inputs via inflation (RPI) and introducing a distance cap of 60km and for the transition period to be an alternative to Transmission Flow based charges.

For the enduring period (post 2021) this would require a separate modification to apply an updated calculation based on the charges in place at that time (i.e. all capacity based). Without that, the charge would no longer function as there would be no transmission flow based charges.

Discussion covered how this could work to keep the principle and overall ambitions of the charge in the proposal / code but not have the calculation that would work from 2021, thereby requiring a separate modification to deliver and develop the avoiding inefficient bypass charge.

There was a discussion about the indexation applied and how RPI on its own works if in previous price control periods it was RPI-X. National Grid agreed to review.

There was a discussion about the impacts on IPs and whether a commodity credit could compensate for the way in which the revenue recovery charges might work. Investigation would be required on the legal use of such a credit under TAR NC.

For IPs National Grid advised this in one area to review, in that the nature of the revenue recovery charges as proposed do need further assessment for the inefficient bypass charges working with IPs.

GJ stated that it is worrying that there is no enduring solution.

It was agreed by the Workgroup that a legal view is required as to whether the formula and in what context, should go in to Code. National Grid NTS confirmed that discussions were already underway with their Legal Text Lawyers.

When NW asked if there was any chance of a 2021 solution, CW advised that would be very difficult.

New Action 0621-1202: NG to review how, in a Legal capacity, the principle of a charge could be in code but without the calculation, if subject to a further modification to update. Can the Legal text be supplied using this approach.

New Action 0621-1203: NG to review how this proposal works with Interconnection points and the method of revenue recovery.

New Action 0621-1204: NG to review indexation using RPI and how, or if RPI-X, was used in setting charges in previous price controls.

Revenue Recovery

Summary of discussion:

National Grid presented the proposals under 0621 for the application of the Transmission Revenue Recovery charges. This covered the proposals given in the slides. Under some of the proposals it may be that some parties would want to discuss capacity classification that is taking place at Transmission Workgroup under the separate modification which is still at pre-mod stage (Treatment of Capacity at Combined ASEPs).

Discussion on the proposals followed.

Several parties expressed the view that keeping commodity charges as the recovery charge eliminates a lot of the complexities for the enduring approach and potentially may limit the number of alternates. If the recovery charge were to be small, there was challenge on whether capacity or commodity made much difference.

For historical entry contracts, there were questions on a capacity based recovery charge and that commodity was fairer.

It was also commented that for some, the potential error in any forecast for the recovery charges could lead to uncertainty.

A link to the avoiding inefficient bypass (shorthaul) charge was made, and that for IPs, in addition to the revenue that should or could be collected, this also needs to take into account the shorthaul arrangements.

Some participants wanted to understand materiality and sensitivity of the proposals. Where a charge is levied for IPs or Storage or Historical Contracts for example, what is the amount of revenue in question? This will help illustrate the size of the “issue” of charging or otherwise a recovery charge to IPs.

For Storage, some questioned the application of a recovery charge at storage and how this works with avoiding the double counting principle. This could be considered as part of the discount afforded to storage for the capacity discount. Analysis of the overall impacts of the changes in the 0621 proposal will look at the charges at all points.

Some suggested that storage should not attract the top up charge and links were drawn to Ofgem’s GTCR specifically about the storage approach for a top up charge.

CW confirmed that National Grid NTS are requesting an extension to March 2018 at UNC Panel meeting being held on 21 December 2017.

Post meeting update: *This extension was granted by UNC Panel.*

New Action 0621-1205: National Grid to include analysis on the revenue recovery proposals under UNC0621 to help demonstrate the potential levels of charges and revenues.

New Action 0621-1206: National Grid to illustrate for IPs the interactions with shorthaul to provide the steps of current methodology into new to show the scale of the “issue” of revenue recovery amounts.

3.0 Next Steps

National Grid confirmed the intention to submit an Amended Modification 0621 on 21 December 2017.

Post meeting update: *An Amended Modification was published on 21 December 2017: <https://www.gasgovernance.co.uk/0621>*

4.0 Any Other Business

RF said that, with only 5 meetings left before the workgroup report needs to be submitted to the March UNC Panel, the Workgroup needs a change in its approach to ensure completion by March UNC Panel.

