

UNC Workgroup 0621 0621A 0621B
Amendments to Gas Transmission Charging Regime Minutes
10:00 Tuesday 06 February 2018
at St Johns Hotel, Warwick Road, Solihull, B91 1AT

Attendees		
Rebecca Hailes	(RHa)	Chair
Helen Bennett	(HB)	Secretary
Adam Bates	(AB)	National Grid NTS
Andrew Pearce	(AP)	BP
Anna Shrigley*	(AS)	Eni Trading & Shipping
Charles Ruffell	(CR)	RWE
Colin Williams	(CW)	National Grid NTS
Danishtah Parker	(DP)	Cadent
Debra Hawkin	(DH)	TPA Solutions Ltd
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
Jeff Chandler	(JCh)	SSE
Joanne Parker	(JP)	Scottish Gas Networks
John Costa*	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kirsty Ingham	(KI)	ESB
Matt Hatch	(MH)	National Grid NTS
Mehah Shah*	(MS)	ExxonMobil
Nahed Cherfa*	(NC)	Statoil
Nick Wye	(NW)	Waters Wye Associates
Nigel Sisman	(NS)	Sisman Energy Consultancy Ltd
Paul Toole*	(PT)	NGN
Pavanjit Dhesi	(PD)	Interconnector
Phil Lucas	(PL)	National Grid NTS
Richard Fairholme	(RF)	Uniper
Richard Miller	(RM)	Ofgem
Robert Wigginton	(RW)	Wales & West Utilities
Sinead Obeng	(SO)	South Hook Gas
Steve Pownall *	(SP)	Xoserve
<i>*via teleconference</i>		

1. Review of Minutes of previous meeting (23 January 2018)

The minutes were approved.

2. Pre-Modification Discussions

2.1. Draft 0621C Robert Wigginton WWU

No further update to provide to the Workgroup prior to going to Panel.

2.2. Draft 0621D Graham Jack Centrica

No further update to provide to the Workgroup prior to going to Panel.

2.3. Pre-mod 0621E of Uniper Potential Alternative Mod Proposal – Interaction with Electricity Capacity Market

RF talked the workgroup through the material provided for the new alternative modification 0621E explaining the 2-key differences to the National Grid Modification 0621.

1. Implementation of the full capacity-based charges should be from 2022 instead of 2021
2. Historical contracts are not subject to capacity-based revenue recovery charges, instead historical contracts will continue to be subject to a commodity charge.

The material covered concerns about a 2021 implementation, key benefits of a full capacity-based charging from October 2022 and historical contracts and revenue recovery.

RH asked if Ofgem will have made their decision on the implementation of Modification 0621 by January 2019 as quoted on the slide, RM confirmed the Ofgem decision would likely be made March 2019 and advised the timeline will be discussed later on in the meeting.

When asked, RF confirmed that commodity charges at IPs would only apply to historical contracts.

2.4. Pre-mod 0621F of Interconnector UK

No further update to provide to the Workgroup prior to going to Panel.

3. 0621 Progress updates

CW talked the Workgroup through an onscreen showing of the material provided for this meeting which can be found here: <https://www.gasgovernance.co.uk/ntscmf/060218>.

CW confirmed that his team have gone through the published Amended Modification 0621 v2.0 and is going through the process of removing any square brackets that are open to clarification. He provided the workgroup with an updated position of the following areas that had the square brackets:

- Section B (Capacity) / Section S Annex S-1 (Invoicing)
 - Changes will be made to Section B
 - Section S will be updated via a separate modification.
- Discount application
 - Applied to the Reserve price
- IP interaction with NTS Optional Charge
 - Proposal shared and discussed at UNC0621 workgroups in January. The Modification will be updated to reflect this approach.

- Enduring consultation for multipliers, interruptible post 2019
 - Consideration of how to cover the updating, or otherwise for those specific items. Proposal will be a “light touch” process without requiring Ofgem to make a decision each year.
 - Proposal will allow Ofgem to veto any update / replace value.
 - For both Multipliers and Interruptible National Grid do not envisage change in the short /medium term.

