

**UNC Workgroup 0667 Minutes
Inclusion and Amendment of Entry Incremental Capacity Release
NPV test in UNC**

Thursday 07 March 2019

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

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Adam Bates	(AB)	South Hook Gas
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
Chris Wright	(CR)	Exxon Mobil
Gareth Evans	(GE)	Waters Wye Associates
Graham Jack	(GJ)	Centrica
Jeff Chandler	(JC)	SSE
Julie Cox*	(JCx)	Energy UK
Kirsty Ingham*	(KI)	ESB
Lea Slokar	(LS)	Ofgem
Malcolm Montgomery	(MM)	National Grid NTS
Paul Orsler	(PO)	Xoserve
Phil Hobbins	(PH)	National Grid NTS
Phil Lucas	(PL)	National Grid NTS
Richard Fairholme*	(RF)	Uniper
Richard Pomroy	(RP)	Wales & West Utilities
Steve Britton	(SB)	Cornwall Insight
Terry Burke	(TB)	Equinor

*via teleconference

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0667/070219>

The Workgroup Report is due to be presented at the UNC Modification Panel by 21 March 2019.

1.0 Introduction and Status Review

1.1. Approval of minutes (07 February 2019)

The minutes of the previous meeting were approved.

2.0 Review of Amended Modification

Adam Bates (AB) presented the amendments to the Modification drawing attention to specific areas to note, including the question in relation to the potential Licence Change verses the UNC Code Modification Rules, due to the fact the Modification was proposing to move the NPV Test from the methodology into the UNC. RP challenged if this was possible and if Panel would be able to make a recommendation on a Modification proposing a change to Licence as only Ofgem could undertake this activity and they could not be bound by a Modification.

LS agreed that if the Modification required a licence change should would need to review the triggers and the process for taking this forward should Ofgem agree a change is needed.

A lengthy and protracted general discussion then ensued as it was currently unclear whether a Licence change would be required or just a change to the methodologies. Bill Reed (BR) suggested that the Licence change if required, should run in parallel or after the Code Modification and that Ofgem should make a decision on both at the same time. Lea Slokar (LS) said that from Ofgem's perspective that they would have to wait until the Modification was submitted to them directly, before making a decision on implementation, however Licence should not be directed or changed by Code Modifications. Ofgem would need to undertake analysis to understand the reasons why the licence needed to be changed and understand the timeline for both processes. Bob Fletcher agreed with this statement and also said that a change of Licence could be undertaken by the authority in line with the overall UNC process, however this would be Ofgem's decision to clarify the process they would be using.

Phil Hobbins (PH) proposed that Panel could make a recommendation on the Modification to be implemented, subject to a Licence change. RP disagreed as he felt that Panel would not be able to recommend implementation without guidance from Ofgem on the impacts on licence and that they would be supportive of a change to licence if needed.

BF and JC felt that the Modification should be progressed and then Panel could take a view as to issue the Modification to consultation, return it to workgroup or defer consideration until Ofgem were to provide guidance.

The general consensus was that clarity was needed on whether a Licence change was needed and if so, what Ofgem's view were about whether or not they intended to launch the process and when that would be desirable.

BF proposed that Panel is requested to consider the issue and provide a view to Workgroup. Part of that discussion could include requesting a view from Ofgem on the potential changes to licence and the approach Ofgem would prefer.

It was agreed that the following actions were needed in order to gain clarity and direction regarding this matter.

New Action 0301: Ofgem (LS), South Hook Gas (AB) and National Grid NTS (PH/MM) to discuss the potential Licence impacts issues to enable to the amendments and development of the Modification for completion of the Workgroup Report at the April meeting, and for the findings to be feedback to the Workgroup.

New Action 0302: Joint Office (BF) to seek a view from Panel on the process they would prefer to be used to develop the Workgroup Report should there be a need for a Licence change and how methodology process changes should be managed between all the relevant parties in future, should these be down to one party.

BF advised that he would provide views to the Workgroup with the aim of completing the Workgroup Report at the next meeting subject to confirmation the Modification was completed and Legal text was available.

3.0 Consideration of Legal Text

Malcolm Montgomery (MM) said the Legal Text now needed some minor amendments in relation to wording and language. He said that a bit more investigation was needed regarding the incremental capacity premium and the applicable reserve price. He said the amended Legal Text would be available for discussion in the April meeting.

4.0 Development of Workgroup Report

4.1 Consideration of wider Industry impacts

Not discussed in this meeting.

5.0 Completion of Workgroup Report

6.0 Not discussed in this meeting.

7.0 Review of Outstanding Actions

0201: National Grid NTS (MM) to produce examples of funding investments and what the impact would be to consumers.

Update: MM presented examples of funding investments and these were discussed.

MM provide a presentation on the Capacity Methodologies Review, setting out the time line and that 4 responses had been received to date. The aim was to produce a report by the end of March 2019.

When considering Project Costs Estimates, BR challenged why generic costs could be used as they should be reasonably understood by National Grid. MM was not convinced as he felt cost should be project and scenario specific to ensure the correct level of rigor and cost reflectivity and that these would be based on the current Pipeline Methodology. BR was concerned that costs were being built in when National Grid would have a good understanding of a project at this stage.

AB agreed and challenged what the NPV would achieve in these circumstances. The NPV test could be included at a later date when the project was better understood and options reduced.

MM supported the test as it reduced the risk and prevented additional premiums being applied.

When considering the second part of the presentation, AB was concerned that the Capacity and User commitment were far exceeding the project benefits and would encourage inefficient by pass of the NTS to avoid these additional project costs and commitments.

This action could now be closed. **Closed**

8.0 Next Steps

BF confirmed that his aspirations for the April meeting were to review the Legal Text, develop the Workgroup Report and review the discussion and decisions in relation the Licence change issue.

9.0 Any Other Business

None.

10.0 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 Thursday 04 April 2019	Elexon 350 Euston Road London NW1 3AW	Detail planned agenda items. <ul style="list-style-type: none"> • Review of Amended Modification • Consideration of Wider Industry Impacts • Consideration of Legal Text • Completion of Workgroup Report

Action Table (as at 07 March 2019)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0201	07/02/19	2.0	National Grid NTS (MM) to produce examples of funding investments and what the impact would be to consumers.	National Grid NTS (MM)	Closed
0301	07/03/19		Ofgem (LS), South Hook Gas (AB) and National Grid NTS (PH/MM) to discuss the potential Licence impacts issues to enable to the amendments and development of the Modification for completion of the Workgroup Report at the April meeting, and for the findings to be feedback to the Workgroup.	Ofgem (LS) & South Hook Gas (AB) & National Grid NTS (PH/MM)	Pending
0302	07/03/19		Joint Office (BF) to seek a view from Panel on the process they would prefer to be used to develop the Workgroup Report should there be a need for a Licence change and how methodology process changes should be managed between all the relevant parties in future, should these be down to one party.	Joint Office (BF)	Pending