

**UNC Workgroup 0688 Minutes**  
**Recovery of Shipper Losses incurred in Supplier of Last Resort**  
**events**

**Thursday 04 July 2019**

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

**Attendees**

Rebecca Hailes (Chair)	(RH)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Alan Raper*	(AR)	Joint Office
Chris Wright	(CR)	Exxon Mobil
Graham Jack	(GJ)	Centrica
Kamla Rhodes	(KR)	Conoco Phillips
Mark Rixon	(MR)	National Grid NTS
Nick Wye*	(NW)	Waters Wye Associates
Phil Hobbins	(PH)	National Grid NTS
Richard Adams*	(RA)	Ofgem
Richard Fairholme*	(RF)	Uniper
Shiv Singh*	(SS)	Cadent
Steve Britton*	(SB)	Cornwall Insight
Steve Pownall	(SP)	Xoserve
Terry Burke	(TB)	Equinor

*\*via teleconference*

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0688/040719>

The Workgroup Report is due to be presented at the UNC Modification Panel by 19 September 2019.

## **1.0 Introduction and Status Review**

### **1.1. Approval of Minutes (06 June 2019)**

The minutes from the previous meeting were approved.

## **2.0 Review of Outstanding Actions**

**Action 0503:** Xoserve (SP) to confirm from the CDSP point of view when the billing procedure commences for the new customer.

**Update:** Steve Pownall provided an overview regarding the billing procedure for a new customer as detailed below:

*Confirm when the billing procedure commences for the new 'customer'[Supplier/Shipper]*

- The failing Supplier and the Supplier of Last Resort (SoLR) may have contractual relationships with the same Shipper or, different Shippers*
- The Shipper (of the failing Supplier) will submit a GEA file into Xoserve systems with the effective date in line with Ofgem's notice of SOLR appointment*

- *The GEA file notifies Xoserve of the update of the new Supplier ID and associates it to the portfolio (Meter Point Reference Numbers)*
- *Invoicing will continue to be attributed to the appointed Shipper. If the portfolio is to change Shipper due to the Suppliers commercial preference, the portfolio will be migrated to change ownership via the existing Supply Point Transfer process.*

SP agreed that more detail was required and he suggested this action should be carried forward at the present time. **Carried forward.**

**Action 0601:** Ofgem (RM) to clarify if they can back date the SoLR appointment date and the Supplier cease date to the same day.

**Update:** Richard Adams (RA) confirmed that the SoLR appointment date cannot be back dated and he said this action was now closed. **Closed.**

**Action 0602:** Contract Natural Gas (GE) to investigate what reporting and measures could improve transparency and include an aggregate into the process.

**Update:** Gareth Evans (GE) had provided an update ahead of the meeting and said that the amended Modification should capture the requirements identified and that this action should now be closed. **Closed.**

**Action 0603:** National Grid NTS (PH) to determine whether Modifications 0429 and 0688 are non-compliant with the EU BAL Code and if so, what is the proposed solution for Modification 0429.

**Update:** PH provided an overview of the of the potential non-compliant areas as detailed below.

*National Grid's views on Modifications 0429, 0688 and the EU Balancing Code are set out below.*

*Modification 0429 enables a shipper to submit a claim for energy and transportation costs associated with settlement errors that, if successful, is funded through Balancing Neutrality. Articles 29 and 30 of the EU BAL Code make clear that the purpose of the neutrality charge is to ensure that the TSO remains cash-neutral in relation to its balancing activities. These articles make no mention of reconciliation amounts featuring in Balancing Neutrality, in fact Art 2(3) specifically states that the Regulation does not apply to reconciliation. Therefore, arrangements for post close out reconciliation adjustments are to be determined based on national rules because the EU BAL Code makes no prescription for how those are to be treated. In the GB case, energy reconciliation does form – and National Grid believes always has formed - part of the Balancing Neutrality cost apportionment based on the rationale that these are financial adjustments at SAP to correct assumed offtake quantities that fed into the original daily imbalance calculation. Inclusion of the transportation reconciliation element of Modification 0429 sits less comfortably with the EU BAL Code because this is not directly related to National Grid's balancing activities but on the other hand, Art 2(3) is clear that reconciliation is out of scope of EU BAL Code and Art 30(2) places responsibility on the National Regulatory Authority (NRA) to approve the Balancing Neutrality methodology which was done through Ofgem's approval of Modification 0429.*

*Modification 0688 seeks to enable a shipper to recover energy and UIG costs associated with Supplier of Last Resort events via Balancing Neutrality BN. Whilst the EU BAL Code does not specifically preclude the inclusion of such costs with balancing neutrality, unlike Modification 0429, these costs have no relationship to National Grid's balancing activities which the EU Code specifies as a requirement for inclusion (Art 3(3)). Therefore, National Grid is not convinced that the inclusion of such costs within Balancing Neutrality would be compliant with the EU BAL Code and potentially carries a risk that that portion of a BN charge may be unenforceable.*

Nick Wye (NW) said that the Proposer; Contract Natural Gas, had taken Legal advice and had subsequently amended the Modification accordingly, however he said he would now go back to them in relation to Article 3.3. and that the Modification 0688 would be further amended.