PD advised that it is a challenge for anyone wanting to raise an Alternate and is concerned that if the timetable is as currently set, the Workgroup must see an alternate by March or April. There is concern that there will not be enough time for Alternates to be considered.

5.0 Diary Planning

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

Going back to the earlier discussion, RH asked the workgroup if they have any specific subjects they wish to discuss on 03 January.

Alternative dates from the Joint Office were offered to the Workgroup (09 January or 11 January) to provide more time to gather more analysis results than if the meeting went ahead on 03 January

The consensus of the Workgroup is to rearrange the next planned meeting from 03 January to the preferred option of 11 January 2018.

It was agreed that any material should be provided by close of play on 09 January ready for 11 January 2018.

Time / Date	Venue	Workgroup Programme
10:00 Wednesday 03 January 2018 CANCELLED	Elxon, 4th Floor, 350 Euston Road, London, NW1 3AW	<ul style="list-style-type: none"> • NTSCMF Gas Charging Forum • Workgroup 0621
13:00 Thursday 04 January 2018	Elxon, 4th Floor, 350 Euston Road, London, NW1 3AW	<ul style="list-style-type: none"> • Workgroup 0636, to take place after completion of Transmission Workgroup
10:00 Thursday 11 January 2018	Elxon, 4th Floor, 350 Euston Road, London, NW1 3AW	<ul style="list-style-type: none"> • NTSCMF Gas Charging Forum • Workgroup 0621; 0621A and 0621B
10:00 Monday 23 January 2018	Elxon, 4th Floor, 350 Euston Road, London, NW1 3AW	<ul style="list-style-type: none"> • Workgroup 0621
10:00 Tuesday 06 February 2018	Solihull venue TBC	<ul style="list-style-type: none"> • NTSCMF Gas Charging Forum • Workgroup 0621
10:00 Tuesday 20 February 2018	Elxon, 4th Floor, 350 Euston Road, London, NW1 3AW	<ul style="list-style-type: none"> • Modification 0621
10:00 Tuesday 06 March 2018	Energy UK, Charles House, 5-11 Regent Street, London, SW1Y 4LR	<ul style="list-style-type: none"> • NTSCMF Gas Charging Forum • Workgroup 0621
10:00 Tuesday 20 March 2018	Elxon, 4th Floor, 350 Euston Road, London, NW1 3AW	<ul style="list-style-type: none"> • Workgroup 0621
10:00 Wednesday 04 April 2018	Solihull venue TBC	<ul style="list-style-type: none"> • NTSCMF Gas Charging Forum • Workgroup 0621
10:00 Wednesday 25 April 2018	Solihull venue TBC	<ul style="list-style-type: none"> • Workgroup 0621

As at 20 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. UPDATE 11/01	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. UPDATE 11/01	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. Action extension: CW/LJo to give a view on materiality and analysis is required to see if the calculations cancel each other out. Action extension 05/09/17: CW to re-examine the principles behind the charging model and provides justification as to how NTS undertook the charging modelling. 18/12 update: CW this is about the influence of existing contracts in the proposal. Demonstrate difference between	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. 18/12 Update. Met last week and working through the effect of the ACER consultation – reasonably complex. Update to follow. CW to share the ACER template.	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 discreet points just for use in the impact assessments. Update:	National Grid (CW/CH)	Carried Forward
0621-1201	06/12/17		New Action 1201: All to visit the Impact Assessment Requests to date slide 33 https://www.gasgovernance.co.uk/ntscmf/061217 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	Carried Forward
0621-1202:	20/12/17		NG to review how, in a Legal capacity, the principle of a charge could be in code but without the calculation, if subject to a further modification to update. Can the Legal text be supplied using this approach.	National Grid (CW)	Pending

0621-1203:	20/12/17		NG to review how this proposal works with Interconnection points and the method of revenue recovery.	National Grid (CW)	Pending
0621-1204:	20/12/17		NG to review indexation using RPI and how, or if RPI-X, was used in setting charges in previous price controls.	National Grid (CW)	Pending
0621-1205:	20/12/17		National Grid to include analysis on the revenue recovery proposals under UNC0621 to help demonstrate the potential levels of charges and revenues.	National Grid (CW)	Pending
0621-1206:	20/12/17		National Grid to illustrate for IPs the interactions with shorthaul to provide the steps of current methodology into new to show the scale of the “issue” of revenue recovery amounts.	National Grid (CW)	Pending