

**UNC Workgroup 0636 Minutes**  
**Updating the parameters for the NTS Optional Commodity Charge**  
**Thursday 06 November 2017**  
**at Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW**

<b>Attendees</b>		
Rebecca Hailes (Chair)	(BF)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Adam Bates	(AB)	National Grid NTS
Alexander Yankovskiy	(AY)	Gazprom
Andrew Pearce	(AP)	BP
Anna Shrigley	(AS)	ENI
Benoit Enault*	(BE)	Storengy UK Ltd
Brian O'Shea	(BO'S)	Bord Gais Energy Limited
Charles Ruffell	(CR)	RWE Npower
Colin Hamilton	(CH)	National Grid NTS
Colin Williams	(CW)	National Grid NTS
Danishtah Parker*	(DP)	Cadent
Davide Rubini*	(DE)	Shell
David Reilly	(DR)	Ofgem
Debra Hawkin	(DH)	TPA Solutions
Gerry Hoggan	(GH)	Scottish Power
Graham Jack	(GJ)	Centrica
Henk Kreuze	(HK)	Vermillion
Jeff Chandler	(JCh)	SSE
John Costa	(JCo)	EDF Energy
Joanne Parker	(JP)	SGN
Julie Cox	(JCx)	Energy UK
Kieron Carroll	(KC)	PSE Kinsale Energy
Lee Bowerbank*	(LM)	ExxonMobil
Matt Hatch*	(MH)	National Grid NTS
Nick Wye	(NW)	Waters Wye Associates
Pavanjit Dhesi	(PD)	Interconnector
Penny Garner	(PG)	Joint Office
Phil Lucas	(PL)	National Grid NTS
Richard Fairholme	(RF)	Uniper
Richard Miller	(RM)	Ofgem
Robert Wigginton*	(RW)	Wales & West Utilities
Sinead Obeng	(SO)	South Hook Gas
Stephen Carter*	(SC)	Citadel
Steve Pownall	(SP)	Xoserve
Vladislav Zuevskiy	(VZ)	NGN
* <i>via teleconference</i>		

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0636/061117>

## 1.0 Outline of Modification

DH introduced the Modification and gave the workgroup an overview of the presentation that went to the October Modification 2017 UNC Panel, which covered:

- Why Change
- Options
- Solution
- Recommended Steps.

The presentation can be found here: <https://www.gasgovernance.co.uk/panel/191017>

It was confirmed that the Workgroup Report for this Modification is due to be presented at the UNC Modification Panel on 18 January 2018.

## 2.0 Initial Discussion

### 2.1. Issues and Questions from Panel

The question that was raised by Panel at the October meeting was for the Workgroup to consider links, relationship and impacts with the relevant elements of Modification 0621- Amendments to Gas Transmission Charging Regime.

DH took the workgroup through a presentation provided for this meeting which covered the following:

- What Modification 0636 is proposing
- Links to Modification 0621
- Relationship of Modification 0636 to Modification 0621
- Impacts of Modification 0636 on Modification 0621

For further detail, please see the material here:

<https://www.gasgovernance.co.uk/0636/061117>

DH then went through an onscreen review of the updates that have been made to the Modification which included updates to the Solution and Legal Text.

### Section 5 Solution

SP suggested that GCD11 needs to be referenced in the modification.

CW advised that there will need to be consideration of how to come up with a suite of values when costs are in the price control but are not public, adding that the 3-unit cost pipe sizes are not public.

When asked, DH confirmed that implementation of this modification will improve the estimated cross-subsidy, which is currently estimated at £146m.

NW commented that the cross-subsidy element is slightly mis-leading in that it is the amount of money that would be collected if the Optional Commodity Cost (OCC) was there.

JCo, referring to the GCD11 conclusion paper, which can be found here:

[https://www.nationalgrid.com/sites/default/files/documents/42342-NTS\\_GCD11 - Optional Commodity Charge Change V1.3.pdf](https://www.nationalgrid.com/sites/default/files/documents/42342-NTS_GCD11_-_Optional_Commodity_Charge_Change_V1.3.pdf), advised that the paper suggested that £30m (ROM) would be saved if option 2 (page 13 of the document) was implemented.

DR said that the impact needs to be included in the Draft Modification Report.

RF said that short haul is deeply embedded in the UK market, the expectations are that there will be little change until 2019 and that there are commercially sensitive figures that will need to be discussed. DR added that there may be lots of individual parties that are impacted by this modification and that potentially Ofgem may have a role in aggregating information.

In support of RF, PD said that impacts need to have a holistic approach and just looking at this in isolation will not answer questions in the bigger review.

JCx said that there is a need for more detail on the figures being quoted, £95m and £148m and wondered where clarification should come from.

Suggesting more detail needs to be in the modification, GJ advised that industry parties will want to have everything in front of them with all relevant detail to be able to make sense of what is being proposed.

PG encouraged DH to work with Xoserve on systems impact from the point of view of UNC Panel.

Moving on to the 'For the avoidance of doubt' within section 5 Solution, SP explained that the issue that Xoserve is facing is regarding the formula. If the proposal is suggesting changing the formula from M being the Maximum NTS Exit Point Offtake Rate (MNEPOR) to M being the average daily flow in kWh/day, this could be a change in terms of systems impact.

