

**UNC Workgroup 0636 Minutes**  
**Updating the parameters for the NTS Optional Commodity Charge**  
**Thursday 04 January 2018**  
**at Elexon, 350 Euston Road, London NW1 3AW**

<b>Attendees</b>		
Chris Shanley	(CSh)	Chair
Karen Visgarda	(KV)	Secretary
Andrew Pearce	(AP)	BP
Anna Shrigley	(AS)	Eni Trading & Shipping
Christiane Sykes	(CSy)	Shell
Debra Hawkin	(DH)	TPA Solutions
Graham Dickson	(GD)	Interconnector
Graham Jack	(GJ)	Centrica
Henk Kreuze	(HK)	Vermillion Energy
Jag Basi	(JB)	ESP
Jeff Chandler	(JC)	SSE
John Costa	(JC)	EDF Energy
Julie Cox*	(JCx)	Energy UK
Matthew Hatch	(MH)	National Grid NTS
Mike Ronan	(MR)	Aughiniah Alumina Ltd
Nigel Sisman*	(NS)	Sisman Energy Consulting
Paul Orsler	(PO)	Xoserve
Richard Fairholme	(RF)	Uniper
Robert Wigginton*	(RW)	Wales & West Utilities
Sasha Yamkovskiy	(SY)	Gazprom
Sean Hayward	(SH)	Ofgem
Terry Burke	(TB)	Statoil
<i>*via teleconference</i>		

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0636/040118>

## 1.0 Welcome

The minutes from the previous meeting held on 07 December 2017 were approved.

CSh welcomed all to the meeting and explained that the updated Workgroup Report had been published late on Wednesday 03 January 2018, following some amendments he had subsequently made to the version published on the 02 January 2018. He also apologised that this had not been published 5 days prior to the meeting taking place. JCx said that this should have been published between Christmas and New Year and CSh agreed and once again apologised that this had not been actioned.

Some of the Workgroup attendees felt that there was insufficient time in which to sense check the Workgroup Report accurately during this last meeting, in readiness for the January Panel and that more time was needed to properly assess the content.

JC and GJ asked if an alternate had been raised and if so, why this was not being discussed in this Workgroup. CSh said that one alternate had been raised late on Wednesday 03 January, but that it should have been raised 5 days prior to the meeting for it to be considered as an alternate and that the Proposer was also not available to attend this last Workgroup. He explained that for these reasons it was not being discussed today. CSh further explained that depending on how the discussions progressed during the meeting in respect of the completing the existing Workgroup Report, then perhaps further discussions on the alternate would take place at a later meeting.. JCx said that the process for dealing with the alternate seemed flawed in respect of timelines for publishing the workgroup report.

## **2.0 Completion of Workgroup Report**

CSh then proceeded to move through the Workgroup Report, highlighting that the most recent changes have been made to include updates on actions from the last meeting. It was hoped that seeing the most recent information would aid the completion of the workgroup report. CSh then drew attention to the specific areas that had been changed or that required further input from the Workgroup.

He overviewed Section 6 – Impacts and Other Considerations, focusing on the Consumer Impacts section. RF proposed that there needed to be more information included regarding the interaction with the Charging Review that was also looking at Short Haul. A lengthy discussion took place and there were mixed opinions regarding this topic but CSh agreed to clarify the matter in the next version of the report.

MH said in relation to Action 1206, that the wording that was presently used was cross-subsidy of costs, but that re-distribution could be used instead. DH agreed that these costs could be described as 're-distribution' rather than cross-subsidy, if that is what the Workgroup preferred. JB said it was up to the Proposer to set out the context of the cross subsidy in relation to the impacts on the Consumer, but felt it was equally important to clarify the impacts of changes to the OCC.. A general discussion took place surrounding historical evidence of the benefits of OCC in attracting gas to GB since it was introduced in 1998 and the impacts of changes to the OCC on electricity generation. CSh explained that it was not the purpose of the report to identify historic benefits and highlighted that the Proposer (DH) had provided significant analysis (following detailed discussions with National Grid NTS on this matter) on the impacts of the proposal. He added that this analysis had also been summarised in order to populate the Consumer Impact Assessment, as per Action 1204. CSh said that he appreciated there were other consequences in relation to changing the OCC rate, and these were captured.

