

UNC Workgroup 0622 Minutes Revenue Recovery at Combined ASEPs

Thursday 05 July 2018

at Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA

Attendees

Rebecca Hailes (Chair)	(RH)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Andrew Blair	(AB)	Interconnector UK
Andrew Pearce	(AP)	BP
Bill Reed	(BR)	RWE Supply & Trading GmbH
Debra Hawkins	(DH)	TPA Solutions
Graham Jack	(GJ)	Centrica
Jeff Chandler*	(JC)	SSE
Julie Cox*	(JCx)	Energy UK
Malcolm Montgomery	(MM)	National Grid NTS
Nick King	(NK)	CNG Services
Nick Wye	(NW)	Waters Wye
Paul Youngman*	(PY)	Drax
Phil Hobbins	(PH)	National Grid NTS
Richard Fairholme*	(RHa)	Uniper
Richard Hewitt	(RH)	BBLC
Robin Dunne	(RD)	Ofgem
Rowan Hazell*	(RH)	Cornwall Insight
Shiv Singh*	(SS)	Cadent
Sinead Obeng	(SO)	Gazprom Marketing & Trading
Steve Pownall	(SP)	Xoserve
Steven O'Hare	(SH)	GMO - NI
Terry Burke	(TB)	Equinor UK Ltd

*via teleconference

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0662/050718>

The Workgroup Report is due to be presented at the UNC Modification Panel by 18 April 2019.

1.0 Outline of Modification

Malcolm Montgomery (MM) provided an overview of the presentation 'UNC 0662: Revenue Recovery at Combined ASEPs' on Colin Hamilton's behalf, as he was not able to attend the Workgroup meeting and had sent his apologies.

Please see the presentation in full via this link: <https://www.gasgovernance.co.uk/0662/050718>

MM explained that the reason for the modification being raised was due to the fact that National Grid NTS were unable to identify storage points embedded within ASEPs as such, from a charging point of view. So Modification 0622 therefore, aimed to exempt historical 'storage capacity' at the combined ASEPs from the capacity based revenue recovery charge that may result from Modification 0621 (or one of its alternatives), and would subsequently be a 'fast follower' of Modification 0621.

MM said that National Grid NTS would propose to add an 'exempt quantity' as an adjustment to the definition of 'fully adjusted available entry capacity'. He then provided an overview of example schematics for the formula within the presentation documentation (see slides 9-10). Nick Wye (NW) asked whether when a shipper traded capacity, should the reduction come from the exempt quantity first. MM explained that there was an order and it should come from what a shipper had bought previously, that they did not now intend to use.

MM explained that Modification 0622 had two parts;

- Part 1: What was the mechanism to exempt "storage capacity" from a capacity based revenue recovery charge at a combined ASEP? and
- Part 2: What was the process to identify which capacity qualifies for exemption?

MM provided a brief explanation, as to the two-Part approach, with regards to the system solution within the context of the EU arena. Bill Reed (BR) said he found this approach odd and was confused as to the way it was being approached, as he thought Part 2, should be Part 1 and vice versa. MM explained it had to be approached in this manner, as certain assumptions needed to be made.

A general discussion then took place as to where this would apply, potentially at Bacton and Easington for example. A point was made that there might be abandoned capacity at Bacton due to offshore storage project(s) that never went ahead, with the question if how this would be identified? MM said that National Grid NTS would need to map the capacity that had bought, to the storage sites. MM also said that shippers would need to apply to National Grid NTS and make a documented case for this.

MM explained if long term capacity was bought historically to be used for Rough then a shipper could also make a case for this, however that this should not present an ongoing issue because Rough was decommissioned, and he added that National Grid NTS would need to identify that capacity had never been utilised. A question was asked if this proposed formula would cover capacity bought prior to 01 October 2019? MM said that this would be recorded as an action, and details would be presented at the August meeting.

New Action 0701: National Grid NTS (CH) to provide information with regards to the proposed formula covering capacity bought prior 01 October 2019 from an exempt capacity perspective.

Nick Wye (NW) wondered what Centrica Storage Limited (CSL's) strategy was, as in to buy all the capacity and trade it on to their customers, or for the customers to buy it direct from National Grid NTS. He added if this was the latter, then that would be easier to identify, and that perhaps a discussion as required between National Grid NTS and Centrica direct.

