

UNC Transmission Workgroup Minutes
Thursday 05 November 2020
via Microsoft Teams

Attendees

Lorraine O'Shaughnessy (Chair)	(LOS)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Nield	(AN)	Storengy Ltd
Andrew Green	(AG)	Total Gas & Power (joined late)
Andrew Pearce	(AP)	BP
Angus Paxton	(APa)	AFRY
Anna Shrigley	(AS)	Eni Trading & Shipping
Anna Stankiewicz	(ASt)	National Grid
Bethan Winter	(BW)	Wales & West Utilities
Bill Reed	(BR)	RWE
Christiane Sykes	(CS)	Shell Energy
Chris Wright	(CW)	Exxon Mobil
Colin Williams	(CWi)	National Grid (additional agenda item at 11am)
Daniel Hisgett	(Dhi)	National Grid
Dave Adlam	(DA)	SGN (agenda item 3.1 only)
Debra Hawkin	(DH)	TPA Solutions Ltd
Emma Buckton	(EB)	Northern Gas Networks
Eric Marston	(EM)	SAGE – North Sea Ltd – Ancala Midstream
Henk Kreuze	(HK)	Vermilion Energy (agenda item 6.2 only)
India Koller	(IK)	SGN (agenda item 3.1 only)
Jeff Chandler	(JCh)	SSE
Jennifer Randall	(JR)	National Grid
John Costa	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kamla Rhodes	(KR)	Conoco Phillips
Kamila Nugumanova	(KN)	ESB
Kirsty Dudley	(KD)	E.ON (agenda item 6.2 only)
Malcolm Montgomery	(MM)	National Grid
Max Lambert	(ML)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Pavanjit Dhesi	(PD)	Interconnector UK
Phil Hobbins	(PH)	National Grid
Phil Lucas	(PL)	National Grid
Rachel Hinsley	(RH)	National Grid (agenda item 1.5.1 only)
Richard Fairholme	(RF)	Uniper
Ricky Hill	(RH)	Centrica
Shiv Singh	(SS)	Cadent
Sinead Obeng	(SO)	Gazprom
Steven Britton	(SB)	Cornwall Insight
Steve Mulinganie	(SM)	Gazprom Energy (agenda item 6.2 only)
Terry Burke	(TB)	Equinor

Tim Davis (TD) Barrow Shipping (agenda item 3.3)

Copies of all papers are available at: www.gasgovernance.co.uk/tx/051120

1. Introduction and Status Review

Lorraine O'Shaughnessy (LOS) welcomed all parties to the meeting and confirmed that the meeting was quorate. In terms of the order of the agenda she sought Workgroup agreement to move Workgroup 0735 to agenda item 3.4.

In addition, to this LOS informed the Workgroup that a request had been received from Colin Williams to join the meeting to provide an important update to industry parties in relation to National Grid's intention to issue an *Indicative Notice of Intention to update Transmission Services Revenue Recovery charges and Non-Transmission Charges*.

1.1. Approval of minutes (01 October 2020)

The minutes from the previous meeting were approved.

1.2. Approval of Late Papers

LOS advised the Workgroup that the Industry Update from Ofgem and the presentation from SAGE North Sea Limited in respect of the pre-Modification discussion under agenda item 1.51. had been provided late. Workgroup agreed to consider these late papers.

1.3. Review of Outstanding Actions

Action 1001: National Grid (MM) to provide confirmation of what UNC change is needed to address infraction notice in the context of the Security of Gas Supply (EU) Regulation including the timetable for the change.

Update: Malcolm Montgomery (MM) asked for this action to be carried forward until National Grid are closer to raising the Modification.

Carried Forward

1.4. Ofgem Industry Update

Max Lambert (ML) provided an overview of the *Ofgem Industry Update* document published on the [meeting page](#) for this meeting. The update covered the following areas:

- a. Close of RIIO-2 Informal licence drafting consultation for Transmission, Gas Distribution and Electricity System Operator licences

On 30 September 2020, Ofgem began an informal consultation on the proposed changes to the licence conditions required to implement the RIIO-2 price control settlement for the transmission companies, gas distribution networks and the electricity system operator. The consultation document and relevant subsidiary licence documents are published at the link below. The consultation closed on 28 October 2020, and Ofgem are currently reviewing and analysing the responses to these documents.

<https://www.ofgem.gov.uk/publications-and-updates/riio-2-informal-licence-drafting-consultation-transmission-gas-distribution-and-electricity-system-operator-licences>

- b. RIIO-2 Informal re-opener application guidance consultation for Transmission, Gas Distribution and Electricity System Operator licences

Ofgem are consulting on the proposed re-opener guidance and application requirements document that will assist network companies in completing RIIO-2 re-opener applications for submission to Ofgem. The document was published on 12 October 2020 at the link below.

Responses to the consultation should be sent to graham.craig@ofgem.gov.uk by 9 November 2020.

<https://www.ofgem.gov.uk/publications-and-updates/riio-2-informal-re-opener-application-guidance-consultation-transmission-gas-distribution-and-electricity-system-operator-licences>

- c. Decision to grant National Grid Gas ('NGG') a consent to submit the modifications that it proposes to the Entry Capacity Release Methodology Statement unaccompanied by a statement from an Independent Examiner

On 10 September 2020, Ofgem received a letter from National Grid Gas ('NGG') requesting Ofgem to consent to NGG not providing a statement from an Independent Examiner to accompany modifications that it proposes to make to the Entry Capacity Release ('ECR') Methodology Statement in accordance with Special Condition 9A.7 of NGG's Gas Transporter Licence ("the Licence"). On 23 October 2020, Ofgem published their decision to grant the consent for the reasons explained in the letter below.

<https://www.ofgem.gov.uk/publications-and-updates/decision-grant-national-grid-gas-ngg-consent-submit-modifications-it-proposes-entry-capacity-release-methodology-statement-unaccompanied-statement-independent-examiner>

- d. Consultation on changes to the Gas Network Innovation Competition Governance Document version 3.0

This notice explains Ofgem's proposed changes to the Gas Network Innovation (NIC) Governance Document version 3.0. This notice is issued under a number of licence conditions. These are:

- Special Condition 2F of the Gas Transporters Licence for National Grid Transmission
- Special Condition 1I of the Gas Transporters Licence for Distribution Network Operators

Representations on the proposed Modifications must be made on, or before, 12pm on 23 November 2020.

<https://www.ofgem.gov.uk/publications-and-updates/consultation-changes-gas-network-innovation-competition-governance-document-version-30>

1.5. Pre-Modification discussions

1.5.1. Re-introduce Fungibility for Existing Capacity Booked at Bacton ASEPs Amendment to the Gas Quality NTS Entry Specification at the St Fergus SAGE System Entry Point

Eric Marston (EM) introduced a pre-modification for discussion. He highlighted that the Modification was seeking to enable an increase in the carbon dioxide limit within the Network Entry Agreement (NEA) at the SAGE North Sea Limited (SNSL) sub-terminal at St. Fergus between National Grid Gas plc and SNSL.

