

UNC European Workgroup Minutes

Thursday 06 February 2014

Energy Networks Association, 52 Horseferry Road, London SW1P 2AF

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Alison Chamberlain*	(AC)	National Grid Distribution
Amrik Bal	(AB)	Shell
Anna Shrigley	(AS)	ENI
Charles Ruffell*	(CR)	RWE npower
Chris Shanley	(CS)	National Grid NTS
Clare Cattle-Jones	(CCJ)	ENA
Colin Hamilton	(CH)	National Grid NTS
Danielle Stoves	(DS)	Interconnector
Felicity Bush	(FB)	ESB
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
Hilary Chapman*	(HC)	Xoserve
Isabelle-Agnes Magne*	(IAM)	GDF Suez
James Thomson	(JT)	Ofgem
John Costa	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kirsten Elliott-Smith	(KES)	Cornwall Energy
Marshall Hall	(MH1)	Oil & Gas UK
Martin Connor	(MC)	National Grid NTS
Matt Hatch	(MH)	National Grid NTS
Mike Harding	(MH2)	DECC
Nahed Cherfa	(NC)	Statoil
Nick Wye	(NW)	Waters Wye Associates
Richard Fairholme*	(RF)	E.ON UK
Richard Lea*	(RL)	Gazprom
Roddy Monroe*	(RM)	Centrica Storage
Ryan McLaughlin	(RMc)	Ofgem
Sofia Eng	(SF)	EDF Energy
Victoria Volossov	(VV)	Ofgem

*via teleconference

Copies of all papers are available at: www.gasgovernance.co.uk/european/060214

1. Introduction and Status Review

LJ welcomed all to the meeting. At its January meeting the UNC Modification Panel considered the potential UNC impacts of the EU Codes and how best to progress the changes for the GB regime. It was felt that, to enable the fullest industry involvement and consideration of all issues affecting the UNC, a separate Workgroup should be established. This new European Workgroup (EUWG) has therefore been convened and will be held on the same day as the Transmission Workgroup (TXWG) each month. It is likely that, as there is not expected to be much conventional TXWG business to conduct over the coming months, the EUWG agenda will run first; however this will be kept under review and the Workgroups could be held on separate days if necessary.

A new web page has been set up on the Joint Office website, where information relating to the EUWG and its proceedings will be published: <http://www.gasgovernance.co.uk/european>. In addition to this, National Grid NTS publishes information relating to the EU Codes on its website: <http://www2.nationalgrid.com/UK/Industry-information/Europe/>

A new mailing list is being established for the EUWG using the existing TXWG list as a starting point; additional subscribers are welcome and should send a request to join the EUWG mailing list to: enquiries@gasgovernance.co.uk.

1.1 **Review of action transferred from the Transmission Workgroup meeting (09 January 2014)**

The following action TR0101 originated at the Transmission Workgroup has been transferred to the responsibility of the EU Workgroup.

TR0101: UNC Modification Plans – All to consider the best approach and provide views to Chris Shanley by 14 January 2014.

Update: Views had been provided by a number of parties and support was confirmed for an approach that implemented on a Code by Code basis (either one modification or a modification per area of change). CS confirmed that the programme was still on track to deliver appropriate modifications in the timescales proposed. Two modifications (Information Provision and SMP Buy and Sell) were likely to be raised in Q1 2014 for submission to the March UNC Modification Panel. **Closed.**

2. **General Update**

An update was provided on the status and timelines of each of the EU Codes. There were no major changes to the phases or the approach.

3. **EU Code Updates**

EU Interoperability and Data Exchange Network Code

MC outlined the current position and explained the two changes proposed by ACER, noting that Art 20 (Data Exchange) goes beyond the Framework Guidelines and is of some concern. The EC is also drafting an Impact Assessment. Attention was drawn to an ENTSOG Workshop on common Data Exchange solutions planned for 25 February 2014, and involvement was encouraged. It is really important for GB parties (other than National Grid) to participate and express their views as they will apply to Shippers also.

Comitology meetings will take place in April and July. Compliance will now be required for 01 October 2015.

Tariff Code and Incremental Capacity Amendment

CH outlined the current position and drew attention to the two launch documents now published. The project phases were illustrated, alongside the timeframe for the development of the TAR NC. Phase 1 has been completed, and Phase 2 has commenced, with Phase 3 is due to start in August. A number of emerging issues from Stakeholders had been identified and these were briefly considered. No priority had been assigned so far.

A number of topics would be covered at the SJWS next week, (it was noted that dates of future SJWS meetings were indicated on Slide 16 of the presentation - parties can plan to participate and express views). MH strongly encouraged GB stakeholders to engage in Europe on these new Code areas of Tariffs and Incremental Capacity. The great importance of GB Stakeholders expressing GB views throughout the development process of all EU Codes could not be

overstated – it was extremely important to make these views known, to participate and thus be able to influence outcomes.

4. **UNC Modification Plans**

Potential timescales for modifications planned during Phase 2 were summarised by CS. There were no major changes from the version discussed in January.

