

UNC Workgroup 0670R Minutes
Review of the charging methodology to avoid the inefficient bypass
of the NTS

Tuesday 7 April 2020

Via Teleconference

Attendees		
Alan Raper (Chair)	(AR)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Penny Garner	(PG)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Nield	(AN)	Storengy
Alsarif Satti	(ASa)	Ofgem
Andrew Pearce	(AP)	BP
Anna Shrigley	(ASh)	Eni Trading & Shipping
Chris Wright	(CWr)	Exxon Mobil
Christiane Sykes	(CS)	Shell
Colin Williams	(CW)	National Grid
Dan Hisgett	(DHi)	National Grid
David Mitchell	(DM)	CIA
David O'Neill	(DON)	Ofgem
Debra Hawkin	(DH)	TPA Solutions
Ed Bentley	(EB)	Citadel
Henk Kreuze	(HK)	Vermilion Energy
Jeff Chandler	(JCh)	SSE
Kamla Rhodes	(KR)	Conoco Phillips
Kirsty Ingham	(KI)	ESB
Laura Johnson	(LJ)	National Grid
Niall Coyle	(NC)	E.ON
Nick Wye	(NW)	Waters Wye Associates Ltd
Nigel Bradbury	(NB)	EIUG
Nitin Prajapati	(NP)	Cadent
Pav Dhesi	(PD)	Interconnector UK
Raoul Thulin	(RT)	RWE
Riccardo Rossi	(RR)	Centrica
Richard Pomroy	(RP)	Wales & West Utilities
Sarah Cooper	(SC)	Interconnector UK
Sinead Obeng	(SO)	Gazprom
Steve Pownall	(SP)	Xoserve
Terry Burke	(TB)	Equinor

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0670/070420>

The Request Workgroup Report is due to be presented at the UNC Modification Panel by 16 July 2020.

1.0 Introduction and Status Review

1.1. Approval of Minutes (03 March 2020)

The minutes from the previous were approved.

2.0 Presentation on Operational Capacity Usage Commitment (OCUC) (Interconnector UK)

Pav Dhesi (PD) and Sarah Cooper (SC) from Interconnector UK provided an overview of the OCUCs or short-haul in Belgium presentation, which is a service which has been National Regulatory Authority, (NRA), approved as Network Code on Harmonised Transmission Tariff Structures for Gas, (TAR NC), compliant and approved by the Agency for the Cooperation of Energy Regulators, (ACER).

SC explained that this was a point to point service and she then provided a definition of the OCUCs as detailed: *'User and the TSO in the framework of proactive congestion management consisting of a commitment on the combined use of a given Entry Service at the interconnection Point with a given Exit Service at another interconnection Point, to avoid a potential congestion in the Transmission Grid, and without access to the market based balancing model nor to ZTP National Trading Services, as provided for in the Access Code for Transmission.'*

Richard Pomroy (RP) asked if the service was proposed to introduce or alleviate the congestion. SC said it was in relation to the Exit and Entry points not going through the network point to point, and said it was a two-step process. SC drew attention to specific areas of the presentation in relation to the commercial setup schematic, including the potential tie ins for the UK. She also provided a high-level synopsis of the comparisons of Modification 0718 - *Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS*, this information can be viewed via: [NTSCMF: OCUCs or Short-haul in Belgium by Interconnector \(UK\)](#)

Nick Wye (NW) enquired if the costs of providing this service were published, and how much the OCUCs were costing Belgium customers. SC said she would need to investigate this area as to whether that type of commercial information could be shared.

Jeff Chandler (JCh) asked if the service was restricted to IP & LNG points or whether others were available on the Belgium side as it seemed it was just IP and LNG points where gas was directed straight to the border and that storage was not included. SC said it was not extended, as it was only related to exit and entry on restricted routes and there was no additional benefit of including power stations on the network however, she added, that perhaps the model could be adapted.

RP said he was slightly perplexed, as this was a very different approach to Modification 0718 and he did not see the direct applicability in relation to that Modification and he viewed it as contrasting argument. SC said that this process had been sanctioned by ACER and the Belgium regulator and information about the service was being raised as an alternative model demonstrating how discounts to certain flows could be applied. PD said that other options could be considered for short-haul which would comply with the TAR NC. Alan Raper (AR) question the volumes in and out process and whether these always matched or whether there was an imbalance and SC said they always equalled out.