He pointed out that this Modification was consistent with and identical to a similar enabling Modification (UNC Modification 0607 - Amendment to Gas Quality NTS Entry Specification at the St Fergus NSMP System Entry Point) approved by Ofgem in February 2018 at a neighbouring terminal.

EM provided a brief background and history of the SAGE Terminal at St Fergus highlighting that during normal operations the CO₂ content entering the National Grid is around 3 mol% and that this is predicted to continue falling to 2 mol%. However, some offshore Shipper unplanned events can result in high CO₂ slugs arriving at the terminal. These can be as high as 5.5 mol%. He added that the estimated frequency of these is about 6 events per year with the events likely to last for approximately 48 hours.

EM also explained how the CO₂ is removed using 2 treatment trains one of which has now been fully retired and the other is on standby and used to treat the high CO₂ slugs. As part of an overall terminal rationalisation project there are plans to retire the second treatment train from service at the end of the 2Q 2021.

EM further added that comingling gas from the other St Fergus Sub-Terminals would also help to maintain CO₂ levels entering the National Grid below 4 mol%.

The solution proposed is to increase the NEA CO₂ content from 4mol% to 5.5mol% and also enable the retiral of under-utilised and energy intensive equipment.

The change is considered to be non-material as the Proposer believes that the Self-Governance criteria are met.

LOS thanked EM for the presentation and invited Workgroup comments.

- a. Julie Cox (JCx) asked what happens to the extracted CO₂. EM confirmed that the CO₂ goes into the atmosphere.
- b. Jeff Chandler (JCh) pointed out that the governance of Modification 0607 was Authority Direction and challenged why Self-Governance is being proposed given that if CO₂ is passed to downstream Users then there will be an associated cost. In response, EM indicated that he was happy to reconsider the governance of the Modification.
- c. Nick Wye (NW) sought further clarification of the likelihood of high CO₂ levels and whether the estimated frequency of 6 annual events is accurate and whether the levels could go down due to blending with gas from other terminals. EM confirmed that during normal operations the gas entering the grid would be expected to be blended back down to below 4 mol%. He added that there may be demand at the same time as neighbouring terminal demand but the risk of two high CO₂ events is estimated at one event in every 5 to 10 years and if this should happen then the terminal operators could work with National grid to manage/mitigate the event. He further added that the likelihood of SAGE North Sea having a high CO₂ requirement coinciding with a neighbouring Terminal shutting in due to an unforeseen event is considered negligible with an estimated probability of one event every 1000 years. NW believed that there was a good case for Self-Governance on the basis of the impact on the NTS and customers being negligible.
- d. JCx stated that the Ofgem decision in relation to Modification 0607 indicated that the decision should not be seen as setting any future precedent and suggested that the reasons set out in the letter need further exploring at Workgroup.
- e. EM stated that consequential impacts are not expected on neighbouring terminals.

LOS thanked EM for the presentation and confirmed that the proposer intends to raise this Modification for the November Panel meeting.

1.5.2. Mandatory setting of Bid Parameters

Malcolm Montgomery (MM) introduced a Modification that National Grid are intending to raise at the November UNC Modification Panel meeting.

The Modification aims to address User errors in the capacity auctions/applications process. He explained the impacts if bids are entered incorrectly in terms of price and quantity and pointed out that National Grid do not have a role to monitor or police User Bids placed on Gemini. There are User Validation settings that can be switched on by the User to help manage the risk of erroneous bids being placed.

The Modification proposes to make it mandatory for Users to set bid parameters prior to participating in auctions for daily products. He highlighted that this would be a small but one-off inconvenience for Users for each auction listed but would help to reduce the ongoing risk for all Users. The relevant bid parameters would be *Bid Price* and *Bid Value*.

This precondition to being able to place a bid in certain auctions would be added to the UNC auction rules.

MM talked through an example before inviting Workgroup comments.

In response to a question, MM confirmed that Shippers can have different parameters and also that the limits are Shipper and auction specific.

NW asked if the Modification would be extended to preclude any disputes being raised. MM suggested that it is likely to reduce the frequency of disputes.

MM concluded his presentation by stating that 2-3 Workgroup meetings are envisaged.

1.5.3. Revisions to User Termination Provisions

Phil Lucas (PL) introduced a Modification that National Grid intend to submit for the November Panel meeting. It concerns the changes necessary to the User Termination provisions in the UNC (TPD V4) as a consequence of the implementation of a new piece of legislation: the Corporate Insolvency and Governance Act 2020.

PL stated that this new Act introduced in June 2020 inserts new provision into the Insolvency Act 1986 that limits the ability for Transporters to issue a Termination Notice if the User is subject to a 'relevant insolvency procedure'. These procedures broadly cover administration and voluntary arrangements such as:

- The relevant User enters a voluntary arrangement;
- An administration order is made in respect of that User; or
- An administrative receiver is appointed.

For the UNC, this means that the ability of a Transporter to issue a Termination Notice on the basis of a User Default triggered by these instances is constrained by the new legislation.

Given the prevalence of primary legislation in any conflict with the provisions of the UNC, in practice Transporters are already subject to these constraints. Transporters, therefore, believe it is appropriate to modify the UNC to acknowledge that the relevant UNC provisions (i.e. regarding User Default and the ability to issue a Termination Notice) are subject to the limitations introduced by the new legislation.

NW sought clarification of what this would mean in practice. PL confirmed that where a User has a voluntary arrangement in place or an administrative receiver is appointed then National Grid cannot issue a Termination Notice for the duration the User is in the 'relevant insolvency procedure'. The exception to this is where the User has provided consent.

In response to a question from Richard Fairholme (RF), PL confirmed that the risk is that the User can continue to accrue debt and also the reduction in the circumstances of when a Termination Notice can be issued.

RF acknowledged the need for the change to align with legislation but queried whether the change as proposed is helpful as it does not limit the ability for Users to accrue any further debt. He asked if any discussions had taken place with the Energy Balancing Credit Committee (EBCC).

PL concluded his presentation by confirming that initial discussions had taken place with Brendan Gill(Xoserve) in relation to this and a minor change is likely to be needed to the energy balancing credit rules. He confirmed the intention to submit this Modification for the November Panel meeting and suggested that 3 months development time is needed at Workgroup. In terms of the governance he suggested that Self-Governance will be proposed on the basis that the legislation has been implemented and National Grid are therefore subject to the limitations.

2. European Codes Update

Phil Hobbins (PH) provided a brief update on two areas:

- a. Equinor and Engie have raised a functionality issue in relation to data exchange protocols between capacity booking platform operators and Shippers. A document based common data exchange solution has been requested. Consultation responses to this change has been overwhelmingly supported and therefore a change to documentation is highly likely in respect of interoperability codes.
- b. ENTSOG 2050 Gas Grid Initiative – This is continuing to progress intensively particularly in relation to gas quality and Hydrogen handling to support the achievement of decarbonisation.

