

UNC Workgroup 0636 0636A 0636B Minutes
Updating the parameters for the NTS Optional Commodity Charge
Wednesday 28 February 2018
at Joint Office at Pure Offices, Lake View House, Tournament Fields,
Warwick CV34 6RG

Attendees

Chris Shanley (Chair)	(CS)	Joint Office
Karen Visgarda	(KV)	Joint Office
Andrew Pearce*	(AP)	BP
Bogdan Kowalewicz*	(BK)	Ofgem
Carlo Rossini	(CR)	Energy-Link
Danishtah Parker*	(DP)	Cadent
David Tennant* (636 Legal Text)	(DT)	Dentons
Debra Hawkin	(DH)	TPA Solutions
Graham Jack*	(GJ)	Centrica
Jeff Chandler*	(JCh)	SSE
John Costa*	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kirsty Ingham*	(KI)	ESB
Mads Damsø Nielsen*	(MDN)	Orsted
Matthew Hatch	(MH)	National Grid NTS
Mike Ronan	(MR)	Anghinish Alumina
Nick Wye	(NW)	Waters Wye
Robert Wiggington*	(RW)	Wales & West Utilities
Steve Pownall	(SP)	Xoserve

* *via teleconference*

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0636/280218>

The Workgroup Report is due to be presented at the UNC Modification Panel by 19 April 2018.

1.0 Introduction and Status Review

1.1. Approval of Minutes (19 February 2018)

GJ requested a slight wording amendment to paragraph 1.2.1 which was agreed and thereafter the minutes of the previous meeting were approved. The amended minutes were then republished.

1.2. Pre-Modification Discussions

1.2.1. 0636C – Updating the parameters for the NTS Optional Commodity Charge

In introducing this new draft Alternative 0636D Modification, MR provided a brief overview of the supporting presentation, regarding the reasoning for the IP exemption, which encompassed the key points as detailed below:

- Article 28(1) of TAR NC requires the NRA to consult with NRAs of all directly connected member states and the relevant stakeholder on various matters at interconnection points. 0636 Modification does not comply with this requirement.

- Ofgem Consultation on TAR Implementation (Closed 6 Nov'17) proposed to align the stakeholder consultations required for 0621 and TAR by using a single consultation document that satisfies the requirements of both. Modification 0621 includes review of OCC with the recommended solution for Oct 2019 being subject to a full review by ACER and neighbouring NRAs. By including IPs, Modification 0636 ignores the Ofgem proposal and duplicates the consultation.
- Moffat exit point is critical for security of supply to the island of Ireland. TAR permits differential treatment of IPs as a homogenous group of points used for a specific purpose, and further differential treatment of IPs to and from isolated gas networks, for security of supply purposes. No transitional arrangements are currently proposed under 0636 and the disruptive impact of 0636 to security of supply to the island of Ireland will not be fully assessed or understood in the short timescale proposed.

CR then explained that the exemption for IPs had also been included within the solution section of the modification, which was based on 0636. He also stated that in relation to TAR that it included both Moffat and Bacton and that the implementation times were the same as Modification 0636 [October 2018].

NW said that the Ofgem position regarding the matter of TAR compliance was required, as the Industry could be wasting a great deal of time and effort, without a clear steer from Ofgem. CSh said that Ofgem would be commenting on this matter later as it was linked to an outstanding action.

A general discussion then took place regarding if it covered all the IP's and entry and exit points. GJ said that clarity was required within the modification itself to specify this. MH said that it would be advisable to state this in the modification regarding both Moffat and Bacton entry and exit points. MR said he would make these amendments as suggested. CSh said this modification would then be submitted to the March Panel.

CSh explained with regards to the systems, that a ROM Request was likely to be needed as it would require two OCC rates (IPs and all other points) and that analysis similar to that provided for 0636 would be required from NTS. CSh encouraged MR to discuss these topics with SP and MH respectively, so that the modification could be progressed at the earliest opportunity if it was referred to the workgroup for assessment by Panel.

DH asked if both MR and CR were supporting Modification 0636 in principle, but that the alternate was raised regarding the impacts of interconnector costs to neighbouring markets referring to the island of Ireland impacts at Moffat and they agreed this was the case.