The Workgroup have previously been advised that for Interruptible/off-peak it is the intention to:

- To have an ex ante value in the proposal for October 2019 of 10% for Entry and Exit.
- Beyond 2019, propose ranges (e.g. 10% bands) for adjustments linked to the outcome of the Interruptible calculation. Value linked to a probability of interruption and the ‘A’ factor. Likelihood of interruption is very low.
- Banding provides stability in interruptible discount assuming interruption stays low providing certainty going forward.

Some members have a nervousness about not having a degree of opportunity to challenge a change to the value of 10% and that approval for any change to the 10% value would be by default.

JCh mentioned that with no methodology and nothing in the UNC code there is no way for the Industry to interject.

MH provided clarity that the intention for this topic is a very light touch on the basis that National Grid do not expect it to change from 10%.

NW suggested that it should be a governed process to change from 10% and recommended that the 10% figure is put in to UNC which would make sure that any change is properly governed.

Many members agreed that the Shippers still want the opportunity to be able to challenge and review any changes proposed.

JCx said there are various other things National Grid are required to consult on and suggested that either there is a methodology to support the 10% value or it should be put into UNC, but to have neither is risky.

There was then a discussion around Article 28 paragraph 2, which refers to the Tariff Period. See extract below (taken from EU Directive 2017/460:
<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32017R0460>)

Article 28

Consultation on discounts, multipliers and seasonal factors

2. The subsequent consultations shall be conducted every tariff period as from the date of the decision referred to in paragraph 1. After each consultation and as set out in Article 32(a), the national regulatory authority shall take and publish a motivated decision on the

New Action 0201: National Grid to consider the different tariff periods for different purposes in relation to Article 28 and confirm back to the Workgroup.

CW clarified the understanding that Tariff Period is assumed to be the Gas Year.

GJ said that, as a shipper you would want to have the opportunity/facility to change the value. If the value is just set for 2019 then a Modification can't change it.

MH confirmed that the general preference is to have figures in the modification itself and have them as enduring.

CW confirmed he has taken note of the preferences mentioned at Workgroup and will consider them.

New Action 0202: National Grid and Ofgem to consider implications of Article 28 paragraph 2.

Moving on to slide 6 of the presentation, CW confirmed that an updated Modification will be delivered and published on 16 February 2018 to allow discussion at the next 0621 meetings being held on 20 and 21 February 2018.

RH asked for clarity that system requirements are being worked on in the background. Both CW and SP confirmed.

CW then provided an update to outstanding action 0103:

Action 0103: National Grid to provide a summary of areas that are not open to change and those that might be (to aid consideration of likely alternative submissions).

Update: Confirmation was given in the material provided for this meeting which can be found here: <https://www.gasgovernance.co.uk/ntscmf/060218>. CW confirmed that:

- Alternatives have so far focussed on specific areas such as updating FCC, NTS Optional Charge, Revenue top up charge derivation and application (including Existing Contracts), Storage discounts, Bidirectional Interconnector discounts and Transition period duration.
- These aspects could potentially inform changes to UNC0621 as analysis develops on the alternatives.
- Other fundamental parts of the UNC0621 proposal are fixed (i.e. CWD, Interruptible, Multipliers, Non-Transmission, use of Transition).

NS asked if the Industry is aligned that Capacity Weighted Distance (CWD) and multiplier are set at 1. JCx added that it is more that the Industry are resigned that this could be the way forward and that there are a number of issues that still need to be addressed.

RM said that, with regards to the impacts of CWD, it is good to get as much information in the Workgroup Report as possible and to lay down why this is the best option.

It was suggested to use the information in the one-page documents that were produced from the Sub-workgroup meetings earlier on in this process to aid the Workgroup Report updates.

RH referred the Workgroup back to the Ofgem letter that was published for NTSCMF in March 2017:

<https://www.gasgovernance.co.uk/sites/default/files/ggf/Policy%20Update%20Open%20Letter.pdf>

Some attendees commented that CWD was more of a compromise.

JCx added that cost reflectivity needs to be clear in the workgroup Report.

PD asked National Grid to clarify that currently in the proposal, the NTS optional charge is an alternative to a flow-based top up charge, if at an Interconnection Point would it pay an optional short haul? CW advised that the text has been updated in the modification and also clarified that there is no discrimination between non-IP and IP.