3. Workgroups

- 3.1. **0705R – NTS Capacity Access Review 0671 – New Capacity Exchange process at**
(Report to Panel 21 October 2021)
www.gasgovernance.co.uk/0705
- 3.2. **0735 - UNC Changes as a consequence of the absence of trade agreement/s between the United Kingdom and the European Union ('no deal')**
(Report to Panel 19 November 2020)
<http://www.gasgovernance.co.uk/0735>
- 3.3. **0738 - Incremental NTS Entry Capacity Surrender**
(Report to Panel 17 December 2020)
www.gasgovernance.co.uk/0738
- 3.4. **0739 - Aggregate overrun regime for Original Capacity held at the Bacton ASEPs**
(Report to Panel 21 January 2021)
<http://www.gasgovernance.co.uk/0739>

4. GS(M)R Review

Phil Hobbins (PH) provided an update confirming that the IGEM Gas Quality Working Group is currently considering the issues raised in the consultation responses on changing the UK gas quality specification and putting it into a new IGEM standard. The next step is to agree the final version of the standard so that it can progress through the IGEM's governance process prior to a HSE consultation.

Separate to this, the Health and Safety Executive (HSE) are preparing the Government Impact Assessment and consultation on the GS(M)R change proposals. The planned timetable is for the consultation document to be published in June 2021 with the changes coming being implemented in April 2022.

PH also reminded Workgroup that the blending consultation closes on 13 November 2020.

Christiane Sykes (CS) stated that only technical issues are being addressed by the IGEM and commercial issues through BEIS and the wider review. Any other issues arising from the process may have to be addressed through UNC changes.

PH stated that he did not expect Government to implement the standard across all Entry points immediately and suggested that Entry Points would still have to make individual cases through the UNC process.

5. Issues

No issues were raised.

6. Any Other Business

6.1. National Grid Customer Satisfaction Surveys

PH provided an update on National Grid's Customer and Stakeholder Satisfaction Surveys which are on-going. He briefly shared some areas of feedback in terms of what industry parties thought National Grid did well and also suggestions for areas for improvement.

The next step is for National Grid to identify the common themes from the feedback before the development of action plans to address the themes.

PH agreed to provide a further update in January 2021 and thanked industry parties who have already participated in the survey.

6.2. Indicative Notice of Intention to update Transmission Services Revenue Recovery charges and Non-Transmission Charges

Colin Williams (CWi) joined the meeting to provide an important update to industry following the implementation of Modification 0678A - *Amendments to Gas Transmission Charging Regime (Postage Stamp)*.

CWi explained that even though it has only been one month since Modification 0678A has been implemented, National Grid has observed Shipper actions that are not entirely consistent with the Forecast Contracted Capacity (FCC) methodology that was developed. Whilst the trend towards lower overall capacity bookings was expected and accounted for in the FCC assumptions, the scale of the change is much greater than had been assumed. One of the effects of this has been a significant increase in the volumes of capacity revenue flowing through the capacity neutrality process, again a change of this significance had not been anticipated.

Given the scale of the under recovery and the potential impact this presents to customers both this year and into subsequent years, National Grid intends to address this through a combination of options:

1. Use of the revenue recovery mechanisms under the new methodology in the timescales permitted under National Grid's Licence.
2. Proposal for UNC changes with respect to Capacity Neutrality to ensure consistency with its intent and the developments in capacity bookings. This would avoid disadvantaging any Shipper and preserve the integrity of the charging methodology introduced from October.

He acknowledged the short notice being given to industry parties of the need for National Grid to act quickly to issue an *Indicative Notice of Intention to update Transmission Services Revenue Recovery charges and Non-Transmission Charges* on 05 November 2020.

He explained that further detail will be shared with industry parties the week commencing 09 November 2020 and that a series of webinars will be held for all Shippers and interested stakeholders on Tuesday 10 November 2020. An opportunity for 1:1 discussion will also be provided and queries can be sent to colin.williams@nationalgrid.com.

NW asked whether there would be a compressed timetable for increased charges and if that would be from 01 December 2020. CWi suggested that it is more likely to be from 01 January 2021.

NW also asked for more detail on the change needed in relation to the capacity neutrality process. CWi indicated that National Grid would be looking at the volumes of capacity revenue flowing through the capacity neutrality process and the reasons for this. The focus will be on revenue elements such as within day and interruptible capacity.

Anna Shrigley (AS) sought more information in relation to the indicative scale of variation between the actual and forecasted capacity captured for October 2020. CWi indicated that more detail would be provided at the webinar.

Steve Mulinganie (SM) raised a concern about the manner of the introduction of this topic in terms of the speed of the change and short notice given the considerable impact on customers and the magnitude and importance of the change. He suggested that clear, concise and plain English communication is needed for industry parties throughout the supply chain with clear messages.

CWi thanked SM and acknowledged the importance of the communication messages that would be needed.

7. Diary Planning

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

Time / Date	Venue	Workgroup Programme
10:00 Thursday 03 December 2020	Teleconference	Standard Agenda plus GS(M)R Review to be added
10:00 Thursday 07 January 2021	Teleconference	Standard Agenda plus GS(M)R Review to be added

Action Table (as at 05 November 2020)					
Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
10/01	01/10/20	2.0	National Grid (MM) to provide confirmation of what UNC change is needed to address infraction notice in the context of the Security of Gas Supply (EU) Regulation including the timetable for the change.	National Grid (MM)	Pending

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NTS Capacity Access Review
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Attendees

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Kully Jones (Secretary)	(KJ)	Joint Office
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Anna Stankiewicz	(ASt)	National Grid
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Jeff Chandler	(JCh)	SSE
Julie Cox	(JCx)	Energy UK
Kamila Nugumanova	(KN)	ESB
Malcolm Montgomery	(MM)	National Grid
Max Lambert	(ML)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
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Steven Britton	(SB)	Cornwall Insight
Terry Burke	(TB)	Equinor

Copies of all papers are available at: www.gasgovernance.co.uk/0705/011020

The Workgroup Report is due to be presented at the UNC Modification Panel by 21 October 2021 (with an interim report in April 2021).

1. Introduction and Status Review

Lorraine O'Shaughnessy (LOS) welcomed all industry parties to the meeting and advised that the main focus of the meeting would be to receive an update from National Grid on all areas of the capacity access review. She advised that the Modification Panel had agreed to extend the

Workgroup Reporting date to 21 October 2021 with an interim report in April 2021. Panel Members also asked the Review Group to consider both the consumer benefits and impacts.

Jennifer Randall (JR) indicated that the consumer benefits and impacts will be assessed throughout the process on an on-going basis.

1.1. Approval of minutes (01 October 2020)

The minutes from the previous meeting were approved.

1.2. Approval of Late Papers

Workgroup agreed the late amendments to the Capacity Access Review presentation provided by National Grid.

1.3. Review of outstanding actions

Action 0904: *Substitution Progress* - National Grid (JR) to provide further information around the disconnection process and how physical and commercial disconnection interact.

Update: ASt covered this action as part of agenda item 5.0 and action 0904 was closed as it has been merged into action 1003.

