

## UNC Workgroup 0729 Minutes Applying a discount to the Revenue Recovery Charge at Storage Points

**Tuesday 04 August 2020**

**via Teleconference**

<b>Attendees</b>		
Rebecca Hailes (Chair)	(RH)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Adam Bates	(AB)	South Hook Gas
Anna Shrigley	(ASh)	Eni Trading & Shipping
Bill Reed	(BR)	RWE
Chris Wright	(CWr)	Exxon Mobil
Colin Williams	(CW)	National Grid
Dan Hisgett	(DHi)	National Grid
Daniel Wilkinson	(DW)	EDF Energy
Dave Bayliss	(DB)	National Grid
David O'Neill	(DON)	Ofgem
Debra Hawkin	(DH)	TPA Solutions
Henk Kreuze	(HK)	Vermilion Energy
Jeff Chandler	(JCh)	SSE
Julie Cox	(JCx)	Energy UK
Julia Haughey	(JH)	EDF Energy
Kamla Rhodes	(KR)	Conoco Phillips
Kamila Nugumanova	(KN)	ESB
Laura Johnson	(LJ)	National Grid
Nick Wye	(NW)	Waters Wye Associates Ltd
Nitin Prajapati	(NP)	Cadent
Paul Youngman	(PY)	Drax
Pavanjit Dhesi	(PD)	Interconnector
Richard Fairholme	(RF)	Uniper
Ricky Hill	(RH)	Centrica
Sinead Obeng	(SO)	Gazprom
Steve Pownall	(SP)	Xoserve

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0729/040820>

The Workgroup Report is due to be presented at the UNC Modification Panel by 17 September 2020.

### 1.0 Approval of Late Papers

Rebecca Hailes (RH) said that a late paper had been published by the Joint Office regarding Modification 0729 and that it was a track change version of the Workgroup Report for Workgroup consideration.

## 2.0 Outline of Modification

Nick Wye (NW) explained that the original request for urgency status for this Modification had been rejected by Ofgem on 30 June 2020. He then walked through a high-level presentation and explained the purpose of the Modification was related to the revised NTS Charging Methodology (in place from 01 October 2020) which includes a discount for capacity purchased at storage sites of 50%, however, no such discount is applied to the application of the Revenue Recovery Charge (RRC). NW added the purpose of this Modification was seeking to reflect the Storage Discount in a discount to the RRC rate to be applied to capacity held at storage sites. NW said it was proposed that this change is introduced on 01 October 2020 or as soon as possible thereafter. This presentation can be viewed via: <https://www.gasgovernance.co.uk/0729/040820>

Bill Reed (BR) asked if NW had investigated the implications for the revenue recovery approach for interruptible capacity and NW said no that he had not looked at interruptible capacity as it was outside the scope of this Modification and he was not able to expand the Modification to include interruptible capacity. BR said that there was still an issue with the Shorthaul discount and the revenue recovery charge and he added, that storage was explicitly stated in Article 9.1. of the TAR Network Code. Rebecca Hailes (RH) said that perhaps another party might look to raise a further Modification to encompass interruptible capacity and BR said that he was exploring this option.

Pavanjit Dhesi (PD) said he was aware that Modification 0678/A/B/C/D/E/F/G/H/I/J (Urgent) - Amendments to Gas Transmission Charging Regime, had multiple proposals and Ofgem had made the decision to implement a new regime from October 2020, choosing 0678A. PD asked NW why was this Modification applying a discount to the Revenue Recovery Charge at Storage Points, had not been raised as part of Modification 0678 or one of its alternatives. NW explained that this Modification was always going to be raised in relation to the timing, as the 0678 Modification proposals had been 'pared down' as there was the possibility of a material revenue recovery charge (RRC) that National Grid could impose at any time. Colin Williams (CW) confirmed that Modification 0678A had been determined to be compliant with EU TAR as approved by Ofgem. He also provided a link to the associated EU TAR NC implementation document as follows: [https://www.entsog.eu/sites/default/files/entsog-migration/publications/Tariffs/2017/TAR1000\\_170928\\_2nd%20Implementation%20Document\\_Low-Res.pdf](https://www.entsog.eu/sites/default/files/entsog-migration/publications/Tariffs/2017/TAR1000_170928_2nd%20Implementation%20Document_Low-Res.pdf)

NW and CW said that the Legal Text for Modification 0729 would be reviewed further after the meeting and prior to the submission of the amended Modification. CW said that he did not see any major alterations or amendments needed to the Legal Text and NW concurred with this comment.

RH then provided a walk-through of the Workgroup Report and drew attention to specific areas of interest or requiring amendments. All agreed that this Modification should proceed with an Authority Direction status.

Within the Impacts and Other Considerations section, Bill Reed (BR) questioned the wording within the Consumer Impact Assessment area, as he felt there should be some reference made to cross-subsidy and under recovery.

Steve Pownall (SP) said that in relation to the Systems Impacts section he had spoken to the Gemini Team and National Grid in relation to how the invoices would be undertaken, as the system would not be operational for 01 October 2020, adding that the next major system release was not until November 2020 which was already full and so the next release that was potentially available was not until 2021.

CW said that this area had been discussed and that he had a more informed position on this matter. He confirmed that a manual solution would be required until the automated system

solution was available. NW also added that the number of sites that may be affected were very low.

RH then asked the Workgroup if they were happy for the Rough Order of Magnitude (ROM) to be requested and all agreed.