Action 0103 Closed

RH advised the Workgroup that the Joint Office have published track changes versions of all of the alternative modifications, making it clear that these are reasonable best endeavours and for information only.

Alternative modifications will need to be updated based on the next published Amended 0621 but only if it is agreed that what is in the amended modification is what the proposer of the alternative is going with.

After a short break for lunch, RH talked to the workgroup regarding the proposed 2-day workgroup meetings in February and March and suggested that Day 1 is run from 10am to 4pm and Day 2 from 9am to 3pm.

RH also encouraged proposers of any alternative modifications to provide Joint Office with a narrative for their alternative so that it can go in the Workgroup Report.

CW then went on to slide 10 of his presentation which covered clarification and implementation impacts for the Quarterly System Entry Capacity (QSEC) and Annual Monthly System Entry Capacity (AMSEC) auctions.

Slide 13 of the presentation material advises that base-case scenarios are being developed ready to share at the next Workgroup meeting 20 and 21 February adding that the Cost Allocation Assessment calculation will require some assumptions to be made.

AB then went on to explain that the cost allocation assessment needs to be run. National Grid have several options for the cost drivers (capacity and/or distance) and revenue amounts (target revenue or collected revenue in transitional period). There will be an update on this at the 20 and 21 February Workgroup meetings, but in the interim, slide 14 of the presentation shows the current potential options (capacity cost driver in blue and revenue in green).

NW asked what the distance part means in CWD, CW advised that there are a number of ways to build this up in the context of TAR, there are a range of options as to how this is done. Assessment and rationale will be shared at the next meeting.

CW then took the workgroup through some information around the Plan and Change Process and the timescales that are now set, which also updates outstanding actions 0901 and 0104.

Action 0901: Plan and Change process: RH; Ofgem and CW to provide more information on ACER consultation plus the UNC consultation at the next meeting.

Update: Closed alongside 0104. **Closed**

Action 0104: Joint Office to outline/document the consultation and response process/timeline considering a) EU Compliance (OFGEM); and b) UNC Requirements (Modification 0621).

Update: **Closed**

Action 0105: All to provide summary of issues; concerns for inclusion in the 0621 Workgroup Report.

NG to provide a summary of the areas of discussion to be included in the Workgroup Report.

NW and JCh to provide a summary as to what justifies the % being suggested in each of the Alternative Modifications 0621A and 0621B

Update: NW has provided. Awaiting update from JCh. **Carried forward**

Action 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.

2301: update from PL – legal text is being worked on from a transitional point of view.

Update: Legal text is being drafted on this basis. **Closed**

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

Update: Closed

Timescales

CW advised he has been trying to look at where responsibilities lie and who will write the various reports in the ACER consultation process.

CW went on to propose the timeline documented on slide 18, explaining what the changes would mean for the consultation process:

- UNC Consultation, Final Modification Report, publication can all be done in time to get back to Panel within two months (i.e. if went to Panel in May, would be back to Panel in July. If in April, then June).
- The TAR NC Consultation done by National Grid would not be the final TAR NC Consultation
 - However, National Grid would still fill in all templates and submit to ACER to help inform and prepare for the final. Would serve as an Interim Consultation
 - Not restricted by TAR NC timescales as not the final version
- Final consultation under TAR NC could be the Regulatory Impact Assessment (RIA) consultation
 - The conclusion of the RIA consultation would therefore trigger the five-month requirement under TAR to make a decision.

To accommodate this, pending licence decision/direction for 0621, the alternatives raised so far are going in to February UNC Panel, if there are any further Alternatives raised, these will need to go to the March UNC Panel.

Currently the 5-month Ofgem decision process is set for July 2018 to November 2018 (bottom of slide 17). However, there are certain steps required during that 5-month period of time, and, during this time, ACER will submit their response to the consultation. It is therefore proposed that the Ofgem decision 5-month timeframe is moved out to run from October 2018 to February 2019 (see slide 18).

CW confirmed it is assumed that the 2019 QSEC runs under current rules.

Industry responses to the Ofgem regulatory impact assessment will also go to ACER, ACER then have a month to respond.

