

**UNC Workgroup 0525 Minutes**  
**Enabling EU Compliant Interconnection Agreements**  
**Monday 13 April 2015**  
**31 Homer Road, Solihull B91 3LT**

**Attendees**

Les Jenkins (Chair)	(LJ)	Joint Office
Helen Cuiin (Secretary)	(HC)	Joint Office
Andrew Blair*	(AB)	Interconnector UK
Charles Wood	(CW)	Dentons
David McCrone	(DM)	Ofgem
Debbie Brace	(DB)	National Grid NTS
Graham Jack	(GJ)	Centrica
Karen Visgarda	(KV)	Joint Office
Phil Hobbins	(PH)	National Grid NTS
Sue Ellwood*	(SEI)	TPA Solutions
Stephen English*	(SEn)	Premier Transmission

\* via teleconference

Copies of all papers are available at: [www.gasgovernance.co.uk/0525/130415](http://www.gasgovernance.co.uk/0525/130415)

The Workgroup Report is due to be presented at the UNC Modification Panel by 18 June 2015.

**1.0 Introduction**

LJ welcomed all to the meeting.

**2.0 Review of Minutes and Actions (11 March 2015)****2.1 Minutes**

The minutes of the previous meeting were accepted.

**2.2 Actions**

**0301:** National Grid NTS to consider what route could be established for Shippers to express concerns regarding the terms of the IAs.

**Update:** DB understood the concerns of Shippers for a formal route to address/express any concerns, however she believed there is ample opportunity for parties to raise any concerns through existing routes, such as through the Transmission Workgroup or Shipper Account Management Team. National Grid NTS did not believe there was a need for a more formal process. However GJ believed that, with the additional scope of Interconnector agreements, it would still be worthwhile having a formal route to request changes Shippers believe should be consulted upon with the adjacent TSOs. He suggested there was sufficient gravity for a formal route and for National Grid NTS to be obliged to respond. GJ clarified that he didn't see the process enabling Shippers to force changes more of a mechanism whereby Shippers can provide a change request to be assessed and considered by the TSOs.

PH recognised that, although these agreements are bilateral between TSOs, they have aspects that affect Shippers, who should be consulted when they will be impacted by any changes.

LJ acknowledged the request for a formal change process however he also noted that currently National Grid NTS did not believe this was required and they did not intend to amend the modification to incorporate such a formal process.

The Workgroup briefly considered other possible routes such as using the UNC modification process to trigger changes to IAs. PH explained that, currently, where TSOs agree to seek a change they will engage Shippers, usually via an enabling modification. CW explained that if part of the ancillary agreement was incorporated within the UNC, they would also need to change the current mechanisms and the IA framework would need a more detailed governance process. CW therefore believed using a formal UNC modification route would be less straightforward and participants agreed.

PH enquired what formal obligations GJ believed should be placed on National Grid NTS and what these would look like. GJ confirmed he would consider the matter further and PH agreed that an offline discussion would take place to see if a compromise position could be reached that addresses GJ's concerns and would be acceptable to IA counterparties. **Carried forward**

**0302:** *Moffat IP* - Produce 'current and future state' comparisons of arrangements (physical, contractual, regulatory, commercial) to illustrate positions and demonstrate change requirements.

**Update:** DB provided some diagrams, which had also been included with the modification. **Closed.**

**0303:** PH to invite SGN and the other TSO representatives to attend the next Workgroup meeting (13 April 2015).

**Update:** An invitation had been issued and accepted. **Closed**

**0304:** *Draft Legal Text: UNC TD VB 4* - DM to seek a legal view on the proposed approach to consultation ahead of legal confirmation.

**Update:** DM understood the need for a retrospective element to the modification and believed this seemed logical. However DM wished to understand more on the reasons for the current provisions and what the legal text will do. He challenged what would be stopping National Grid NTS discussing the wider scope now.

It was recognised that there is a need to formalise a process that all parties could understand and what elements should be considered reasonable for Shippers to express concerns on.

It was highlighted that when interconnector agreements are sent to Ofgem the actual consultation process will occur whether or not there is a retrospective element within the modification. CW explained there are legal cases/examples, which he could provide more detail on where there has been a pre-consultation process within existing statute.