**New Action 0701:** Contract Natural Gas (GE/NW) to amend the Modification 0688 in relation to Article 3.3 and the EU Code Impacts section.

PH then said this action could now be closed. **Closed**

**Action 0604:** Contract Natural Gas (GE) to consider the maximum length of time for the SoLR period.

**Update:** Gareth Evans (GE) had provided an update ahead of the meeting and said that this was addressed in Business Rule 10 within the amended Modification and SP said he would investigate similar related areas from the Xoserve systems angle. GE said this action should now be closed. **Closed.**

**Action 0605:** Xoserve (SP) to investigate how far back can the transfer of meter points of the SoLR be back dated to?

**Update:** SP provided an overview as to how far back the transfer of the meter points to the SoLR could be backdated. As detailed below:

- *Ofgem notifies industry of:*
  - *Failed Supplier; Request customers to take meter readings; this is generally considered the Supplier ceased status date*
  - *The SoLR Appointment Date.*
- *Xoserve is informed by the Shipper (failing Supplier) the portfolio is to be transferred (GEA file); the date of transfer is the SoLR Appointment Date – not the Supplier ceased status date (likely to be different).*
- *A Project Nexus requirement removed the restriction as to how far back SoLR meter points can be back-dated. Pragmatically, the SoLR meter points would not be back-dated prior to the Supplier ceased status date; nor would it be backdated prior to the previous invoice.*
- *The formal alignment of the SoLR Appointment Date to the Supplier ceased status date removes the issue CNG Ltd is proposing to resolve with Modification 0688 – this however requires Ofgem consideration and direction.*

SP confirmed that this action could now be closed. **Closed.**

**Action 0606:** Xoserve (SP) to investigate what has the time frame been for the recent 9 SoLR events, and what information on costs, transfer time and indicators of materiality could be identified, together with an explanation of the batch process.

**Update:** SP provided an overview of the process as detailed below:

- *Timeframe of the recent 9 SoLR events is show in the following table:*

Ofgem protects customers of failed supplier ('ceased status date')	Date Licence Revoked (SoLR Appoint' Date)	Portfolio Size (MPRNs)	Supplier Portfolio migrated? Yes/No	Supplier Portfolio migrated to different Shipper?	Time to update Supplier record against portfolio to SoLR
11.03.2019	15.03.2019	17,000	Yes	Yes	Same day
25.01.2019	31.01.2019	21,197	Yes	Yes	Same day
10.01.2019	12.01.2019	186,277	Yes	Yes	Not required
12.12.2018	14.12.2018	24,659	Yes	Yes	Same day
23.11.2018	28.11.2018	197,222	Yes	Yes	3 days
21.11.2018	25.11.2018	93,511	Yes	Yes	2 days
27.01.2018	31.01.2018	95,000	Yes	No	2 days
25.07.2018	25.07.2018	80	Yes	No	2 days
25.01.2018	25.01.2018	10,000	Yes	No	Same day

- Information on costs and indicators of materiality are generally confidential between the failed supplier and the SoLR although Ofgem does publish details of SoLR claims
- There is no publicly available information relating to Shipper SoLR losses.

SP then confirmed this action could now be closed. **Closed.**

**Action 0607:** All Transporters to review all areas of the Modification.

**Update:** It was agreed by the Workgroup that this action could now be closed. **Closed.**

NW said that more work would be undertaken in relation to the calculations and the estimating of costs within the Modification.

**New Action 0702:** Contract Natural Gas (GE/NW) to provide greater clarity on the calculations and estimated costs within the Modification.

Rebecca Hailes (RH) suggested that due to the amount of further work that still needed to be undertaken, she proposed that a two month extension until September, should be requested at the July Panel and all were in agreement with this suggestion.

**New Action 0703:** Joint Office (RH) to request a two month extension from the July Panel.

### 3.0 Review of Amended Modification

RH then provided an overview of the current content of the amended Modification and it was agreed that Xoserve and Contract Natural Gas should have further discussions regarding the costings of the administration fee, to include the costs associated with progressing any claim.

**New Action 0705:** Xoserve (SP) and Contract Natural Gas (GE/NW) to confirm the administration costs in relation to the claim procedure.

The Workgroup requested clarity on Business Rules 3, 12 and 15, NW said he would investigate these areas further.

**New Action 0706:** Contract Natural Gas (GE/NW) to provide further information clarity in relation to Business Rules 3, 12 and 15.

Chris Wright (CW) questioned the fact that it stated in the Modification that there was no consumer impact, as he did not feel this was accurate. A lengthy general discussion took place surrounding the costs and NW said that there was no impact due to the 'floating' aspect of the costs involved and how they were distributed. It was agreed that this area needed more detail and NW agreed to address this.

**New Actin 0707:** Contract Natural Gas (GE/NW) to add detail into the Consumer Impact Assessment table within the Modification with clarity regarding how the customers and consumers will be affected.

