

Workgroup 0678 Summary of Outcomes

Thursday 14 February 2019

at Radcliffe House, Blenheim Court, Warwick Road, Solihull, B91 2AA

Attendees		
Rebecca Hailes (Chair)	(RH)	Joint Office
Helen Bennett / Cuin (Secretary)	(HBC)	Joint Office
Alex Nield*	(AN)	Storengy UK
Anna Shrigley	(AS)	ENI
Bill Reed	(BR)	RWE Supply & Trading
Colin Williams	(CWi)	National Grid
David O'Neill	(DON)	Ofgem
Debra Hawkin	(DH)	TPA Solutions
Graham Jack	(GJ)	Centrica
Henk Kreuze*	(HK)	Vermilion Energy
James Thomson*	(JT)	Ofgem
Jeff Chandler*	(JCh)	SSE
John Costa*	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kamla Rhodes	(KR)	ConocoPhillips
Kirsty Ingham	(KI)	ESB
Nitin Prajapati	(NP)	Cadent
Paul O'Toole*	(PO)	Northern Gas Networks
Paul Whitton*	(PW)	Scotia Gas Networks
Paul Youngman	(PY)	Drax Power
Penny Garner	(PG)	Joint Office
Phil Lucas	(PL)	National Grid
Rachel Durham*	(RD)	Smartest Energy
Rebecca Jones*	(RSJ)	Mercuria UK LLP
Richard Fairholme	(RF)	Uniper
Sinead Obeng*	(SO)	Gazprom Marketing and Trading
Smitha Coughlan*	(SCo)	Wales & West Utilities
Steve Pownall	(SP)	Xoserve
Terry Burke	(TB)	Equinor
* via teleconference		
<p>Industry parties are strongly encouraged to review this document and the changes. Any comments should be sent to Joint Office at enquiries@gasgovernance.co.uk</p>		
<p>Meeting material available at: http://www.gasgovernance.co.uk/0678/140219</p>		
<p>Critical Actions Log is available at: http://www.gasgovernance.co.uk/0678</p>		
<p>Next Meeting Monday 18 February 2019</p>		

Key Points/Decisions

1. The Workgroup reviewed the requested amendments to the previous meeting summary and approved the summary of Workgroup discussions held on Wednesday 13 February 2019. A change marked version will be published to record the changes.
2. PG highlighted 0678B went to UNC Panel on 12 February 2019 and has now been formally raised. It is expected there will be 8 further Alternatives. PG noted further meetings are provisionally being suggested to support the assessment process for: Wednesday 20 February, Thursday 28 February, Tuesday 05 March.
3. The Workgroup noted that the ultimate cut-off point for Alternatives under the standard Modification Rules would be 5pm on 06 March 2019. However, the later an Alternative is submitted will reduce the ability to assess the Modification and in effect undermine the Alternative. PG outlined the process for considering Alternatives and Panel's obligations. It was suggested that under the Urgency arrangements the process could have included a cut-off for Alternatives had Ofgem so wished.
4. BR expressed concern about the number of meetings and the lack of time in between to consider all the documentation. A number of Workgroup participants supported the need for the opportunity to read through the documentation, have time to comment and undertake non-related 0678 work commitments. It was suggested that the Proposers of the Alternatives should indicate the time they believe is required to undertake an assessment for the Alternative at any additional meetings agreed for their Alternative.
5. PG noted that the UNC Panel have requested that each Proposal must demonstrate compliance with the TAR NC and address Ofgem's concerns outlined in its decision letter on 0621. It was also noted there is an expectation that submitted Modifications must be sufficiently developed.
6. PG highlighted that the Joint Office have provided a template to help aid Workgroup discussions on Compliance. The Proposers are invited to complete the compliance template put forward by Joint Office, but Joint Office is respectful if Proposers want to provide an assessment in their own format. Where this is the case the Proposer will need to work with the Workgroup to ensure that the Modification that they have put forward provides enough evidence in relation to compliance with TAR NC to allow discussion and allow incorporation of commentary into the Workgroup Report.
7. DON noted that in terms of showing compliance, Ofgem would be looking for more than a simple "Yes" response, he wished to see an explanation if the Proposer believes there may be issue. The explanation should be provided as to why the Proposal is compliant. PG noted and thanked RWE for the very detailed document on how 0678A is compliant, and this has been published alongside the Modification.
8. PG summarised that as the Code Administrator the Joint Office will be facilitating the production of the Workgroup Report and will work with the Workgroup under "reasonable endeavours" to complete the Workgroup Report. The combined Workgroup Report shall report on each Modification Proposal. It was noted that late Alternatives will dilute Workgroup assessment and the content that can be built into the Workgroup Report.
9. CW wished to be clear that National Grid would undertake analysis for Modification 0678. Where the Alternatives require information/analysis beyond the Proposers' ability to produce or access the required information, and National Grid cannot release sensitive information, the Proposers need to engage with National Grid to ascertain how the analysis can be undertaken.
10. CW confirmed that for Modification 0678 a comparison against current prices, the revenue distribution, the exit/entry split, effects on various types of parties (e.g. Storage and Power Stations) will be provided with reference tables for the outputs. This will allow other parties to bolt on their own outputs for the Alternatives. He also highlighted that a comparison against current and new world (based on the assumptions) will be provided to better understand the magnitude of changes. There was also a request for National Grid to include an explanation to help understand how the model works.
11. DON noted that the analysis will need to consider and demonstrate how the Modification(s) better facilitate the relevant objectives.

