

## Workgroup 0678 Summary of Outcomes

Monday 25 February 2019

at Radcliffe House, Blenheim Court, Warwick Road, Solihull, B91 2AA

Attendees		
Rebecca Hailes (Chair)	(RH)	Joint Office
Helen Bennett / Cuin (Secretary)	(HBC)	Joint Office
Adam Bates	(AB)	SouthHook Gas
Alex Nield*	(AN)	Storengy UK
Andrew Pearce	(AP)	BP
Anna Shrigley*	(AS)	ENI
Bill Reed*	(BR)	RWE Supply & Trading
Christiane Sykes*	(CR)	Shell
Chris Wright	(CW <sub>r</sub> )	Exxon Mobil
Colin Williams	(CW <sub>i</sub> )	National Grid
Debra Hawkin	(DH)	TPA Solutions
Graham Jack	(GJ)	Centrica
Henk Kreuze*	(HK)	Vermillion Energy
James Thomson*	(JT)	Ofgem
Jeff Chandler*	(JCh)	SSE
Jonathan Trapps*	(JTr)	Northern Gas Networks
Julie Cox	(JC <sub>x</sub> )	Energy UK
Kamla Rhodes	(KR)	ConocoPhillips
Kamila Nugumanova	(KN)	ESB
Nick Wye	(NW)	Waters Wye Associates
Paul Whitton*	(PW)	Scotia Gas Networks
Paul Youngman	(PY)	Drax Power
Penny Garner	(PG)	Joint Office
Richard Fairholme	(RF)	Uniper
Steve Pownall	(SP)	Xoserve
Terry Burke*	(TB)	Equinor
Will Webster*	(WW)	Oil & Gas UK
* via teleconference		
<p><b>Industry parties are strongly encouraged to review this document and the changes. Any comments should be sent to Joint Office at <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a></b></p>		
<p><b>Meeting material</b> available at: <a href="http://www.gasgovernance.co.uk/0678/250219">http://www.gasgovernance.co.uk/0678/250219</a></p> <p><b>Additional material</b> available at: <a href="https://www.nationalgridgas.com/insight-and-innovation/gas-ten-year-statement-gtys">https://www.nationalgridgas.com/insight-and-innovation/gas-ten-year-statement-gtys</a></p>		
<p><b>Critical Actions Log</b> is available at: <a href="http://www.gasgovernance.co.uk/0678">http://www.gasgovernance.co.uk/0678</a></p>		
<p><b>Next Meeting</b> Tuesday 26 February 2019</p>		

## Key Points/Decisions

1. The Workgroup reviewed and approved the summary of Workgroup discussions held on Wednesday 20 February 2019.
2. The Workgroup reviewed the Action Summary and noted the current status of each action.
3. PG provided an update from the 21 February 2019 UNC Panel Meeting. The following points were noted:
  - The Panel have requested that all Proposers submit a TAR NC compliance assessment for each Modification.
  - The Panel and Ofgem expect that the differing elements of any potential Alternative must have been discussed at Workgroup Meetings, with the aim of seeking inclusion into an existing Modification. The Modification Panel and Ofgem requested that any Alternatives are submitted to the Joint Office no later than 12 noon Wednesday 27 February for critical friend review. There will be an Extraordinary Panel on Friday 01 March by tele-conference to consider any further Alternatives.
  - A discussion was had in relation to the guidance provided by Ofgem at the Modification Panel relating to compliance assessments and the provision of Legal Text. At the Modification Panel Ofgem stated that they were of the view that Dentons should provide a view on the compliance of the proposal against TAR NC when writing the Legal Text.
4. The Workgroup discussed this expectation and requested that Ofgem provide a statement to clarify their expectations for the provision of Legal Text.

<b>Action 01-2502:</b> Ofgem to provide a statement to clarify the expectations in terms of Legal Text provision (Target date Wednesday 27 February)
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5. The Workgroup considered a number of additional Alternatives. Whilst considering the Workgroup timetable there was a request from the Workgroup to ensure that the National Grid Modification has had all amendments and is at its final version by Friday 01 March 2019. (current version is v2)
6. JCh summarised the main differences for Modification 0678C based on 0678A Postage Stamp Modification (i.e. not CWD for RPM). The proposal includes [80%] applied discount for storage capacity; JCh confirmed that existing storage contracts will be excluded from any top up charges (Transmission Services Revenue Recovery charges), even if those contracts have traded in the past or will trade in the future via trade and transfer (secondary trades); FCC should be included within the UNCC; and the recommendation is for charges to become effective on 01 October 2020 (not 2019) to allow the industry to adjust to the material changes.
7. RF asked about the development of the system for 0678C and whether the SSE Alternative could be timed out by the ability to undertake the appropriate system changes. He also enquired for existing contracts and trading if this should apply to **all** traded capacity. JCh explained that there is a significant impact to storage and suggested for storage to remain sustainable, the solution needs to include trading for the future.
8. NW summarised the key differences for Modification 0678E submitted by Gateway LNG. He clarified that 0678E is the same as the 0678C SSE Modification with the storage discount currently proposed as [80%], which will be confirmed once the sensitivity tool and analysis outputs are understood. The only difference being that the proposal is for no Revenue Recovery Charges applied to storage capacity (to any holdings for entry or exit points for storage, consistent with 0621A).
9. NW summarised the key differences for Modification 0678F submitted by Storengy. He explained a new concept: Unprotected System Entry Capacity which is capacity purchased, NW referred to Paragraph 3.27 within the Modification in respect of the potential treatment of prices that might be payable. NW explained that if the underlying price increases by more than [5%] or [5%]+RPI in later years, the holder will have the ability to surrender part or all of the capacity.
10. NW explained that Modification 0678G recently submitted by Vitol, is a Shorthaul Modification based on CWD, with a suggested 01 October 2020 implementation date.