CW proposed that Xoserve were to take an action to investigate and target the costs through the exit Shippers and SP explained that this aspect was addressed by balance neutrality. CW said that he still thought it would be a useful exercise to explore any costs not going through balance neutrality. SP agreed to investigate this matter.

**New Actin 0708:** Xoserve (SP) to investigate the distribution of costs on the exit Shippers and any other options that are not presently going through Balancing Neutrality.

#### 4.0 Review of Impacts and Costs

This area was not discussed in the meeting.

#### 5.0 Review of Relevant Objectives

This area was not discussed in the meeting.

#### 6.0 Consideration of Wider Industry Impacts

This area was not discussed in the meeting.

#### 7.0 Consideration of Legal Text

Shiv Singh (SS) commented that as the solution and other aspects of the Modification still needed to be refined, work on the Legal Text had not yet commenced. He added that he imagined the Legal Text would be formally requested by Panel in August, RH agreed with this assumption.

#### 8.0 Development of Workgroup Report

Some draft updates were made to the report which will be reviewed alongside further updates at the next meeting.

#### 9.0 Next Steps

Rebecca Hailes (RH) confirmed next steps for the August meeting were as detailed below:

- RH to request a two month extension at the July Panel
- Review of Amended Modification
- Development of the Workgroup Report.

#### 10.0 Any Other Business

None.

#### 11.0 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
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10:30 Thursday 01 August 2019	Radcliffe House, Blenheim Court, Warwick Road, Solihull, B91 2AA	<p>Detail planned agenda items.</p> <ul style="list-style-type: none"> <li>• Amended Modification</li> <li>• Consideration of Business Rules</li> <li>• Review of Impacts and Costs</li> <li>• Review of Relevant Objectives</li> <li>• Consideration of Wider Industry Impacts</li> <li>• Consideration of Legal Text</li> <li>• Development of Workgroup Report</li> </ul>
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**Action Table (as at 04 July 2019)**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0503	02/05/2019	2.4	Xoserve (SP) to confirm from the CDSP point of view when the billing procedure commences for the new customer.	Xoserve (SP)	Carried forward
0601	06/06/19	2.0	Ofgem (RM) to clarify if they can back date the SoLR appointment date and the Supplier cease date to the same day.	Ofgem (RM)	Closed
0602	06/06/19	3.0	Contract Natural Gas (GE) to investigate what reporting and measures could improve transparency and include an aggregate into the process.	Contract Natural Gas (GE)	Closed
0603	06/06/19	3.0	National Grid NTS (PH) to determine whether Modifications 0429 and 0688 are non-compliant with the EU BAL Code and if so, what is the proposed solution for Modification 0429.	National Grid NTS (PH)	Closed
0604	06/06/19	3.0	Contract Natural Gas (GE) to consider the maximum length of time for the SoLR period.	Contract Natural Gas (GE)	Closed
0605	06/06/19	3.0	Xoserve (SP) to investigate how far back can the transfer of meter points of the SoLR be back dated to?	Xoserve (SP)	Closed
0606	06/06/19	3.0	Xoserve (SP) to investigate what has the time frame been for the recent 9 SoLR events, and what information on costs, transfer time and indicators of materiality could be identified, together with an explanation of the batch process.	Xoserve (SP)	Closed

**Action Table (as at 04 July 2019)**

<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
<b>0607</b>	06/06/19	3.0	All Transporters to review all areas of the Modification.	ALL	<b>Closed</b>
<b>0701</b>	04/07/19	2.0	Contract Natural Gas (GE/NW) to amend the Modification 0688 in relation to Article 3.3 and the EU Code Impacts section.	Contract Natural Gas (GE/NW)	<b>Pending</b>
<b>0702</b>	04/07/19	2.0	Contract Natural Gas (G./NW) to provide greater clarity on the calculations and estimated costs within the Modification.	Contract Natural Gas (GE/NW)	<b>Pending</b>
<b>0703</b>	04/07/19	2.0	Joint Office (RH) to request a two month extension from the July Panel.	Joint Office (RH)	<b>Pending</b>
<b>0704</b>	04/07/19	2.0	Contract Natural Gas (G./NW) to provide greater clarity on the calculations and estimated costs within the Modification.	Contract Natural Gas (GE/NW)	<b>Pending</b>
<b>0705</b>	04/07/19	3.0	Xoserve (SP) and Contract Natural Gas (GE/NW) to confirm the administration costs in relation to the claim procedure.	Xoserve (SP)	<b>Pending</b>
<b>0706</b>	04/07/10	3.0	Contract Natural Gas (GE/NW) to provide further information clarity in relation to Business Rules 3, 12 and 15.	Contract Natural Gas (GE/NW)	<b>Pending</b>
<b>0707</b>	04/07/19	3.0	Contract Natural Gas (GE/NW) to add detail into the Consumer Impact Assessment table within the Modification with clarity regarding how the customers and consumers will be affected.	Contract Natural Gas (GE/NW)	<b>Pending</b>
<b>0708</b>	04/07/10	3.0	Xoserve (SP) to investigate the distribution of costs on the exit Shippers and any other options that are not presently going through balance neutrality.	Xoserve (SP)	<b>Pending</b>