

UNC Workgroup 0485 Minutes
Introduction of Long-term use-it-or-lose-it mechanism to facilitate
compliance with EU Congestion Management

Thursday 03 April 2014

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

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Angus Paxton	(AP)	Poyry
Charles Ruffell	(CR)	RWE npower
Chris Shanley	(CS)	National Grid NTS
Colin Hamilton	(CH)	National Grid NTS
Danielle Stoves	(DS)	Interconnector UK
Erika Melen	(EM)	Scotia Gas Networks
Fergus Healy	(FH)	National Grid NTS
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
Hayley Burden	(HB)	National Grid NTS
Isabelle-Agnes Magne*	(IAM)	GDF Suez
Jeff Chandler	(JC)	SSE
Jessica Housden	(JH)	Ofgem
Julie Cox	(JCx)	Energy UK
Kirsten Elliott-Smith	(KES)	Cornwall Energy
Lucy Manning	(LM)	Interconnector UK
Natasha Ranatunga	(NR)	EDF Energy
Peter Bolitho	(PB)	Waters Wye Associates
Phil Broom	(PBr)	GDF Suez
Ricky Hill	(RHi)	British Gas
Ryan McLaughlin	(RMc)	Ofgem
Sarah Lloyd	(SL)	National Grid NTS
Victoria Volossov	(VV)	Ofgem

**via teleconference*

Copies of all papers are available at: www.gasgovernance.co.uk/0485/030414

The Workgroup Report is due to be presented at the UNC Modification Panel by 19 June 2014.

1.0 Review of Minutes and Actions

1.1 Minutes

DS requested a change to the wording of Action 0302, advising that she would be presenting IUK's view rather than a personal view. The minutes for the meeting (06 March 2014) will be revised and republished to reflect the agreed change.

The minutes of the previous meeting (06 March 2014) were then accepted.

1.2 Actions

0301: Re-examine interpretations and seek a legal view.

Update: CH had had further discussions with lawyers. LTUIOLI is very vague in the CMP and a range of interpretations may be possible. It is agreed that monitoring and withdrawal processes are necessary, but the trigger process is more problematic. The

previous interpretation was valid, but was perhaps not the most pragmatic approach; further details covered in the presentation. **Closed**

0302: DS to provide a presentation on IUK's view of what the process steps should be.

Update: DS gave a presentation addressing the three required elements, and describing how IUK would treat these in a process. It was confirmed it could be offered in the Quarterly, Monthly or daily auctions. There was a year between the annual auctions. CAM sets only the date in March for long-term capacity. AP also described an envisaged process. Further discussion ensued. It was noted that there was no link in CMP between parties wanting it and parties having it taken away, and the capacity stays with the original holder up to the point at which it is reallocated. The auction indicates the congestion point (in the unlikely event of one occurring). It was pointed out that if a party wanted it, it needs the allocation now, rather than rolling over year after year. It was asked who would decide on the validity of the justification. DS indicated that the TSO might make the initial judgement on whether or not the particular instance should be escalated to the Regulator; the TSO has the power not to inform the Regulator unless it deems the situation warrants it. The responsibility is with the Shipper to provide all the information necessary to demonstrate justification.

JCx referred to the last bullet point on Slide 3 (Shipper remaining liable for full tariff) and queried if the interpretation was correct. DS explained the IUK view in more detail. JCx believed this could result in more complex liabilities/credit issues and gave an example.

AP suggested that 'capacity under threat of reallocation' might be considered to be a new product. JCx believed the assessment to be retrospective but the capacity allocation to be in the future. AP suggested there was nothing to prevent a party trading 'capacity under threat of reallocation'.

LM gave an explanation of the tariff that Shippers pay under IUK, which was different to that under National Grid NTS. JCx observed that the Tariff Framework Guideline changes the current arrangements completely. The CMP rules say to carry on paying for it until such time as it is reallocated, not to keep paying forever. LM explained the difference between products now and in the future. GJ commented that a party should not have to continue to provide credit arrangements against something that can no longer be used. JCx questioned if the guidelines would be applying the same model as IUK, and expect the party to carry on paying in perpetuity.

PB observed that IUK being a merchant Interconnector Point did not fit with the EU arrangements. **Closed**

0303: Provide a presentation on the envisaged working of the process.

Update: Presentation provided; see 2.0 below. **Closed**

2.0 Discussion

Observing that the modification was addressing the current position and that it may have to be revisited when the Tariff Code comes in, CH gave a presentation providing a progress update following the discussions and expressions of concern relating to the withdrawal requirements made at the last meeting.

Withdrawal Trigger

Responding to the concerns over the trigger for withdrawal and having reviewed the position, National Grid NTS was now considering the inclusion of an additional trigger,

which CH went on to explain in more detail, together with the tests that might be applied to identify/establish congestion.

Zero Price

National Grid NTS was proposing to align the modification to the existing Surrender process such that Shippers receive weighted average price for reallocated capacity in the withdrawal. The existing process was explained and briefly discussed. Withdrawal was for a period of time – it was entitlement that was being traded on. Entitlement is made available in the annual process; the enduring process was not being touched. It was believed this was the most pragmatic approach for the year, until the enduring process comes in under CAM, but it may need reviewing under CAM.

Monitoring/Justification

Additional information that adds clarity to forming a picture of Shipper utilisation could be provided in the monitoring report. A Shipper could decide what information it would like to submit for inclusion. This would not preclude Shippers from submitting supplementary information, not stipulated under the requirements of this particular modification, direct to the Regulator should they so wish.

CH went on to explain what would be monitored and how an occurrence of 'underutilisation' would be defined/identified. (CH indicated that Slides 8 – 25 were a re-run of the previous meeting's presentation and these were not revisited.)

What had been proposed was considered to be a practical way forward until the enduring processes come in under CAM; compliance must be achieved for October 2014.

Responding to questions CH confirmed that only the annual process could be used; a party would be invoiced for that but also get a rebate. It is time limited and there will be a concept of a time limited period under this modification. CH gave a verbal illustration of a potential process timeline.

A guidelines document will be published to clarify monitoring/outcomes.

Next Steps

CH will review the modification in light of the day's discussions.

LJ summarised that clarity was needed regarding the following aspects:

- Capacity that is re-allocated (primary or secondary)
- The role of the TSO in escalating to the Regulatory Authority
- Sequencing of the process between the withdrawal process and the ability of a third party to pick up the capacity.

A specific meeting will be arranged to take the discussions forward (see 3.0, below, for details).

3.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

The next meeting will take place on Friday 25 April 2014 at 31 Homer Road, Solihull B91 3LT, and will follow the Workgroup 0489 meeting.

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0301	06/03/14	2.0	Re-examine interpretations and seek a legal view.	National Grid NTS (CH)	Closed
0302	06/03/14	2.0	DS to provide a presentation on IUK's view of what the process steps should be.	IUK (DS)	Closed
0303	06/03/14	2.0	Provide a presentation on the envisaged working of the process.	National Grid NTS (CH)	Closed