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**UNC Workgroup 0636 0636A 0636B Minutes**  
**Updating the parameters for the NTS Optional Commodity Charge**  
**Monday 19 February 2018**  
**at Elexon, 4<sup>th</sup> Floor, 350 Euston Road, London NW1 3AW**

**Attendees**

Chris Shanley (Chair)	(CS)	Joint Office
Mike Berrisford	(MB)	Joint Office
Debra Hawkin	(DH)	TPA Solutions
Graham Jack	(GJ)	Centrica
Henk Kreuze*	(HK)	Vermillion Energy
Jeff Chandler*	(JCh)	SSE
John Costa	(JC)	EDF Energy
Kirsty Ingham	(KI)	ESB
Matthew Hatch	(MH)	National Grid NTS
Mike Ronan	(MR)	Anghinish Alumina
Richard Fairholme*	(RF)	Uniper
Robert Wiggington*	(RW)	Wales & West Utilities
Robin Dunne*	(RD)	Ofgem
Steve Pownall	(SP)	Xoserve

\* via teleconference

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0636/190218>

The Workgroup Report is due to be presented at the UNC Modification Panel by 15 March 2018.

## **1.0 Introduction and Status Review**

In welcoming everyone to the meeting, CS provided a brief explanation of the proposed approach to the meeting highlighting that the focus would be consideration of a potential alternative Centrica modification (under item 1.2.1 below) and the continued development of the (draft) Workgroup Report.

### **1.1. Approval of Minutes (02 February 2018)**

The minutes of the previous meeting were approved.

### **1.2. Pre-Modification Discussions**

#### **1.2.1. 0636C – Updating the parameters for the NTS Optional Commodity Charge – Introducing the NTS Optional Capacity Charge**

In introducing this new draft alternative 0636 modification (potentially 0636C), GJ provided a brief overview of the supporting presentation.

GJ explained that for a relevant entry point or exit point, the optional capacity charge will be calculated as the point's reserve price multiplied by the ratio of the short-haul distance to the point's capacity weighted distance (CWD).

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Whilst reviewing the 'Applicable Quantity' slide, GJ explained the Applicable Short-Haul Quantity (Q) on any gas day will be calculated as the minimum of the capacity entitlement or the flow (entry or exit). GJ noted that the inclusion of the capacity values in the determination of the Applicable Quantity caters for situations where capacity overruns might occur. Such situations might most readily occur at NTS CSEPs where the UNC provides for an aggregate capacity overrun regime. GJ then confirmed that in principle this modification is very similar in nature and aims, to the alternative modification Centrica has already raised for 0621 (i.e. 0621C 'Amendments to Gas Transmission Charging Regime'), which also looks to utilise the CWD methodology.<sup>1</sup>

Whilst examining the 'NTS Optional Transportation – Other Charges' slide, GJ confirmed that anything over minimum capacity would be expected to attract standard charges.

When asked why Centrica feels the need to raise this alternative modification for 0636 when, it has already raised the similar 0621C alternative modification, GJ responded by reiterating his previous statements in Workgroup meetings, that in his opinion none of the current suite of 0636 modification provides a suitable solution, especially with regard to EU TAR Code aspects. Furthermore, he believes that this new alternative modification takes better account of both the 150 day indicative and 2 month final Charge Changes Notification requirements.

When asked whether or not this alternative modification could be implemented earlier than the proposed implementation date of October 2019, GJ responded he may do but pointed out that none of the current suite of 0636 modifications have been raised as urgent.

When asked whether or not short haul discounts (as included within 0621C) have also been included within this draft alternative modification, GJ explained that further consideration with National Grid NTS would be needed before possibly including within an amended version of the modification. He also confirmed that as DN Offtake elements have not been incorporated within any of the existing suite of 0636 modifications, he does not intend to include them within this alternative modification either.

When some parties voiced concerns relating to price control implications on DNs building new pipelines, GJ responded by advising that in his opinion, the proposed solution within this alternative modification is sound as written. When MH pointed out that the UNC does not allow short haul at DN Entry Points, RW provided a brief supporting explanation from the DNs perspective.

When some parties voiced their concerns relating to the potential impact that this alternative modification might have on the current 0636 timelines and questioned whether or not it qualifies as a suitable alternative, GJ reminded everyone that it would be Panel's decision as to whether or not this modification is truly an alternative to the current suite of 0636 modifications. He went on to point out that if any of the Proposers have major concerns about the potential timeframes involved, they should have considered raising their respective modifications as urgent in the first instance.

