

UNC Workgroup 0541/A/B Minutes
Removal of uncontrollable UNC charges at ASEPs which include
sub-terminals operating on a 06:00 to 06:00 Gas Day via an ex-
ante quantity adjustment

Thursday 06 August 2015

31 Homer Road, Solihull B91 3LT

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont	(LD)	Joint Office
Andrew Pearce*	(AP)	BP Gas
Charles Ruffell	(CR)	RWEST
Daniel McConnell*	(DM)	Chevron
David Reilly	(DR)	Ofgem
Debra Hawkin*	(DH)	TPA Consultants
Francisco Gonçalves*	(FG)	Gazprom
Gerry Hoggan*	(GH)	ScottishPower
Graham Jack*	(GJ)	Centrica
Guy Hannay-Wilson*	(GHW)	Chevron
Joseph Darby	(JD)	BG Group
Justin Goosinghe	(JG)	National Grid NTS
Kirsten Elliott-Smith*	(KES)	Cornwall Energy
Maggie Steven	(MS)	National Grid LNG Storage
Malcolm Montgomery	(MM)	National Grid NTS
Matthew Hatch	(MH)	National Grid NTS
Nick Wye	(NW)	Waters Wye Associates
Richard Fairholme*	(RF)	E.ON
Sofia Eng*	(SE)	EDF Trading
Steve Nunnington	(SN)	Xoserve
Terry Burke*	(TB)	Statoil
Thomas Grove*	(TG)	Centrica

**via teleconference*

0541 - Removal of uncontrollable UNC charges at ASEPs which include sub-terminals operating on a 06:00 to 06:00 Gas Day via an ex-ante quantity adjustment

0541A - Ex-ante removal of uncontrollable UNC charges at ASEPs which include sub-terminals operating on a 06.00 to 06.00 Gas Day

0541B - Ex-post removal of uncontrollable UNC charges at ASEPs which include sub-terminals operating on a 06.00 to 06.00 Gas Day

Copies of all papers are available at: www.gasgovernance.co.uk/0541/060815

The Workgroup Report is due to be presented at the UNC Modification Panel by 19 November 2015.

1.0 Outline of Modifications 0541, 0541A and 0541B

Confirming that the UNC Modification Panel had determined that these modifications were alternative solutions to the same problem, NW introduced the three modifications on behalf of the Shipper Proposers, explaining the background and purpose and how each differed in its approach. All three modifications try and resolve the issue in slightly different ways, either up front or post, i.e. removing any charges generated by the scaling process and the time switch.

It was observed that DECC had set up a working group to look at the industry's interface problems and the time shift mismatch created by the scaling process at certain sub-terminals resulting in the imposition of certain charges, e.g. balancing charges (unpredictable, and uncontrollable by Shippers).

2.0 Discussion

2.1. Initial Representations

An initial representation had been received from National Grid NTS. JG briefly explained the content of the representation and National Grid NTS' view that that an upstream solution that sits outside of the UNC framework was more appropriate.

The representation set out six potential areas for the Workgroup's consideration and JG summarised the main points. The Proposers were asked if they had any initial comments. AP advised that they would provide a response to the representation at the next meeting.

Referring to point (1), SE indicated the Proposers had considered this and concluded that either way GB cannot be compliant with UNC. Balancing charges should provide appropriate incentives; legal advice taken indicates non-compliance. Also there are other consequences on the market, e.g. trading between 06:00 - 06:00 terminals and the NBP.

NW observed he was aware of the arguments put forward by National Grid NTS; the Proposers' development group has been informed by legal opinion, and there are obviously disparate views. NW will provide the report (prepared for the Proposers' development group) for publication to help inform the Workgroup's examination.

Action 0801: Working group report on the allocation mismatch - Provide for publication.

Post meeting note: Published - See <http://www.gasgovernance.co.uk/0541/020915>.

