

UNC European Workgroup Minutes

Thursday 06 March 2014

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

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Alison Chamberlain	(AC)	National Grid Distribution
Amrik Bal	(AB)	Shell
Anna Shrigley	(AS)	ENI
Bethan Winter	(BW)	Wales & West Utilities
Charles Ruffell	(CR)	RWE npower
Chris Shanley	(CS)	National Grid NTS
Colin Hamilton	(CH)	National Grid NTS
Danielle Stoves	(DS)	Interconnector
Felicity Bush	(FB)	ESB
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
Hayley Burden	(HB)	National Grid NTS
Isabelle-Agnes Magne*	(IAM)	GDF Suez
James Thomson	(JT)	Ofgem
Jeff Chandler	(JC)	SSE
Jessica Housden	(JH)	Ofgem
Joanna Ferguson	(JF)	Northern Gas Networks
John Costa	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Karen Healy	(KH)	National Grid NTS
Kirsten Elliott-Smith	(KES)	Cornwall Energy
Malcolm Montgomery	(MM)	National Grid NTS
Marshall Hall	(MH)	Oil & Gas UK
Nick Wye	(NW)	Waters Wye Associates
Phil Broom	(PB)	GDF Suez
Phil Lucas	(PL)	National Grid NTS
Richard Fairholme*	(RF)	E.ON UK
Richard Lea	(RL)	Gazprom
Ricky Hill	(RH)	British Gas
Roddy Monroe	(RM)	Centrica Storage
Ryan McLaughlin	(RMc)	Ofgem
Sofia Eng	(SF)	EDF Energy

*via teleconference

Copies of all papers are available at: www.gasgovernance.co.uk/european/060314

1. Introduction and Status Review

LJ welcomed all to the meeting.

1.1 Minutes

The minutes of the previous meeting were accepted.

1.2 Actions

None outstanding.

2. General Update

An update was provided on the status and timelines of each of the EU Codes.

There were no major changes to the phases or the approach.

3. EU Code Updates

3.1 Balancing Code – National Grid NTS Impact Assessment Update

National Grid NTS' impact assessments had highlighted a number of areas that required further consideration and the Workgroup's views were sought. Each issue was addressed in turn, with CS presenting the National Grid NTS view and RMc presenting the Ofgem view.

- Is Operating Margins (OM) Gas a Balancing Service?

CS explained why National Grid NTS did not view OM Gas as a balancing service and RMc confirmed that Ofgem would monitor compliance on an ongoing basis.

- Use of Locational trades for national balancing purposes in the GB System Marginal Prices (SMP) and System Average Price (SAP)

CS confirmed that very few locational trades were carried out and RMc confirmed that Ofgem were comfortable with the current position.

- Whether a separate Neutrality Mechanism methodology and further approval would be necessary

Both National Grid NTS and Ofgem are comfortable with the current position, believing that the current requirements are met within the UNC.

- Whether the GB information provision model (base case) and the second Non Daily Metered forecast would require further NRA approval

National Grid NTS had identified a number of minor inconsistencies that will be addressed by a modification and Ofgem was satisfied with this approach.

- The need for approval of the GB value of the small adjustment to exceed 10% of SAP

Both National Grid NTS and Ofgem are comfortable with the current position. No change is proposed to the methodology. It will be reviewed annually to consider if a breach is likely to occur. RMc explained how this would work in the event of any such occurrence (thought to be unlikely).

- Whether National Grid has any Within Day Obligations (WDOs)

CS outlined the background, and whilst recognising that some parties believed that certain provisions within connection contracts could be considered to be WDOs, National Grid NTS was of the view that it did not have any WDOs.

It was recognised that network flexibility was an important issue and National Grid NTS was undertaking a project to review future requirements for a more flexible system; this was currently under evaluation and industry engagement was likely to commence around June.

RM asked if this would be linking into the Tariff Network Code. CS responded that National Grid NTS will try and identify if there are any issues across Codes and will share any findings with the Workgroup. RM also suggested that consideration be given to aligning timewise across all Codes.

MH referred to Network Entry Agreements (NEAs) and other legacy contracts, asking if these would be renegotiated and any issues addressed. CS indicated he was not aware of any renegotiations planned in this area and that these might need to be reviewed to clarify any elements that might be impacted.

Action EU0301: *Balancing Code* - Confirm with National Grid NTS Network Flexibility Project Team how any interface with the EU Tariff Network Code will be addressed.

Action EU0302: *Balancing Code* - Review NEAs and legacy contracts, identify any impacts and consider whether these should be in scope.

Attention was drawn to the Ten Year Statement (TYS), available at:

<http://www2.nationalgrid.com/UK/Industry-information/Future-of-Energy/Gas-Ten-Year-Statement/>

RMc confirmed that Ofgem recognised concerns regarding GB flexibility arrangements and drew attention to the RIIO Talking Networks project - a more appropriate forum for discussion of these concerns.

NW observed that he agreed with the interpretations made so far, but questioned why reference was made to 'final customers'. CS was not sure why it had been drafted in this way; there was no ability to change this as comitology has been completed.