Closed

Action 0908: *Secondary Capacity Assignments – Existing Contracts – National Grid and Ofgem* to explore options.

Update: This action was discussed under agenda item 7.0 and carried forward to December to form part of a pre-Modification discussion.

Carried Forward

Action 1001: *Exit User Commitment Progress* - National Grid (ASt) to provide feedback from NTSCMF in relation to the final report on the impact of the new charging regime on 2020 Enduring flat applications. Further information to be provided to show how bookings have changed including increases and reductions, customer types and impact on annual bookings. The links to the analysis to be provided when available as a post-meeting update.

Update: This action was closed.

Closed

Action 1002: National Grid (JR/ASt) to develop a matrix of stakeholders and priorities, to include views on variety of options discussed to date.

Update: This action was discussed under agenda item 3.0.

Closed

Action 1003: *Substitution Progress – National Grid (ASt)* to investigate basis on which 3:1 exchange rate was established and whether it would pass an economic and efficiency test today.

Update: This action was discussed under agenda item 5.0 and closed.

Closed

Action 1004: *Product Development – Workgroup* to provide comments to National Grid on requirements for a short-term firm product.

Update: This action was discussed under agenda item 7.0.

Closed

2. Entry User Commitment Methodology Update

JR confirmed that Ofgem have granted a derogation from the requirements for an independent examination as per Special Condition 9A.7 of NGG's Gas Transporter's Licence. A copy of the decision letter is available [here](#). The next step is to prepare and issue the consultation on the proposed changes to the entry capacity release methodology statement.

3. Review of the Exit Regime

Action 1002: National Grid (JR/ASt) to develop a matrix of stakeholders and priorities, to include views on variety of options discussed to date.

JR provided a brief overview of the key next steps which are:

- Identification of the needs of different market participants
- Development of underpinning principles
- Development of the options and potential solutions for the development of the exit regime which will deliver the needs to market participants whilst building on the foundation principles

Workgroup considered the amendments made to slide 6 setting out the needs of different market participants and agreed that it was an accurate representation of the different needs and agreed that action 1002 could be closed.

Workgroup agreed to close action 1002.

JR then posed a number of questions and principles for Workgroup to consider and invited comments (slide 7).

Angus Paxton (AP) suggested that the concept of capacity might have different meanings and asked for clarification on whether the references to capacity are in the context of a capacity product or the concept of capacity. He suggested that definitions were needed to differentiate between a Capacity product that provides the right to offtake gas at a given rate and procured in short/long timescales and the concept of capacity which could be described as the ability to flow gas off the network.

Workgroup agreed that it was important to understand this distinction.

New Action 1101: *Review of Exit Regime* - National Grid to provide a clear definition of capacity to distinguish between capacity as a product and capacity as a concept.

4. Exit User Commitment Progress

Exit User Commitment Reduction

Anna Stankiewicz (ASt) provided an update on National Grid's proposals for the reduction of the Exit User Commitment period for capacity within baseline from 4 to 2 years on the following grounds:

- NTS requires consistent capacity signals for the purpose of network planning.
- Maintaining 2 years of commitment to baseline capacity provides an element of protection from inefficient substitution for Users active at the substitution donor point. The commitment period will be in line with substitution timescales.
- 2-year User Commitment period will have less negative impact on volatility of charges.

A number of Workgroup participants questioned the rationale for the reduction.

Julie Cox (JCx) suggested that the slide was confusing stating that allocating baseline does not involve substitution and also suggested that most substitution would occur in year 3

ASt indicated that it could impact substitutable capacity.

JR added that if Users are allowed to reduce their baseline bookings then substitution decisions would become more variable and inefficient.

AP stated that he did not agree with the first bullet saying that as part of National Grid's 1:20 licence obligation they are required to release capacity which it is economic and efficient and that this is not an Ofgem requirement.

Dave Adlam (DA) agreed suggesting that National Grid are attempting to avoid making inefficient decisions without fully understanding the level of occurrence and that this might lead to unintended consequences including industry being forced to make inefficient decisions.

Workgroup suggested that the risks need to be fully understood.

JR acknowledged Workgroup concerns stating that Workgroup asked National Grid to provide a view on what could be supported and sought clarification of what would change. She also accepted that the proposed solution may not meet all of industry's requirements at this stage as it is a 'quick fix'. She suggested that industry feedback on this proposed change could be signalled through the consultation phase. She further stated that the July Application window is critical so National Grid are aiming to issue the consultation as soon as possible. She confirmed that a change to the Exit Capacity Release (ECR) Methodology Statement would be needed as well as the one for Entry Capacity so a consolidated consultation will be considered to make it easier for industry parties.

JR also indicated that a discussion with Ofgem was needed on whether a potential derogation from the independent examination was also needed for Exit.

Max Lambert (ML) confirmed that the decision for the Independent Examiner Statement for ECR Methodology Statement changes was a separate decision and a separate decision is needed for Exit.

New Action 1102: *Exit User Commitment Progress* - National Grid (JR) to provide details of the indicative timeframe for the exit capacity release methodology statement consultation and also to discuss the potential next steps with Ofgem in relation to the need for a derogation from the independent examination for Exit.

Post Meeting Update

Action 1001: Exit User Commitment Progress - National Grid (ASt) to provide feedback from NTSCMF in relation to the final report on the impact of the new charging regime on 2020 Enduring flat applications. Further information to be provided to show how bookings have changed including increases and reductions, customer types and impact on annual bookings. The links to the analysis to be provided when available as a post-meeting update.

Update: In relation to Action 1001, National Grid provided slides published in advance of the meeting and also shared with NTSCMF to show how bookings have changed since the introduction of the new charging regime on the 0705R November meeting page on the JO website. Any queries on these slides please contact Anna Stankiewicz (anna.stankiewicz@nationalgrid.com) or Jennifer Randall (jennifer.randall@nationalgrid.com).

This action has been closed.

5. Substitution Progress

Action 0904: Substitution Progress - National Grid (JR) to provide further information around the disconnection process and how physical and commercial disconnection interact.

Action 1003: Substitution Progress – National Grid (ASt) to investigate basis on which 3:1 exchange rate was established and whether it would pass an economic and efficiency test today.

ASt provided an update on actions 0904 and 1003. She shared a table (slide 13) summarising the 'live' PARCAs since January 2018. She indicated that from the analysis National Grid conclude that the 3:1 cap would pass the economic and efficiency test today.

JCx suggested that consideration should be given to whether 3:1 was the right threshold and whether there is a better threshold and also what the threshold is for inefficient? She also asked if 3:1 cap had been a constraint anywhere and why? It was noted that the distances between the Donor sites and the PARCA were long.

JR suggested that the exchange rate could be expanded but questioned if the rates are consistently below the 3:1 cap or 2:1 then would there be any benefit to changing the rates.

LOS agreed that National Grid should consider if there is any evidence or information available to help understand the distances where the exchange rate is close to 3:1 in either this analysis or prior to January 2018.

AP suggested that it may not be possible to look at the constraints as suggested by JCx because the analysis scope might not have included sites where the exchange rate is greater than 3:1.

Following this lengthy discussion, Workgroup agreed that no further analysis was needed and agreed to close action 1003.

Workgroup agreed to close action 1003 and action 0904 as that has been merged into action 1003.

Disconnected/decommissioned sites

Ast took Workgroup through the analysis in relation to disconnected sites prioritised within zone and with an exchange rate of less than 3:1 (slide 15). She stated that the difference between the actual capacity donated and capacity which would have been donated if disconnected site was prioritised is 2,618,616kWh/day and that 2 out of 3 disconnected sites meet the 3:1 cap criteria.

The following comments were made by Workgroup in relation to the analysis:

Jeff Chandler (JCh) suggested that the definition of 'abandoned point' becomes more critical. ASt asked if the exchange rate for abandoned points should be lifted and also confirmed that the Exit methodology includes the definition of an abandoned site.

Bill Reed (BR) questioned whether the outcome is more efficient if the capacity is not capable of being used at the abandoned exit points.

BR also suggested that a crucial finding is that more capacity is available for other Users.

ASt asked Workgroup a question about the geographical area of the Donor site and asked if industry parties are happy for the analysis to be based on 'analysis zones' as per the current rules.

JCx stated that there was confusion about the zone points and more consideration was needed. ASt confirmed that the 'analysis zones' differ to LDZ zones which are based on demand flows.

Workgroup asked for more clarification of zones.

New Action 1103: Substitution Progress - National Grid to explain the difference between geographical zones, analysis zones and LDZ zones and clarify which definition of zone is used in the exit substitution methodology statement.

6. Capacity Product Development

Daily Exit Capacity Product

Action 1004: Product Development – Workgroup to provide comments to National Grid on requirements for a short-term firm product.

ASt provided an illustration of PRISMA within day firm products highlighting that auctions begin at the full hour every day and finish 3.5 hours before product runtime. She sought Workgroup views on the frequency of auctions and asked whether the frequency of allocations was an issue?

The general view of Workgroup was the need for both more frequent allocations throughout the day and also later in the day to help with balancing and responding to the electricity

market. Workgroup participants questioned why there is a 2 hour Gemini maintenance window which is longer on Sundays.

In response to a question from LOS on when a draft proposal is likely to be available, JR indicated that internal discussions on the implications still need to take place so a proposed Modification is likely to be in the New Year.

JCx suggested that industry would like to see progress on this change and acknowledging that system changes might be needed she encouraged National Grid to provide a pre-modification for discussion at the December meeting.

ASt indicated that there had been some feedback in relation to Entry Bid auctions with the window being shorter for Entry than Exit and asked if there were any reasons why this could not be changed. It was noted that there has been a request for the Exit window to start earlier.

Sinead Obeng (SO) suggested that hourly allocations can lead to losses for some Users. End of day allocations would provide flexibility.

Workgroup suggested that it would be helpful to access daily capacity later in the day i.e between 1:00 -5:00 of the Gas Day and the need for the maintenance window needs to be understood.

New Action 1104: *Capacity Product Development* - National Grid (JR) to provide more information about the maintenance window to explain why 2 hours are needed and to provide a) a view on whether the last allocation could be later in the Gas Day to meet industry requirements and b) to consider what the implications would be of having more frequent allocations throughout the day (including systems).

7. Secondary Capacity Assignments

Dan Hisgett (DH) provided a brief update highlighting that the initial exploratory work had been completed on the following areas:

- Establishing our position on the assignment of existing contracts (with Legal input)
- Understanding the practicalities of introducing assignments of entry capacity
- Defining NG's position on the granularity of entry capacity assignments that could be achieved
- Assessing system impacts and associated timescales for possible implementation
- Understanding credit impacts of entry capacity assignments

National Grid is now developing their final position on the following areas:

- Granularity of volumes of capacity which can be assigned
- Existing Contracts
- Xoserve possible implementation timescales (exploring with Xoserve whether any of the work done for Mod 0276 can be used to expedite the process)

DH concluded his presentation by stating that the intention is to present a draft Modification for pre-modification discussion at the December meeting so that the Modification can be presented to the December Panel meeting.

Richard Fairholme (RF) stated that the position on granularity of volumes of capacity was new and asked how the system would handle breaking down of bids. DH suggested that there would be no restriction on the volume to be transferred.

RF also asked how likely the 2021 implementation timescale was. DH reported that detailed discussions with Xoserve on systems implications had not yet taken place but the ambition is still for October 2021 subject to Xoserve discussions.

RF then asked about the legal position in regard to existing contracts and asked if National Grid could share this before the December meeting to allow industry parties to take a view on whether they need to seek independent views or need to raise alternative Modifications.

New Action 1105: Secondary Capacity Assignments : National Grid (JR) to share their Legal Advice in relation to the treatment of existing contracts before the December meeting.

LOS asked Workgroup if action 1004 can be closed.

Workgroup agreed to close action 1004.

8. Next Steps

LOS confirmed that the next steps are for National Grid to consider the actions from the meeting and host an industry workshop before December to further discuss the principles for the review of the Exit Regime.

9. Any Other Business

9.1. Entry products suitability for LNG

JR reported that an issue has been raised by South Hook Gas in relation to LNG problems with System Entry Capacity Auctions. She briefly described the issue outlined in slide 24 before outlining the options proposed by South Hook Gas which include:

- Daily quantities of capacity across a month
- Weekly auctions
- Rolling auctions (i.e. 7 – 30 days of capacity from D + 1)
 - This could be a month-long period from any point within the month
- Flexible SEC purchases
 - Capacity purchased in MSEC, which can be flexed day ahead / within day
 - Tolerance (+/- x%)
 - Aggregate monthly capacity.

JR indicated that the discussions are at very early stages with South Hook Gas and have also not been discussed internally either. Adam Bates (AB) indicated that the proposals are also not finalised.

Christiane Sykes (CS) asked if there was a competition issue if rolling auctions could be booked in a month. AB noted this stating that legal implications and competition would need to be considered.

Angus Paxton (AP) asked 2 questions. The first was whether DSEC is not reliable due to the maintenance and outage planning on the NTS and the second was whether MSEC sales modify maintenance planning?

In response to the first question AB agreed that it is not reliable because the maintenance and outage planning relies on the DSEC auction and this means the DSEC capacity isn't available for LNG users to book.

JR stated that she needed to find out more information about the maintenance and outage planning in order to respond to both questions and agreed to provide more information at the next meeting.

New Action 1106: *Entry products suitability for LNG* - National Grid (JR) to understand whether maintenance and outage planning means that LNG cannot rely on the DSEC product and whether MSEC sales modify maintenance planning.

10. Diary Planning

LOS asked for Workgroup views on whether it was timely for Workgroup 0705R to be considered as a standalone Workgroup. She reminded Workgroup that this had been previously considered and Workgroup had agreed to review the need on a regular basis. In addition, to 0705R the December agenda would include Workgroups 0738, 0739 and potentially the three pre-Modifications discussed at the meeting today all of which are intended to be submitted to the November Panel meeting.

There was broad agreement within Workgroup to consider holding Workgroup 0705R as a standalone meeting. LOS agreed to discuss options with National Grid.

Post Meeting Update

It has been agreed Workgroup 0705R will be held as a standalone Workgroup on Tuesday 08 December and will not be discussed under the main Transmission Workgroup on Thursday 03 December 2020.

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

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 – 13:00 Thursday 03 December Tuesday 08 December 2020	5pm 27 November 2020	Teleconference	Standard items

Action Table (as at 05 November 2020)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0904	03/09/20	4.0	<i>Substitution Progress</i> - National Grid (JR) to provide further information around the disconnection process and how physical and commercial disconnection interact.	National Grid (JR)	Closed
0908	03/09/20	5.0	<i>Secondary Capacity Assignments</i> – Existing Contracts – National Grid and Ofgem to explore options.	National Grid (JR) and Ofgem (ML)	Carried forward
1001	01/10/20	4.0	<i>Exit User Commitment Progress</i> - National Grid (ASt) to provide feedback from NTSCMF in relation to the final report on the impact of the new charging regime on 2020 Enduring flat applications. Further information to be provided to show how bookings have changed including increases and reductions, customer types and impact	National Grid (ASt)	Closed

			on annual bookings. The links to the analysis to be provided when available as a post-meeting update.		
1002	01/10/20	5.0	National Grid (JR/ASt) to develop a matrix of stakeholders and priorities, to include views on variety of options discussed to date.	National Grid (JR/ASt)	Closed
1003	01/10/20	5.0	<i>Substitution Progress</i> – National Grid (ASt) to investigate basis on which 3:1 exchange rate was established and whether it would pass an economic and efficiency test today.	National Grid (ASt)	Closed
1004	01/10/20	6.0	<i>Product Development</i> – Workgroup to provide comments to National Grid on requirements for a short-term firm product.	Workgroup	Closed
1101	05/11/20	3.0	<i>Review of Exit Regime</i> - National Grid to provide a clear definition of capacity to distinguish between capacity as a product and capacity as a concept.	National Grid (JR)	Pending
1102	05/11/20	4.0	<i>Exit User Commitment Progress</i> - National Grid (JR) to provide details of the indicative timeframe for the exit capacity release methodology statement consultation and also to discuss the potential next steps with Ofgem in relation to the need for a derogation from the independent examination for Exit.	National Grid (JR)	Pending
1103	05/11/20	5.0	<i>Substitution Progress</i> - National Grid to explain the difference between geographical zones, analysis zones and LDZ zones and clarify which definition of zone is used in the exit substitution methodology statement.	National Grid (JR)	Pending
1104	05/11/20	6.0	<i>Capacity Product Development</i> - National Grid (JR) to provide more information about the maintenance window to explain why 2 hours are needed and to provide a) a view on whether the last allocation could be later in the Gas Day to meet industry requirements and b) to consider what the implications would be of having more frequent allocations throughout the day (including systems).	National Grid (JR)	Pending
1105	05/11/20	7.0	<i>Secondary Capacity Assignments</i> : National Grid (JR) to share their Legal Advice in relation to the treatment of existing contracts before the December meeting.	National Grid (JR)	Pending
1106	05/11/20	9.0	<i>Entry products suitability for LNG</i> - National Grid (JR) to understand whether	National Grid	Pending

			<i>maintenance and outage planning means that LNG cannot rely on the DSEC product and whether MSEC sales modify maintenance planning.</i>	(JR)	
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UNC Workgroup 0735 Minutes

UNC Changes as a consequence of the absence of trade agreement/s between the United Kingdom and the European Union ('no deal')

Thursday 05 November 2020

via Microsoft Teams

Attendees

Lorraine O'Shaughnessy (Chair)	(LOS)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Nield	(AN)	Storengy Ltd
Anna Shrigley	(AS)	Eni Trading & Shipping
Anna Stankiewicz	(ASt)	National Grid
Bill Reed	(BR)	RWE
Chris Wright	(CW)	Exxon Mobil
Christiane Sykes	(CS)	Shell Energy
Daniel Hisgett	(DHi)	National Grid
Debra Hawkin	(DH)	TPA Solutions Ltd
Emma Buckton	(EB)	Northern Gas Networks
Jeff Chandler	(JCh)	SSE
John Costa	(JC)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kamila Nugumanova	(KN)	ESB
Malcolm Montgomery	(MM)	National Grid
Max Lambert	(ML)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Pavanjit Dhesi	(PD)	Interconnector UK
Phil Hobbins	(PH)	National Grid
Phil Lucas	(PL)	National Grid
Richard Fairholme	(RF)	Uniper
Shiv Singh	(SS)	Cadent
Steven Britton	(SB)	Cornwall Insight
Terry Burke	(TB)	Equinor

Copies of all papers are available at: www.gasgovernance.co.uk/0735/011020

The Workgroup Report is due to be presented at the UNC Modification Panel by 19 November 2020.

1.0 Introduction and Status Review

Lorraine O'Shaughnessy (LOS) welcomed all industry parties to the meeting and advised that the main focus of the meeting would be to review the amended Modification, consider the impacts and Legal Text to allow completion of the Workgroup Report and presentation to the November Panel meeting.

1.1 Approval of Minutes (01 October 2020)

The minutes of the last meeting were accepted.

1.2 Approval of Late Papers

There were no late papers for approval.

1.3 Review of outstanding actions

There were no outstanding actions to review.

2.0 Amended Modification

Loraine O'Shaughnessy (LOS) stated that the Modification has been amended and published on 22 October 2020 and invited Phil Lucas (PL) to provide an update.

PL provided a brief overview of the amendments confirming that minor amendment has been made as part of the Solution, a table has been added to include the required changes to the Transportation Principal Document (TPD) Section Y – Charging Methodologies. There is also a minor amendment to the Legal Text.

3.0 Consideration of Business Rules

Considered as part of agenda item 8.0.

4.0 Review of Impacts and Costs

Considered as part of agenda item 8.0.

5.0 Review of Relevant Objectives

Considered as part of agenda item 8.0.

6.0 Consideration of Wider Industry Impacts

Considered as part of agenda item 8.0.

7.0 Consideration of Legal Text

Workgroup agreed that the Legal Text provided will deliver the intent of the solution.

8.0 Completion of Workgroup Report

LOS advised that the Distribution Workgroup had discussed the draft Workgroup Report at the 22 October 2020 meeting and a consolidated Workgroup Report would be submitted to the UNC Modification Panel.

PL explained why National Grid has proposed Self-Governance for this Modification and reminded Workgroup that general support was provided at the last meeting and also at the Distribution Workgroup.

LOS confirmed that Ofgem has not raised any concerns in relation to the governance of the Modification.

Workgroup agreed that they Self-Governance should be recommended to the UNC Modification Panel.

LOS then took Workgroup through the Workgroup impact assessment sections in the Report focusing on the following areas:

- Justification for Self-Governance
- Impacts and other considerations
- Workgroup impact assessment
- Review of the Relevant Objectives
- Implementation and Recommendation.

