

**UNC Workgroup 0510 Minutes**  
**Reform of Gas Allocation Regime at GB Interconnection Points**  
**Tuesday 02 December 2014**  
**31 Homer Road, Solihull B91 3LT**

**Attendees**

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
David McCrone*	(DM)	Ofgem
Graham Jack	(GJ)	Centrica
Jeff Chandler*	(JC)	SSE
Lucy Manning*	(LM)	Interconnector UK
Martin Connor	(MC)	National Grid NTS
Nigel Sisman	(NS)	sisman energy consultancy Ltd
Phil Hobbins	(PH)	National Grid NTS

\* via teleconference

Copies of all papers are available at: [www.gasgovernance.co.uk/0510/021214](http://www.gasgovernance.co.uk/0510/021214)

The Workgroup Report is due to be presented at the UNC Modification Panel by 19 March 2015.

**1.0 Introduction and Status Review****1.1 Minutes**

The minutes of the previous meeting were accepted.

**1.2 Action**

The outstanding action was reviewed.

**1004:** Provide examples showing how (had it existed) Steering Tolerances/proportional allocation might have been applied to any relevant circumstances that had occurred over the last few years.

**Update:** MC gave a presentation, recapping on the proposed Solution, indicating the locations where the allocation rules might be detailed, and providing examples of recent daily steering differences at each of the Interconnector Points (IPs).

It was confirmed that all Interconnector operators operate under licences granted by Ofgem and any changes to these licences/agreements would be subject to Ofgem's approval. NS queried the roles of the Adjacent TSOs and the need for the arrangements to be in the Interconnector Agreements (IAs). PH explained the obligations under the EU Interoperability Code requirements, the arrangements between National Grid NTS and Shippers, and through the Operational Balancing Account (OBA). The rules in the UNC needed to change to reflect the new positions. Details of the relevant circumstances/provisions may have to be included in the IAs. The Adjacent TSOs have agreed the approach.

The necessity of raising separate modifications in order to dispense with the NEA and NEXA provisions and CSEP Ancillary Agreements and carry out

consultations outside of the usual processes was discussed. Shippers will still be consulted and Ofgem will make its decisions on the outcomes. Appropriate timescales to accommodate this approach were under consideration. GJ requested that a timetable be provided to clarify expectations. LJ suggested that further clarification might also be required within Modification 0510.

**Action 1201: *Proposed Consultation processes - Provide a timetable clarifying expectations, and consider if details should also be included in Modification 0510.***

Referring to changes to IAs, PH believed that a further modification might be needed, and explained what would be required for an IA enduring governance regime (to be included in EID; UNC TPD I and J would point to this). LJ questioned this approach, and suggested that dispensation could be managed differently. PH indicated there would be new rules for consulting Shippers on an IA change, and explained the current regime; going forward there would be a broader scope.

GJ asked if there would be opportunities for Users to propose/effect changes to aspects of the rules. LJ believed it felt more like a Code related/guidance document. The status of an IA was queried. PH explained that Operators were able to make changes and consult on these, but it was not open to Shippers to do this as they were not party to the agreements, even though they may be affected parties. GJ indicated that he would like to have visibility of the rules and have the ability to request a change if something quite clearly does not work. LJ questioned why it needed to go into UNC - could it not be accomplished within the IA itself (i.e. appropriate consultation with affected parties to be included as a matter of course?) GJ asked if some sort of transparent process for change would be in place. PH referred to an explained the dispute resolution process. JC agreed with GJ that it would be preferable for Shippers to have an opportunity to request a change because of potential commercial and operational impacts on affected parties; some sort of positive interaction/involvement would be welcomed. Conscious that only two Shippers were in attendance at this Workgroup meeting, GJ suggested that views of a wider Shipper audience should be sought.

LJ summarised that the clear and appropriate governance of IAs required more thought, and PH noted this for consideration.

**Action 1202: *Interconnector Agreements - Develop clear and appropriate governance arrangements for consideration.***

PH was conscious of constrained timescales and indicated that a modification relating to short-term governance needed to be raised to the January UNC Modification Panel in order to run the offline consultation. DM explained some of the timescale constraints. PH reiterated that the IAs were required to be compliant by 2016 but in practical terms delivery was necessary earlier because of effects on other areas. GJ agreed that a pragmatic approach was required but the issues still needed to be addressed, i.e. clarity on the IA changes proposed.

LJ suggested that National Grid NTS might first consider extending the scope of the existing modifications, rather than raising additional modifications.

Examples of recent daily steering differences at each of the Interconnector Points (IPs) were then illustrated and discussed.

**BBL**

Noting the July spike, MC advised that BBL had explained this had been an IT problem (meter over steering by a small amount) and was in the process of being corrected. It was queried how this would be accounted for/reconciled, and if there was a systemic bias. PH confirmed that National Grid NTS had discussed the apparent tendency to over steer with BBL; this was being addressed and it was expected to see the more recent performance as indicated towards the right of the graph going forwards. NS observed that a difference of half a million cubic metres seems to be quite significant. PH explained this was a D+1 position and was adjusted as better information became available and before Shippers got their allocation/went to Allocation Agents. GJ questioned if visibility of this pattern would trigger a proportional allocation/require Shippers to renominate. PH reiterated that National Grid NTS had appropriate constraint management tools at its disposal and should never be in a position such that it would have to apply proportional allocation except in the very extreme (end of day) circumstances described before in previous meetings. However, the potential incentive for proportional allocation is ensuring that Shippers retain their role as primary balancers of the system, and Shippers must look to resolve the problem of a 'difficult day' in the first instance. NS observed it was not clear who the beneficiaries of the pro rata rule were, and GJ noted opportunities for gaming. If all else has failed, proportional allocation may be the only recourse left to the TSOs to restore balance.