JCo asked how it all related to the Gas Target Model and how much was National Grid NTS engaged. CS advised that Chis Logue was leading in this area on National Grid's behalf and work is ongoing to understand how it all fits together. CS will invite a colleague to give an overview. Asked if Ofgem were also involved, RMc confirmed this and would provide feedback at the next meeting.

Action EU0303: *Balancing Code and Gas Target Model* – National Grid NTS and Ofgem to provide the Workgroup with an overview.

Referring to the Gas Target Model Review and a wider complementary review – Bridge to 2025 – JCo indicated that GB stakeholders would like to be able to contribute to these at an earlier stage. RMc indicated he would be happy to receive industry views and concerns ahead of the next meetings and field as appropriate.

Observing that the Gas Target Model is not yet legally binding AB asked at which point and to what extent will the Network Codes actually reflect this, and where will the line be drawn? The legal status needs to be very clear in respect of what is required in UNC. MH commented that the priority of the EU was to implement the Third Package; the 2020-2030 policy framework was not yet agreed. LJ suggested that National Grid NTS and Ofgem consider liaising and provide an appropriate update in the near future.

Action EU0304: *Balancing Code and Gas Target Model* – National Grid NTS and Ofgem to provide the Workgroup with an update on the legal position.

3.2 Balancing Code – Nominations Process at Interconnector Points (IPs) Update

PL gave a short presentation on the three areas of change to be addressed. The Nominations process cuts across a number of Codes and change will be required to the UNC (currently under review). A comparison was made between requirements at Interconnection and Non – Interconnection Points and examples were provided of how this might work at IPs.

PL explained how single sided and double sided nomination processing would operate.

A brief outline was given of what might be included in a potential UNC modification, together with a proposed timeline.

It was intended to bring a draft modification to the next EU Workgroup meeting, and PL encouraged parties to review this as soon as it is published and to provide any comments to PL prior to the meeting so that these can then be addressed.

PL indicated that the modification may require an extended (4 week) consultation and dates will need to be kept under review to be certain of meeting the aspiration for the proposed implementation date (01 October 2015).

JC asked if systems would be tested and ready for this. CS responded that this may impact Gemini and Edigas, etc and interfaces would have to be reviewed. LJ added that Xoserve had a high confidence level in its ability to deliver all the necessary changes.

Responding to questions about Virtual Reverse Flow at Moffat, PL believed that discussions were at a very early stage; there were some capacity issues to be resolved and a better understanding of how CAM and nominations would work. AB would like to see some views on how this might work in relation to both bundled and unbundled products. CS would provide more detail at the next meeting.

Action EU0305: *Balancing Code – Nominations Process at IPs - Virtual Reverse Flow at Moffat – Provide an indication of how CAM and nominations might work in relation to both bundled and unbundled products.*

3.3 Nomination Matching and Allocations under the EU Interoperability Code

CS gave an update on progress. There were issues as to how the Allocations Agent role might be performed in the future. With the adoption of a minimum impact approach, three options were under consideration with various parties including the TSOs at Moffat, and there was satisfaction with progress made so far. CS indicated that Option 1 is preferred.

3.4 Tariff Code and Incremental Capacity Amendment

CH gave an update on progress, drawing attention to the latter 3 Stakeholder sessions (March – April), which will address the development of the business rules, part of which will be published shortly. Industry feedback would be welcomed at those sessions to enable appropriate refinement before the drafting of the legal text (to be available end of May). CH pointed out that these sessions offered an opportunity for parties to participate and to influence outcomes. CH is part of a EU team instrumental in putting together the business rules, developing comprehension and making sure they are properly drafted.

Attention was drawn to potential changes and issues for GB; the impact of floating price on long-term auctions (including incremental) was of concern. It was noted there was greater flexibility at non IPs; that a TSO will get its revenue through capacity charges; that shorthaul can apply at non IPs – application at IPs is under discussion (is it a dedicated service or is it a local Transmission service); the percentage of flows using shorthaul may be an issue at Bacton.

Harmonising of the Tariff year may cause problems for GB; CH is attempting to cultivate the view that this is not really necessary. CH indicated that he would capture issues and debates as they emerge, and will publish on the website to help GB stakeholders:

<http://www2.nationalgrid.com/UK/Industry-information/Europe/Industry-Material/>

AB questioned was it realistic to use 'Postage Stamp' as the counterfactual for the GB market. CH confirmed this was under discussion and that ACER would like to see this as the counterfactual. AB then asked if the Code will specify this or give other options for models. CH believed other options might be given. JC suggested it would be helpful to have 'Postage Stamp' costs for the UK.

Action EU0306: *Tariff Code and Incremental Capacity Amendment – Provide an indication of 'Postage Stamp' costs for the UK.*

3.5 CAM Update

CAM Bundle: Potential to become unbundled

MM gave a brief presentation on bundling, with examples centred on preparing for an auction and the results of an auction and illustrating how bundled capacity may become unbundled through different mechanisms, and the impact of this on Shippers. It was noted that just because capacity had been submitted as bundled it might not be reallocated as such. DS

reiterated that scenarios may arise where bundled will become 'unbundled', and parties need to be aware of this possibility.

4. UNC Modification Plans

Potential timescales for modifications planned during Phase 2 were summarised by CS. There were no major changes from the version discussed in February.

5. EU Implementation Programme – System Developments Update

5.1 Phase 2 Delivery Plan

KH gave a short presentation on the proposed delivery plan and an overview of key system delivery stages. By July/August it was hoped to have a baseline version of the plan. Progress to date was outlined and key steps noted. The compliance timelines were very tight. Requirements will be based on a number of assumptions and KH will keep the Workgroup updated if any changes to the assumptions are recognised. A number of phases were anticipated for testing (internal and external, performance and interfaces, etc). The requirements phase was in progress now, and by May there should be a better idea of when testing should commence. Currently, balancing and interruptibility requirements were being assessed, together with the impacts of the changes to the gas Day.

KH reiterated that regular updates would be provided to the Workgroup and she would be happy to cover any aspect in more detail if required. KH noted the suggestion that similar updates should also be given to the Ops Forum.

6. Draft EU Modifications

6.1 EU Gas Balancing Code – Imbalance Charge amendments required to align the UNC with the EU Code

HB gave a presentation, advising that National Grid NTS intends to submit a modification to the March UNC Modification Panel. The purpose of the modification was outlined, together with an estimated timeline to achieve compliance.

JCo queried whether in terms of the UNC this might be considered a retrograde step – the UNC is more advanced - and questioned if it had been established that EU requirements were better? RMc observed that the EU Code is fairly prescriptive on this; there may be no flexibility to address any change. CS added that analysis was being done. As a TSO, there may be potential to counteract this change by initiating other higher defaults to retain any incentives. National Grid NTS will bring forward data to help demonstrate/establish if this is a retrograde step or not; analysis should help to inform the debate and the Workgroup can then evaluate what the impacts are and whether anything else is required to be done. CS added that some parallel working has had to be carried forward to enable systems developments to be considered. Compliance with the EU Code is necessary but the TSO may have flexibility to address any shortcomings in a different way. MH commented that GB should be able to go back to the EU and argue its case that it should not have to implement anything that is retrograde, inferior, or disadvantageous. The proposed changes should be objectively assessed and it should be argued strongly that there is no necessity to harmonise 100% if any such change is deleterious to the mature GB market.

CS confirmed that National Grid NTS would raise this modification and use the Workgroup process to develop a position. It was a last minute change introduced by the Commission and it had to be addressed and revisited with a suitable solution that keeps incentives for parties to balance their portfolios.

JCo reiterated that the principle of minimum change needed to be more strongly supported and challenges made to counter any unnecessary disruption to what is already a 'fit for purpose' mature regime.

Any views on this draft modification should be sent to HB as soon as possible.

LJ suggested that the analysis should be brought to the Workgroup prior to any attempt to formalise the modification so that opinions and options can be gauged.

6.2 Workgroups

6.2 0485 – Introduction of Long-term use-it-or-lose-it mechanism to facilitate compliance with EU Congestion Management Procedures

Minutes for this meeting are available at www.gasgovernance.co.uk/0485/060314.

7. Any Other Business

None raised.

8. Diary Planning

UNC European Workgroup meetings scheduled for 2014.

Please note the earlier start time of 10:00 for ALL meetings from 03 April 2014 onwards.

Date	Location
Thursday 03 April 2014	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 01 May 2014	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 05 June 2014	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 03 July 2014	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 07 August 2014	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 04 September 2014	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 02 October 2014	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 06 November 2014	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 04 December 2014	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF

Action Table – UNC European Workgroup: 06 March 2014

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
EU0301	06/03/14	3.1	<i>Balancing Code</i> - Confirm with National Grid NTS Network Flexibility Project Team how any interface with the EU Tariff Network Code will be addressed.	National Grid NTS (CS)	Pending
EU0302	06/03/14	3.1	<i>Balancing Code</i> - Review NEAs and legacy contracts, identify any impacts and consider whether these should be in scope.	National Grid NTS (CS)	Pending
EU0303	06/03/14	3.1	<i>Balancing Code and Gas Target Model</i> – National Grid NTS and Ofgem to provide the Workgroup with an overview.	National Grid NTS (CS) and Ofgem (RMc)	Pending
EU0304	06/03/14	3.1	<i>Balancing Code and Gas Target Model</i> – National Grid NTS and Ofgem to provide the Workgroup with an update on the legal position.	National Grid NTS (CS) and Ofgem (RMc)	Pending
EU0305	06/03/14	3.2	<i>Balancing Code – Nominations Process at IPs</i> - Virtual Reverse Flow at Moffat – Provide an indication of how CAM and nominations might work in relation to both bundled and unbundled products.	National Grid NTS (CS)	Pending
EU0306	06/03/14	3.4	<i>Tariff Code and Incremental Capacity Amendment</i> – Provide an indication of ‘Postage Stamp’ costs for the UK.	National Grid NTS (CH)	Pending