
UNC Workgroup 0661R Minutes
Reconciliation and Imbalance Cash Out Prices
Monday 01 October 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 Knowles	(AK)	Utilita
George MacGregor	(GMG)	Utilita
John Welch	(JW)	npower
Louise Hellyer	(LH)	Total
Mark Jones	(MJ)	SSE
Phil Lucas	(PL)	National Grid NTS
Sallyann Blackett	(SB)	E.ON
Steve Pownall	(SP)	Xoserve
Steven Britton*	(SB)	Cornwall Insight

* *via teleconference*

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0661/011018>

The Workgroup Report is due to be presented at the UNC Modification Panel by 21 March 2019.

1.0 Introduction and Status Review

Rebecca Hailes (RH) welcomed all the meeting and explained that the meeting was quorate, owing to the special dispensation allowed for this request group to only have one Transporter present.

1.1 Review of minutes (22 August 2018)

Phil Lucas (PL) had kindly provided extra clarification for certain sections of the minutes and these were subsequently agreed by the request workgroup.

RH said she had updated the Terms of Reference (ToR) stating that the scope of the request was now limited to NDM only. She also made everyone aware that Panel would be wanting to review an update on this request from the Workgroup at the December Panel.

2.0 Review of Amended Request

It was agreed that the Request had not been further amended since the last amendment in June and so this was not discussed within the meeting. Current version is v2.0

3.0 Consideration of Alternative Solutions

This item was deferred until the November meeting to allow a full review of the other associated documentation.

4.0 Review of Impacts and Costs

This item was deferred until the November meeting to allow a full review of the other associated documentation.

5.0 Review of Relevant Objectives

This item was deferred until the November meeting to allow a full review of the other associated documentation.

6.0 Consideration of Wider Industry Impacts

This item was deferred until the November meeting to allow a full review of the other associated documentation.

7.0 Development of Request Workgroup Report

This item was deferred until the November meeting to allow a full review of the other associated documentation.

8.0 Review of Actions

Action 0801: National Grid NTS (PL) to provide detail on the Market Operator verification process, together with overview of balancing procedures.

Update: Phil Lucas (PL) provided an overview of the presentation entitled: '*Reconciliation and Imbalance Cash Out Prices*' and explained the areas which were encompassed were: the operating balancing responsibility, the trading at NBP and the balancing overview. He added that more information could be obtained on this subject via the Gas System Operator, National Grid website, please see the links below:

National Grid presentation: <http://www.gasgovernance.co.uk/0661/011018>

'End to end balancing guide' National Grid NTS:

<https://www.nationalgridgas.com/sites/gas/files/documents/End%20to%20End%20Balancing%20Guide.pdf>

Mark Jones (MJ) asked in relation to the trading and selling, whether the lower sell price could be higher than System Average Price (SAP) and vice versa? PL said he would have to investigate this matter further.

New Action 1001: National Grid NTS (PL) to investigate in the context of trading and selling, if the lower sell price could be higher than SAP and vice versa?

A lengthy general discussion then took place regarding the System Operator, residual balancing trades graphs (slide 11) and it was agreed that PL would provide more data and information specifically regarding the 2016/2017 and 2017/2018 data, in relation to showing the trends/changes since Nexus.

New Acton 1002: National Grid NTS (PL) to supply data on the residual balancing for 2016/2017 and 2017/2018.

Both George MacGregor (GMG) and Andrew Knowles (AK) said that the material presented was comprehensive and very informative, showing the overall process. RH added that this material would be incorporated into the Request Workgroup Report and PL confirmed this action could then be closed. **Closed.**

Action 0802: Utilita (GMG) to provide clarification of how a Shipper interacts with the balancing process, specifically where its forecast of NDM offtake varies from the NDM nomination provided by National Grid NTS.

Update: GMG presented a document which explained the imbalance and reconciliation processes for Non-Daily Metered Gas Sites and highlighted where the System Marginal Sell/Buy Price was used and where the System Average Price was used in order to clarify

where the quantities for each process originated from. He moved through the document drawing attention to certain sections, which encompassed the following areas:

Daily Imbalance process, NDM Imbalance Summary, Daily Imbalance Charge Process Flow, Reconciliation Process and NDM Reconciliation Summary, Reconciliation Clearing Value Process Flow and the complete presentation can be viewed via the link:

<http://www.gasgovernance.co.uk/0661/011018>

A lengthy general discussion took place regarding the fact that the Unidentified Gas (UIG) would have an impact on this process and that this should be included in the scope, especially as it would have an impact on the daily adjustment factors and the imbalance process.

Louise Hellyer (LH) wanted to know how the trades between the DMs and the NDMs would be differentiated between each other, as she thought this could be very difficult to determine which was which. GMG said that this was a valuable question and that he would need to look at this in more depth.