Modification 0621 template for the UNC consultation will be very similar to what the Joint Office normally use.

For the Interim EU TAR NC consultation, Users will have the option to input to that, which will have the same timescale as the Modification 0621 UNC consultation.

The Ofgem Impact Assessment will be the final EU TAR NC consultation.

There was lengthy discussion and some disagreement from attendees as to how many consultation processes there are going to be within the same timeframe.

CW clarified the UNC0621 consultation will be run in accordance to the UNC process. The EU process runs in parallel which will all help to inform Ofgem's decision.

New Action 0203: All to give comments to CW and RM on the timescale being proposed.

New Action 0204: All - If anybody disagrees that Ofgem should provide a 'minded to' position in its impact assessment to advise as soon as possible.

RH then showed on screen a recommendation that the Modification 0621 Panel extension request is made to report to UNC Panel in May as a more realistic date than April 2018.

When asked how Panel make their decision for recommendation to Ofgem, RH and RF confirmed that Panel recommends to Ofgem which modification better facilitates the relevant objectives and that Panel members vote on an Industry wide basis and not their own company.

RH then showed the workgroup the suggested timeline and **confirmed that Alternative Modifications need to be submitted by 2 March.**

RW said that the Workgroup Impact Assessment is very late in this whole process which is not helping with submission of Alternative Modifications. Many attendees agreed.

RM suggested that some good quality analysis from National Grid will help to mitigate that risk.

It was also confirmed that a 15-day consultation is normal, it is proposed that Modification 0621 will have a 25-day consultation.

4. Action updates

Action 0707: 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. **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.

Update: CW went through the slide (24 and 25, 26, 27).

JCh said that this could be discriminating against new entrants and JCx added that historical bookings being dealt with in this way are distorting prices.

NW says this needs to be in the Modification clearly setting out how it's going to work.

For more detail on the analysis and the explanation around this action, please see slides 24 to 28.

Action 0707 Closed

New Action 0205: NG new piece of analysis linked to Action 0707 – exploring the existing contracts enduring on exit prices.

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

Update: CW advised that the much cleaner way to do this is using ONS RPI and gave the rationale in his presentation (see slide 29). **Action closed**

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

Update: Carried forward

Action 0101: CW will produce a timeline and what/how the inputs for anticipated capacity component are fed in to that timeline.

Update: Carried forward

Action 0102: CW to add on to the timescales the different Systems development requirements for the different alternate Modifications.

Update: Carried forward

Action 0103: National Grid to provide a summary of areas that are not open to change and those that might be (to aid consideration of likely alternative submissions).

Update: Closed

Action 0104: Joint Office to outline/document the consultation and response process/timeline considering a) EU Compliance (OFGEM); and b) UNC Requirements (Modification 0621).

Update: Closed

Action 0105: All to provide summary of issues; concerns for inclusion in the 0621 Workgroup Report.

NG to provide a summary of the areas of discussion to be included in the Workgroup Report.

NW and JCh to provide a summary as to what justifies the % being suggested in each of the Alternate Modifications 0621A and 0621B

Update: NW has provided. Awaiting input from JCh. **Carried forward**

Action 0106: NG to respond to whether the implementation date for full capacity-based charges from 2021 to 2022 by 5 Feb at the very latest as it may have an impact on how users bid on the up and coming electricity Capacity Market auction.

Update: Timed out and not met – addressed within the alternative modification (0621E).
Closed

Action 0107: NG to clarify the system process around updating short haul rates and who is in control of what.

Update: In progress, will provide a view early next week. Update to be provided at 20 February meeting. **Carried Forward**

Action 0108: JO 3 options for 2-day workshops – week before any dates have a status update via t-con

Update: Next meeting on 20 Feb (10-4) Option for 21 Feb (9-3)

If no amended modification 0621 and model by 16 February, these may be postponed.
Closed