RF proposed if the overall cross subsidy figure of £150mil, was deemed to be correct, then surely it was up to Ofgem to undertake an Impact Assessment. SH confirmed that an Impact Assessment would be undertaken once Ofgem had subsequently received the Final Modification Report (FMR). He then added as per Action 1205, that this would not be including Northern Ireland consumers as Ofgem were independent. CSh agreed to add this important development into the Workgroup Report.

### **New Action 0101: Joint Office (CSh) to add the wording in respect of the Ofgem Impact Assessment to provide clarity.**

A further general discussion then ensued in relation to the re-distribution/cross subsidy that would see the standard commodity charge reduce by 15% and RF wanted to know exactly how this would take place. DH said that the charges would drop by 15% as a result of the OCC rate increasing. RF said that he still did not see how this would happen, as a larger proportion of flow would be attracting a higher commodity charge.

GJ and JC reiterated that given there was an alternate modification that this should be discussed and DH asked who was the Proposer of the alternate. CSh explained that as the alternate had not yet been processed, he was not at liberty to divulge this information. A general discussion took place and the consensus of some of the Workgroup was that an extension should be sought from Panel in order to have sufficient time to evaluate the existing modification and the subsequent alternate. DH said she was not at all happy at the request

for a 2 month's extension and felt that the modification itself was sufficiently developed and the report could be completed to be submitted to Panel and she felt this was delaying tactics. JCo said that he too felt that from a timing perspective that something had failed in the overall process and that he also felt the modification should be submitted to the January Panel. CSh explained that as the majority of Workgroup felt that an extension was needed, that he would request this from the Panel members. He added that it was important that the Workgroup looked to complete the report as soon as possible and sent any additions they wanted included in the Workgroup Report directly to him, at their earliest convenience.

**New Action 0102: All to send any additions or alterations to Chris Shanley for inclusion in the Workgroup Report at their earliest convenience.**

GJ said that there needed to be a clear articulation of the formula proposed, together with the methodology as set out in Modification GCD11. CSh explained that regarding Action 1207, the Proposer had now included Appendix 5, which provides a summary of the steps in the process to aid understanding of the methodology. Appendix 3 had also been provided and included a comparison of pipeline construction costs provided during the Modification 0621 Workgroup meetings as part of the recent and ongoing charging review. GJ said he still felt that the methodology was not justified in relation to this matter and that he wanted provenance of Appendix 5. DH said that National Grid NTS had supplied this data and that it explained the GCD11 information based on the existing methodology that is presently used. JB said that nothing had been concluded in respect of this methodology, as the report recommended waiting on the outcomes of Modification 0621.

A general discussion then took place regarding the impact of the changes regarding OCC and whether this would be deemed as in interim or enduring solution and what commercial aspects would take place in relation to charges and bookings etc. DH said that on implementation the charges would change and the revised charges would be published. MH agreed to investigate how the exact charges would change following implementation.

**New Action 0103: National Grid NTS (MH) to investigate how the OCC and Standard Commodity charges would change following implementation and any notice periods.**

CSh said he understood that the Legal Text was presently being produced, and MH confirmed this was correct. He added that the Proposer and National Grid NTS had been working on a number of iterations and that he would present the Legal Text at the next meeting.

### **3.0 Update on outstanding actions**

CSh reviewed all the outstanding actions to include the ones that had already been discussed within the Workgroup Report.

**0636-1203:** CSy to summarise the point being made regarding Network access regulation and forward it in the Workgroup Report.

**Update:** CSy confirmed this information had been supplied and so this action could now be closed. **Closed.**

**0636-1204:** DH to update the Consumer Impact Assessment table and provide the text to be included.

**Update:** DH confirmed the Consumer Impact Assessment had now updated and so the action could be closed. **Closed.**

**0636-1205:** SH will confirm if the Impact on consumers should include Northern Ireland

**Update:** SH confirmed that the Impact Assessment would not include Northern Ireland, this action was then closed. **Closed.**

**0636-1206:** MH to confirm the National Grid NTS view on whether the current regime is a cross-subsidy and/or whether the re-distribution of shipper costs is more appropriate wording.