5. **EU Implementation Programme – System Developments Update**

There was no update this month – deferred to the March EU Workgroup.

CS indicated this would become a more regular update as the year progressed and as modifications are implemented.

6. **Draft EU Modifications**

6.1 **Congestion Management Procedures (CMP) – Long Term Use It or Lose It (LTUIOLI): Interim Solution**

CH gave a presentation, advising that National Grid NTS intends to submit a modification to the February UNC Modification Panel. The mechanism was intended to apply at Interconnection Points (IPs) only, and only when capacity is “sold out”. There would be two key parts to the modification: Monitoring (monitors a User’s use of capacity) and Withdrawal (a mechanism for facilitating this). The requirements under CMP were explained. Ofgem has to be provided with the relevant data, and it was proposed to use the existing surrender process for the withdrawal element.

There were a number of considerations to take into account:

- Compliance with CMP
- Clear process with objective test for underutilisation
- Monitoring to be performed by TSO and reported to NRA and affected shippers
- Allow for Shipper justification for underutilisation to be provided
- Determination by the Authority if withdrawal should occur
- Calculation of withdrawal quantity
- TSO to use the surrender process to manage withdrawal
- Process to be reviewed as part of the CAM implementation in 2015 as this is only an interim solution
- Who, what, why, how and when.

CH then moved on to explain with illustrated examples how this was proposed to be accomplished.

The key issue was what to monitor, and for the UNC regime it was National Grid’s view that **entitlements**, rather than **holdings**, should be used to monitor utilisation. (This approach maintains current arrangements.)

National Grid NTS had some initial thoughts on Shipper Notification and Justification, and CH explained a potential notification process, whereby National Grid NTS would notify Ofgem and all relevant Shippers on their utilisation rate at each IP every six months (Oct-Mar, Apr-Sept). This degree of utilisation could be reported using “traffic light” analogy, whereby:

- **GREEN** = utilisation 80% or over
- **AMBER** = utilisation under 80% over 6 month period

- **RED** = utilisation under 80% over two consecutive 6 month periods

Red will trigger the process but this does not mean that withdrawal will automatically happen. A justification process would be triggered so that a Shipper has the opportunity for explanation and demonstration of any evidence in support of actions it has been taking in respect of utilisation.

CH then presented initial views on a potential default calculation of Withdrawal Quantity. Having considered whether it should provide Ofgem with a “default” withdrawal quantity, National Grid NTS had developed some simple options for a default withdrawal quantity calculation:

- Option 1: Withdraw all forward entitlement from affected shipper
- Option 2: Withdrawal of a set percentage
- Option 3: Calculated % reduction that would have created 80% utilisation over monitoring period.

Option 3 was suggested as the default. It was noted that Ofgem can direct a different quantity to be withdrawn, and has discretion over quantity and duration.

A Utilisation Monitoring Report would be produced for Ofgem every 6 months, who can reject and direct differently. Withdrawal would be based on the existing surrender process. National Grid NTS would submit surrender offers (on behalf of any affected Shipper) per calendar month/quarter (or annual quantity) per affected IP. The hierarchy of allocation needs to be considered: Unsold -> voluntary surrender -> withdrawal -> non-obligated. CH explained what would happen, and in what order. There was a brief discussion relating to auctions, with CH explaining that, for various reasons, National Grid NTS was minded not to touch QSEC. The process for withdrawal (entry) and the effects on the various parties was explained and illustrated with a number of graphical examples.

Summary

Concluding the presentation, CH then summarised the key points and emphasised this was providing an interim solution before moving to CAM in 2015. It will only be triggered if there is no unsold. The aim is to minimise changes to systems and look to utilise existing functionality. It uses a transparent utilisation test, and allows an appropriate period for a Shipper challenge to “justify” its utilisation. Withdrawal would be based on existing surrender processes until CAM is implemented. Utilisation monitoring has already commenced (from 01 October 2013), and the first report is to be made in April 2014. A LTUIOLI withdrawal instruction from Ofgem could occur post- October 2014. The first withdrawal could be February 2015 AMSEC or March 2015 QSEC auction for entry, and July 2015 for annual enduring exit. CH added that he would try and avoid QSEC if possible, and would prefer to look at annual auctions only for this interim solution.

Responding to questions on how ‘unsold’ would be identified, CH explained the process and the hierarchy in which checks/tools would be applied. If a party underutilised its capacity and there is no demand it would not be called in. It has to be an identified position of contractual congestion for the mechanism to be used. It is trying to avoid parties sitting on capacity at congested points and moving it back into circulation to be utilised more efficiently. It only refers to Bacton and Moffat in GB. When asked on what basis congestion was determined, CH responded that it was at a mechanical level and would have to happen at the auction.

Next Steps

It was National Grid NTS’s intention to submit a proposal to the February UNC Modification Panel. It would include draft guidance on the calculation of utilisation (and derivation of default withdrawal quantity) for discussion at the March Workgroup.