3.0 Transferred Capacity and Optional Charging Proposals (Gazprom)

Sinead Obeng (SO) explained the reason for the letter from Gazprom to National Grid was to draw attention to the operational issues defined in Modification 0718, in relation to transferred capacity and optional charging. This letter can be viewed at: [NTSCMF: Gazprom Letter](#)

SO added that even though the Modification had been withdrawn, Gazprom believed this issue was still relevant from a governance perspective and that they would like to propose a review was instigated, and should be supported by National Grid, to ensure capacity and optional charging was further explored. She highlighted the 3 main areas of concern as:

- 1) Beach / NBP swaps
- 2) Vertically integrated companies – upstream issues
- 3) Vertically integrated companies – downstream issues.

SO said that these issues needed to be resolved before 01 October 2020 to ensure that there was not a fragmented charging approach.

Colin Williams (CW) said that National Grid were presently considering their response to the letter, and had some views on the content, which would be addressed within their formal response.

Nick Wye (NW) and David Mitchell (DM) both asked Ofgem their thoughts on this topic and David O'Neill (DON) said that Ofgem were not able to comment at the current time. DM said that this response was not satisfactory and requested that an action should be placed on Ofgem to provide an update on the new capacity arrangements.

New Action 0401: Ofgem (DON) to provide an update on the new capacity arrangements.

A lengthy general discussion took place regarding short-haul and the option of exit capacity assignment, (not entry), and if PRISMA could offer a solution for introducing capacity assignment into the UNC or whether GEMINI could potentially introduce a temporary facility to permit transferred and assigned capacity to be recorded. There were divided opinions regarding these areas and SO again reiterated the need for a review group so all these matters could be discussed in greater depth. Both Anna Shrigley (AS) and Riccardo Rossi (RR) agreed that a review group was necessary.

AR said that clearly the capacity assignment topic was extremely complex and that there was a question on where this should reside from a further debating perspective. CW agreed and reminded the Workgroup that a Review Group to be established it would have to be formally proposed and that it would need to be very specific.

AR suggested that CW should have a discussion internally with the Capacity Access Review Team colleagues as to where this should reside from a debating forum perspective.

New Action 0402: National Grid (CW) to discuss internally with the Capacity Access Review Team as to where this forum should reside from a debating forum perspective.

4.0 Review of amended and Alternative Modification

Deferred until the May meeting.

5.0 Review of Business Rules

Deferred until the May meeting.

6.0 Review of Impacts and Costs

Deferred until the May meeting.

7.0 Review of Relevant Objectives

Deferred until the May meeting.

8.0 Consideration of Wider Industry Impacts

Deferred until the May meeting.

9.0 Consideration of Legal Text

Deferred until the May meeting.

10.0 Review of UNC Process

Deferred until the May meeting.

11.0 Next Steps

AR said the next meeting would be held on 05 May 2020 via Teleconference and the areas of discussion would potentially include:

- Review of amended and Alternative Modifications
- Review of Business Rules
- Review of Impacts and Costs
- Review of Relevant Objectives
- Consideration of Wider Industry Impacts
- Consideration of Legal Text
- Review of UNC process and next steps
- Development of Workgroup Report

12.0 Any Other Business

None.

13.0 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
10:00 Tuesday 05 May 2020	Via Teleconference	<ul style="list-style-type: none"> • Review of amended and Alternative Modifications • Review of Business Rules • Review of Impacts and Costs • Review of Relevant Objectives • Consideration of Wider Industry Impacts • Consideration of Legal Text • Review of UNC process and next steps • Development of Workgroup Report

Action Table (as at 07 April 2020)

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0401	07/04/20	3.0	Ofgem (DON) to provide an update on the new capacity arrangements.	Ofgem (DON)	Pending
0402	07/04/20	3.0	National Grid (CW) to discuss internally with the Capacity Access Review Team as to where this forum should reside from a debating forum perspective.	National Grid (CW)	Pending