Referring back to the BBL information, PH observed this was a tendency to over steer, and not necessarily a bias in the meter. LM explained how IUK had to work with the best information throughout the day, and confirmed that a steering difference was not necessarily the same as a metering measurement difference.

It was suggested that performance reporting on instances might help; PH believed this could be done through the Ops Forum or via publication of a report, and noted this for consideration.

NS commented that the allocation process could affect two or three balancing regimes, and PH explained what actions might be taken so that an imbalance would not be carried.

Participants discussed how a cumulative steering difference being forecast to breach the tolerance level would be managed. PH explained that existing market actions would be available for Shippers to address such events and that the TSOs would support them in this. In the event that this was unsuccessful for a given day and proportional allocation was reverted to, this would only have the effect of not adding to the breach that day – i.e. any such allocation would not have the effect of returning the steering level to zero. This was believed to be a very useful clarification and that it went a significant way to alleviating concerns over materiality of operational and/or commercial risk introduced by the proportional allocation rules.

**IUK**

It was noted that this was an example of a very well steered IP. LM explained the process followed and the need to have a fall back measure in place just in case; proportional allocation exists as the fall back remedy here and was also normal practice across Northern Europe. PH pointed out it was new regime for National Grid NTS and that it came down to an assessment/expectation of risk; the likelihood was very rare.

**Closed**

## **2.0 Development of Workgroup Report**

The Workgroup Report is due for submission to the UNC Modification Panel on 19 March 2015.

### **2.1 Draft Workgroup Report**

This was briefly reviewed. It was anticipated this would be completed at the next meeting.

### **2.2 Suggested Text**

It was noted that this had been prepared on the assumption that Modification 0500 will be implemented and that the modification needed to be amended to make this clear.

The Suggested Text was reviewed and comments and suggestions were noted for further consideration.

#### *EID Section A*

1.3.3(f) - Remove duplicated paragraph (following 1.3.3(a)).

1.3.3(e) - GJ observed that under normal conditions Users will not be liable for scheduling charges - should this be explicitly stated in the text? This was briefly discussed and it was believed that further clarity on the treatment of scheduling charges was required. It was suggested that PH and MC consider whether these should specifically be excluded.

2.3.5 - There appeared to be two different concepts of 'forward' (direction, and forward and reverse)- these were discussed. It was suggested that further clarity in the drafting was required.

#### *Transition Document Part VA*

5.1 - Incorrect reference to EID Section C - should be to Section D.

#### *EID Section D*

1.2.3(b) - It was suggested that the definition 'Steering Tolerance' needed further clarity.

2.1.2 - It was suggested that the necessity for including this paragraph be clarified/explained.

3.2.1(c) - This was discussed. It appears to reduce the materiality of the risk that had previously been of concern to the Workgroup. It was suggested that PH review the content of the modification to make sure this is more clearly expressed; this would help to alleviate any potential concerns and avoid any doubt (i.e. neutralises the account for that one day).

3.2.2 - Wording yet to be confirmed. MC indicated this was still under discussion with the legal team.

4.1.1 - Missing information within square brackets; it was suggested this should be '05:00' – the start of the gas day.

4.1.2 - It was questioned if the phrase set within the square brackets should no longer apply, and it was suggested that PH and MC clarify this.

*General Comments*

All information currently presented within square brackets should be confirmed and the square brackets removed.

A commentary on the drafting of the legal text is required.

**3.0 Next Steps**

In line with the discussions and prior to the next meeting, MC and PH will:

- consider what revisions are required to the modification and include some sort of process map/timescales to add clarity; and
- review the Suggested Text and clarify the points raised, and provide a commentary on the legal text to clarify what has been drafted.

It was planned to ask the January UNC Modification Panel to formally request the provision of legal text.

**4.0 Diary Planning**

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

Workgroup meetings will take place as follows:

Time/Date	Venue	Workgroup Programme
10:00 Monday 26 January 2015	31 Homer Road, Solihull B91 3LT	<ul style="list-style-type: none"> <li>• Review revised modification</li> <li>• Review revised Legal Text</li> <li>• Development/completion of Workgroup Report</li> </ul>

**Action Table**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1004	01/10/14	2.3	Provide examples showing how (had it existed) Steering Tolerances/proportional allocation might have been applied to any relevant circumstances that had occurred over the last few years.	National Grid NTS (MC/PH)	<b>Closed</b>
1201	02/12/14	1.2	<i>Proposed Consultation processes</i> - Provide a timetable clarifying expectations, and consider if details should also be included in Modification 0510.	National Grid NTS (MC/PH)	<b>Pending</b>

---

<b>1202</b>	02/12/14	1.2	<i>Interconnector Agreements</i> - Develop clear and appropriate governance arrangements for consideration.	National Grid NTS (MC/PH)	<b>Pending</b>
-------------	----------	-----	---	---------------------------------	----------------