

## UNC European Workgroup Minutes

Thursday 03 April 2014

Energy Networks Association, 52 Horseferry Road, London SW1P 2AF

### Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Angus Paxton	(AP)	Poyry
Anna Shrigley	(AS)	ENI
Charles Ruffell	(CR)	RWE npower
Chris Shanley	(CS)	National Grid NTS
Colin Hamilton	(CH)	National Grid NTS
Danielle Stoves	(DS)	Interconnector UK
David Reilly	(DR)	Ofgem
Erika Melen	(EM)	Scotia Gas Networks
Fergus Healy	(FH)	National Grid NTS
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
Hayley Burden	(HB)	National Grid NTS
Isabelle-Agnes Magne*	(IAM)	GDF Suez
Jeff Chandler	(JC)	SSE
Jessica Housden	(JH)	Ofgem
Julie Cox	(JCx)	Energy UK
Kirsten Elliott-Smith	(KES)	Cornwall Energy
Lucy Manning	(LM)	Interconnector UK
Matt Hatch	(MH)	National Grid NTS
Mike Jenner	(MJ)	National Grid NTS
Natasha Ranatunga	(NR)	EDF Energy
Peter Bolitho	(PB)	Waters Wye Associates
Phil Broom	(PBr)	GDF Suez
Ricky Hill	(RHl)	British Gas
Rob Mills	(RM)	Ofgem
Ryan McLaughlin	(RMc)	Ofgem
Sarah Lloyd	(SL)	National Grid NTS
Victoria Volossov	(VV)	Ofgem

\*via teleconference

Copies of all papers are available at: [www.gasgovernance.co.uk/european/030414](http://www.gasgovernance.co.uk/european/030414)

### 1. Introduction and Status Review

LJ welcomed all to the meeting.

#### 1.1 Minutes

DS requested a change to the minutes (under Section 3.5 CAM Update) as follows:

*“CAM Bundle: Potential to become unbundled*

MM gave a brief presentation on bundling, with examples centred on preparing for an auction and the results of an auction and illustrating how bundled capacity may become unbundled through different mechanisms, and the impact of this on Shippers. It was noted that just because capacity had been submitted as bundled it might not be reallocated as such. DS

reiterated that scenarios may arise where bundled will become 'unbundled', and parties need to be very aware of this possibility."

The minutes of the previous meeting were accepted and a revised version will be published.

## 1.2 Actions

**EU0301: *Balancing Code*** - Confirm with National Grid NTS Network Flexibility Project Team how any interface with the EU Tariff Network Code will be addressed.

**Update:** At present there was no perceived interaction between the two codes. CH pointed out that the Tariff Code (TC) was focused on the capacity charge. A watching brief will be maintained on the direction of the TC. **Closed**

**EU0302: *Balancing Code*** - Review NEAs and legacy contracts, identify any impacts and consider whether these should be in scope.

**Update:** NTS are evaluating the changes required to NEAs and other contracts to accommodate the implementation of the Gas Day and other EU changes. However, NTS are not looking to use this opportunity to clarify that terms in NEAs are not WDOs. **Closed**

**EU0303: *Balancing Code and Gas Target Model*** – National Grid NTS and Ofgem to provide the Workgroup with an overview.

**Update:** MJ gave a presentation covering this action and the next action EU0304; see next action below for details. **Closed**

**EU0304: *Balancing Code and Gas Target Model*** – National Grid NTS and Ofgem to provide the Workgroup with an update on the legal position.

**Update:** MJ gave a presentation on the Gas Target Model (GTM) and Bridge to 2025. The latter provides direction/guidance for the GTM, which itself is more detailed and will deliver recommendations. The strategic context was briefly described, with the reasons for the GTM review. Referring to the draft structure, MJ commented that he was not sure that the GTM update would be the same as GTM1. It may not let the market decide on a merging of hubs - this may be done artificially. AP observed that markets need to be liberal and be allowed to evolve, and referred to MEP97 – its Terms and Conditions evolved from the market. MJ noted that ACER was making the assumption that gas demand is going down.

Moving on to consider the GTM1 criteria, MJ pointed out that no organisation meets all of them and that ACER had asked for an update to make an assessment. The preliminary results were displayed. It was questioned that GTM1 does not have anything to do with price awareness?