At this point, MH observed that more time would be needed in order to fully assess the proposed optional capacity and commodity charges related implications etc. contained within the proposal.

When asked whether Centrica would be considering withdrawing 0621C, GJ advised that it would not, as it (Centrica) believes that 0621C has merit in its own right on the grounds that it also looks to deal with wider ranging issues. In

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<sup>1</sup> A copy of modification 0621C can be viewed and/or downloaded from the Joint Office web site at: <https://www.gasgovernance.co.uk/0621>

short, this new alternative to 0636 looks to provide an enduring solution that GJ believes the other 0636 modifications do not. Once again, several parties agreed to disagree on this point especially when some believe it is imperative that 0636 is progressed.

When GJ reiterated his concerns that the current suite of 0636 modifications are potentially discriminatory in nature and therefore would not work when the EU TAR Code comes into effect, DH suggested that should 0636 be deemed to be non compliant, then 0621 should also be reviewed in a similar vein.

Some parties questioned how discounts would be expected to work under the provisions of this new alternative modification, as it seems to infer that a new methodology would be required and that parties would be incentivised to look to build their own networks in future and therefore potentially by-pass the NTS (i.e. short haul is by-passing the NTS). Responding, GJ suggested that 'the industry' seems to be moving towards a capacity based charging regime and a different approach is justified. He then explained that short haul is not just about discounts and that it is intended to provide a mechanism to incentivise bringing gas into the network (i.e. gas to market etc.). GJ then highlighted that there are already alternative pipelines in operation for bringing gas into the UK, other than via the NTS.

When asked, GJ suggested that this alternative modification would be judged on its own Relevant Objectives, in the same manner, as will all of the 0636 suite of modifications.

GJ went on to explain that he has already been discussing (discount related) aspects of 0621C with National Grid NTS and is currently awaiting the provision of information from them that may result in an amendment to the solution section of this alternative 0636 modification. When asked, GJ confirmed that in his opinion the suite of 0621 modifications (other than Centrica's 0621C) do not work from a short haul perspective. At this point some parties indicated that they are reasonably happy with the alternative modification as drafted.

When GJ confirmed that Centrica would now look to formally raise the modification for consideration at the 15 March 2018 Panel meeting, CS outlined that the Workgroup Report is due to be presented to the March 2018 Panel and that, as a consequence, it would be preferable if Centrica could formally raise this alternative modification well in advance of the next Workgroup meeting scheduled for Wednesday 28 February 2018.

When asked, GJ confirmed that the information requested from National Grid NTS would apply to both 0621C and this new alternative 0636 modification.

When it was suggested that this new alternative 0636 modification should follow the timeline established for modification 0636, GJ explained that this would be a decision that only Panel could make. MH advised that as the suite of 0621 modifications are working to a May 2018 Panel reporting deadline, National Grid NTS is working to that timeframe, which should the suite of 0636 modifications look to compress this timescale, National Grid NTS would have to reconsider its position with regards to delivery of any supporting analysis and information.

When challenged as to why this new alternative modification has been raised later than Centrica's 0621C alternative, GJ explained that their (Centrica's) initial focus was on 0621, but now believes that the time is right to raise this 0636 alternative modification.

GJ went on to reiterate his concerns voiced at previous Workgroup meetings relating to what happens at the Interconnection Points come October 2019 and the associated EU TAR Code concerns – on the grounds that neither Proposer of 0636 or 0636A have looked to address his concerns, he has therefore raised this new alternative modification.

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Concluding discussions, GJ provided a brief overview of the draft alternative modification focusing attention on the solution section.

## 2.0 Consideration of Legal Text

MH explained that discussions are still ongoing with the respective Proposers of the modifications (0636, 0636A and 0636B), with the key points being:

- 0636 legal text is now close to completion and discussions remain ongoing with DH in order to fully address requirements;
- work has not yet started on the 0636A and 0636B on the grounds that the expectation is that the modifications would be amended in the near future;
  - it is believed that the Proposer of 0636A (NW) is awaiting the provision of additional information from Xoserve / National Grid NTS for inclusion in a revised solution section of the modification;
  - Xoserve anticipates providing the Rough Order of Magnitude (ROM) for 0636A next week which will include both a manual workaround and system solution;
  - the Proposer of 0636B (JC) is awaiting the provision of additional information from National Grid NTS for inclusion in a revised solution section of the modification;
- National Grid NTS are of the view that until the 0636A ROM and amended modifications are provided, they cannot successfully commence work on the 0636A and 0636B legal text;

Moving on to examine the draft Transitional Document Part IIC legal text, MH explained that this is still early days and provided on an early heads up basis, although it should be noted that it may (in part) be suitable for all the current 0636 modifications.

