

**UNC Workgroup 0611 Minutes**  
**Amendments to the firm capacity payable price at Interconnection Points**

**Thursday 02 March 2017**  
**at Elexon, 350 Euston Road, London NW1 3AW**

**Attendees**

Rebecca Hailes (Chair)	(RH)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Amrik Bal	(AB)	Shell
Andrew Pearce	(AP)	BP Gas
Anna Shrigley	(AS)	Eni UK
Aisling Jenson-Humphreys	(AJH)	ConocoPhillips
Charles Ruffell	(CR)	RWE
Chris Shanley	(CS)	Joint Office
Colin Hamilton	(CH)	National Grid NTS
Danielle Stoves	(DS)	Interconnector UK
David Cox*	(DC)	London Energy Consulting
David Reilly	(DR)	Ofgem
Graham Jack	(GJ)	Centrica
Jeff Chandler	(JCh)	SSE
Jen Randall*	(JR)	National Grid NTS
John Costa	(JCo)	EDF Energy
Lee Harrison*	(LH)	Xoserve
Lucy Manning*	(LM)	Gazprom
Matthew Hatch	(MH)	National Grid NTS
Nick Wye*	(NW)	Waters Wye Associates
Phil Hobbins*	(PH)	National Grid NTS
Rhys Ashman*	(RA)	National Grid NTS
Richard Fairholme	(RF)	Uniper
Sean Hayward	(SH)	Ofgem
Steve Britton*	(SB)	Cornwall
Steve Pownall*	(SP)	Xoserve
Terry Burke	(TB)	Statoil

\*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0611/020317>

**1.0 Outline of Modification**

The minutes of the previous meeting were approved.

**2.0 Initial Discussion**

**2.1. National Grid NTS presentation**

CH provided a brief overview of the 'Modification 0611' presentation explaining that the modification supports aspects of UNC Modifications 0597 and 0598S. CH went through the indicative timeline, explaining that the TAR NC was expected to come into force on 1

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April 2017 and the Modification need to be in place prior to 1 October 2017 as fixed price was not allowed from this date for capacity acquired via the Annual Yearly Capacity Auctions.

AB asked why the floating payable price for existing annual yearly entry does not apply for Moffat and CH explained that the modification is targeted at the Bacton IP Entry Price administration. CH also explained that the modification ensures compliance with Article 25. It was noted that the wider 'floating element' aspects in the TAR NC would need to be developed through the NTS CMF.

When asked whether National Grid NTS has developed a modification to cater for evergreen Exit Capacity bookings, MH pointed out that UNC Modification 0500 'EU Capacity Regulations – Capacity Allocation Mechanisms with Congestion Management Procedures' introduced an end date of October 2020, and the National Grid NTS Operations Team will be discussing at a forthcoming Operational Forum how to seek Shipper reductions as part of the next application window in July.

CH went on to explain that the Modification also introduces the concept of a "Mandatory Minimum Premium" (MMP) in accordance with TAR NC Article 33. When asked if the concept of a MMP potentially means that everything would pass the economic test, CH explained that this would only apply when a party is unable to pass the economic test and that this is an EU wide rule, which he doubts they would ever utilise in GB but it was sensible to introduce just in case.

CS asked whether it was sensible to include how the MMP would work in relation to auctions when they were not part of Modification 0597. CH acknowledged the point and confirmed that he would be looking to consider auction related impacts as part of the development of the legal text supporting the modification.

CH then explained that whilst there are options within the tariff code, National Grid NTS's preference remains that the MMP be based on the first release of incremental capacity only. Furthermore, internal National Grid NTS discussions suggest that anything over and above this could require a complicated system solution.

GJ asked how this would work in relation to the 10-20% of incremental capacity that could be set aside. MH advised that National Grid NTS have been discussing the 10% incremental signal (i.e. set aside aspects) with Ofgem and will hopefully provide more information in due course.

When asked whether the administered price changes in subsequent years, CH explained that this potentially applies for the duration of the booking but National Grid NTS recognised that this matter needs further consideration.

When asked if the intention is to keep the same economic tests when we move away from fixed price mechanisms, MH suggested that this also needs further consideration and that National Grid NTS are looking towards Methodology Statement updates, assuming Ofgem approves 0597. Asked for a view on how substitution would work as part of this capacity (incremental entry), MH advised that National Grid NTS recognises it needs to also consider suitable substitution mechanisms as part of the Methodology Statement updates. It was agreed that National Grid NTS should provide regular updates on this topic going forward.

## **2.2. Review of Modification Proposal**

During an onscreen review of the modification, attention focused on Section 6, during which CH explained the rationale behind the various statements, before also advising that we may not actually need a new defined term in the end, although this is dependant upon what the Tariff Code states – this will be covered during development of the legal text, which CH hopes will be available in draft form for consideration at the April meeting. He also requested that any party with concerns around the first capacity release aspects,

they should contact him sooner rather than later so these matters can be taken into account during creation of the legal text.

CS suggested that a review of the draft legal text might also shed some light on whether self-governance status is appropriate.

### 2.3. Issues and Questions from Panel

CS explained that on the 16 February 2017 Panel members have requested that the Workgroup considers the self-governance status for the modification and provide a report / recommendation to Panel, and whether there are any potential impacts on discounts offered at both system entry or exit points.

Parties debated whether or not self-governance status was suitable, with it being noted that if there is only one viable route the modification could take, then self-governance would appear sensible.

When asked what would likely to happen should Panel subsequently reject the self-governance modification, CS explained that Ofgem could 'call the modification in' anyway. CS suggested that if it was likely that Ofgem would call the modification in under such circumstances then, self-governance is perhaps not the appropriate route.

CH explained that because there are no real monetary aspects to the modification, as Proposer he believes it is suitable for self-governance.

There was some confusion as to what discounts the Panel question relates to, with some believing this might be the entry point discounts. CS indicated that he would discuss this with L Jenkins / Bob Fletcher to ascertain which discounts are being highlighted and thereafter ensure that a suitable statement is included within the Workgroup Report.

CH explained that the industry operates under the existing regime, hence the wider consideration of discounts will be via Charging Forum discussions going forward.

### 2.4. Initial Representations

None received.

### 2.5. UNC Workgroup Individual Terms of Reference

(<http://www.gasgovernance.co.uk/0611>)

### 3.0 Next Steps

RH confirmed that at the next meeting it is anticipated that the Workgroup would consider an amended modification and thereafter look to develop the Workgroup Report.

### 4.0 Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

Time/Date	Venue	Workgroup Programme
Thursday 06 April 2017	Elexon, 350 Euston Road, London NW1 3AW	Standard agenda plus: <ul style="list-style-type: none"> <li>Review amended modification / legal text</li> <li>Development of Workgroup Report</li> </ul>
Thursday 04 May 2017	Elexon, 350 Euston Road, London NW1 3AW	Standard agenda plus: <ul style="list-style-type: none"> <li>Completion of Workgroup Report</li> </ul>