Attention was drawn to the preliminary conclusions, and MJ noted that towards the end of April a Green Paper, Bridge to 2025, will be launched and GTM will be launched at the same time. There will be a six week consultation. On 15 May in Brussels there will be a Stakeholder Workshop – details on ACER's website – and industry parties were strongly encouraged to actively engage and attend. It was not sure if this was a non-legally binding document so parties do really need to get involved.

JCx questioned that anything surrendered as bundled could not be unbundled. MJ responded that Commission guidance indicates that it could be surrendered as bundled, then broken up and resold as unbundled.

JCx questioned that more variable charging may better serve than fixed, which seems opposite to the Tariff FGs, and pointed out that UNC does not want to implement something now, to then have to change it? She suggested that more cooperation between gas and electricity operators would be welcome. EU markets are very different to the UK market and each has individual issues. Is there a case for targeted intervention to get some working better (leaving the others alone)? It was noted that many EU markets have many changes to make to even start to get near where the UK Market is.

AP questioned how does the second GTM become legally binding. MJ responded that it cannot in itself – extracts can be taken to form the basis of a new EU code and become part of the 3<sup>rd</sup> Package and effect change in that way. This needs to be monitored.

RM observed that GTM1 came late - it would be prudent to develop a vision to get ahead of ‘the curve’ and influence/set the EU agenda at this stage, rather than catching up. **Closed**

**EU0305: *Balancing Code – Nominations Process at IPs - Virtual Reverse Flow at Moffat*** – Provide an indication of how CAM and nominations might work in relation to both bundled and unbundled products.

**Update: Phil Lucas and Matt Hatch. Response:** Reverse flow is interruptible so its not bundled and only offered as a Day Ahead interruptible product. In terms of nominations, as now these will be required in respect of virtual reverse flow so under the new nominations rules National Grid would expect a double sided nomination with a flow direction indicator of Eire to GB or NI to GB for nominations against the unbundled capacity product “day-ahead interruptible reverse flow capacity” at Moffat. **Closed**

**EU0306: *Tariff Code and Incremental Capacity Amendment*** – Provide an indication of ‘Postage Stamp’ costs for the UK.

**Update:** CH confirmed that calculations had been made (with certain assumptions, and heavily caveated) - Exit comes out at 0.0112 pence per kWh per day, and Entry at 0.0161 pence per kWh per day. **Closed**

## 2. General Update

An update was provided on the status and timelines of each of the EU Codes. It was noted that the Gas Balancing Code had now come into force.

There were no major changes to the implementation phases or the approach.

## 3. Workgroups

### 3.1 0485 – Introduction of Long-term use-it-or-lose-it mechanism to facilitate compliance with EU Congestion Management Procedures

Minutes for this meeting are available at [www.gasgovernance.co.uk/0485/030414](http://www.gasgovernance.co.uk/0485/030414).

### 3.2 0489 - EU Gas Balancing Code – Information Provision changes required to align the UNC with the EU Code

Minutes for this meeting are available at [www.gasgovernance.co.uk/0489/030414](http://www.gasgovernance.co.uk/0489/030414)

## 4. EU Code Updates

### 4.1 Tariff Code (TC) and Incremental Capacity Development Process

CH gave an update. In addition to the Workshops ‘Prime Mover’ meetings had been initiated to begin to refine; now in the drafting code phase and a consolidated version of the Business Rules was to be issued shortly. Feedback could be provided to ENTSOG ant any time before the formal consultation process.

Attention was drawn to potential issues for GB to consider (currently under debate). It was noted that the TC will only cover certain aspects of charging and there were debates on what should be included/excluded. – ‘shorthaul’ at IPs may be at risk of disappearing. Parties should therefore consider their views and get actively involved in the debates.

## 5. UNC Modification Plans

Potential timescales for modifications planned during Phase 2 were summarised by CS. It was noted that formal submission of the SMP Buy/Sell modification had moved to Q2 2014 (see 7.1, below).

## 6. EU Implementation Programme – System Developments Update

### 6.1 Phase 2 Delivery Plan

No update this month.

## 7. Draft EU Modifications

### 7.1 EU Gas Balancing Code – Imbalance Charge amendments required to align the UNC with the EU Code

HB gave a presentation, outlining the three options in more detail.

*Option 1 – No Change:* This was to do nothing, but would not be compliant with EU requirements.

*Option 2 – Change to match EU Definition:* This would involve minimum change to achieve compliance. To assess the impact on the GB balancing regime additional analysis was carried out. HB explained the results, concluding that the EU definition was not really making the current position worse, but may give rise to a TSO ‘Helper’ concept, the effects of which on Shipper balancing behaviour (if any) would be unpredictable. If this were to be implemented then balancing behaviour would need to be monitored to establish if there were any adverse changes.