PH explained normally an agreement would be made with the adjacent TSO and then a modification would be raised, however in this case the industry had not got time for this. He explained the need in this case to have something within the transitional document that dis-applies the current obligations just for this one occasion.

PH further explained that, whilst the current rules facilitate IA changes, the EU code requires this particular change to be made to ensure parties consult.

CW made a comparison for retrospective changes whereby tax changes are announced to take effect on 01 April and notice is given in advance of a change but in effect the changes would need to be implemented retrospectively.

DM understood the approach and undertook to discuss the matter further with Ofgem's legal team. **Closed**

**0305:** *Draft Legal Text: EID A 4.2.1* - PH to confirm mutual arrangements will be in place between Adjacent TSOs and in the Irish Codes.

**Update:** PH advised that he was unable to confirm this at present. **Carried forward**

**0306:** PH to clarify the current arrangements for redress if NTS gave GBE non-compliant gas.

**Update:** PH explained that if non-compliant gas is flowed a Shipper could refuse to offtake the gas, particularly if they would suffer a loss. He explained the arrangements for redress and confirmed a Shipper on the NTS side can claim against National Grid NTS. PH also explained the need for National Grid NTS to try and limit "tort claims". GJ asked if a GNI UK Ltd (formerly BGE UK Ltd) Shipper would be able to make a claim against National Grid NTS. CW clarified this would not be possible with a mutual indemnity. CW believed that GNI UK Ltd Shippers would claim against GNI UK Ltd in the same way as if they were directly connected to National Grid NTS systems. CW believed matching rules would exist, and that the downstream Shipper would have a liability to reflect GNI UK Ltd costs. PH clarified that if an Irish customer suffered loss they would seek recourse through their contract, any problem encountered on the system needs to be cleared up within the appropriate area. CW explained that National NTS are liable to manage gas, he believed there was a misunderstanding about the liability regimes and explained the chain of liability within the contractual arrangements between TSOs. Although GJ wished to consider the liabilities further the Workgroup agreed to close this action. **Closed.**

### 3.0 Development of Workgroup Report

DB provided a number of presentation slides to compare and illustrate the contractual arrangements.

GJ enquired about the management of the Operating Balancing Agreement (OBA) (between GNI UK and National Grid NTS) and in particular proportional allocation. He expressed concern that GNI UK, with no shippers, could dictate what the allocation would be. CW explained the physical OBA, and that on a proportional day it will be between GNI UK and National Grid NTS to determine whether it is an OBA day. He explained there could be gas debits and credits on a day. CW explained that the layer of details underneath this is complicated; National Grid will have a single set of nominated quantities and there needs to be a system to ensure parties work out what the outcome should be. However GJ remained concerned that changes could affect other parties.

The Workgroup considered the contractual agreements and the usual TSO to TSO arrangements and how, under this modification, there is a need to ensure there are suitable tolerances between the TSOs. The risks associated with deviation from the measuring standard were expected to be small.

SEn advised that the Northern Irish Transporters are in discussion to consider the extra nominations on a proportional allocation day. It was recognised that this needs to be discussed further and agreed. SEn provide a link to the meeting minutes to allow parties to review the discussions taking place: <http://www.uregni.gov.uk/gas/projects/nied/>. National Grid NTS acknowledged the need to engage with parties where there is a commercial bearing on Shippers, the need for transparency and consistency, and parties having similar tolerances to limit the possibility of proportional allocation. SE explained

TSOs are working hard to keep processes inline. PH confirmed the need to establish the rules required with some sort of engagement on both sides of the flange.

GJ asked if interruptible capacity would be offered. It was clarified this would only be offered where “sold-out”.

DB explained the nomination contractual framework. In the UNC there will be an adjacent TSO and a framework created for UNC purposes.

DB agreed to make it clear within the nomination contractual framework illustrations that legally each entity will have its own contractual chain, therefore separate boxes.

### **3.1. Amended Modification**

DB provided the amended modification and summarised the changes made.