2.0 Consideration of Amended Modification(s)

Modification 0636A

NW confirmed that the Rough Order of Magnitude (ROM) analysis was now also completed, although this had only just been received. He indicated that he would now look to amend the modification in the next few days and incorporate a change to the solution to reflect that a system solution could not be delivered by October 2018.

SP then provided an overview of the content of the ROM highlighting the risks and costs of the 3 options; system solution, manual workaround and report solution.

NW then provided more clarity of the proposed amendment that would be added into the modification, by explaining that the relevant Shipper(s) would be provided with 2 months notice to withdraw the sites from the OCC that exceeded the 115km distance cap. He said this process would then be policed by National Grid NTS and Xoserve and that any Shipper sites that were found to be still be using the OCC but were outside the cap, would be removed.

SP clarified, that for those sites found to be over the 115km the CDSP might consider datafixing those Shippers from the OCC (within UK-Link SAP) and the CDSP might apply a DSC charge to those shippers.. He added that a UK-Link system solution (for revised OCC) is anticipated to be delivered under Modification 0621 (for 2019). In the event 0636A was directed for implementation, the CDSP, in conjunction with National Grid NTS would monitor (on a daily basis) for those sites that had nominated to onto the OCC but where over the 115km cap. Currently, there were only 7 sites presently over the cap distance, therefore the monitoring should not be onerous.

SP also drew attention to the following observations which were listed within the ROM:

He said there were a number of questions of what to do with the following:

- *Inflight SMPs that have OCC*
- *SMP Offers made but not yet confirmed*
- *SMPs Confirmed but not yet live*

GJ asked if there would be issues with shared meter points and SP said that each one had its own logical meter point, so this should not present a problem. GJ asked from a nomination perspective, would it be possible for Shippers to nominate individually, or in discussion with other Shippers. NW said it would be done individually by each Shipper and DH said that it would all be undertaken in a confidential manner. GJ said the area of concern was in relation to the default allocation rules and he felt this needed more clarification. SP agreed to look into the matter regarding the default allocation and whether the system would update in-flight offers.

New Action 0205: Xoserve (SP) to investigate the process for UK-Link nomination/confirmations and confirm if the in-flight offers would be updated by the system following the introduction of 0636 or 0636B.

NW asked how long the offer would be valid for and a general discussion took place and it was confirmed that the offer would be valid for a 6 month time period. MH said if the offer was made and if the prices subsequently changed in the meantime, then the new rate would be applicable, and NW said this rate would be automatically switched over with effect from 01 October 2018. GJ said in that case this aspect would need to be included within Section G of the UNC, which would have to be defined and clarified accordingly. MH disagreed with this statement and he said there would be no change to the existing Business As Usual (BAU) process.

Process Overview – Requesting NTS Optional Shorthaul Rate

SP provided an explanation of the schematic which mapped the 'Process Overview for the NTS Optional Shorthaul Rate' and GJ said that the diagram should indicate that the offer was valid for 6 months. MH said that the previous discussions in relation to the transitional period, the draft Legal Text had resolved around whether parties needed to be forced off/on to the new OCC or standard rate. MH indicated that this was no longer an issue as the Legal Text had been updated again to reflect current systems functionality. Relevant Shippers would be requested to withdraw and reconfirm sites on the standard rate. A manual process / check would then be put in place to ensure relevant sites above the 115km distance cap did not move back to the OCC rate.

NW wanted to know what the process would be in relation to a live offer that was yet to be confirmed and whether that would automatically change over to the new rate from 01 October 2018 in relation to Action 0207.

Modification 0636B

JCh explained he had now drafted an amended modification in relation to the solution section that will add in the RPI new formula values (both direct lifts from 0621 v3) and the OCC methodology including the 11 steps on how to calculate the formula, which was a direct lift from NTS GCD11.

JCh provided an overview of the supporting spreadsheet that had been published for the meeting titled 'NTS Optional Commodity charge formula 0636B'. He indicated that the 11

methodology steps had been taken from the cover sheet tab but suggested that it would also be useful to include the tables, commentary and graphs contained in the 0636B tab. A discussion was had on whether it was appropriate to have such detailed information in the UNC. NW highlighted that although this may not be usual practise, TPD section Y had similar types of information included, so it was not inconsistent with information already contained in this section.

