

**Workgroup 0678 Summary of Outcomes**  
**Thursday 28 March 2019**  
**at St John's Hotel, Warwick Road, Solihull, B91 1AT**

<b>Attendees</b>		
Rebecca Hailes (Chair)	(RH)	Joint Office
Helen Bennett / Cuin (Secretary)	(HBC)	Joint Office
Adam Bates	(AB)	SouthHook Gas
Alex Nield*	(AN)	Storengy Ltd
Amy Rawding*	(AR)	Northern Gas Networks
Anna Shrigley	(AS)	ENI
Bill Reed	(BR)	RWE Supply & Trading
Colin Williams	(CWi)	National Grid
David O'Neill*	(DON)	Ofgem
Debra Hawkin	(DH)	TPA Solutions
Graham Jack	(GJ)	Centrica
James Gudge	(JG)	National Grid
Jeff Chandler*	(JCh)	SSE
John Costa	(JCo)	EDF Energy
Jonathan Trapps*	(JT)	Northern Gas Networks
Julie Cox	(JCx)	Energy UK
Kamla Rhodes	(KR)	ConocoPhillips
Kamila Nugumanova	(KN)	ESB
Nick Wye	(NW)	Waters Wye
Nitin Prajapati	(NP)	Cadent
Paul Whitton*	(PW)	Scotia Gas Networks
Pavanjit Dhesi*	(PD)	Interconnector UK
Penny Garner	(PG)	Joint Office
Phil Lucas	(PL)	National Grid
Sinead Obeng	(SO)	Gazprom Marketing and Trading
Steve Pownall	(SP)	Xoserve
Terry Burke*	(TB)	Equinor

\* via teleconference

**Industry parties are strongly encouraged to review this document and the changes. Any comments should be sent to Joint Office at [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)**

**Meeting material** available at: <http://www.gasgovernance.co.uk/0678/280319>

**Critical Actions Log** is available at: <http://www.gasgovernance.co.uk/0678>

**Next Meeting** Tuesday 02 April 2019

## Key Points/Decisions

1. PG introduced the meeting and briefed the participants on the rules of engagement highlighting that to ensure time is used efficiently participants will be asked not to re-open past debates. It was also noted that to allow conclusions to be made within the Workgroup Report this would have to be based on the data/analysis available at that point in time. Referring to the Agenda Summary PG highlighted that where the items are in bold this would be the point in which discussions will need to be closed off and to ensure completion of the Workgroup Report these items will not be revisited.
2. No concerns were raised by the Workgroup with regards to the rules of engagement to be polite, professional, courteous, and to be respectful to all views.
3. PG explained the process the Joint Office was undertaking to support the production of the Workgroup Report and the quality check that will be undertaken. PG also highlighted the colour coding being used within the draft Workgroup Report:
  - Blue text = Comments inserted but not Quality Assured (QA) by the Joint Office
  - Red text = QA by the Joint Office
  - Black text = Finalised by the Workgroup and Signed off as agreed.
4. PG asked if any party wished to table any pre-modifications. No party highlighted the intent for any further Alternative Modifications they wished for the Workgroup to be aware of.
5. No comments were provided on the Workgroup Summary for Thursday 06 March.
6. The current Actions Log was reviewed and updates provided. The updates were captured in the Actions Log and will be published.
7. Each Proposer was invited to provide the Workgroup a summary of the recent changes to the Modifications and were asked to advise if further changes were expected.

**0678** v4.0 (published 21 March 2019) CW provided a presentation on the changes. The Workgroup were asked to consider if any of the changes resulted in any significant concerns which would need to be considered within the Workgroup Report. These were:

- Effective Date (2 months' notice unless Ofgem direct otherwise)
  - JCx expressed that this timescale takes no account of the time taken to calculate tariffs and publishing.
  - BR believed the Legal Text hard codes 2 months' notice.
  - DH suggested there was need for clarity between an implementation date and when it becomes effective date (when the charges will take effect and become payable).
  - PD FCC methodology does not state when published (only published before Gas Year begins). CW stated that the first FCC Methodology is effective from the approval of the modification – i.e. it becomes a valid methodology. When Ofgem approve the modification, the methodology becomes valid. The Effective date will be when the changes take effect:
    - Modification Direction Date = The date of Ofgem's decision to direct implementation and when the methodology becomes valid.
    - Modification Effective Date = The date when the charges will take effect (prices will become payable) – this will be two clear months after the date of Ofgem's Modification Direction Date UNLESS Ofgem directs otherwise.
  - It was agreed this would need to be captured within the Workgroup Report
- Legal Text and Profiling Factors
  - JCx expressed concern about the description/explanation of the Profiling Factors within Modification 0678 and that it does not align with detail provided within the Legal Text, the Legal Text was more detailed. The Workgroup considered the intent of the Modification and agreed that the intent was clear. SO noted that this would not be

relevant to Modification 0678C and 0678I. The remaining Proposers confirmed that they did not intend to update the Modifications. The Workgroup considered the expectation of the UNC Panel that the Solution and Legal Text should align. All Proposers except 0678C and 0678I confirmed in respect of Profiling Factors that they would not be amending their Modifications.