6.2 EU Gas Balancing Code – Information Provision changes required to align the UNC with the EU Code

A draft modification was presented for discussion. CS reiterated the background and outlined the purpose of the draft modification. The European Network Code on Gas Balancing of Transmission Networks (the “Balancing Code”) sets out the information to be provided by Transmission System Operators (TSOs) to Users and the corresponding requirements of the TSO, distribution system operator (DSO) and forecasting party. Most of the articles within the information provision chapter of the EU Code have no impact on the GB regime, however there are a few minor changes required.

With regard to the non daily metered forecast change, three options had previously been considered and the favoured one had been included in this draft modification.

There is a requirement for National Grid (as the TSO) to provide Shippers with:

- a forecast of their non daily metered offtakes for gas Day D-1 no later than 12:00;
- a report on the accuracy of the non daily metered forecasts which shall be published at least every two (2) years.

There is also a requirement to amend the timing stated in UNC TPD Section E1.6.2 to provide allocation data to Users before the end of the first day after the gas Day (D+1). (Allocation data is already provided to Users by the end of the first day after the gas Day even though the UNC currently states the second day.) The proposal is therefore to:

- create an additional NDMA forecast at D-1 12:00;
- create a requirement for Xoserve to provide an NDMA Accuracy Report;
- change the timing stated in TPD E1.6.2 to provide the initial allocation data before the end of the first day after the gas Day.

The EU Balancing Code will apply from 01 October 2015 and therefore these changes need to be implemented by this date.

CS would welcome any comments on the draft for consideration before it is formalised for submission to the March Panel. There was a brief discussion on what information was being used to support the earlier forecasts and what level of accuracy might be expected. There had been discussions with Xoserve and it was noted that Project Nexus would change the way the forecasts are derived (bottom up). It is expected that another forecast will be able to be provided at 12:00. However, should data not be available for some reason there will be a default position that would utilise the best available data items to create a forecast. Forecasts of this ilk will most likely improve throughout the Day and become increasingly more accurate the closer to the end of the Day. CS also explained the background to the change and had suggested establishing a rolling KPI to compare accuracy across months may also be useful.

The draft modification was briefly reviewed. It was questioned whether it should be considered for self-governance. It was commented that it might not be appropriate to use the UNC modification process in this way to obtain ‘sign off’ by the National Regulatory Authority - the primary purpose of the modification was to effect a change to the UNC, and not to address certification. CS acknowledged these observations, explaining the background to the issue, the need for compliance and believed this was the best way to address the complexities in the EU Codes - GB was in a unique position in that 95% of the balancing rules were already in place. LJ believed that UNC compliance could not be certified through this route. It was suggested that this should be the subject of further discussions between National Grid NTS and Ofgem and their legal teams.

Looking at Section 2.2 NDMA Accuracy Report, parties were asked to provide views on frequency and purpose to CS.

Looking at the Relevant Objectives, and drawing attention to Ofgem’s comments in recent Decision Letters, LJ requested that closer consideration be given to how and in what way the potential modification would facilitate these, and in particular any objective other than (g). MH stated that all EU Mods would be raised solely with the aim of meeting EU Regulation compliance.

Next Steps

Following these discussions it was intended to submit the modification to the March UNC Modification Panel, and any further comments on the draft modification should be sent as soon as possible to: chris.shanley@nationalgrid.com.

7. Workgroups

No business to be discussed.

8. Any Other Business

8.1 National Grid NTS - Commercial Frameworks Gas Structure

Following a number of requests from industry, MC reported that National Grid NTS would shortly be publishing updated structure diagrams on the National Grid external website. A copy had also been published alongside the papers for this meeting.

8.2 Bacton Entry Capacity – CAM Issues

NW gave a brief summary of the meeting he attended with Ofgem last week regarding Bacton Entry Capacity and CAM, where he had outlined a possible solution to capacity issues (to overcome limitations on the flexibility at UK ASEPs, ie relaxing the multiplier rules in the Code). This had received a positive reaction and it was suggested that it be taken up and reviewed by the EU Workgroup to look at the detail of how this might work to address the interim problem. A short discussion ensued on overruns, bundling, and interrelationships with the nominations regime.

It was suggested that the EU Workgroup should look at the potential solution both from a capacity perspective and a nominations perspective.

RMc added that Ofgem would be publishing minutes from the meeting referred to by NW.

Post Meeting Note: A copy of the presentation referred to by NW has been published at www.gasgovernance.co.uk/european/060214.

9. Diary Planning

UNC European Workgroup meetings scheduled for 2014.

Date	Location
Thursday 06 March 2014	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 03 April 2014	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 01 May 2014	ENA, 6 th Floor, Dean Bradley House, 52

	Horseferry Road, London SW1P 2AF
Thursday 05 June 2014	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 03 July 2014	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 07 August 2014	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 04 September 2014	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 02 October 2014	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 06 November 2014	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 04 December 2014	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF

Action Table – UNC Transmission Workgroup: 06 February 2014

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR0101 <i>(Transferred to the responsibility of the UNC European Workgroup)</i>	09/01/14 (Transmission Workgroup)	2.8	<i>UNC Modification Plans – All to consider the best approach and provide views to Chris Shanley by 14 January 2014.</i>	ALL parties	Closed