MH then provided a high level summary of the proposed transitional draft legal text, as follows:

Paragraph [24].1.1 - looks to cover off a different implementation date that might result in a reduced notification period;

Paragraph [24].1.2 – DH accepted the reference to Gas Year in respect of her 0636 modification;

Paragraph [24].1.3 – relates to the standard rate, and

Paragraph [24].1.4 – relates to the OCC rate.

When SP advised parties that there are potential system impacts involved, DH explained that she would consider amending her modification to align with the proposed transitional rules.

In noting the potentially reduced notification period (i.e. less than 2 months), GJ suggested that in reality it would be down to the NTS lawyers to decide whether or not any notification periods would enable them to meet their licence obligations. Some parties felt that there are potentially some serious NTS compliance issues involved.

CS suggested that Ofgem might not be inclined to give less than 2 month's notice given the concerns captured in the workgroup report on notice periods. He went on to explain that all the 'key timing' related issues had been captured within the Workgroup Report, and as a consequence, he believes that Ofgem would have ample opportunity to take these aspects into consideration when making an informed decision on the suite of 0636 modifications and the corresponding implementation date.

When MH indicated that National Grid NTS would be looking to consider what could possibly be the minimum notification period requirements, GJ also pointed out that there are some potential short haul contract issues that also need consideration going forwards. Responding, MH suggested that care would be needed when considering any contractual year related impacts.

A brief discussion ensued around whether or not there would be any benefit in highlighting interested parties to the potential impacts of the 0636 modifications – views remained divided over what was potentially the best route for industry engagement.

In the end, CS suggested that the legal text would ‘cover off’ any residual transitional issues at which point the proposers could/should amend their respective modifications accordingly.

, SP highlighted the results of Xoserve’s recent ‘BAU’ (business as Usual) testing for 0636 has confirmed UK-Link (and Gemini) will apply the new NTS OCC rates automatically; the shippers will roll-over onto the new NTS OCC rates. It was further clarified that as NTS OCC rates are date-effective, shippers will not be able to stay on (or opt-into) the previous (current) rates. UK-Link has functionality (SPA file) that facilitates shippers switching between NTS optional commodity and NTS standard commodity rates (and vice versa).

When GJ advised that he is currently not fully buying in to the provisions of this transitional arrangements MH accepted the point before once again reiterating that the legal text as provided, is simply an initial starting point.

SP once again reiterated his concerns around how we would potentially get parties off the old rate and on to the new one, especially from a systems perspective as there is no functionality to support this new requirement.

**New Action 0204: Reference consideration of legal text requirements - National Grid NTS (MH) & Xoserve (SP) to work with the Proposers (0636, 0636A and 0636B) to consider the finer process related aspects relating to the transitional rule requirements and for them to amend their Modifications accordingly.**

### 3.0 Development / Completion of Workgroup Report

An onscreen review of the draft Workgroup Report (v1.3, dated 08 February 2018) was undertaken by the Workgroup.

CS explained that the information relating to modification 0636B would be added to the various Sections in the next iteration of the draft Workgroup Report.

When CS explained that the information contained within the ‘What costs or benefits will pass through to them?’ section of the Consumer Impact Assessment table is based on National Grid NTS provided data, MH suggested that a direct comparison of all the 0636 modifications would not be possible, as each would need to be assessed independently.

Moving on to consider the changes on page 17, CS advised that NW’s trader position related information had now been added, whilst further information relating to 0636B would also be added in due course.

Moving on to page 24, CS highlighted that the new paragraph at the top of the page picks up on the Panel question with regards to the 0636A distance cap impacts.

CS then requested that should parties have any additional information they would like adding to the Workgroup Report to please let him know sooner, rather than later.

It was noted that provision (and inclusion) of ROM related information would be crucial to the timely completion of the Workgroup Report.