9.0 Next Steps

LOS confirmed that the Workgroup Report would be submitted to the 19 November UNC Modification Panel meeting with a recommendation to re-consider the materiality of the Modification and with a recommendation to issue the Modification to consultation.

10.0 Any Other Business

None.

11.0 Diary Planning

There are no further planned meetings of the Workgroup.

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

Action Table (as at 05 November 2020)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			No outstanding actions		

UNC Workgroup 0738 Minutes Incremental NTS Entry Capacity Surrender

Thursday 05 November 2020

via Microsoft Teams

Attendees

Lorraine O'Shaughnessy (Chair)	(LOS)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Nield	(AN)	Storengy Ltd
Anna Shrigley	(AS)	Eni Trading & Shipping
Anna Stankiewicz	(ASt)	National Grid
Bethan Winter	(BW)	Wales & West Utilities
Bill Reed	(BR)	RWE
Chris Wright	(CW)	Exxon Mobil
Christiane Sykes	(CS)	Shell Energy
Daniel Hisgett	(DHi)	National Grid
David Adlam	(DA)	Cadent
Debra Hawkin	(DH)	TPA Solutions Ltd
Jeff Chandler	(JCh)	SSE
Julie Cox	(JCx)	Energy UK
Kamila Nugumanova	(KN)	ESB
Malcolm Montgomery	(MM)	National Grid
Nick Wye	(NW)	Waters Wye Associates
Pavanjit Dhesi	(PD)	Interconnector UK
Phil Hobbins	(PH)	National Grid
Phil Lucas	(PL)	National Grid
Richard Fairholme	(RF)	Uniper
Shiv Singh	(SS)	Cadent
Steven Britton	(SB)	Cornwall Insight
Terry Burke	(TB)	Equinor
Tim Davis	(TD)	Barrow Shipping

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0738/051120>

The Workgroup Report is due to be presented at the UNC Modification Panel by 17 December 2020.

1.0 Outline of Modification

Lorraine O'Shaughnessy (LOS) welcomed all industry parties to the meeting and advised that the main focus of the meeting would be to consider the Modification and the questions raised at the Panel meeting relating to Governance criteria. She then invited Tim Davis (TD) to introduce the Modification.

TD provided a brief outline of the Modification stating that the proposal is to allow Users who have been allocated incremental NTS entry capacity following quarterly system entry capacity auctions held in the period between 1 April 2017 and 30 September 2020 to make a single application to National Grid NTS for entry capacity to be surrendered within one month of this Modification being implemented.

TD indicated that the grounds for National Grid to accept or reject applications is not specified in the Modification as the intention was to leave it to National Grid's discretion to take into account specific circumstances. However, feedback from National Grid indicates that they would prefer not to have an element of discretion in the process. TD suggested that the Modification is, therefore, likely to be amended to include a rule and to send in an updated Modification.

In relation to the Governance, he added that the Modification Panel had disagreed with the proposed governance of the Modification suggesting that the value of incremental capacity is likely to be material and the Panel has asked Workgroup to consider this further.

In terms of Legal Text, TD suggested that only the Transition document requires amendment not the main UNC document.

The following comments were made during Workgroup discussion:

- a. Nick Wye (NW) asked why the scope of the Modification only treats incremental capacity differently and does not cover broader capacity. TD stated that the Modification is about delivering User commitment.
- b. Malcolm Montgomery (MM) revisited the National Grid element of discretion specified in the solution with regard to accepting/rejecting applications. He suggested that having a discretion element could create the risk of disputes against the National Grid decision. He, therefore, strongly advocated the use of criteria. He pointed out that currently National Grid do not have discretion to accept capacity hand-back. TD challenged this suggesting that National Grid do have the capacity to sell and that a condition could be added to the Modification. He also stated that the amount to be collected from the relevant User would be no less than the anticipated amount.
- c. MM also suggested limiting the scope to QSEC 2017, 2018 and 2019 as there was a methodology change for QSEC 2020 which removed the Net Present Value (NPV) test from QSEC. TD sought clarification of the logic for removing September 2020. MM pointed out that this was because there was no NPV test and that justification and User Commitment is associated with the NPV test. TD disagreed with this suggesting that they are different concepts as the NPV test provides confidence of cases where Ofgem would not veto. LOS suggested capturing this concern in the Workgroup Report and any proposed counter measures.
- d. Alex Nield (AN) suggested that there could be an impact on future prices. TD agreed that the possible new system could have a detrimental effect on investors.
- e. AN stated that Storengy has provided an initial representation which shares some of the concerns raised by Barrow Shipping in relation to the substantial increases in costs for incremental entry capacity booked in the QSEC auctions from April 2017 to September 2020. Capacity prices have increased to hundreds of times the original bid price in the auctions, with the highest more than five hundred times the original bid price. He added that this issue has also been raised on a number of occasions including in Storengy's initial representation to Modification 0678 - *Amendments to Gas Transmission Charging Regime*. In addition, Storengy believe that in order to maintain a fair and competitive environment, affected parties should be allowed an opportunity

to surrender capacity (and its financial obligations) acquired in auctions, where that capacity increases in cost by more than X times the level of inflation.

- f. LOS suggested that the Proposer captures the feedback from the meeting in the amended Modification and includes a condition/criteria for the assessment of the applications.
- g. Workgroup discussed the materiality with MM suggesting that National Grid could share information in relation to the financial value and indicated that the Modification Panel assessment is likely to be correct as the figure could be approximately tens of millions. TD was surprised that this was considered to be material suggesting that at the time of TRANSCO the materiality threshold was approximately £100m.
- h. NW suggested that the relevant Self-Governance criteria is the one relating to competition in, or commercial activities related to, the shipping, transportation or supply of gas and particularly bullet three below:
 - Reduces competition, or choice, in the marketplace.
 - Significantly increases complexity of processes (where this potentially leads to confusion for consumers).
 - Entails parties incurring an additional cost (e.g. significant cost for few or additional costs for many).
 - Introduces different treatment according to class of parties, whether you believe it is justified or not – see also the note below the table).

Anna Stankiewicz (ASt) agreed that changing the way capacity can be treated could be fairly significant and hence a material change.

Phil Hobbins (PH) suggested that it is more than financial materiality but a fundamental change to User Commitment that is being proposed which enables a Shipper to hand back capacity after a decision has been made to buy capacity.

- i. MM reiterated early comments stating that there is a justification for limiting the surrender to incremental capacity based on financial commitment required to release incremental capacity. In relation to QSEC 2020 as there is no NPV test within QSEC there is no clear or obvious justification to include QSEC 2020 in the scope of this Modification.
- j. NW asked if irrespective of the NPV test, in QSEC 2020 auctions is there any kind of substitution available? Where there is any User Commitment required by National Grid to ensure the release of capacity then that should equally qualify for this process. MM agreed with this view as substitution of capacity still required a minimum 4 quarter signal.