Feedback was provided on the solution and how it needed to be made clear within the Solution what were clarification points that wouldn't form part of the legal text. Some feedback was provided on the diagrams to make sure these were also clear for parties not involved within the Workgroup, for example separating GNI UK Ltd and GNI Ireland Ltd. Further clarity was also requested on the adjacent TSOs and who the parties will actually be.

PH explained that the Stranraer processes would be affected by the rules at the Moffat IP and that these have been discussed with the relevant Transporters (SGN, PTL, GNI and National Grid).

Further to discussions National Grid NTS agreed to provide a subsequent amended modification.

### **3.2. Consideration of Legal Text (draft) and Commentary**

The Workgroup considered the provided draft Legal text documentation.

Participants considered the need to have Interconnector Licences and that there maybe more than one TSO involved in an agreement and how the transitional legal text captures this.

DB confirmed clarification is provided within the legal text that this is a one off arrangement however the relevant paragraph needed a minor tweak.

PH explained the need to be clear on the OBA steering intolerance within the CSEP AA Termination Text and the flow at Stranraer, recognising how capacity nominations and allocation will actually work.

DB explained the designated arrangements within EID Section A, in particular the TSO to TSO relationships, which are slightly different at Moffat. The Workgroup considered how best to provide clarity between Moffat and other areas. It was agreed this would be considered further to ensure this is clear.

GJ asked about CSEP agency charges at IPs and if there would be a charge for CSEP agency work and whether there was need for specific clause (1.7.1). It was anticipated this would need to be taken out.

CW explained the different kind of CSEPs, which involve CSEP interconnections being switched off, and some being switched on. The Workgroup also considered the primary interconnection point at Moffat.

The Workgroup considered the options for an Adjacent TSO, where there is a legal agreement to comply with, to enable a change to an IA where the TSOs cannot agree to the specifics of change. These were described as being either for National Grid NTS to raise both it's own modification and the alternative on behalf of the adjacent TSO, or for the adjacent TSO to have the ability to directly propose an alternative. It was also

recognised that neither of these options are permissible under the Modification Rules at present. Following a short discussion, participants agreed that it would be appropriate for a TSO to raise a UNC modification and CW advised that this could be achieved without changing the UNC Modification Rules by including this ability in the EID.

Enabling Modifications were considered and whether if there were two competing modifications could there be a situation where a second (ie shipper-raised) alternate could be raised. It was felt that Shipper input might help bring TSOs together where there are competing views. It was confirmed that, where there was a legal requirement and there was difference in opinion by the TSOs, Shippers could raise an alternative modification.

LJ suggested Ofgem might wish to consider whether the Modification Rules would also need to be amended.

**Action 0401: Ofgem and National Grid NTS to provide a view on whether the UNC Modification Rules need to be amended to reflect that adjacent TSOs can raise modifications under specific circumstances.**

The Workgroup considered if the tri-partite agreement should fall into the definition of an interconnector agreement under the UNC. It was agreed that tri-partite discussions need to be considered further. The Workgroup also recognised that they may need to consider tri-partite governance arrangements.

The Workgroup considered why an indemnity requirement (paragraph 4.2) existed. GJ was not comfortable with the indemnity of an Adjacent TSO. GJ wanted to see some form of address/recourse where there are commercial consequences, for Shippers to rectify any commercial loss where the process may be incorrectly applied. PH believed if the Bacton Agent made a mistake and caused a Shipper to incur an in-balance charge the Shipper would not have claim against the TSO. The Workgroup considered how the liability would be set out in the UNC. CW believed the industry needed to construct a regime that limits liability and risks, that is negotiated and constructed within a contract. It shouldn't be left open in the UNC to allow Shippers to bypass the contract.

GJ remained concerned that NTS Shippers would be exposed to commercial losses without a matter of recourse, explaining that interconnector agreements are being significantly changed and, with the introduction of daily rules that could affect allocations and nominations, elements could go wrong. CW believed re-runs could be enacted and explained there are defined liabilities for the process and it is not risk free.

The Workgroup considered the management of capacity and overrun rules. CW explained the rules around bundled capacity and the surrender of bundled capacity.