There is a possibility that, because National Grid are considering using MNEPOR, if Modification 0636 is implemented with an average daily flow rate, when Modification 0621 is implemented, this formula could require changing back to the original MNEPOR.

RW said that, if changing the M in the formula is the issue for M, is it worth considering how merited changing M is?

SP reiterated to the workgroup that this may not necessarily be a large change, however, whether it is a business process change or a system change, it still needs to be assessed.

#### **Summary of Actions taken from the above discussion:**

**New Action 1101: DH to provide required clarification as to what M relates to within the formula in section 5 Solution.**

**New Action 1102: DH to make amendments to the Modification adding further clarity and relevant detail to the proposition; solution and the avoidance of doubt section.**

**New Action 1103: Referring to 'For the avoidance of doubt' (i) If the site is new, when does it cease to be new – explanation to be included in the modification.**

**New Action 1104: DH to provide an explanation for inclusion in the Modification of what 'seasonal' represents.**

DR suggested it would be useful to look at the reasons why changing from MNEPOR to an average flow rate would be of benefit.

PG clarified that the more richness that is applied in the modification the more it will help Ofgem reach a decision.

SP clarified that this calculation used to be within an offline database called Unique Sites, this is now embedded in UK Link as part of Project Nexus, which is why there will be an impact on process/system.

CW confirmed that National Grid are a feature of the process only, and can only give an opinion.

Moving back to 'For the avoidance of doubt' some of the clarification within the modification that is required is:

- (i) If the site is new, when does it cease to be new?
- (ii) If using the same legal text and there is no change, clarify this is the case
- (iii) no more questions
- (iv) no more questions
- (v) no more questions

## Legal text

There was a discussion as to whether now is the right time to go over suggested legal text due to the amendments that are required within the modification as suggested above.

PG confirmed the workgroup are looking for greater clarity before a request for Legal Text.

RH suggested the workgroup should go ahead and seek system costs; a formal request for ROM should be raised.

DH sought clarification on timescales and interaction with the DSC Change Management Committee.

It was confirmed that the Solution needs to be expanded before the ROM is requested.

PG clarified that the Offline Meeting (Xoserve/National Grid/DH/Vermillion) needs to be held next, then the Solution can be updated within the modification and then a ROM request can be put forward.

## 2.2. Terms of Reference

As matters have been referred from Panel, an individual Terms of Reference will be published alongside the Modification at (<https://www.gasgovernance.co.uk/0636>). The workgroup was in agreement that the TOR are relevant and in line with the question from the October 2017 UNC Panel.

## 2.4 Xoserve System Changes

RH commented that Joint Office are pleased that Xoserve are attending the NTSCMF meetings.

## 3.0 Next Steps

RH confirmed that Modification 0636 will next be considered at NTSCMF meeting on 07 December 2017.

**Post meeting update:** Modification 0636 will be considered on 22 November 2017 alongside Modification 0621.

## 4.0 Any Other Business

None.

## 5.0 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 22 November 2017	Energy UK, Charles House, 5-11 Regent Street, London, SW1Y 4LR	<ul style="list-style-type: none"> <li>• Modification 0621</li> <li>• Modification 0636</li> </ul>
10:00 Wednesday 06 December 2017	Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW	<ul style="list-style-type: none"> <li>• NTSCMF Gas Charging Forum</li> <li>• Modification 0621</li> <li>• Modification 0636</li> </ul>
10:30 Thursday 14 December 2017	Solihull venue TBC	<ul style="list-style-type: none"> <li>• Modification 0621</li> </ul>
10:00 Wednesday 03 January 2018	Elexon, 4th Floor, 350 Euston Road, London,	<ul style="list-style-type: none"> <li>• NTSCMF Gas Charging Forum</li> </ul>

	NW1 3AW	<ul style="list-style-type: none"> <li>• Modification 0621</li> <li>• Modification 0636</li> </ul>
10:00 Monday 23 January 2018	Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW	<ul style="list-style-type: none"> <li>• Modification 0621</li> </ul>
10:00 Tuesday 06 February 2018	Solihull venue TBC	<ul style="list-style-type: none"> <li>• NTSCMF Gas Charging Forum</li> <li>• Modification 0621</li> </ul>
10:00 Tuesday 20 February 2018	Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW	<ul style="list-style-type: none"> <li>• Modification 0621</li> </ul>

**Action Table (as at 06 November 2017)**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
<b>0636-1101</b>	06/11/17	2	DH to provide required clarification as to what M relates to within the formula in section 5 Solution.	TPA Solutions (DH)	<b>Pending</b>
<b>0636-1102</b>	06/11/17	2	DH to make amendments to the Modification adding further clarity and relevant detail to the proposition; solution and the avoidance of doubt section.	TPA Solutions (DH)	<b>Pending</b>
<b>0636-1103</b>	06/11/17	2	Referring to 'For the avoidance of doubt' (i) in Modification 0636, if the site is new, when does it cease to be new – explanation to be included in the modification.	TPA Solutions (DH)	<b>Pending</b>
<b>0636-1104</b>	06/11/17	2	DH to provide an explanation for inclusion in to the Modification of what 'seasonal' represents.	TPA Solutions (DH)	<b>Pending</b>