12. The timing of the Legal Text was discussed, full drafting was expected for Modification 0678 for discussion on 27 February 2019. The timing of the Legal Text for the Alternatives was also considered and the risk that some of the Legal Text may not be available for inclusion in the Workgroup Report. (CW noted for 0621 Modifications that the Legal Text was produced to support the consultation process). This is not considered good practice. CW noted that for Alternative Modifications the Legal Text will need as a minimum to be endorsed by the Proposer.
13. CW confirmed that National Grid will be updating the CWD sensitivity tool/model (illustrative tool), this will be National Grid's highest priority and will include data for the FCC and updated existing contracts data. The Workgroup briefly reviewed the output sheets (these are called Entry Prices Summary and Exit Prices Summary) in the model. It was noted that the output charts will be different for the non-0678 elements. It was noted that it will be each Proposer's responsibility to ensure the model is built upon to demonstrate the outputs for the Alternatives.
14. KI expressed concern about Quality Assurance and audit and the ability to compare the outputs from the models and the potential for errors that could inadvertently get built into any models. She asked if the model had been independently checked by parties that had not built the tool. BR highlighted that RWE has undertaken some risk assessment and assurance checks, and they are reasonably assured.
15. DON's view was provided – he commented on the slow progress of the Workgroup and that a large segment of time today had been re-capping. He asked for views on whether re-capping elements was useful. AS agreed, progress is really slow. AS suggested, meetings are difficult to follow and to ensure focus is precise and pragmatic that slides need to be submitted by proposers or Workgroup Participants. RH welcomed this suggestion.
16. RF wished to see a proper project structure with target dates and was disappointed that National Grid seem reluctant to commit to dates.
17. The Workgroup reviewed all the current Actions and the providing appropriate updates including ensuring specific people were action owners and what date the Action was due by.
18. New issue for NTSCMF: DNs to consider the publication of the 1in 20 Demand Estimation Forecast data and JCx noted she believed there was a requirement to publish this data under requirements of 715/2009 as they are relevant points (see 0678 action 05-1102).
19. The Workgroup priorities were considered, and it was suggested the order of priority for actions on National Grid should be:
 - I. FCC Methodology and the updated spreadsheet Model on Wednesday 20 February and
 - II. The amended 0678 Modification Friday 22 February.
20. The Workgroup considered the potential to postpone meetings or topics for discussion. It was noted that the next Panel meeting is on 21 February Panel and the following Workgroup for first consideration would be on 25 February.
21. JCo provided an overview of SSE's draft Alternative Modification and the differing elements. The solution shared many common elements with 0678 but differed in the following areas:
 - The RPM is based on Postage Stamp as in the case of 0678A,
 - The Transmissions Services Revenue Recovery charges will not apply to any Existing Storage entry capacity contracts, including post trade and transfer (secondary capacity trading),
 - A new Forecasted Contracted Capacity Methodology (based on the maximum of 4 elements) is to be included in the UNC. The four elements are:
 - Legacy Capacity Booking (prior to 6/4/17),
 - Stage 2 PARCAs,
 - Historical Flows (based on 5 years as with the electricity Capacity Mechanism),
 - Supply and Demand forecast
 - A storage discount of [80%] to be applied (based on a methodology being developed by Waters Wye for GSOG).