11. NW also explained that Modification 0678H recently submitted by EP UK Investments, is also a Shorthaul Modification based on Postage Stamp, with a suggested 01 October 2020 implementation date.
12. TB highlighted that Equinor intends to launch an Alternative Modification based on Postage Stamp with all existing contracts excluded from Revenue Recovery Charges (including the storage trade and transfer part of the SSE Proposal), there will be no optional charge, with a recommended implementation start date in line with a Gas Year. He reiterated this was a Postage Stamp based Modification as opposed to CWD.
13. CS highlighted that Shell would be submitting an Alternative Modification based on Modification 0621L. Instead of netting off existing contracts, it would include existing contracts when calculating the CWD price, as new capacity holders would otherwise be disadvantaged. This was an observation taken from the Ofgem analysis/response to Modification 0621L.
14. No further pre-modifications were highlighted by Workgroup participants.
15. PG re-capped the topics for discussion at the remaining Workgroup Meetings and the plan of action to assess compliance. RF suggested that in terms of compliance, the Workgroup focus on the differences rather than re-capping elements which are the same.
16. JCx asked about the opportunity to consider any Workgroup analysis. PG explained that there would be an opportunity for Proposers to provide their impact analysis/evidence. Proposers could share this when considering the Workgroup Assessment and Relevant Objectives.
17. PY wished to table some areas for the Workgroup to consider in terms of compliance for inclusion within the Workgroup Report:
  - Article 8 relevant flow scenarios
  - Article 26 Optional Charge clarifications for CWD and whether this is straight line (4.2 of the Workgroup Report)
  - FCC inflations
  - FCC Governance
  - Incremental Methodology
  - Targeted Charging Review
18. The Workgroup requested that the governance of the FCC should be considered if it does not reside in the UNC.
19. It was reiterated that the Proposers of each Modification would need to provide the analysis. It was clarified that National Grid would not be building a model/sensitivity tool for each Alternative but would provide assistance to Proposers if requested. NW expressed concern that Proposers will not have the data to produce models. GJ suggested without data, some estimations may have to be made. NW was concerned that without the FCC analysis, the Workgroup Report would fall short and only be able to provide an assessment on compliance and opinions of participants.
20. The Workgroup considered the Sensitivity tool provided by National Grid including the Forecasted Contracted Capacity (FCC) Methodology (published 25 February 2019 at <http://www.gasgovernance.co.uk/0678/Models>)
21. CW summarised the recent amendments to v2 Modification 0678, which included:
  - An Amendment to the Transmission Services Revenue Recovery Charge application to:
    - Exclude all Existing Contracts from revenue recovery charges
    - Does not exclude Existing Contracts traded on or after 6 April 2017 (date of Entry into Force of TAR NC)
  - Clarity added to Why Change
  - Updated Solution to add clarity
  - Updated Relevant Objectives section with a table to highlight the relevant TAR NC
  - Removal of Appendix 1

22. CW also highlighted a number of further potential changes which the Workgroup considered. It was envisaged that these amendments would be submitted by 28 February as v3. The Workgroup considered the Target Revenue recognising that it may no longer be appropriate to assume a “flat” profile for capacity bookings that may increase the potential risk of over-recovery. There was concern about the cascade effect of amending Modification 0678 and the time for other Proposers to consider amending Alternatives, with the number of remaining meetings. The Workgroup considered if the Target Revenue changes could be an element of change that could be undertaken post implementation. The impact of this was considered and if the Workgroup could manage the change.
  23. The Workgroup considered the optionality to select Postage Stamp, with all the other parameters, within the sensitivity tool. CWi explained the default, to allow a comparison to netting off Existing Contracts within the calculation option. The default will be to exclude Existing Contracts in the Revenue Price Methodology (RPM).
  24. CWi provided an update on the approach taken to produce the FCC. The Workgroup considered the required changes to the sensitivity tool which now includes the FCC as described above. CWi confirmed that the updated FCC Methodology Statement would be provided by Wednesday 27 February 2019.
  25. The Workgroup considered the over booking of capacity and the complexity of the FCC model. There was recognition that there is an element of finding a best fit with forecast supply and there is a need to look at both some forward-looking data and historical data.
  26. JCh provided his view of compliance for Modification 0678C, published alongside the Modification. The Workgroup considered discrimination for existing contracts, new entrants, storage and the treatment of Rough Storage. They also considered secondary trading in terms of compliance.
  27. CWi provided the compliance assessment for Modification 0678. The Workgroup considered the definition of Shrinkage and the difference between NTS Shrinkage and DN Shrinkage.
  28. Following the Workgroup’s consideration of the compliance assessments for both 0678 and 0678C the Workgroup captured their comments within the Workgroup Report under section 4.8 ‘Legislative Compliance’.
  29. The Workgroup considered the significance of PARCA Reservations and if there was time to update the sensitivity tool to incorporate some recent PARCAs and to enable parties to better understand the impacts.
- Action 02-2502:** National Grid (CWi) to provide a view on the significance of an PARCA Reservations and the possibility of updating the sensitivity tool to incorporate some recent PARCA Reservations (Target date Thursday 28 February)
30. Whilst considering the compliance section within the Workgroup Report, Ofgem were asked if they wanted to add anything to the report. JT requested that views/comments are not attributed to Ofgem within the Workgroup Report on the subject of compliance.

