

**UNC Workgroup 0407 Minutes**  
**Standardisation of notice periods for offtake rate changes for all**  
**National Grid NTS Exit Users**  
**Wednesday 18 January 2012**  
**at 31 Homer Road, Solihull B91 3LT**

**Attendees**

Bob Fletcher (Chair)	(TD)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
Barry Purl*	(BP)	Scotia Gas Networks
Bethan Winter	(BW)	Wales & West Utilities
Charles Ruffell	(CR)	RWE npower
Dave Adlam	(DA)	National Grid Distribution
Dave Corby	(DC)	National Grid NTS
Dave Mitchel	(DM)	Scotia Gas Networks
Helga Clarke	(HC)	National Grid NTS
James Thomson*	(JT)	Ofgem
Jeanette Gregory	(JG)	National Grid Distribution
Keith Dixon	(KD)	Northern Gas Networks
Mike Wassell	(MW)	National Grid NTS
Phil Hobbins	(PH)	National Grid NTS
Rob Cameron-Higgs	(RCH)	Wales & West Utilities

\* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0407/050112>

**1.0 Introduction and Status Review**

**1.1. Review of minutes**

The minutes of the previous meeting were accepted.

**1.2. Review of actions**

No outstanding actions to review.

**2.0 Discussion**

RCH provided a recap about the intent of the modification. The modification had been raised to standardise the OAD rules for offtake range changes, which are currently restricted to 5% within 2 hours. The current rules may effectively require DNOs to use storage to meet VLDMC requirements and this could result in a requirement for additional storage investment, which is potentially uneconomic if the NTS offtake constraint could be relaxed. The aim was to ensure consistency of treatment between NTS direct consumers and DN connected consumers. RCH confirmed that Section I did not allow for any permanent waiver of any specific clause and the proposal was therefore still required.

JT questioned the origin of the current rule. It was believed that this might be difficult to discover as it had been in existence pre Network sales. It was noted that this had been discussed at the Transmission Workgroup, it was believed it equally important to challenge the validity of keeping the rule compared to why it should change. Tim Davis had also suggested that it could be approached from the alternative standpoint of what would be the downside(s) if this rule were to be removed.

JT asked if the rule is removed would this result in equal treatment and consistency between LDZs.

PH believed that the effects of the modification albeit a simple modification, would be far reaching. He explained that the 5% rule provides protection and is an assumption used for network planning purposes. National Grid NTS would need to analyse the impact of a blanket removal of the rule - the proposed solution transfers flexibility risk and it needs to be established if this is appropriate. PH believed there might be other commercial solutions other than DNO investment in storage. PH confirmed that the NTS is built on the assumption that the 5% 2 hour rule will be adhered to by DNOs. He referred to another ramping up rule for DNOs and Direct Connects - specific offtakes referred to as the 1, 2 and 4 hour rules, limiting the ability to ramp up to 25% capacity rate at no less than 1 hour and upto to 50% at capacity rate at 4 hour notice. It was confirmed that it was incumbent on GDNs to accommodate any demand changes to comply with this rule. BW challenged the consistency of use of this rule. It was noted under UNC Section J 4.5 reference National Grid NTS have the ability to accept notice periods outside the rule as long as it does not have any detrimental impact.

PH explained that if the 5% 2 hour were removed then the NTS would need to be able to provide a faster response to the 1 hour/4 hour rule which could impact line-pack and he was concerned that there may be an impact on flow margins.

PH stated that in order to properly quantify the impact of the modification, it would be necessary to analyse the consequences on the NTS flow margin. PH stated that this would be an extensive piece of work which National Grid NTS was reluctant to commit to because National Grid NTS does not believe that the 'blanket' solution proposed under Modification 0407 is appropriate.

PH recognised there are practical issues at a small number of offtakes and wished to consider adopting a more focussed solution to the areas impacted.

However, DA was concerned about ensuring a level playing field for DNs and how the level of consistency would be managed. He believed that any proposal should be UNC led and not bespoke bilateral discussions. MW explained that a new rule could be entered into the UNC rather than a bi-lateral contract solution.