22. The Workgroup considered the storage elements and selling-on of storage and the disincentives. SSE was encouraged to discuss elements of its Modification with National Grid and Xoserve.
 23. AS provided an overview of ENI's draft Alternative Modification and the differing elements. The draft Modification has not yet been sent to the Joint Office. The difference was that the Transmission Services Revenue Recovery (TSRR) charges will not apply to any existing entry capacity contracts, and that they will retain their price (unadjusted), until they expire. GJ noted that this is in line with Centrica's understanding for TSRR and the interpretation of TAR NC Article 35.
 24. Ofgem suggested that Centrica and ENI not only consider Article 35 but also think more broadly about compliance, in relation to Revenue Recovery Charges. It was suggested that Centrica and ENI should also consider any discriminatory treatment. This was noted by the Proposers.
 25. The Workgroup considered the TAR NC Compliance Assessment for Modification 0678A, Reference Price Methodology.
 26. The Workgroup believed that the Postage Stamp and CWD approaches would be compliant and considered whether to review each Article or simply focus on elements that are challenged as not being compliant. The Workgroup wished to consider all Articles.
 27. Whilst considering the 0678A Compliance Assessment Article 12 - General provisions. The Workgroup considered Article 12.3.a and 12.3.b, the recalculation of interruptible products, the probability of interruption and the recalculation that would be required if more than 20%. The Proposer of 0678A believed that the Legal Text would need to capture this probability and that the Modification needs to address this within the solution. National Grid were asked to consider this also for Modification 0678.
 28. DON's observation on the analysis was that the approach is useful to flesh out any compliance issues.
 29. Whilst considering Article 18 and the K Value, the Workgroup considered the K Value and K Factor, CW explained the calculation of K Value by taking TS K and SO K (two values) taking transmission and non-transmission K and when they are reconciled back, they are the same. It was noted that the definition of the K Factor and K Value are contained within Modification 0678.
 30. Whilst considering Article 31 - Form of publication, the Workgroup considered whether the Transparency platform needed to be referred to in the UNC. National Grid believed that this element would not be required in the UNC. National Grid explained that not every element of the TAR NC needs to be incorporated in the UNC for TAR NC to apply, similar to the EU legislation. The Workgroup considered the setting of tariffs and methodology
- Action 01-1402:** National Grid (CW) to provide clarity on where data is currently published that applies to each Article in the TAR NC. (Target date 28 February)
31. The Workgroup considered how the Workgroup Report and assessment of compliance is captured. The Workgroup considered formulating a paragraph to capture an overview and any areas on contention and that material outlining Proposer's compliance assessments will be appended to Modifications.
 32. The Workgroup considered the remaining scheduled meetings.
 33. It was anticipated that the compliance assessment would be available for Monday 18 February 2019 for Modification 0678A (Centrica). It was agreed that the Compliance Assessments for 0678A and 0678B can be reviewed and a summary statement captured within the Workgroup Reports. It was suggested that Workgroup could consider Modification Development and commence capturing views on some of the Relevant Objectives.

The Critical Actions

The Actions recorded above will be available in the Action Log at:
<http://www.gasgovernance.co.uk/0678/140219>

Next Meeting

The next meeting will be held on Monday 18 February 2019 at Radcliffe House, Blenheim Court, Warwick Road, Solihull, B91 2AA.

Please note meetings will start at 9:30am and finish at 4:00pm.

Agenda and papers: <http://www.gasgovernance.co.uk/0678/180219>

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

Time / Date	Venue	Teleconference	Workgroup Programme
09:30 Tuesday 29 January 2019	St John's Hotel, Warwick Road, Solihull, B91 1AT	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG01 <ul style="list-style-type: none"> • Approach • Compliance
09:30 Thursday 31 January 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG02 <ul style="list-style-type: none"> • Integration of RPM, • Forecasted Contracted Capacity (FCC), • Revenue Recovery • Existing Contracts
10:00 Tuesday 05 February 2019	Elexon, 350 Euston Road, London NW1 3AW	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG03 <ul style="list-style-type: none"> • Multipliers and Discounts • Shorthaul Approach
09:30 Monday 11 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG04 <ul style="list-style-type: none"> • Compliance • Forecasted Contracted Capacity (FCC)
09:30 Wednesday 13 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG05 - Postponed
09:30 Thursday 14 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG06 <ul style="list-style-type: none"> • Non-Transmission Charges. • Workgroup Report Approach • Relevant Objectives
09:30 Monday 18 February 2019	Radcliffe House, Blenheim Court	Teleconference Number 0203 582 4515	WG07

	Warwick Road Solihull B91 2AA	Conference ID 451-364-066 screen sharing https://join.me/bob.fletcher	<ul style="list-style-type: none"> • Compliance • Workgroup Report
09:30 Wednesday 20 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG07a (introduced as part of 0678B) <ul style="list-style-type: none"> • Assessment of Alternative solutions • Workgroup Report
09:30 Monday 25 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG08 <ul style="list-style-type: none"> • Assessment of Alternative solutions • Compliance • Workgroup Report
09:30 Wednesday 27 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG09 <ul style="list-style-type: none"> • Legal Text (AM) • Compliance • Workgroup Report
09:30 Thursday 28 February 2019 (Provisional)	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG09a (Envisaged as part of 0678C) <ul style="list-style-type: none"> • Assessment of Alternative solutions
09:30 Monday 04 March 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG10 <ul style="list-style-type: none"> • Workgroup Report • Compliance
10:00 Tuesday 05 March 2019 (NTSCMF)	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG10a <ul style="list-style-type: none"> • Workgroup Report
09:30 Wednesday 06 March 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG11 <ul style="list-style-type: none"> • Finalise Workgroup Report