5. Development of the Workgroup Report

6. Next Steps

20 February 2018 topics:

- Updated CWD Model
- Base case scenarios

- Analysis and sensitivities update from National Grid

21 February 2018 topics:

- Further Analysis
- Development of the Workgroup Report
- Systems update

7. Any Other Business

8. Diary Planning

Time / Date	Venue	Workgroup Programme
10:00 Tuesday 20 February 2018	Elexon, 350 Euston Rd, London NW1 3AW	• Modification 0621
09:00 Wednesday 21 February 2018	Elexon, 350 Euston Rd, London NW1 3AW	• Modification 0621
17:00 Friday 02 March 2018	<i>Deadline for new modifications for March UNC Panel</i>	
10:00 Tuesday 06 March 2018	Energy UK, Charles House, 5-11 Regent Street London SW1Y 4LR	• NTSCMF and Modification 0621
10:00 Tuesday 20 March 2018	Elexon, 350 Euston Rd, London NW1 3AW	• Modification 0621
10:00 Wednesday 21 March 2018	London venue TBC	• Modification 0621
10:00 Tuesday 04 April 2018	Solihull venue TBC	• NTSCMF and Modification 0621
10:00 Tuesday 01 May 2018	Elexon, 350 Euston Rd, London NW1 3AW	• NTSCMF and Modification 0621
10:00 Tuesday 05 June 2018	Solihull venue TBC	• NTSCMF and Modification 0621

As at 06 February 2018					
Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
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. 1101 Update: CW this is about the influence of existing contracts in the proposal. CW will provide an update on the method of inclusion or exclusion in the CWD model for calculating reference prices including an explanation of the rationale.	National Grid (CW)	Closed
0621-0901	26/09/17		Plan and Change process: 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	Closed
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. 2301: update from PL – legal text is being worked on from a transitional point of view.	National Grid (CW)	Closed
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)	Closed
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)	Carried Forward
0621-0101	11/01/18	2.0	CW will produce a timeline and what/how the inputs for anticipated capacity component are fed in to that timeline.	National Grid (CW)	Carried Forward
0621-0102	11/01/18	2.0	CW to add on to the timescales the different Systems development requirements for the different alternate Modifications.	National Grid (CW)	Carried Forward

0621-0103	11/01/18	2.0	National Grid to provide a summary of areas that are not open to change and those that might be (to aid consideration of likely alternative submissions).	National Grid (CW)	Closed
0621-0104	11/01/18	2.0	Joint Office to outline/document the consultation and response process/timeline considering a) EU Compliance (OFGEM); and b) UNC Requirements (Modification 0621).	Joint Office (RH)	Closed
0621-0105	11/01/18	2.0	All to provide summary of issues; concerns for inclusion in the 0621 Workgroup Report. NG to provide a summary of the areas of discussion to be included in the Workgroup Report. NW and JCh to provide a summary as to what justifies the % being suggested in each of the Alternate Modifications 0621A and 0621B	All	Carried Forward
0621-0106	23/01/18	3.3	NG to respond to whether the implementation date for full capacity-based charges from 2021 to 2022 by 5 Feb at the very latest as it may have an impact on how users bid on the up and coming electricity Capacity Market auction.	National Grid (CW)	Closed
0621-0107	23/01/18	4.0	NG to clarify the system process around updating short haul rates and who is in control of what.	National Grid (CW)	Carried Forward
0621-0108	23/01/18	7.0	JO 3 options for 2-day workshops – week before any dates have a status update via t-con Next meeting on 20 Feb (10-4) Option for 21 Feb (9-3) If no mod and model by 16 Feb these may be postponed	Joint Office (RH)	Closed
0621-0201	06/02/18	3.0	National Grid to consider the different tariff periods for different purposes in relation to Article 28 and confirm back to the Workgroup	National Grid (CW)	Pending
0621-0202	06/02/18	3.0	National Grid and Ofgem to consider Article 28 paragraph 2	National Grid (CW) Ofgem (RM)	Pending
0621-0203	06/02/18	3.0	All to give comments to CW and RM on the timescale being proposed.	All	Pending
0621-0204	06/02/18	3.0	All - If anybody disagrees that Ofgem should provide a 'minded to' position in its impact assessment to advise as soon as possible.	All	Pending
0621-0205	06/02/18	4.0	New piece of analysis linked to Action 0707 – exploring the existing contracts effect on exit and entry prices – enduring.	National Grid (CW)	Pending