RCH asked if National Grid NTS would have any historical data on the operation and use of the 5% 2 hour rule over the past 6 years. He questioned if the rule had been breached and the impact to the NTS operation. RCH explained if DNOs were obliged to comply by the retention of this rule, any storage investment would be highly unlikely to satisfy the Ofgem least cost option that was advanced in the RIIO discussions. MW explained that the process for requesting revised OPNs. DA asked for details of the number of times a revised OPN has been accepted and/or rejected. PH if a request comes in to deviate from the 5% rule it will be allowed as long as it doesn't cause any operational issues.

DNs were keen to look back at how the process has worked in the past to understand how big a problem this may be causing for Power Stations being restricted to constraints or NTS.

RCH questioned about the ability to find a solution that is cheaper than the current rule and avoid investment in storage.

JT wanted it to be clear about the investment consequences in retaining rule or removing rule, and managing discrimination not shifting where it is placed. Ofgem would expect to scrutinize any investment costs and would expect a business case to justify why it couldn't be done cheaper. Simply being a contractual clause would not be deemed a good enough reason for investment. He suggested that dealing with LDZs on a case-by-case basis would simply shift the discriminatory approach this proposal sought to remove.

PH challenged that there were different arrangements for direct connects to the NTS compared to the LDZ and their larger connected sites. Discrimination already existed between NExAs to NTS versus OAD clauses. RCH believed that the LDZ rules create the discrimination. DA believed the pass through nature of the 2 hour 5% rule creates a discriminatory position for large sites seeking to connect to GDNs (compared to those connecting to the NTS). PH recognised there is an issue for LDZ connects but wished to look an alternative to look at the connections. DA suggested having a rule with triggers where different rules could apply for example dependent on the size of the Power Station to the size of the DN.

KD challenged that the removal of the rule may not have a significant effect as implied by NTS when the rule is rarely invoked. RCH challenged in the absence of any Transporter making any noise about this since 2005 (he believed in certainty all GDNS have been non compliant at some point) is indicative that this is a non issue and the UKT stance is not commensurate with the true risk and concerns being suggested.

JG asked if NTS could provide details of breaches and the action taken. Ofgem were keen to see NTS analysis of impact of removal and actual impact of any breaches to date. However PH was uncertain if records would be kept on requests for revised OPN.

**Action 0001: National Grid NTS to provide historical data (where available) on the use of the 5% 2 Hour Rule, including breaches and impacts.**

**Action 0002: GDNs to review known breaches the action taken or could have been taken to avoid the breach.**

**Action 0003: Workgroup to ascertain the potential consequence on LDZ connected consumers (including any evidence) in relation to the rule and discrimination.**

**Action 0004: NTS to ascertain any potential impact to the 1,2 and 4 Hour rule.**

**Action 0005: All to consider any potential discreet rules or triggers for LDZs.**

**Action 0006: RCH to provide regular feedback to the Transmission Workgroup.**

### 3.0 Any Other Business

None raised.

### 4.0 Diary Planning for Review Group

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

The next meeting of this Workgroup will take place within the business proceedings of the Offtake Arrangement Workgroup on 21 February 2012, 31 Homer Road, Solihull B91 3LT.

### Workgroup - Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0001	18/01/12	2.0	National Grid NTS to provide historical data (where available) on the use of the 5% 2 Hour Rule, including breaches and impacts.	National Grid NTS (PH)	Pending
0002	18/01/12	2.0	GDNs to review known breaches the action taken or could have been taken to avoid the breach.	All GDNs	Pending
0003	18/01/12	2.0	Workgroup to ascertain the potential consequence on LDZ connected consumers (including any evidence) in relation to the rule and discrimination.	Workgroup	Pending
0004	18/01/12	2.0	NTS to ascertain any potential impact to the 1,2 and 4 Hour rule.	National Grid NTS (PH)	Pending
0005	18/01/12	2.0	All to consider any potential discreet rules or triggers for LDZs .	All	Pending
0006	18/01/12	2.0	RCH to provide regular feedback to the Transmission Workgroup.	Wales & West Utilities (RCH)	Pending