**0678A** BR confirmed the differences compared to 0678. He noted a number of specific elements which have been included which need to be reflected with 0678A's Legal text. These included a recommendation that the values for entry and exit are published alongside the FCC methodology (produced by National Grid) to allow review and challenge; and a simplified tariff model.

**0678B** GJ confirmed a number of changes mainly in the ~~pr~~description part, inclusion of business rules for FCC (for better governance of future change); Effective date unrestricted – date to be determined by Ofgem. With a recommend 01 Oct; Updated Sensitivity Tool; Analysis and OCC charge impacts. The Workgroup considered the decimal places for the minimum reserve price. PL agreed to consider this offline.

**0678C** JCh compliance report, supporting, commentary and QC advice all included as appendices. Alignment with National Grid. JCh recapped on the differences. JCh noted for the Comparison Table there was some questions – FCC text needs to be considered.

**0678D** AS confirmed that the Modification is by and large the same as National Grid with however a recommended effective date of 01 Oct 2020. Fusion of two mods which includes an Optional Capacity Charge. PL noted AS may need to amend the mod to make it clear it is an enduring charge.

**0678E** NW confirmed a number of small changes which reflect changes to 0678.

**0678F** NW confirmed an additional business process for unprotected contracts has been added to allow surrender of capacity auctions/trades (maximum of rule). NW also noted for 0678E/F an additional Paper has been provided. For unprotected contracts where trade a maximum rule will apply for the amount eligible for protection.

**0678G/H** NW confirmed a number of small changes which reflect changes to 0678. In relation to storage, secondary traded contracts before 6/4/17 will not be treated as an existing contract and would therefore not attract the revenue recovery charge (RRC). Contracts trade after that date will attract the RRC.

**0678J** AB provided a summary of the Modification amendments. The FCC Methodology would be owned by National Grid and not become a UNC related document. The RPM is Postage stamp, South Hook had slightly modified National Grid's FCC Methodology statement to ensure the FCC Methodology is published 1 month before charges are published.

**0678I** SO provided a summary of the changes. FCC values can be updated every year in line with methodology statement, and the FCC Methodology every 4 years. The Ireland discount only applies at Moffat exit for nominated flows. Wheeling applies to 0km distance (between entry and exit). Effective Date 01 October 2019 or 01 October in another year. SO noted that clarity will need to be made to the Modification in line with earlier discussions in relation to the Modification Effective Date. It was noted that the Modification referred to an FCC (on page 23) however this had not been appended to the Modification. SO confirmed this would also be amended.

8. PG expressed concern about the prospect of further amendments to Modifications and suggested that all Proposers provide a final update by 5pm on Monday. JCh noted that the rules allow modifications to be updated up until finalisation of the Workgroup Report. PG wished noted the difficulty of processing amendments and concluding discussions. The Workgroup considered the nature of the process and the necessity to ensure Modifications are updated to reflect clarity required. It was suggested to avoid processing numerous iterations a final date is agreed to allow any amendments required after provision and review of Legal Text. Legal Text was required to be reviewed by Proposers ahead of 04 April 2019 – Joint Office had set out its expectation that Proposers and National Grid would engage into a discussion to ensure Legal text reflects the modifications and allow the Workgroup to consider the Legal Text Review. PL flagged that discussions about business rules are

required followed by time to produce the legal text and explained the intentions of Dentons to provide the Legal Text.

9. The Workgroup considered the Workgroup Report to update the respective sections following earlier discussions.
10. The Workgroup agreed to note within the Workgroup Report (subheading 4.13) a table to list the Proposer's recommendation for Modification Effective Dates.
11. National Grid sought clarity from the Proposers of Modifications 0678C and 0678I as to the trigger for 01 October 2019 or 01 October in another year. SO confirmed the charges would have to be published before 01 August to provide the 2 months' notice period for the Modification to effect on the proceeding 01 October. JCx asked Proposers to ensure their Modifications are sufficiently clear with regards to a minimum of a two months' notice period.
12. The Workgroup briefly considered the non-Transmission Services Revenue referring to TPD Section Y and agreed to review this when considering the Legal Text on 04 April 2019.

It was suggested that the Proposers of Modifications 0678B/D/G/H and 0678J should review the text previously noted in the Workgroup Report relating to Optional Charges (Section 4.6 NTS Optional Charge Arrangements (page 37)). It was agreed that these Proposers should provide a brief explanation of the methods for these Optional Charges and provide any extra required commentary for the Workgroup Report. GJ wished to note that this was available for 0678B within the Modification. The aim is at a subsequent Workgroup to be able to summarise Positive Aspects, Areas for Improvement and Areas of Disagreement.

