

UNC Workgroup 0461 Minutes Changing the UNC Gas Day to Align with the Gas Day in EU Network Codes

Thursday 01 August 2013

Energy Networks Association, 52 Horseferry Road, London SW1P 2AF

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Alan Raper	(AR)	National Grid Distribution
Amrik Bal	(AB)	Shell
Andrew Pearce	(AP)	BP Gas
Anna Grant*	(AG)	Total E & P
Antony Miller	(AM)	Centrica Storage
Charles Ruffell	(CR)	RWE npower
Chris Hill	(CH)	Cornwall Energy
Chris Shanley	(CS)	National Grid NTS
Chris Wright	(CW)	Centrica
Clare Cattle-Jones	(CCJ)	ENA
David Farrell*	(DF)	Total E & P
Dymph Cooke	(DC)	Shell
Emma Buckton*	(EB)	Northern Gas Networks
Erika Melen	(EM)	Scotia Gas Networks
Gareth Evans	(GE)	Waters Wye
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
Hayley Burden	(HB)	National Grid NTS
Hilary Chapman*	(HC)	Xoserve
James Thomson	(JT)	Ofgem
Jeff Chandler	(JC)	SSE
Mark Dalton*	(MD)	BG Group
Mike Wassell	(MW)	National Grid NTS
Natasha Ranatunga	(NR)	EDF Energy
Paul Whitlock	(PW)	Marathon Oil
Phil Hobbins	(PH)	National Grid NTS
Rhys Ashman	(RA)	National Grid NTS
Richard Fairholme	(RF)	E.ON UK
Richard Lea	(RL)	Gazprom
Sarah Lloyd	(SL)	National Grid NTS
Vanessa Sturman	(VS)	Ofgem

*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0461/010813>

The Workgroup Report is due to the UNC Modification Panel by 19 December 2013.

1.0 Review of Minutes (04 July 2013)

The minutes were accepted.

2.0 Discussion

2.1 Consideration of Initial Representations Received

TD briefly explained the background to the modification. Initial representations had been received from four parties, each in essence questioning the interpretation of the scope and

scale of the EU requirements, recommending maintaining the status quo, and proposing that an alternative approach should be looked for that would enable compliance with the third Energy Market Directive but would not require a change to the Gas Day as far as offshore operations are concerned.

PW said that he had no further concerns to raise at present other than what was detailed in his initial representation, and that he was looking to find a different way of implementing what was proposed. He drew attention to a forthcoming meeting (29 August 2013), involving Oil & Gas UK and other interested parties, to discuss the position and any pertinent outcomes would be aired at the September Ofgem meetings.

TD asked what is meant by a Gas Day? PW explained that it originated from the traditions that evolved in the 19th Century when labourers in the early gas industry had to start loading coke into the gas furnaces – 0600 was the start of their working day. It was an operational constraint of its time, and has since remained the accepted start time to a day around which gas operations have continued to be designed and governed. It was traditional before the Transmission system was built or the Network Code was introduced and was what everyone worked to. The subsequent evolution and expansion of systems and operations that are now centred on this premise mean that the proposed move to 05:00 - 05:00 will not be a trivial or inexpensive change to make, for no obvious benefit.

2.2 Consideration of Alternative Approaches

No alternative approaches had been put forward in advance of the meeting.

TD asked whether it would be feasible to leave all operational processes and UNC requirements alone but simply move to a 05:00 – 05:00 accounting period. All would be reported as now, but applied with effect from 0500 rather than 0600. Would there be any impacts, eg mismatch of flow quantities? The same demand forecast will happen and can be allocated. AR thought this might be rather like having a UK Balancing Day. PW thought that operationally that sounded fine, but would it meet the requirement from a legal perspective?

AG voiced concerns regarding these suggestions and explained that it was inherently risky operating 'two systems 05:00–05:00 and 06:00–06:00', giving examples of what might happen if a field trips and reallocation became necessary. Every single contract referring to the gas Day would have to be reviewed.

PW understood AG's concerns if there were two different operational gas Days, but observed that having an operational system and a different but parallel legal system would give less concerns. TD believed that the UNC and offshore operations are not obliged to match.

The EU requirements were questioned. It was confirmed that GB and Ireland must implement these. PW asked if this requirement was irreversible, and reiterated the major differences between the composition and operation of the GB industry to that of most EU states, pointing out specifically the GB's large upstream sector, and asked if the Regulator should not be going to the EU for further discussions. CS gave some background to the EU discussions in this area and observed that other EU Transporters were also impacted by this particular requirement. PW asked if this could be 'suspended' until the true extent of the issue and its impacts had been more fully explored by Ofgem and DECC. VS noted PW's comments and concerns and would discuss internally with others at Ofgem.

DF pointed out that if the NTS were to be 05:00–05:00 this would be risky for allocation/nomination systems at St Fergus. It would cause real problems if offshore were to be 06:00–06:00 and onshore to be 05:00–05:00. All the offshore meters would have to be matched as well. PW noted that DECC (not Ofgem or ACER) would be the party who must direct offshore parties to make any required changes.

It was thought that after the two September (11th and 18th) Ofgem meetings views might become clearer.

GJ indicated that Centrica was gearing up to look at all the implications for its upstream operations, and pointed out that because of the relative immediacy of the implementation date parties really needed to start addressing this now.

The potential cost for failing to implement the EU requirements was briefly considered; PW suggested that potentially £12m for a 6 month delay may be worth paying when if set against, say, £100m implementation costs in the upstream sector.

GJ believed that, looking at it from a number of perspectives, there was no time to wait for a directive from DECC and getting anything reconsidered and changed in the EU could be a very lengthy process.

TD summarised that the simplest alternative to the NTS approach seems to be measure as now but change the allocation period. PW added there could be a trading issue with this; there should be no gap because traders cannot take that degree of risk. Everything that the UNC governs is where the cost and risk reside.

AB then asked if there was a likelihood of National Grid's approach to the solution being rejected by Ofgem; there seems to be an assumption that it would just be accepted irrespective of whether or not it facilitates the relevant objectives or is good for the community in a wider sense.

PW asked if the Ofgem representative responsible for attending the EU CAM meetings etc could be asked to attend a future meeting to explain to parties how negotiations had culminated in the present position and to clarify interpretation and understanding of the requirements. There was a need to understand what the gas Day in CAM was expected to achieve and if what it actually means is the same as what we perceive it to mean. VS will see if this attendance can be arranged.

TD then drew attention to the presentation provided by National Grid NTS and, again, asked meeting participants to consider if there were any viable alternatives and, if identified, to bring these forward as soon as possible.

2.3 Next Steps

At present the only approach put forward was National Grid NTS' suggestion of complying by moving the gas day for all UNC functions, and going through all existing timed functions to consider whether they should remain as now or be moved by an hour.

The Workgroup will therefore proceed with its assessment of the approach set out by National Grid NTS with any issues regarding its desirability being set to one side.

3.0 Any Other Business

None raised.

4.0 Diary Planning for Workgroup

The next Workgroup meeting will be held at 10:30 on Monday 05 August 2013 at the Energy Networks Association, 6th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF.