

**UNC Workgroup 0671 Minutes
Relief from User Commitment obligations when NTS exit capacity
substitution is permitted**

Thursday 06 December 2018

at Elexon, 350 Euston Road, London, NW1 3AW

Attendees

Rebecca Hailes (Chair)	(RH)	Joint Office
Karen Visgarda (Secretary)	(KV)	Jont Office
Adam Bates	(AB)	South Hook Gas
Andrew Blair	(AB)	Interconnector
Andrew Pearce	(AP)	BP
Angharad Williams	(AW)	National Grid NTS
Anna Shrigley	(ASh)	Eni Trading & Shipping
Bethan Winter	(BW)	Wales & West Utilities
Bill Reed	(BR)	RWE Supply & Trading GmbH
Colin Hamilton	(CH)	National Grid NTS
David Adlam	(DA)	Cadent
David Cox*	(DC)	London Energy Consulting
Debra Hawkin*	(DH)	TPA Solutions
Edward Fyfe	(EF)	SGN
Emma Buckton*	(EB)	Northern Gas Networks
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
Jeff Chandler	(JCh)	SSE
Julie Cox*	(JCx)	Energy UK
Lea Slokar	(LS)	Ofgem
Malcolm Montgomery	(MM)	National Grid NTS
Mark Rixon*	(MR)	Engie
Nick Wye*	(NW)	Waters Wye Associates
Nicky White	(NW)	npower
Phil Hobbins	(PH)	National Grid NTS
Richard Fairholme*	(RF)	Uniper
Richard Pomroy	(RP)	Wales & West Utilities
Shiv Singh*	(SS)	Cadent
Steve Pownall	(SP)	Xoserve
Steven Britton*	(SB)	Cornwall Insight
Terry Burke	(TB)	Equinor

**via teleconference*

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0671/061218>

The Workgroup Report is due to be presented at the UNC Modification Panel by 21 February 2018.

1.0 Introduction and Status Review

1.1. Approval of minutes (01 November 2018)

The minutes from the previous meeting were approved.

2.0 Review of Outstanding Actions

Action 1101: WWU (BW) to provide further detail and clarification how the exit capacity incentive works and the impact on consumers and the associated materiality perspective.

Update: BW provided an overview presentation on how the DN NTS exit capacity incentive worked and the associated impact on consumers. She said the DNs had a licence obligation to meet demand that would be experienced on 1 day in 20 Winters. Julie Cox (JCx) wanted to know how the 1 in 20 Winters were set, and BW explained that this forecast, was set as 1 in 20 every year, with the ability to re-forecast, by investigating the National Grid NTS data and to undertake an auction as well. JCx asked if there was a process whereby this was aggregated across all the networks. BW said yes, that this was undertaken via Section H of the OAD and that this was carried out in March of each year. It was agreed that BW would provide more information regarding performance against the exit capacity incentive.

New Action 1201: Wales and West Utilities (BW) to provide performance data against the exit capacity incentive information.

A general lengthy discussion took place surrounding exit capacity and the user commitment process target still being 4 years. Richard Pomroy (RP) wanted to know if National Grid NTS would be prepared to change the methodology to help Wales and West Utilities with what they were trying to achieve, thus then enabling them to add more context regarding the substitution capacity.

Malcolm Montgomery (MM) said that if this was within the baseline of the exchange process, then this would fit within the UNC, however if it was above the baseline then it would need to be encompassed within the overall methodology. Nick Wye (NW) reiterated that this was not including capacity above the baseline, as had been discussed previously. Graham Jack (GJ) said that if this included the interconnection points too, then it would not work with bundled capacity but would work with unbundled capacity.

It was agreed the action was now closed. **Closed**

Action 1102: National Grid NTS (CH) to explain how the proposed modification would encompass the current substitution methodology and how that would impact on the incremental capacities.

Update: CH talked through some examples and explained that there would have to be some rewording of the substitution methodology to confirm whether or not, there would be any associated impacts. The action was closed. **Closed**

Action 1103: WWU (BW & RP) to provide a timeline plan, process flows and worked examples for discussion at the forthcoming Workgroup meetings.

Update: BW talked through the timeline and explained that her aspiration was to commence work on the Workgroup Report and Legal Text in January, with the completion of the Workgroup Report in February. Steve Pownall (SP) commented that system changes would be required and that a Rough Order of Magnitude (ROM) would be raised in January. BW confirmed the amended modification would be updated for the January meeting. The action was then closed. **Closed**

3.0 Development Topics

3.1. Impact on consumers

This area was deferred until the January meeting.

3.2. Exit capacity incentive

This area was deferred until the January meeting.

3.3. Current substitution methodology

This area was deferred until the January meeting.

3.4. Applicability of collection of nodes

This area was deferred until the January meeting.

3.5. Criteria for user commitment

This area was deferred until the January meeting.

3.6. Substitution or switching

This area was deferred until the January meeting.

4.0 Review of Amended Modification

BW talked through the amended modification drawing attention to sections updated to reflect previous discussions and relevant points raised. A general discussion took place in relation to the Network operational process and the User Commitment, and Dave Adlam (DA) said that this aspect blocked access to the user's capacity. BW said that amending the decreasing offtake examples with different durations would require the process to be included within the Legal Text, to ensure every user knew how it was operating. Graham Jack (GJ) said that the financial commitments would need to be investigated in relation to the units.

BW overviewed the Exchange Rate Category, as detailed below:

Exchange rates to apply only for capacity above baseline at the increasing offtake:

- < 1
- = 1
- > 1

For changes above the baseline exchanges could be restricted to exit points in the same Exit Zone

- Reduces amount of NTS analysis
- If so would expect 1:1 exchange rate and same process as for the exchanges below the baseline

BW also talked through Increasing Offtake examples in various scenarios and a lengthy general discussion then took place in relation to the baseline and the capacity from a financial transaction perspective. JCx said she did not understand this aspect as it would not be a one to one capacity exchange. DA said that from the User Commitment perspective this did not require any investments from the user. He said he wanted to know more detail about the User Commitment and what the criteria and how this was originally instigated. Colin Hamilton (CH) said he would investigate this matter.

<p>New Action 1202: National Grid NTS (CH) to provide further details on the User Commitment, including how it was originally instigated.</p>
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JCx said that care needed to be taken to ensure the Commitment Rules and funding implications were not altered or changed in anyway. DA said that he was keen for the modification to continue and that he did not want the User Commitment area to postpone its progression.

A general discussion took place surrounding the User Commitment Rules and how and when these could be altered and GJ said these could only be amended once a year in July. Richard Pomroy (RP) said there were certain circumstances when National Grid NTS could move the User Commitment from the Offtake to another NTS point and the revenue was reserved. Nick Wye (NW) said that in defence of WWU, that they were already restricted by the boundaries they were operating within and he could not see why this was limited to local areas. Malcolm Montgomery (MM) said there were restrictions on the baseline and what was below the baseline, with regards to proposing 1 – 1 exchange.

It was universally felt that more detail was needed on the User Commitment and the baseline capacity aspects, especially in relation to buying additional capacity at the exit points above the baseline and the overall reallocation procedures. NW again reiterated that the grey area was regarding above the baseline and the above the donor point, which needed more investigation.

5.0 Consideration of Business Rules

This area was deferred until the January meeting

6.0 Review of Impacts and Costs

This area was deferred until the January meeting

7.0 Review of Relevant Objectives

This area was deferred until the January meeting

8.0 Consideration of Wider Industry Impacts

This area was deferred until the January meeting

9.0 Consideration of Legal Text

This area was deferred until the February meeting

10.0 Development of Workgroup Report

This area was deferred until the February meeting

11.0 Any Other Business

None.

12.0 Diary Planning

Further details of planned meetings are available at: <https://www.gasgovernance.co.uk/events-calendar/month>

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:00 - 3.00pm Tuesday 08 January 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Detail planned agenda items. <ul style="list-style-type: none">• Amended Modification• Consideration of Business Rules• Review of Impacts and Costs

		<ul style="list-style-type: none"> • Review of Relevant Objectives • Consideration of Wider Industry Impacts • Consideration of Legal Text • Development of Workgroup Report
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Action Table (as at 08 January 2019)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1101	01/11/18	1.0	WWU (BW) to provide further detail and clarification how the exit capacity incentive works and the impact on consumers and the associated materiality perspective.	Wales & West Utilities (BW)	Closed
1102	01/11/18	1.0	National Grid NTS (CH) to explain how the proposed modification would encompass the current substitution methodology and how that would impact on the incremental capacities.	National Grid NTS (CH)	Closed
1103	01/11/18	1.0	WWU (BW & RP) to provide a timeline plan, process flows and worked examples for discussion at the forthcoming Workgroup meetings.	Wales & West Utilities (BW & RP)	Closed
1201	06/12/12	2.0	Wales and West Utilities (BW) to provide performance data against the exit capacity incentive information.	Wales & West Utilities (BW)	Pending
1202	06/12/12	4.0	National Grid NTS (CH) to provide further details on the User Commitment, including how it was originally instigated.	National Grid NTS (CH)	Pending