Sallyann Blackett (SB) said that she had concerns regarding the Shipper Offtake section in the process flows, as she was not sure if this was relevant or required in this context. GMG said he would look into this matter further and RH suggested to aid with the clarity and the Legal Text later in the process, that this could be presented in a commentary table format.

New Action 1003: Utilita (GMG) to investigate if the Shipper Offtake representation was required or valid in the process.

A lengthy general discussion took place regarding the reconciliation and balancing process in respect of the cash out regimes and the lack of reads not being recorded into the system. This was in the context of the overall read performance and the reconciliation of metered volume, and how the inaccurate read performance was having a detrimental impact.

The issue of UIG was reiterated again and how this needed to be included and Louise Hellyer (LH) said that from the UIG perspective, reference needed to be made as to how this would impact upon the DNs too. RH agreed that UIG should be included in the Terms of Reference (scope), together with the DN forecasting. This will be discussed further at the next meeting.

New Action 1004: Utilita (GMG) to include Unidentified Gas (UIG) in the overall process and to clarify what the supplier needs to include between the meter reads.

New Action 1005: All to consider the impacts to DNs throughout the proposed process as defined in the Request.

Materiality

PL said that in reference to the requirements of the Terms of Reference (ToR), the materiality of the issue needed to be established and if it was deemed to be material, then what were the solution options. GMG said that regarding Materiality, a range of various theoretical scenarios had been proposed within the request itself p. 13, within the Section 5, in Appendix A, and he then overviewed these schematics and associated data. GMG indicated the Materiality scenarios would need to be reassessed as these were developed prior to Utilita's greater understanding of the gas market principles. The current Materiality scenarios had been developed based on electricity market principles.

PL acknowledged that commercial confidentiality issues may prevent individual parties from confirming the materiality of the issue to their respective organisations. SB suggested that Xoserve may be able provide information regarding aggregate reconciliation volumes which could provide an indication of overall materiality to the market. A general debate took place regarding the percentages in SAP and SMP as to how these were specifically split in relation to the volume in each scenario, and GMG agreed to look at this in more depth and SP agreed to look at the balancing volumes compared to the Industry reconciliation volumes by gas flow. SB suggested utilising Xoserve's monthly reconciliation volumes report and looking at monthly min, max and average cashout prices (SMPb/s and SAP).

New Action 1006: Utilita (GMG) to confirm how the percentages are split in relation to the volume in each scenario.

New Action 1007: Xoserve Steve Pownall (SP) to look at the balancing volumes (at close out) compared to the Industry reconciliation volumes by gas flow month and then convert them to a cost by investigating the difference between SAP and SMP.

SP indicated system changes would be required for the four solutions and questioned how would these be funded?. Both PL and RH said this would depend on the specific DSC service lines impacted and would have to be evaluated by the DSC Change Management Committee at the appropriate point. The default allocation associated with the relevant service lines may not be appropriate for any potential Modification.

GMG then overviewed the four proposed solutions presented in *Appendix B - Potential Solutions* of the Request documentation these are named A, A2, B and C. He provided a brief synopsis of each solution together with the potential viability and feasibility of each one, and he said that in realistic terms, Utilita was of the view that Solution C was the only one that could provide the appropriate and required solution.

Consideration of Example Solutions

Workgroup noted the input from National Grid (PL) that compliance with the EU Balancing Code 312/2014 must be taken into account since the regulations are very prescriptive about how any daily imbalance is 'cashed out', and that some of the solutions would not comply with regards to Articles 22 and 23¹.

PL understood that example solutions A2 and B would not comply and that of the four solutions presented in the Request proposal it appears that A and C are the only ones that would not conflict with the EU Balancing Code.

GMG then provided an overview of all 4 scenarios of Solution C and these can viewed via the following link:

<http://www.gasgovernance.co.uk/0661/011018>

A brief discussion took place with regards to some of the terminology presented in the graphs and the schematics and GMG agreed to amend these accordingly.

New Action 1008: Utilita (GMG) to amend the Shippers nomination terminology in the graphs, schematics and appendices.

A further general discussion then ensued with regards to whether Solution C would encourage meter read submissions and if so, where the funding for reconciliation (due for payments to shippers) would come from. PL confirmed that under existing arrangements, any credits and debits associated with the energy elements of reconciliation are be socialised via neutrality to ensure that National Grid as the System Operator remains cash neutral. It was suggested that it would be useful to know what the other European Countries did in relation to processes relevant to the request, including 'cash out' arrangements. GMG said he would investigate this area.

New Action 1009: Utilita (GMG) to consider if the proposed Solution C would encourage meter read and submissions and to confirm the suggested funding arrangements.