CS advised that he would look to expand the Relevant Objectives to include reflection of ALL 0636 related modifications.

Concluding discussions, CS advised that he would now look to update the draft Workgroup Report to include the aforementioned points and the National Grid NTS summary analysis spreadsheet information.

When asked how any new 0636 alternative modifications might impact on completion of the Workgroup Report, CS explained how the (March) Panel may, or may not, support the raising of the new Centrica (0636C) alternative.

### 4.0 Review of Outstanding Actions

**Action 0104:** SSE (JCh) to discuss with National Grid NTS (MH) how the RPI formula provisions could be updated to include the indexation from 2015 and what supporting analysis could be provided to quantify the impact on charges/parties of the suggested approach.

**Update:** When JCh explained that he had not yet had a chance to incorporate the latest information provided by National Grid NTS within the formula, MH pointed out that the information provided is the same as that included within amended modification 0621 (v3.0 dated 16 February 2018), published on the Joint Office web site earlier in the day.

JCh confirmed that he would now look to amend 0636B in light of the new information provided. **Carried Forward**

**Action 0105:** SSE (JCh) to discuss with National Grid NTS (MH) the best approach to develop the methodology to be included in the UNC and consequently consider the appropriate level of methodology detail and associated timelines to include in Modification 0636B.

**Update:** When JCh indicated that he would work closely with MH to ensure appropriate alignment with Modification 0621 developments and minimal lead times, MH suggested that further discussions could be undertaken during the forthcoming 0621 Workgroup meetings scheduled for 20 and 21 February 2018. Once these discussions have taken place, JCh could then consider whether or not to amend 0636B accordingly. **Carried Forward**

**Action 0106:** Ofgem (SH) to discuss with his Ofgem colleagues in order to look to provide guidance around the whether the suite of 0636 modifications need to be compliant with the EU law changes from the outset.

**Update:** In Sean Hayward's absence, RD advised that the Ofgem lawyers are still considering this matter, although initial indications are that they (Ofgem) may wish to defer providing a view on this matter until they have received the Final Modification Report – this proposed approach was questioned by parties in attendance as it is their belief that an Ofgem view is needed now, and not later as suggested.

When CS encouraged Ofgem to provide a view before the next Workgroup meeting on the 28<sup>th</sup>, so that it could be captured within the Workgroup Report, RD explained that he would endeavour to provide the information being requested if it was available. **Carried Forward**

**Action 0108:** *Reference UNC Modifications 0636A* – Waters Wye Associated (NW) to discuss with National Grid NTS (CW) whether analysis could be provided (similar to that provided for 0636) on the impacts of 0636A and provide a view on the potential implications of the April 2018 revenue changes (i.e. allowed revenue drop) and how these might impact upon the 0636 and 0636A proposals.

Update (02/02/18): MH agreed to check the impact of revenue movements on the 2018/19 figures and thereafter add a footnote to the spread sheet.

**Update:** MH explained that the work had not been done at this time. **Carried Forward**

**Action 0109:** *Reference UNC Modifications 0636A* – Waters Wye Associates (NW) to discuss with Xoserve (SP) how to best address the potential system issues, and whether it would be more appropriate to 'cover off' requirements via contractual changes. NW to include National Grid NTS (MH) in the loop with regards to any charging or notification related aspects.

**Update:** CS explained that NW has now submitted a formal ROM request and also pointed out that a similar request for 0636B is now needed. **Closed**

**New Action 0205: SSE (JCh) & Xoserve (SP) to initiate provision of a formal ROM request for Modification 0636B.**

**Action 0201:** *Reference Workgroup Report Section 5 – Solution* - Joint Office (CS) to double check whether the text breakdowns actually reflect the 'original' modification text.

**Update:** CS explained that the draft Workgroup Report had been corrected. **Closed**

**Action 0202:** *Reference the Rough Order of Magnitude Assessment* - Joint Office (CS) & Xoserve (SP) to consider how the ROMs could / should be provided in order to best accommodate ALL requirements for the suite of 0636 modifications.

**Update:** CS explained that this action had now been completed. **Closed**

**Action 0203:** *Reference the Relevant Objective Summations* – Joint Office (CS) to consider how best to quantify the potential differences between the 0636 suite of modifications.