*Option 3 – Change to match EU Definition and amendment to default differential (Default System Marginal Price - DSMP):* This would also require an amendment to the DSMP methodology; a separate consultation would be required.

HB summarised that least change would result from adopting Option 2. Shippers agreed with the draft modification as it stood, and that Option 2 was the pragmatic approach.

#### *General Comments*

NR commented that DECC and Ofgem should enter into EU negotiations with a better view of GB industry views, and explained the perception that the Electricity group took a more proactive approach. Noting this, RMc indicated he would raise these concerns at the monthly Stakeholder group meeting.

CS added that this was a last minute EU Change made by the EC and little could have been done to prevent it.

#### *Next Steps*

National Grid NTS intends to submit a modification to the April UNC Modification Panel.

### 7.2 EU Gas Balancing Code - Nominations at Interconnection Points (IPs)

CS gave a brief presentation, advising that National Grid NTS intends to submit a modification to the April UNC Modification Panel. The purpose of the modification was

outlined, together with an estimated timeline to achieve compliance. There were no initial comments or observations provided.

### 7.3 CAM Regulation – EU Modification

MH gave a brief presentation, advising that National Grid NTS intends to submit a modification to the May UNC Modification Panel. The key features of the modification were outlined, together with an estimated timeline to achieve compliance.

A draft version will be provided for review at the May EU Workgroup, and MH would welcome any feedback before the next meeting.

### 7.4 Bacton

MH presented National Grid NTS' initial thoughts on the process for splitting Bacton, and an initial draft timeline for the Bacton Reallocation Process.

Noting that there may be dependencies with the aforementioned CAM EU Modification and that one cannot work without the other, the Workgroup's views were sought on whether these proposed changes should be best addressed by a combined modification or by two separate modifications. A discussion ensued, with advantages seen to doing either, and MH will consider further.

## 8. Concept Document – IUK, National Grid, Fluxys

MH gave a brief presentation on the Concept Document, drawing attention to the consultation that will commence on 08 April 2014. Responses were encouraged.

## 9. Any Other Business

None raised.

## 10. Diary Planning

UNC European Workgroup meetings scheduled for 2014. **Please note the earlier start time of 10:00 for ALL meetings.**

Date	Location
Thursday 01 May 2014, <b>10:00</b>	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 05 June 2014	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 03 July 2014	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 07 August 2014	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 04 September 2014	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 02 October 2014	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 06 November 2014	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF

Thursday 04 December 2014

ENA, 6<sup>th</sup> Floor, Dean Bradley House, 52  
Horseferry Road, London SW1P 2AF**Action Table – UNC European Workgroup: 03 April 2014**

<b>Action Ref</b>	<b>Meeting Date(s)</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
<b>EU0301</b>	06/03/14	3.1	<i>Balancing Code</i> - Confirm with National Grid NTS Network Flexibility Project Team how any interface with the EU Tariff Network Code will be addressed.	National Grid NTS (CS)	<b>Closed</b>
<b>EU0302</b>	06/03/14	3.1	<i>Balancing Code</i> - Review NEAs and legacy contracts, identify any impacts and consider whether these should be in scope.	National Grid NTS (CS)	<b>Closed</b>
<b>EU0303</b>	06/03/14	3.1	<i>Balancing Code and Gas Target Model</i> – National Grid NTS and Ofgem to provide the Workgroup with an overview.	National Grid NTS (CS) and Ofgem (RMc)	<b>Closed</b>
<b>EU0304</b>	06/03/14	3.1	<i>Balancing Code and Gas Target Model</i> – National Grid NTS and Ofgem to provide the Workgroup with an update on the legal position.	National Grid NTS (CS) and Ofgem (RMc)	<b>Closed</b>
<b>EU0305</b>	06/03/14	3.2	<i>Balancing Code – Nominations Process at IPs</i> - Virtual Reverse Flow at Moffat – Provide an indication of how CAM and nominations might work in relation to both bundled and unbundled products.	National Grid NTS (CS)	<b>Closed</b>
<b>EU0306</b>	06/03/14	3.4	<i>Tariff Code and Incremental Capacity Amendment</i> – Provide an indication of ‘Postage Stamp’ costs for the UK.	National Grid NTS (CH)	<b>Closed</b>