MH said he had been under the impression that JCh was only going to include a 'light touch' in relation to the methodology to be included in the UNC as now proposed in 0621. JCh said that he thought it was useful to show how the formula and methodology had been derived, hence the detail. MH said that this modification would now be inconsistent with Modification 0621 and could involve a vast amount of work for potentially one year; given it was potentially not an enduring solution.

CSh said that previously it had been agreed a 'light touch' would be more appropriate in the time available and suggested that if National Grid NTS had concerns about including the methodology as proposed they should continue to discuss this with the proposer as a matter of urgency. NW suggested that the information could be just copied and pasted into the Legal Text and then slotted into Code. MH said he would need to go and investigate the best resolution for this matter within NTS and would discuss further with SSE. CSh said if all were in agreement with the amendments within the modification then JCh should then look to provide a formally amended modification in the next few days.

3.0 Consideration of Legal Text

Modification 0636

MH introduced DT and thanked him for his assistance with the Legal Text and noted this was intended to be the Final Legal Text for Modification 0636.

DT highlighted that it contained 3 components and then overviewed the amendments in each section:

- *SECTION B – SYSTEM CAPACITY*
- *SECTION Y – CHARGING METHODOLOGIES*
- *TRANSITION DOCUMENT – PART IIC*

SECTION B – SYSTEM CAPACITY

JCx asked what the implications were to UDQI if BBL raised a modification to make Bacton BBL a physical exit point as well as an entry point. MH said that no changes were required for BBL exit in terms of the legal text and DT explained that if it changed mid-year then there would not be a full year's of data available and it would default to b) but he was not sure it would work in this situation. MH agreed to discuss this matter further with DH.

New Action 0206: National Grid NTS (MH) and TPA Solutions (DH) to discuss the process if a full year of exit data was not available.

SECTION Y – CHARGING METHODOLOGIES

GJ had a concern referring to the word 'capacity' and if it could be misconstrued as to the correct meaning. MH said that as it was referenced with a lowercase 'c' and was used for these paragraphs only, then it did not present any issues.

GJ also said that point 24.1.3. 'The New NTS OCR' did not reflect what was in the modification and MH said the intent was to reflect in relation to the first day of the calendar month and the normal practice was a 2 month's notice period, if working towards 01 October 2018. He said that if Ofgem only approved the modification e.g. on 01 September 2018, then that would only give 4 week's notice to inform the Shippers of the impending rate changes. GJ wanted to know if this was reflected in the NTS Licence obligations and MH confirmed this was the case. GJ said that from a Shippers perspective that they would need sufficient time to make the necessary changes to update suppliers, systems and contracts etc. DH said that the modification did fully reflect this notice period, but that it would depend on when Ofgem had approved it, she reiterated, there was no intention to reduce this notice period. CSh said that

these concerns and comments on notice periods had been captured within the Workgroup Report and the dates were within the implementation section and not the solution. He also said he would be very surprised if Ofgem reduced this time frame from the proposed 2 month's notice period, as it could have an impact on the Shippers operational processes.

A general discussion took place about the outstanding offer process and how this would be managed from a systems perspective and MH said he would investigate this area further.

New Action 0207: National Grid NTS (MH) to investigate how the process works in relation to an outstanding offer, see if this is mentioned in the UNC elsewhere and make any necessary changes to the 0636 Legal Text.

A further general discussion took place in relation to the formula M and if there was the potential for it to become a 'negative flow value' and it was suggested for the avoidance of doubt that a default of 1 and not zero, should be added into the Modification and Legal Text.

New Action 0208: National Grid NTS (MH) and TPA Solutions (DH) to develop appropriate wording for the Legal Text regarding the formula including a default of 1 and not zero.

TRANSITION DOCUMENT – PART IIC

No comments were made on this section.

Modification 0636A

MH said that the draft Legal Text for Modification 0636A had recently been supplied to NW and this will need updating further following the amendments that were going to be made to the modification itself, as presently the Legal Text would not now match the revised solution.

JCx wanted to know if there was an exit point that had not flowed for a year, for example an old Power Station was knocked down and rebuilt, would that mean when it started flowing again, would it be on the historic Shorthaul rate? NW said no, using any historic data was not possible and that this was one of the fundamental issues with this modification as there was no reflection of potential future events. SP said when it did start to flow again then it would go back on the old rate. However, as it had no flow history it would be better to be on the standard rate for a year and then switch to the OCC rate.

4.0 Completion of Workgroup Report

CSh provided an on screen overview of the Workgroup Report for Modifications 0636, 0636A, 0636B amendments, drawing attention to the Consumer Impacts Assessment, Relevant Objectives, and he said the updated information regarding the RPI formula, etc. would also be included once the Modification 0636B amendments were formally submitted.

CSh said that unfortunately he was not in a position to complete the Workgroup Report during the meeting, owing to the new amendments in both Modifications 0636A and 0636B and the amendments that were now required to the 0636 Legal Text following the Workgroup discussions. He proposed a meeting after the March Panel, and said then all the amendments and Legal Text would have been completed and the Workgroup would then know the outcome of the Alternative Modifications 0636C and 0636D that were being presented to the March Panel.

DH said she was very unhappy about this decision as she wanted the Workgroup Report completed in time for the March Panel and proposed a meeting should be held the week before Panel to resolve this matter and suggested the two Alternative Modifications should not be a consideration until after Panel. CSh explained that although this may be possible to arrange, the Workgroup would not be in a position to review the Legal Text for 0636, 0636A and 0636B and the associated ROM information (0636B), as more time was required to produce the text following the aforementioned amendments to the modifications to 0636A and 0636B.

CSh said that if a Workgroup Report was submitted to Panel incomplete, then there was the risk the Panel would reject it. He said that he would seek an extension from Panel for 1 month.

MH supported the proposal and indicated that only once Modification 0636B was formally amended could he start to work on the Legal Text. JCh said he would discuss this further with MH following amendment of the modification.

New Action 0209: National Grid NTS (MH) and SSE (JCh) to discuss the development of the Legal Text for Modification 0636B.

A general discussion took place and various individuals said that time was needed to fully study the Legal Text and the amendments in detail and that it made far more sense to do all the updates when all the information was fully completed and updated. GJ said that the information to be discussed and assessed should be published within a sensible timeframe prior to any meeting, to allow the information to be correctly assessed and understood. CSh said that the normal timeframe was at least 5 days prior to any meeting, but that some of this information for these modifications had unfortunately been supplied at very short notice.

JCx wanted to know what would happen if the two Alternative Modifications were requested by Panel to be included in the overall Workgroup Report and then she presumed the Panel could then override the existing time table. CSh said that Panel could do both of those things if they felt it was an appropriate action to take. DH said that would complicate matters even more, so there would be even less implementation lead time.

JCx said that the objective was to understand the impacts on the OCC and the savings. NW said the savings would be passed on via the Annual Contracts and therefore it was unlikely any part year savings would be passed on.

5.0 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: JCh wanted to thank National Grid NTS for their help and support in assisting with the production of the RPI 'Formula Indexation' spreadsheet, which was now part of Modification 0621. He then provided an overview of spreadsheet on screen, in relation to the RPI formula and he explained it showed a 167% inflation rate over a 20 year period and that this indexation rate would be used to derive the RPI formula and that this action could now be closed. **Closed**

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: JCh said that this action should be carried forward as further discussions needed to take place regarding the amount of detail to be included in the modification regarding the methodology, as he proposed a detailed synopsis whilst MH suggested a 'light touch'. *(Please see further detail in Section 2, above)* **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: BK explained that he understood this matter had been discussed with SH and RD at a previous meeting. He stated that presently Ofgem were not prepared to offer any confirmed view point or clarification on whether the modifications needed to be compliant or not, and that any views or opinions would only be proposed at the Final Modification Report (FMR) stage. He added that in each case, it was for each Proposer of the modification to ensure compliance in line with future legislation, due to the fact that different time frames had been proposed for the modifications.

JCx said that surely there was a difference between legislation already in force and the TAR Code that was already in law from April 2017 but certain elements would not come into force until October 2019. She indicated that more guidance was required from Ofgem. NW concurred with JCh and said that as Ofgem were the guardian of the legislation that he didn't think it was unreasonable to seek their opinion on whether these modifications needed to be

consistent with the Tariff Code. DH stated that all the modifications did not need to be compliant with the TAR Code at this point of time. NW then added that the whole process was taking up a lot of time within the Industry and there was nothing to say these modifications might not yet need to be withdrawn. He said that the Industry expected the TAR Code to be implemented by Modification 0621 in October 2019, but that this was yet to be confirmed. DH said there would be a charging methodology which would not be compliant until October 2019. BK said that all Proposers were advised to seek their own legal advice on this matter. NW said that the legal advice that was needed was from Ofgem, as they were responsible for making sure the Uniform Network Code (UNC) was compliant. JCo said that he agreed with all the Shippers comments and that Ofgem should be acting on behalf of the consumers and that the Industry costs were high and that Ofgem should be providing much needed guidance regarding this matter. BK said he fully appreciated all the comments and yet, he was still not able to comment.

*CSh proposed that this action should be closed even though no satisfactory comments had yet been supplied by Ofgem and he would update the workgroup report. **Closed***

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: MH confirmed this action could now be closed as a footnote had now been added to the bottom of the spread sheet regarding the revenue movement on the 2018/19 figures.

Closed

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.

Update: MH said that this action could now be closed as the Legal Text was now drafted and as overviewed by DT under agenda item 3. NW added that he was now in possession of the Legal Text for Modification 0636A and the ROM, and that he would amend the modification regarding the solution. (see section 3.0 Legal Text above). **Closed.**

6.0 Next Steps

CSh said his aspirations at the next meeting were to complete the Workgroup Report, together with reviewing the fully completed and Final Legal Text for Modifications 0636, 0636A and 0636B, together with the associated ROM for 0636B. He confirmed he would be requesting a 1 month extension from the March Panel. The next meeting will be held on Wednesday 21 March at 10.00am Joint Offices at Pure, Lake View House, Tournament Fields, Warwick. CV34 6RG.

7.0 Any Other Business

None.

8.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10.00 to 15.30 Monday 19 March 2018	Joint Office at Pure Offices, Lake View House, Tournament Fields, Warwick. CV34 6RG.	Standard agenda items plus: <ul style="list-style-type: none"> • Consideration of ROMs • Completion of Workgroup Report 0636 0636A 0636B

		<ul style="list-style-type: none">• Confirmed ROM's• Confirmed and Final Legal Text for Modifications 0636 0636A 0636B
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Action table as at 28 February 2018

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0104	19/01/18	2.1	<p>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.</p> <p><u>Update (02/02/18)</u>: analysis to be included within (and to mirror) data provided by National Grid NTS for 0636/A.</p>	SSE (JCh) & National Grid NTS (MH)	Closed
0105	19/01/18	2.1	<p>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.</p>	SSE (JCh) & National Grid NTS (MH)	Carried Forward
0106	19/01/18	2.1	<p>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.</p> <p><i>*CSh proposed that this action should be closed, even though no satisfactory comments had yet been supplied by Ofgem and he would update the workgroup report.</i></p>	Ofgem (SH)	Closed
0108	19/01/18	3.0	<p><i>Reference UNC Modifications 0636A –</i> 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.</p> <p><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.</p>	Waters Wye Associates (NW) & National Grid NTS (CW)	Closed

0204	19/02/18	2.0	<i>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.</i>	National Grid NTS (MH) & Xoserve (SP)	Closed
0205	28/02/18	2.0	Xoserve (SP) to investigate the process for UK-Link nomination/confirmations and confirm if the in-flight offers would be updated by the system following the introduction of 0636 or 0636B.	Xoserve (SP)	Pending
0206	28/02/18	3.0	National Grid NTS (MH) and TPA Solutions (DH) to discuss the process if a full year of exit data was not available	National Grid NTS (MH) and TPA Solutions (DH)	Pending
0207	28/02/18	3.0	National Grid NTS (MH) to investigate how the process works in relation to an outstanding offer, see if this is mentioned in the UNC elsewhere and make any necessary changes to the 0636 Legal Text.	National Grid NTS (MH)	Pending
0208	28/02/18	3.0	National Grid NTS (MH) and TPA Solutions (DH) to develop appropriate wording for the Legal Text regarding the formula including a default of 1 and not zero.	National Grid NTS (MH) and TPA Solutions (DH)	Pending
0209	28/02/18	4.0	National Grid NTS (MH) and SSE (JCh) to discuss the development of the Legal Text for Modification 0636B.	National Grid NTS (MH) and SSE (JCh)	Pending