**Update:** MH confirmed that the wording of re-distribution could be used instead of cross-subsidy and so this action could now be closed. **Closed.**

**0636-1207:** DH to look at the section Y (DN Entry) and the description of the formula to see if this approach could be adopted to provide additional detail to support the proposal.

**Update:** DH confirmed that additional information had now been supplied in Appendix 5 and so this action could now be closed. **Closed.**

**0636-1208:** MH to provide further justification on the pipeline size suggestions that were used as part of Option 2 (GCD11).

**Update:** MH confirmed this information had been supplied and included in the Workgroup Report and so this action could now be closed. **Closed.**

**0636-1209:** MH to advise the National Grid NTS team that legal text will be required by 4 January 2018 for review by the workgroup.

**Update:** MH said that the Proposer and National Grid NTS had been working on several iterations and that the Legal Text would be ready for review at the next meeting. **Carried forward**

#### 4.0 Next Steps

CSh advised that he would be seeking a 2 month's extension from Panel. He said the next individual meeting would be on Friday 19 January 2018 in London, where the alternate modification would be discussed, and his expectation was to complete the Workgroup Report for Modification 0636 and review the Legal Text.

#### 5.0 Any Other Business

No AOB presented

#### 6.0 Diary Planning

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

Time / Date	Venue	Workgroup Programme
10:00 to 15.30 Friday 19 January 2018	Elaxon, 350 Euston Road, London NW1 3AW	<ul style="list-style-type: none"> <li>• Completion of Workgroup Report for Modification 0636</li> <li>• Review of Legal Text</li> <li>• Consideration of Alternate Modification 0636A</li> </ul>
10.00 to 15.30 Friday 02 February 2018	(TBC)	<ul style="list-style-type: none"> <li>• Completion of Workgroup Reports 0636 and 0636A</li> </ul>

**Action table as at 04 January 2018**

<b>Action Ref</b>	<b>Meeting Date(s)</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
<b>0636-1203</b>	07/12/17	2.1	CSy to summarise the point being made regarding Network access regulations and forward it in for the Workgroup Report.	Shell	<b>Closed</b>
<b>0636-1204</b>	18/12/17		DH to update the Consumer Impact Assessment table and provide the text to be included.	Proposer HK/DH	<b>Closed</b>
<b>0636-1205</b>	18/12/17		SH will confirm if the Impact on consumers should include Northern Ireland	Ofgem (SH)	<b>Closed</b>
<b>0636-1206</b>	18/12/17		MH will confirm the National Grid NTS view on cross-subsidy and confirm what the current regime is with regards to cross-subsidy or re-distribution of costs.	National Grid NTS (MH)	<b>Closed</b>
<b>0636-1207</b>	18/12/17		DH to look at the section Y (DN Entry) and the description of formula to see if there can be anything added that will aid the approval from the Workgroup to be able to move forward. To provide some additional detail.	Proposer HK/DH	<b>Closed</b>
<b>0636-1208</b>	18/12/17		MH to provide further justification on the pipeline size suggestions that were used as part of Option 2 (GCD11).	National Grid NTS (MH)	<b>Closed</b>
<b>0636-1209</b>	18/12/17	4.0	MH to advise the National Grid NTS team that legal text will be required by 4 January 2018 for review by the workgroup.	National Grid NTS (MH)	<b>Carried forward</b>
<b>0636-0101</b>	04/01/18	2.0	Joint Office (CSh) to add the wording in respect of the Ofgem Impact Assessment to provide clarity.	Joint Office (CSh)	<b>Pending</b>
<b>0636-0201</b>	04/01/18	2.0	All to send any additions or alterations to Chris Shanley for inclusion in the Workgroup Report at their earliest	ALL	<b>Pending</b>

			convenience.		
<b>0636-0301</b>	04/01/18	2.0	National Grid NTS (MH) to investigate how the OCC and Standard Commodity charges would change following implementation and any notice periods.	National Grid NTS (MH)	<b>Pending</b>