A general discussion took place regarding how redundant capacity for decommissioned sites would be identified, together with confidential and public domain applications. MM said that regarding these matters, investigations were still taking place and there was no firm view on this subject, as yet, however he proposed that there might be a separate document that sat outside the Uniform Network Code (UNC) to deal with this area, or that it may all be included within the (UNC).

Considerable discussion took place surrounding any potential costs and Graham Jack (GJ) said he would not want to see a cost for shippers to apply, BR agreed with this comment, but added, that it would depend on the materiality, however that a 'level playing field' still needed to be taken into consideration. MM said that the initial view was that no fee would be charged, but he caveated this, by saying CH would have to confirm this at the August meeting.

BR asked if Modification 0622 was consistent with the requirement of the TAR Code and both Nick King (NK) and MM said they believed it was, and MM said this area would be further discussed and confirmed at the August meeting.

New Action 0702: National Grid NTS (CH) to provide feedback on the proposed cost of the overall process and any associated costs that could be incurred.

2.0 Initial Discussion

2.1. Issues and Questions from Panel

Rebecca Hailes (RHa) overviewed the questions that had been proposed by Panel, as detailed below:

- Consideration of whether Self-Governance could apply

RHa asked for views on the Self-Governance status and National Grid NTS proposed the modification would be Self-Governance, as it was material to individual shippers, and not material for the whole industry, as the main test for Self-Governance was it material for the consumers. MM said it would be smeared at entry, rather than exit and the Self-Governance status felt appropriate in this context.

It was agreed that that National Grid NTS would provide information on any data that could be publicly disclosed, that may have a bearing on materiality.

New Action 0703: National Grid NTS (CH) to provide any data that could be publicly disclosed that may have a bearing on materiality.

- Consideration of the wider implications of ignoring the physical nature of the total system

Discussion deferred to the next meeting 02 August 2018.

- Assessment of the re-distribution of revenue recovery

A general discussion took place regarding the re-distribution of revenue recovery and the importance of all parties being treated in the same and fair manner. RHe requested that this question needed greater discussion at the 02 August 2018 meeting.

- Assessment of alternative means to achieve objective

RHe suggested in this context that an alternative modification may be needed in order to effect any alternative means of solving this issue and again this needed further discussion at the 02 August 2018 meeting.

2.2. Initial Representations

None received.

2.3. Terms of Reference

As matters and questions have been referred from Panel a specific Terms of Reference has been published alongside the Modification at <https://www.gasgovernance.co.uk/0662>

3.0 Next Steps

RHa confirmed that National Grid NTS would investigate the identification of sites and the deviations, together with the queries as discussed in the meeting, and these would be fed

back to CH from MM, in readiness for an update on the variety of topics in the 02 August 2018 meeting.

4.0 Any Other Business

Revenue Recovery Charge

Bill Reed (BR) suggested that the Revenue Recovery Charge under Modification 0621 would have many different facets, and RHa noted that until the outcome of Modification 0621 is known, the baseline is the current situation. No consideration regarding the baseline and no changes would be instigated until the outcome of Modification 0621.

Nick Wye (NW) said that apart from Modifications 0621C and 0621H, the overall Revenue Recovery Charge would be similar, as was the normal process. MM said that Modification 0622 would not be implemented against the baseline and that both Modifications 0653 and 0636 would have no impact. He reiterated that the defined Self-Governance status could not be totally confirmed until after the implementation of Modification 0621.

5.0 Diary Planning

Further details of planned meetings are available at: <https://www.gasgovernance.co.uk/events-calendar/month>

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:30 Thursday 02 August 2018	Ellexon, 350 Euston Road, London NW1 3AW	<p>Detail planned agenda items.</p> <ul style="list-style-type: none"> • Amended Modification • Review of Issues and Questions from Panel • Consideration of Business Rules • Review of Impacts and Costs • Review of Relevant Objectives • Consideration of Wider Industry Impacts • Consideration of Legal Text • Development of Workgroup Report

Action Table (as at 05 July 2018)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0701	05/07/18	1.0	National Grid NTS (CH) to provide information with regards to the proposed formula covering capacity bought prior 01 October 2019 from an exempt capacity perspective.	National Grid NTS (CH)	Pending
0702	05/07/18	1.0	National Grid NTS (CH) to provide feedback on the proposed cost of the overall process and any associated costs that could be incurred.	National Grid NTS (CH)	Pending

Action Table (as at 05 July 2018)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0703	05/07/18	2.1	National Grid NTS (CH) to provide any data that could be publicly disclosed that may have a bearing on materiality.	National Grid NTS (CH)	Pending