## The Critical Actions

The Actions recorded above will be available in the Action Log at:  
<http://www.gasgovernance.co.uk/0678/250219>

## Next Meeting

The next meeting will be held on Tuesday 26 February 2019 St John’s Hotel, Warwick Road, Solihull, B91 1AT

Please note meetings will start at 9:30am and finish at 4:00pm, except for Monday 04 March and Wednesday 06 March when the finish time is expected to be 8pm.

Agenda and papers: <http://www.gasgovernance.co.uk/0678/260219>

Details of planned meetings available at: <https://www.gasgovernance.co.uk/events-calendar/month>

Time / Date	Venue	Teleconference	Workgroup Programme
09:30 Tuesday 29 January 2019	St John's Hotel, Warwick Road, Solihull, B91 1AT	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG01 <ul style="list-style-type: none"> <li>• Approach</li> <li>• Compliance</li> </ul>
09:30 Thursday 31 January 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG02 <ul style="list-style-type: none"> <li>• Integration of RPM,</li> <li>• Forecasted Contracted Capacity (FCC),</li> <li>• Revenue Recovery</li> <li>• Existing Contracts</li> </ul>
10:00 Tuesday 05 February 2019	Elexon, 350 Euston Road, London NW1 3AW	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG03 <ul style="list-style-type: none"> <li>• Multipliers and Discounts</li> <li>• Shorthaul Approach</li> </ul>
09:30 Monday 11 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG04 <ul style="list-style-type: none"> <li>• Compliance</li> <li>• Forecasted Contracted Capacity (FCC)</li> </ul>
09:30 Wednesday 13 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG05 - <b>Postponed</b>
09:30 Thursday 14 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG06 <ul style="list-style-type: none"> <li>• Non-Transmission Charges.</li> <li>• Workgroup Report Approach</li> <li>• Relevant Objectives</li> </ul>
09:30 Monday 18 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 451-364-066 screen sharing <a href="https://join.me/bob.fletcher">https://join.me/bob.fletcher</a>	WG07 <ul style="list-style-type: none"> <li>• Compliance</li> <li>• Workgroup Report</li> </ul>
09:30 Wednesday 20 February 2019	Radcliffe House, Blenheim Court	<b>Teleconference Number</b> 0203 582 4515	WG07a (introduced as part of 0678B)

	Warwick Road Solihull B91 2AA	<b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	<ul style="list-style-type: none"> <li>Assessment of Alternative solutions</li> <li>Workgroup Report</li> </ul>
09:30 Monday 25 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG08 <ul style="list-style-type: none"> <li>Assessment of Alternative solutions</li> <li>Compliance</li> <li>Workgroup Report</li> </ul>
09:30 Tuesday 26 February 2019	St John's Hotel, Warwick Road, Solihull, B91 1AT	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 451-364-066 screen sharing <a href="https://join.me/bob.fletcher">https://join.me/bob.fletcher</a>	<ul style="list-style-type: none"> <li>Assessment of 0678 Amended Modification (v2)</li> <li>Compliance</li> <li>Relevant Objectives</li> <li>Impact (results) of model 0678</li> <li>Comparison table 0678/A/B/C/D/E/F</li> </ul>
09:30 Wednesday 27 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG09 <ul style="list-style-type: none"> <li>Legal Text (AM)</li> <li>Compliance</li> <li>Relevant Objectives</li> </ul>
09:30 Thursday 28 February 2019 (Provisional)	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG09a (Envisaged as part of 0678C) <ul style="list-style-type: none"> <li>Assessment of Alternative solutions</li> <li>Workgroup Report</li> <li>Comparison table review</li> <li>Amended Mods</li> </ul>
09:30 Monday 04 March 2019 (possible 8pm late finish)	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG10 <ul style="list-style-type: none"> <li>Workgroup Report</li> <li>Compliance</li> <li>Relevant Objectives</li> </ul>
10:00 Tuesday 05 March 2019 (NTSCMF)	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG10a <ul style="list-style-type: none"> <li>Workgroup Report</li> </ul>
09:30 Wednesday 06 March 2019 (possible 8pm late finish)	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG11 <ul style="list-style-type: none"> <li>Finalise Workgroup Report</li> </ul>