**New Action 0801:** Joint Office (RH) to request the Rough Order of Magnitude in relation to Modification 0729 - Applying a discount to the Revenue Recovery Charge at Storage Points

RH continued to provide a walk-through of the remaining sections of the Workgroup Report and asked if the Workgroup had any questions. Paul Youngman (PY) asked if there was a way to define the benefit to the consumers by pence per consumer site. NW said this was very difficult to do and CW said the pence per consumer was encompassed with the RIIO-2 and that it did not change the overall number. NW suggested that it would be worthwhile if the Workgroup referred to the Modification 0678 pricing and how it cycles.

NW gave an overview of the content of the appendix in relation to the recalculation of the Forecasted Contract Capacity (FCC) and explained that the impact analysis was based on the FCCs recorded in the National Grid Charging Notice.

NW said the aggregate storage annual Exit Forecasted Contracted Capacity (FCC) applied in Table 2 as below, is stated to be 174 TWh which in the opinion of the Proposer appears grossly exaggerated.

He added the Storengy had modified this FCC figure to provide what it believed to be an alternative and more realistic representation of annual aggregate Exit Capacity bookings, reducing the annual Exit FCC to 67 TWh as seen in Table 4 on page 4 below.

Table 2: Impact of Revenue Recovery Charge on storage

Under-recovery	Standard RRC (p/kwh)	Cost to storage (£ aggregate)	50% Discounted RRC (p/kwh)	Cost to storage (50% RRC) (p/kwh)	RRC uplift to non-storage Users (p/kwh)	% increase in RRC for non-storage Users
£30m entry	0.004620	£910,860	0.002310	£455,430	0.000075	1.62%
£30m exit	0.001265	£2,211,098	0.000633	£1,105,549	0.000050	3.98%
£10m entry	0.001540	£303,620	0.000025	£151,810	0.000025	1.62%
£10m exit	0.000422	£737,032	0.000211	£368,516	0.000017	3.98%
£50m entry	0.007699	£1,518,101	0.003850	£759,050	0.000124	1.62%
£50m exit	0.002109	£3,685,163	0.001054	£1,842,581	0.000084	3.98%

Table 4: Impact of alternative storage Exit FCC of 42 TWh per annum

Under-recovery	Standard RRC (p/kwh)	Cost to storage (£ aggregate)	50% Discounted RRC (p/kwh)	Cost to storage (50% RRC) (p/kwh)	RRC uplift to non-storage Users (p/kwh)	% increase in RRC for non-storage Users
£30m entry	0.004620	£910,860	0.002310	£455,430	0.000075	1.62%
£30m exit	0.00134	£908,970	0.000671	£454,485	0.000021	1.56%
£10m entry	0.001540	£303,620	0.000025	£151,810	0.000025	1.62%
£10m exit	0.000448	£302,990.18	0.00024	£151,495.09	0.000007	1.56%
£50m entry	0.007699	£1,518,101	0.003850	£759,050	0.000124	1.62%
£50m exit	0.002240	£1,514,950.89	0.001120	£757,475.45	0.000035	1.56%

In relation to the Impact of alternative storage Exit FCC of 42 TWh per annum, RH suggested that this area need greater clarification and NW agreed to provide more information on this matter in an amended Modification.

**New Action 0802:** Waters Wye Associates (NW) and Storengy (BE) to provide further clarification regarding the Impact of alternative storage Exit FCC of 42 TWh per annum.

RH said that NW would submit a further amended Modification and said that consideration was needed regarding the timetable concerning the consultation period. NW said he would address this area.

**New Action 0803:** Waters Wye Associates (NW) and Storengy (BE) to provide a further amended Modification with an updated timetable to encompass the potentially shortened consultation period.

### 3.0 Initial Discussion

#### 3.1. Issues and Questions from Panel

None raised.

### 3.2. Initial Representations

None received.

### 3.3. Terms of Reference

The standard UNC Workgroup Terms of Reference will apply and is available at [www.gasgovernance.co.uk/mods](http://www.gasgovernance.co.uk/mods)

### 4.0 Next Steps

RH confirmed that her aspirations for the next meeting were:

- Review amended Modification
- Development and finalisation of Workgroup Report

### 5.0 Any Other Business

None.

### 6.0 Diary Planning

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

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Programme
13.00 Wednesday 12 August 2020 (1-4pm)	5pm 10 August 2020	Via Teleconference	Detail planned agenda items. <ul style="list-style-type: none"> <li>• Review amended Modification</li> <li>• Development and finalisation of Workgroup Report</li> </ul>

**Action Table (as at 4 August 2020)**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0801	04/08/20	2.0	Joint Office (RH) to request the Rough Order of Magnitude in relation to Modification 0729 - Applying a discount to the Revenue Recovery Charge at Storage Points	Joint Office (RH)	Pending
0802	04/08/20	2.0	Waters Wye Associates (NW) and Storengy (BE) to provide further clarification regarding the Impact of alternative storage Exit FCC of 42 TWh per annum.	Waters Wye Associates (NW) & Storengy (BE)	Pending
0803	04/08/20	2.0	Waters Wye Associates (NW) and Storengy (BE) to provide a further amended Modification with an updated timetable to encompass the potentially shortened	Waters Wye Associates (NW) & Storengy (BE)	Pending

**Action Table (as at 4 August 2020)**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			consultation period.		