New Action 1101: National Grid (MM) to provide analysis of incremental allocations between April 2017 and September 2020 to allow a comparison of the initial commitment compared to on-going commitments post October 2020. This will provide information on the materiality of potential costs.

- k. NW pointed out that projects have to make decisions and in order to proceed they need to acquire capacity. He suggested that it would be unreasonable to expose projects to multiple costs.

- I. AN suggested that this could also be an on-going issue impacting future QSEC auctions because at the time of auctions industry parties do not know the price for future QSEC auctions so making it difficult to assess the final/future cost implications.

2.0 Initial Discussion

2.1. Issues and Questions from Panel

2.1.1. Workgroup to consider if the Modification satisfies the Self-Governance criteria

This was covered under agenda item 1.0.

2.2. Storengy Initial Representations

LOS advised that one initial representation had been received from Storengy which was discussed under agenda item 1.0.

2.3. Terms of Reference

As matters have been referred from Panel a specific Terms of Reference has been published alongside the Modification at <http://www.gasgovernance.co.uk/0738>.

3.0 Next Steps

LOS confirmed that the solution needs to be finalised in order for the Legal Text to be drafted. She asked the Proposer if the timescales for reporting to the December Modification Panel are realistic. It was agreed that it was however this would be discussed further in the December meeting.

The next meeting would focus on discussion of the amended Modification, National Grid analysis and development of the Workgroup Report.

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	Programme
10:00 Thursday 03 December 2020	5pm 24 November 2020	Teleconference	Detail planned agenda items. <ul style="list-style-type: none"> • Amended Modification • Consideration of Business Rules • Review of Impacts and Costs • Review of Relevant Objectives • Consideration of Wider Industry Impacts • Consideration of Legal Text • Development of Workgroup Report.

Action Table (as at 05 November 2020)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1102	05/11/20	1.0	National Grid (MM) to provide analysis of incremental allocations between April 2017 and September 2020 to allow a comparison of the initial commitment compared to on-going commitments post October 2020. This will provide information on the materiality of potential costs.	National Grid (MM)	Pending

UNC Workgroup 0739 Minutes
Aggregate overrun regime for Original Capacity held at the Bacton
ASEPs

Thursday 05 November 2020

via Microsoft Teams

Attendees

Lorraine O'Shaughnessy (Chair)	(LOS)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Alex Nield	(AN)	Storengy Ltd
Anna Shrigley	(AS)	Eni Trading & Shipping
Anna Stankiewicz	(ASt)	National Grid
Bill Reed	(BR)	RWE
Chris Wright	(CW)	Exxon Mobil
Christiane Sykes	(CS)	Shell Energy
Daniel Hisgett	(DH <i>i</i>)	National Grid
Debra Hawkin	(DH)	TPA Solutions Ltd
George Moran	(GM)	British Gas
Jeff Chandler	(JCh)	SSE
John Costa	(JCo)	EDF Energy
Julie Cox	(JC <i>x</i>)	Energy UK
Kamila Nugumanova	(KN)	ESB
Malcolm Montgomery	(MM)	National Grid
Max Lambert	(ML)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Pavanjit Dhesi	(PD)	Interconnector UK
Phil Hobbins	(PH)	National Grid
Phil Lucas	(PL)	National Grid
Shiv Singh	(SS)	Cadent
Steven Britton	(SB)	Cornwall Insight
Terry Burke	(TB)	Equinor

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0739/051120>

The Workgroup Report is due to be presented at the UNC Modification Panel by 21 January 2021.

1.0 Outline of Modification

Lorraine O'Shaughnessy (LOS) welcomed all industry parties to the meeting and advised that the main focus of the meeting would be to consider the Modification and the questions raised at the Panel meeting.

Nick Wye (NW) briefly presented the Modification on behalf of ENI Trading & Shipping. He provided an outline of the Modification, its aims, the reasons for the change and the options that have been considered.

He then reminded Workgroup of the background to this proposal which is set out in the Summary section of the Modification before stating that the solution is straight forward.

LOS advised that the Modification Panel has asked Workgroup to consider the benefits to Consumers and also to quantify the potential Consumer cost impacts.

NW stated that this is addressed in the Modification and that enabling Shippers to use capacity across both Bacton ASEPs at no additional cost will reduce the cost of delivering gas into the NTS via connected UKCS sources and interconnectors. Where either of these sources is the marginal source of gas then the daily gas prices at the NBP should reduce accordingly.

The following comments/observations were by Workgroup during discussion of the Modification.

Anna Stankiewicz (ASt) asked if the Proposer's assessment that there is minimal consumer impact includes the scenario where overruns do not occur. She gave the example of where there is capacity at one ASEP but not the other and the capacity is flowed without incurring an overrun at the other ASEP.

NW stated that the ambition is to limit any unnecessary overruns. NW stated that the NTS Charging Methodology Forum has extensively discussed displacement issues under Modification 0737 - *Transfer of NTS Entry Capacity from a Capacity Abandoned ASEP*.

Bill Reed (BR) asked if the original capacity is fixed and whether it stays with the nominated Entry Point. He suggested that the Modification might need clarification of the original capacity designation such that the status is retained as long as the capacity is retained by the User.

In response to a question from Malcolm Montgomery (MM), NW confirmed that in the situation where the original capacity is traded with another Shipper the new Shipper would still have the benefit of fungibility in terms of costs. NW agreed to consider amending the Modification.

MM suggested that system solution would be impacted by this and it could be made more complicated if the type of capacity being traded needs to be tracked. NW agreed to follow this point up with the Proposer.

LOS sought any further Workgroup views and suggested that three months' Workgroup development time might not be needed as Workgroup had not raised any significant concerns/issues.

NW suggested that it might be possible to start to develop the Workgroup Report at the December meeting and he would therefore start to engage with Xoserve in relation to systems requirements.

New Action 1101: Joint Office to request a Rough Order of Magnitude from Xoserve.
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Workgroup briefly reviewed the Relevant Objectives. NW pointed out that Ofgem undertook an Impact assessment for Modification 0501V

2.0 Initial Discussion

2.1. Issues and Questions from Panel

2.1.1. Workgroup to consider the benefits to Consumers and also quantify the potential Consumer cost impacts

Discussed under agenda item 1.0.

2.2. Initial Representations

None received.

2.3. Terms of Reference

As matters have been referred from Panel a specific Terms of Reference has been published alongside the Modification at <http://www.gasgovernance.co.uk/0739>

3.0 Next Steps

LOS confirmed that the next steps are to review the amended Modification, request a Rough Order of Magnitude and develop the Workgroup Report.

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	Programme
10:30 Friday 03 December 2020	5pm 24 November 2020	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Detail planned agenda items. <ul style="list-style-type: none"> • Amended Modification • Consideration of Business Rules • Review of Impacts and Costs • Review of Relevant Objectives • Consideration of Wider Industry Impacts • Consideration of Legal Text • Development of Workgroup Report

Action Table (as at 05 November 2020)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1101	05/11/20	1.0	Joint Office to request a Rough Order of Magnitude from Xoserve.	Joint Office (LOS)	Pending