FG commented that he was confused by what National Grid NTS wanted to do, it seems to be a 'wait and see' approach; noting that retrospective modifications were deemed contentious and not favoured, it would not be good to wait. He also noted that the purpose of the modifications was to prevent cross-subsidy, and the need to neutralise charges relating to time shift imbalance. JG responded that he understood the issue but that National Grid NTS would prefer it to be an upstream solution, and 05:00 - 05:00 data to be provided to the NTS, so that industry can be fully compliant with EU Codes. Potential charges could be quite low, and it was questionable whether a retrospective activity would be needed. There could be large system changes involved for/to be delivered by Xoserve, and would the cost/benefit really justify this? Analysis of past data would be preferable to no cost/benefit analysis at all. SE commented that some impacts were difficult to quantify, and gave some examples. JG pointed out it could be argued that adding 05:00 - 05:00 and 06:00 - 06:00 sub-terminals was adding further areas of complexity to the Code. SE did not believe a 'wait and see' approach to be very good, and an upstream solution did not seem likely. FG believed that a solution external to UNC would cost far more. NW observed that the shipping community has to deal with Option A for 01 October 2015, which creates time shift costs/imbalance - were these sufficiently material to justify the proposed modification(s). SN emphasised the need to understand

and recognise if the solution(s) will cost for example £1m, when the problem might actually be only £10k. NW thought the Proposers might be able to do something to attempt to quantify the cost/benefit. It was recognised there was no immediate drive for the upstream industry to move to a 05:00 - 05:00 gas day, and the downstream community was effectively paying for this reticence on the part of parties to have challenged this at the outset in EU discussions.

JG appreciated NW's pragmatic approach and hoped that this initial representation would help to inform and clarify the discussions. The Proposers will provide their responses to the initial representation.

Action 0802: Initial Representation - Proposers to provide their responses.

Action 0803: Draft Business Rules - To be provided for each solution.

Action 0804: Costs/benefits - To be quantified and provided for each solution.

DR confirmed that Dora Ianora would be the Ofgem lead person in respect of these modifications.

2.2. Issues and Questions from Panel

None raised.

3.0 Next Steps

LJ summarised the work that lay ahead for the Workgroup:

- to set out the case for change and clearly identify any issues arising, offering balanced views for/against;
- to validate the solution(s) - requires the provision of Business Rules for each solution so that Xoserve can start work on assessments of system/process impacts;
- to review the legal text produced to reflect the intent of the solutions; and
- To start development of the Workgroup Report.

For the next meeting:

- NW will provide a copy of the report for publication;
- the Proposers will provide their responses to the initial representation;
- the Proposers will provide their draft Business Rules (for each proposal) for discussion; and
- the development of the Workgroup Report will be commenced.

4.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

Workgroup meetings will take place as follows:

Time/Date	Venue	Workgroup Programme
10:00,	31 Homer Road, Solihull	• Consideration of information

Wednesday 02 September 2015	B91 3LT	<p>provided in NW's report</p> <ul style="list-style-type: none"> • Consideration of Propers' responses to the initial representation • Consideration of draft Business Rules • Development of Workgroup Report.
10:00, Tuesday 06 October 2015	31 Homer Road, Solihull B91 3LT	<ul style="list-style-type: none"> • Development of Workgroup Report • Other areas of focus to be confirmed.

Action Table (06 August 2015)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0801	06/08/15	2.1	<i>Working group report on the allocation mismatch</i> - Provide for publication.	Waters Wye (NW)	Complete
0802	06/08/15	2.1	<i>Initial Representation</i> - Proposers to provide their responses.	BP Gas (AP), EDF Energy (SE), and Gazprom (FG)	Pending
0803	06/08/15	2.1	<i>Draft Business Rules</i> - To be provided for each solution.	BP Gas (AP), EDF Energy (SE), and Gazprom (FG)	Pending
0804	06/08/15	2.1	<i>Costs/benefits</i> - To be quantified and provided for each solution.	BP Gas (AP), EDF Energy (SE), and Gazprom (FG)	Pending