**Action 01-2803:** All relevant parties to review the draft Workgroup Report Section 4.6 NTS Optional Charge Arrangements (page 37) and consider providing any required commentary for the Workgroup Report. Proposers to provide clarity of the arrangements for each of the Modifications. (Target Date 02 April 2019).

**Action 02-2803:** Section 4.6 NTS Optional Charge Arrangements (page 37), National Grid to provide a summary to support the URL link provided. (Target Date 02 April 2019).

13. The Workgroup considered the FCC Methodology and why the DN offtakes have a different approach.
14. The Workgroup discussed the price differentials and whether a uniformed approach could be applied to all offtakes i.e. introduce a Revenue Recovery Charges for everybody. It was recognised there was an exception for a different approach for DNs. DNs book for a particular pattern profile and purpose it is therefore reasonable to assume there will be consistency and could be carved out as a separate category. CW confirmed National Grid have tried to cover through the methodology the different scenarios. JCx suggested that further clarity is required. JCo recognised the different drivers for DNs and different obligations, different treatment needs to be looked at but suggested that the impact to the competitive market needs to be understood. BR wanted to understand the under / over bookings and the potential impacts. The Workgroup wished to understand what the methodology will produce.

The Workgroup noted that a small change in DN bookings could have a significant impact on other Users, where as a change in bookings from other Users would not have the same effect on DNs.

CW clarified that what is booked this year is used for the forecast for the next year. Current behaviours are an indicator. Current bookings for this year are a proxy for next year.

Materiality needs to be looked at within the Sensitivity Analysis for the PARCA numbers.

DON wished to understand what the materiality of the issue was. JCx challenged how the industry is going to address the known issues.

JCo believed the National Grid FCC methodology may lead to less under/over recovery, it's not reflective of future years bookings.

It was noted by the Workgroup that all Modifications had broadly adopted National Grid's FCC Methodology however some Modifications were incorporating the FCC methodology as a UNC related document.

It was recognised that having the FCC methodology as part of the UNC would provide better transparency.

**Action 03-2803:** National Grid to provide further clarity for the FCC and the technical application of the Demand Forecasting. (Target Date **02 April 2019**).

15. PG noted to the Workgroup that an update was expected for Existing Contracts on 15 March, however this had not been provided. CW provided an update on the review of existing Contracts with Baringa to provide an independent review and confirm National Grid intended to provide an update in due course.
16. The Workgroup considered and captured Workgroup comments within the Workgroup Report for the current Modifications before concluding discussions.

### The Critical Actions

The Actions recorded above will be available in the Action Log at:  
<http://www.gasgovernance.co.uk/0678/280319>

### Next Meeting

The next meeting is 02 April 2019 at Elexon as part of NTSCMF, commencing at 10am.

Agenda and papers will be published at: <http://www.gasgovernance.co.uk/0678>

### Workgroup 0678 Agenda Summary (28 March 2019 through to 10 April 2019)

Time / Date	Venue	Teleconference	Workgroup Programme	Purpose of the session (bold indicates finalisation)
09:30 Thursday 28 March 2019	St John's Hotel Warwick Road Solihull, B91 1AT	<b>Teleconference</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>	WG 11	Review all Final Modifications Update WGR to include commentary on Modification features Review FCC Methodology and Existing Contracts Update WGR
10:00 Tuesday 2 April 2019 (Part of NTSCMF)	Elexon, 350 Euston Road London NW1 3AW	<b>Teleconference</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>	WG12	<b>Review and finalise Analysis</b>
09:30 Wednesday 3 April 2019	Radcliffe House Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference</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>	WG13	<b>Finalise Relevant Objectives</b>

09:30 Thursday 4 April 2019	Radcliffe House Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference</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>	WG14	<b>Finalise Legal Text</b>
09:30 Monday 8 April 2019	St John's Hotel Warwick Road Solihull, B91 1AT	<b>Teleconference</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>	WG15	<b>Finalise Compliance</b> and commentary integration.
09:30 Wednesday 10 April 2019 <b>Late session until 6pm</b>	Radcliffe House Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference</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>	WG16	<b>Finalise commentary integration.</b>  <b>Finalise WGR</b>
<i>Thursday 11 April 2019</i>	<i>Joint Office Administrative Finalisation of Workgroup Report. Joint Office production of Draft Modification Report</i>			
<i>Friday 12 April 2019</i>	<i>Finalisation and Publication of Draft Modification Report 0678 for Consultation</i>			
<i>Monday 15 April 2019</i>	<i>Consultation commences</i>			