New Action 1010: Utilita (GMG) to investigate the other European Countries' processes relevant to the request, including 'cash out' arrangements.

¹ EU Balancing Code 312/2014 See: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.091.01.0015.01.ENG,

AK then confirmed that he and GMG would further explore the various Solution C examples to provide clarity as to which would be the most suitable from a feasibility aspect in readiness for the 08 November meeting.

AK confirmed that this **action 0802** should be carried forward. **Carried forward**

Action 0803: ALL to familiarise themselves with the solutions presented and provide feedback to the Workgroup on any other potential solutions that could be explored as an alternative solution.

Update: GMG said this action should be carried forward to allow time for the documents to be fully reviewed and feedback provided directly to GMG in the first instance. **Carried forward**

Action 0804: Utilita (GMG) to contact Ofgem and make them aware of the content and context of the Request 0661R.

Update: GMG confirmed that he had had another meeting with Ofgem to discuss the content of the proposed Request Workgroup Report and the potential subsequent modification and that they were keeping a watching brief on it, and that Mark Carolan from Ofgem was the contact, and it was agreed this action could now be closed. **Closed**

9.0 Next Steps

RH confirmed that she would review the Terms of Reference, in readiness for the meeting on 08 November 2018.

She explained that she would update the Request Workgroup Report following the November meeting to capture the updated views and comments.

RH confirmed the next Request Workgroup meetings would be held on:

Thursday 08 November 2018 Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA

Thursday 29 November 2018, *the Solihull venue is yet to be confirmed at this time.*

10.0 Any Other Business

None.

11.0 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 08 November 2018	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Detail planned agenda items. <ul style="list-style-type: none"> • Review of Actions • Review of Amended Solution C examples • Consideration of Alternative Solutions • Review of Impacts and Costs • Review of Relevant Objectives • Consideration of Wider Industry Impacts • Development of Request Workgroup Report

10:30 Thursday 29 November 2018	<i>Solihull Venue to be confirmed in due course</i>	Detail planned agenda items. <ul style="list-style-type: none"> To be confirmed
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Action Table (as at 01 October 2018)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0801	22/08/18	2.1	National Grid NTS (PL) to provide detail on the Market Operator verification process, together with overview of balancing procedures.	National Grid NTS (PL)	Closed
0802	22/08/18	2.1	Winchester Gas (GMG) to provide clarification of how a Shipper interacts with the balancing process, specifically where its forecast of NDM offtake varies from the NDM nomination provided by National Grid.	Winchester Gas (GMG)	Carried forward
0803	22/08/18	2.1	ALL to familiarise themselves with the solutions presented and provide feedback to the Workgroup on any other potential solutions that could be explored as an alternative solution.	ALL	Carried forward
0804	22/08/18	2.1	Winchester Gas (GMG) to contact Ofgem and make them aware of the content and context of the Request 0661R.	Winchester Gas (GMG)	Closed
1001	01/10/18	8.0	National Grid NTS (PL) to investigate in the context of trading and selling, if the lower sell price could be higher than SAP and vice versa?	National Grid NTS (PL)	Pending
1002	01/10/18	8.0	National Grid NTS (PL) to supply data on the residual balancing for 2016/2017 and 2017/2018.	National Grid NTS (PL)	Pending
1003	01/10/18	8.0	Utilita (GMG) to investigate if the Shipper Offtake representation was required or valid in the process.	Utilita (GMG)	Pending
1004	01/10/18	8.0	Utilita (GMG) to include Unidentified Gas (UIG) in the overall process and to clarify what the supplier needs to include between the meter reads.	Utilita (GMG)	Pending
1005	01/10/18	8.0	All to consider the impacts to DNs throughout the proposed process as defined in the Request.	ALL	Pending

Action Table (as at 01 October 2018)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1006	01/10/18	8.0	Utilita (GMG) to confirm how the percentages are split in relation to the volume in each scenario.	Utilita (GMG)	Pending
1007	01/10/18	8.0	Xoserve Steve Pownall (SP) to look at the balancing volumes (at close out) compared to the Industry reconciliation volumes by gas flow month and then convert them to a cost by investigating the difference between SAP and SMP.	Xoserve (SP)	Pending
1008	01/10/18	8.0	Utilita (GMG) to amend the Shippers nomination terminology in the graphs, schematics and appendices.	Utilita (GMG)	Pending
1009	01/10/18	8.0	Utilita (GMG) to consider if the proposed Solution C would encourage meter read and submissions and to confirm the suggested funding arrangements.	Utilita (GMG)	Pending
1010	01/10/18	8.0	Utilita (GMG) to investigate the other European Countries' processes relevant to the request, including 'cash out' arrangements.	Utilita (GMG)	Pending