

UNC Workgroup 0854 Minutes
Revision of Virtual Last Resort User and Contingent Procurement of
Supplier Demand Event Triggers
Thursday 05 October 2023
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
Phil Lucas (Proposer)	(PL)	National Gas Transmission
Alex Nield	(AN)	Storengy UK
Amy Howarth	(AH)	Storengy UK
Andrew Blair	(AB)	Interconnector
Anna Shrigley	(AS)	ENI
Antony Miller	(AM)	South Hook Gas
Bethan Winter	(BW)	WWU
Brian McGlinchey	(BM)	Vermillion Energy
Carlos Aguirre	(CA)	Pavilion Energy
Chris Wright	(CWr)	Exxon Mobil
Christiane Sykes	(CS)	Shell
Conor McClarin	(CM)	National Gas Transmission
Corrine Brooke	(CB)	Department for Energy Security and Net Zero (DESNZ)
Ellie Rogers (11:15)	(ER)	Xoserve
Gavin Williams	(GW)	National Gas Transmission
Georgie Price (12:36)	(GP)	Ofgem
Hannah Reddy	(HR)	Corella on behalf of Xoserve
Isabel Capp	(IC)	Department for Energy Security and Net Zero (DESNZ)
James Lomax	(JLo)	Cornwall Insight
Jeff Chandler	(JC)	SSE
Jonath Roche	(FR)	Department for Energy Security and Net Zero (DESNZ)
Jonathan Balls	(JB)	Ofgem
Joseph Leggett	(JL)	Interconnector
Kirsty Appleby	(KA)	National Gas Transmission
Lauren Jauss	(LJa)	RWE
Lona Wilson	(LW)	Department for Energy Security and Net Zero (DESNZ)
Lucy Manning	(LM)	BP
Marion Joste	(MJ)	ENI
Maryam Khan	(MK)	Ofgem
Mathew Chandy	(MC)	Ofgem
Matthew Atkinson	(MA)	SEFE Energy
Matthew Newman	(MN)	National Gas Transmission
Niamh Holden	(NH)	Joint Office
Nick King	(NK)	CNG Services
Nick Wye	(NW)	Waters Wye Associates

Ofordi Nabokei	(ON)	National Gas Transmission
Phil Hobbins	(PH)	National Gas Transmission
Phil Lucas	(PL)	National Gas Transmission
Richard Fairholme	(RF)	Uniper
Ritchard Hewitt	(RH)	Hewitt Home Energy Solutions
Shiv Singh	(SS)	Cadent
Stephen Huang	(SH)	Castel Commodities UK
Steve Mulinganie	(SM)	SEFE Energy

The Workgroup Report is due to be presented at the UNC Modification Panel by 18 January 2024.

This Workgroup meeting will be considered quorate provided at least two Transporter and two Shipper User representatives are present.

Please note these minutes do not replicate/include detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of all papers are available at: <https://www.gasgovernance.co.uk/0854/051023>

1.0 Outline of Modification

Phil Lucas (PL) introduced the Modification and explained the intention is to extend the availability of ‘Virtual Last Resort User’ and ‘Contingent Procurement of Supplier Demand’ provisions (currently only available as a consequence of User Termination) to instances where (in exceptional circumstances) National Gas Transmission (NGT) issues a User Premises Termination Notice (as a consequence of the application of sanctions on that User by the UK Government). The availability of these two mechanisms in such an event will facilitate the maintenance, ongoing integrity and continued effective operation of the commercial Energy Balancing and Transportation arrangements in the immediate/short term until an alternative User Registration is in place for the relevant Supply Meter Points.

PL provided an introductory presentation to provide some context to Shippers being subject to UK Government sanctions and Shippers not being able to transact with counterparties.

PL provided an overview of the User Termination Triggers and the current arrangements for a Terminated User. An overview of the potential gaps in the arrangements was also provided.

The Workgroup considered the proposed solution to extend the triggers available for the Virtual Last Resort User (VLRU) and Contingent Procurement of Supplier Demand (CPSD) in the absence of Ofgem disapproving the issue of the cessation notice (rejected Modification 0813 - Revision of Virtual Last Resort User and Contingent Procurement of Supplier Demand Event Triggers).

The Workgroup considered the application of sanctions, the nature of sanctions, regulations, the consequences, required activities and capturing this within the Legal Text. Jonathan Balls (JB) understood sanctions can be against an entity or an individual.

The Workgroup considered the context, the right to veto and not creating a perverse outcome by removing the requirement for the regulator's right to veto. JB commented that primarily this is outside the vires or expertise for Ofgem to take on the role, with complications with sanction entities and putting an onus on the regulator to have a disapproval role.

Richard Fairholme (RF) requested clarification on which government was being referred to in ‘government sanctions’. PL referring to the legal text confirmed it refers to the UK Government. RF challenged that once sanctions are communicated who would be in a better position other than the Regulator, noting that other industry parties would need to refer to lawyers.

The Workgroup considered the introduction to a simple solution/tool and the risk it would place on a very complex problem and whether it is appropriate to have this in the UNC, along with the unintended consequences of the application of sanctions.

It was noted that the Ukraine issue would not have been resolved by this Modification. It was challenged that this Modification creates a lot more questions than answers, and there were expressed concerns about creating perverse outcomes. SM raised the issue that if sanctions were imposed on complex corporate structures, the parent companies could be sanctioned instead of the shippers. There was a view that this should not be dealt with through the UNC taking into account Compliance with the law, along with complicated interpretations and transacting with a terminated party.

NGT expressed the preference to proactively consider UNC arrangements to provide structure to imbalance risk.

SM requested clarification regarding removing Ofgem's right to step in and veto. PL confirmed that the requirement placed on Ofgem to step in had been removed but they were not prevented from doing so. SM suggested a requirement be included that required NGT to have conversations with Regulators. PL argued that this would almost reintroduce the requirement which was rejected. SM stated that it does not place any duty but introduces the assurance of having it reviewed by a regulator.

JB explained that Ofgem had set out their reasoning in the decision on 0813, and if the step requiring conversations to be had were to be included in a new mod, it would likely be rejected for the same reason as 0813.

2.0 Initial Discussion

2.1. Issues and Questions from Panel

1. Does the Modification directly impact IGT UNC
2. Would the Modification impact REC and the registration process

The Workgroup briefly considered the Panel Question.

2.2. Initial Representations

None received.

2.3. Terms of Reference

As matters have been referred from Panel a specific Terms of Reference will be published alongside the Modification at www.gasgovernance.co.uk/0854

3.0 Next Steps

EF stated that there was some useful debate. PL confirmed that they will provide a Legal Text within the next Workgroup.

See the Workgroup Programme in Section 5 below.

4.0 Any Other Business

None.

5.0 Diary Planning

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

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Thursday 02 November 2023	5 pm Wednesday 25 October 2023	Microsoft Teams	<ul style="list-style-type: none">• Consideration of Business Rules• Review of Impacts and Costs

			<ul style="list-style-type: none"> • Review of Relevant Objectives • Consideration of Wider Industry Impacts
10:00 Thursday 07 December 2023	5 pm Wednesday 29 November 2023	Microsoft Teams	<ul style="list-style-type: none"> • Development of Workgroup Report
10:00 Thursday 04 January 2024	5 pm Wednesday 22 December 2023	Microsoft Teams	<ul style="list-style-type: none"> • Review of Legal Text • Conclusion of Workgroup Report