The Workgroup considered Primary & Subsidiary Interconnector points. GJ enquired about proportional aggregations, measured flows and the driving of proportional flows.

The Workgroup considered the designated arrangements at Moffat. CW explained the arrangements, the definitions used, the transportation and relevant allocation agreements and arrangements.

LJ enquired about the Moffat interconnector agreements and the reference to exit points within the legal text and whether this ought to refer to interconnection points.

CW explained the communication of values between parties; National Grid NTS would only be provided with an aggregated data flow, and a single OPN would be provided by GNI UK Ltd.

CW advised he was unsure at this stage whether if the PTL, GNI and GNI UK Ltd designated arrangements should be brought into the UNC as it has not been fully bottomed out where the designated arrangements should exist. CW explained that the arrangements might not be finalised by the time the modification is implemented. He suggested the Workgroup create a concept whereby the legislative requirements are allowed to follow as a separate element.

The Workgroup agreed to consider where the designated arrangements should reside and whether these ought to be within the UNC or treated as an ancillary agreement.

**Action 0402: All to consider and provide a view on where the designated arrangements should reside, i.e. within the UNC or as an ancillary agreement**

It was anticipated that a further set of Text documents would be provided to take into account some minor amendments noted within the Workgroup Meeting.

**4.0 Next Steps**

LJ believed that all the areas, which required consideration, had been brought to the Workgroup. The next steps now were to update the Modification and Legal Text to enable the production on the Workgroup Report.

It was agreed to meet again on the 27 May 2015 with a view to concluding the Workgroup Report for submission to the UNC Panel by 05 June 2015.

**5.0 Any Other Business**

DM enquired about the engagement of TSOs and noted that Ofgem consider the Workgroup process to be an inclusive part of the EU-specified two-months consultation.

**6.0 Diary Planning**

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:00, Wednesday 27 May 2015	31 Homer Road, Solihull B91 3LT	<ul style="list-style-type: none"> <li>Review Amended Modification</li> <li>Review amendments to the legal text and associated commentary</li> <li>Completion of Workgroup Report</li> </ul> <p><i>The Workgroup Report must be completed and submitted by 05 June 2015, for consideration at June Panel</i></p>

**Action Table**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
<b>0301</b>	11/03/15	3.0	National Grid NTS to consider what route could be established for Shippers to express concerns regarding the terms of the IAs.	National Grid NTS (PH)	<b>Carried forward</b>
<b>0302</b>	11/03/15	3.0	<i>Moffat IP</i> - Produce 'current and future state' comparisons of arrangements (physical, contractual, regulatory, commercial) to illustrate positions and demonstrate	National Grid NTS (PH/DB)	<b>Closed</b>

## Action Table

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			change requirements.		
<b>0303</b>	11/03/15	3.0	PH to invite SGN and the other TSO representatives to attend the next Workgroup meeting (13 April 2015).	National Grid NTS (PH)	<b>Closed</b>
<b>0304</b>	11/03/15	4.0	<i>Draft Legal Text: UNC TD VB 4</i> - DM to seek a legal view on the proposed approach to consultation ahead of legal confirmation.	Ofgem (DM)	<b>Closed</b>
<b>0305</b>	11/03/15	4.0	<i>Draft Legal Text: EID A 4.2.1</i> - PH to confirm mutual arrangements will be in place between Adjacent TSOs and in the Irish Codes.	National Grid NTS (PH)	<b>Carried forward</b>
<b>0306</b>	11/03/15	4.0	PH to clarify the current arrangements for redress if NTS gave GBE non-compliant gas.	National Grid NTS (PH)	<b>Closed</b>
<b>0401</b>	13/04/15	3.2	Ofgem and National Grid NTS to provide a view on whether the UNC Modification Rules need to be amended to reflect that adjacent TSOs can raise modifications under specific circumstances.	Ofgem (DM) & National Grid NTS (CW)	<b>Pending</b>
<b>0402</b>	13/04/15	3.2	All to consider and provide a view on where the designated arrangements should reside, i.e. within the UNC or as an ancillary agreement.	All	<b>Pending</b>