**Update:** In referring to the example now included within the latest iteration of the draft Workgroup Report, CS suggested that this action was now complete. **Closed**

## 5.0 Next Steps

CS highlighted that a number of useful actions had been noted and he expected that they would lead to further consideration of any amended modifications, legal text, relevant objectives and ROMs before completing the Workgroup Report at the next meeting.

## 6.0 Any Other Business

None.

## 7.0 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 to 15.30 Wednesday 28 February 2018	Joint Office at Pure Offices, Lake View House, Tournament Fields, Warwick. CV34 6RG.	Standard agenda items plus: <ul style="list-style-type: none"><li>• Consideration of amended modifications</li><li>• Consideration of Legal Text</li><li>• Consideration of Relevant Objectives</li><li>• Consideration of ROMs</li><li>• Completion of Workgroup Report 0636 0636A 0636B</li></ul>

**Action table as at 19 February 2018**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0104	19/01/18	2.1	SSE (JCh) to discuss with National Grid NTS (MH) how the RPI formula provisions could be updated to include the indexation from 2015 and what supporting analysis could be provided to quantify the impact on charges/parties of the suggested approach.  <u>Update (02/02/18)</u> : analysis to be included within (and to mirror) data provided by National Grid NTS for 0636/A.	SSE (JCh) & National Grid NTS (MH)	<b>Carried Forward</b>
0105	19/01/18	2.1	SSE (JCh) to discuss with National Grid NTS (MH) the best approach to develop the methodology to be included in the UNC and consequently consider the appropriate level of methodology detail and associated timelines to include in Modification 0636B.	SSE (JCh) & National Grid NTS (MH)	<b>Carried Forward</b>
0106	19/01/18	2.1	Ofgem (SH) to discuss with his Ofgem colleagues in order to look to provide guidance around the whether the suite of 0636 modifications need to be compliant with the EU law changes from the outset.	Ofgem (SH)	<b>Carried Forward</b>
0108	19/01/18	3.0	<i>Reference UNC Modifications 0636A</i> – Waters Wye Associates (NW) to discuss with National Grid NTS (CW) whether analysis could be provided (similar to that provided for 0636) on the impacts of 0636A and provide a view on the potential implications of the April 2018 revenue changes (i.e. allowed revenue drop) and how these might impact upon the 0636 and 0636A proposals.  <u>Update (02/02/18)</u> : MH agreed to check the impact of revenue movements on the 2018/19 figures and thereafter add a footnote to the spread sheet.	Waters Wye Associates (NW) & National Grid NTS (CW)	<b>Carried Forward</b>
0109	19/01/18	3.0	<i>Reference UNC Modifications 0636A</i> – Waters Wye Associates (NW) to discuss with Xoserve (SP) how to best address the potential system issues, and whether it would be more appropriate to 'cover off' requirements via contractual changes. NW to include National Grid NTS (MH) in the loop with	Waters Wye Associates (NW) & Xoserve (SP) & National Grid NTS	Update provided. <b>Closed</b>



			regards to any charging or notification related aspects.	(MH)	
0201	02/02/18	3.0	<i>Reference Workgroup Report Section 5 – Solution</i> - Joint Office (CS) to double check whether the text breakdowns actually reflect the 'original' modification text.	Joint Office (CS)	Update provided. <b>Closed</b>
0202	02/02/18	3.0	<i>Reference the Rough Order of Magnitude Assessment</i> - Joint Office (CS) & Xoserve (SP) to consider how the ROMs could / should be provided in order to best accommodate ALL requirements for the suite of 0636 modifications.	Joint Office (CS) & Xoserve (SP)	Update provided. <b>Closed</b>
0203	02/02/18	3.0	<i>Reference the Relevant Objective Summations</i> – Joint Office (CS) to consider how best to quantify the potential differences between the 0636 suite of modifications.	Joint Office (CS)	Update provided. <b>Closed</b>
0204	19/02/18	2.0	<i>Reference consideration of legal text requirements</i> - National Grid NTS (MH) & Xoserve (SP) to work with the Proposers (0636, 0636A and 0636B) to consider the finer process related aspects relating to the transitional rule requirements and for them to amend their Modifications accordingly.	National Grid NTS (MH) & Xoserve (SP)	<b>Pending</b>
0205	19/02/18	4.0	To initiate provision of a formal ROM request for Modification 0636B.	SSE (JCh) & Xoserve (SP)	<b>Pending</b>