
UNC Workgroup 0597 Minutes
Rules for the release of incremental capacity at Interconnection
Points
Tuesday 13 December 2016
at Energy UK, Charles House, 5-11 Regent Street, London SW1Y 4LR

Attendees

Chris Shanley (Chair)	(CS)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Anna Shrigley	(AS)	Eni Trading & Shipping
Graham Jack	(GJ)	Centrica
James Thomson*	(JT)	Ofgem
Lesley Ramsey	(LR)	National Grid NTS
Malcolm Montgomery	(MM)	National Grid NTS
Matthew Hatch	(MH)	National Grid NTS
Sarah Cooper	(SC)	Interconnector

* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0597/131216>

The Workgroup Report is due to be presented at the UNC Modification Panel by 19 January 2017.

1.0 Introduction and Status Review**1.1. Approval of Minutes (02 December 2016)**

The minutes of the previous meeting were approved.

2.0 Consideration of Amended Modification**2.1 Supporting Slides for UNC modification 597**

MM provided an overview of the presentation during which it was noted that NTS entry/exit prices are updated in January (QSEC) and May (Exit Capacity) and the Economic Test will utilise the latest available published prices. It was also noted that the final Economic test commences just before the end of phase 2 work and that the period for non IPs is currently 16 quarters within a 32 quarter period, which is a relatively low level threshold that users need to overcome.

In focusing on the 'IP PARCA – entry and exit' slide, MM highlighted that there was no minimum number of years proposed but a mandatory minimum premium could be set to generate enough revenue to pass the test where only 1 or 2 years was used. Concerns were voiced around the lack of an explicit rule in the CAM code on the minimum number of years that would need to be entered for the period, with some parties believing that provision of additional clarification (possibly in the form of a 'For Information Only' supporting statement(s)) on how this would work would be beneficial. However, MH felt that this would be better served via a Capacity Release Methodology based solution (i.e. post approval of the modification(s)).

It was also noted that the exact rules relating to how the premium could/would be set would be developed outside the scope of the modification.

When asked, MH confirmed that in essence 'fixed price' only applies to incremental capacity and CS pointed out that discussions on Tariff Code related matters was currently taking place within the NTS Charging Methodology Forum (NTSCMF).

New Action 1204: Reference IP PARCA – Entry and Exit - National Grid NTS (MM) to consider amending the modification to include a ‘For Information Only’ provision around the economic test provisions, etc.

Discussions then moved on to considering whether or not extended project planning phases, have the potential to undermine prices (i.e. weighted average price reservation fees under PARCA etc.). It was suggested that there is possibly a small potential (security fee) risk around when phase 2 work is triggered.

When asked whether or not these concerns are currently ‘covered off’ within the modification as drafted, MM responded by advising that currently the modification simply states that work is undertaken subject to the (existing) PARCA processes, as NTS are certainly NOT advocating development of a new process. MM went on to clarify that NTS are not looking to add that level of detail within the modification, or the UNC for that matter, as it is expected that any security requirements would continue to apply ‘as-is’ unless a proposal to vary them was made via the incremental project proposal (i.e. current PARCA rules will be switched on, unless NTS decides to switch them off).

When concerns were then voiced around the potential for (IP) users to be able to acquire low credit level requirements under certain circumstances (i.e. resulting in a potential smearing of costs across other industry participants), both MH and MM acknowledged the point and agreed to undertake an action to investigate the concern further. Whilst it was suggested that perhaps this only becomes an issue when a project is terminated ahead of completion, it was also noted that the reservation (security) fee is defined within the licence anyway – in short, this matter relates to a recognised historical concern and the current process was previously deemed as the best solution.

MM reminded those present that there are two distinct divisions relating to the security amount issue, namely licence and UNC aspects.

New Action 1205: Reference IP PARCA – Entry and Exit - National Grid NTS (MH/MM) to consider potential (credit related) security requirements in order to ensure that a meaningful reservation fee is adopted and also any potential licence related impacts.

When MM observed that there are no provisions for the ‘applicable payable price’ (i.e. tariff and charging arena items) included within the modification at present, it was noted that this matter is currently being considered and developed within the NTSCMF arena. It was suggested that perhaps a separate charging related modification (Tariffs) could be raised at some point in the future and that it might be beneficial for the (amended) modification to make reference to this fact.

It was also suggested that for wider transparency reasons it might be prudent to highlight the timeframe that the applicable payable price would apply from and the applicable IP auctions, within an amended modification.

Some parties also felt that an interim charging solution might be beneficial.

2.2 Amended Modification

A draft, revised modification was displayed onscreen during which MM focused attention on the latest round of amendments (*as based on previous Workgroup discussions and feedback*) and undertaken by exception, as follows:

Section 5 - Solution

- paragraph 2.4 – applies to even number years and may or may not, be triggered;
- paragraph 6 – includes an extended reservation window definition which will

also be present within CAM in due course.

When asked, MM confirmed that the 'reservation window' relates to the period of time allowed in order to submit a binding contract (as discussed previously at the last Workgroup meeting).

MM pointed out that where capacity is allocated on both sides of an IP through the CAM Incremental process, it is not necessarily a 'matched' quantity – it was agreed that further clarity around this in an amended modification would prove helpful;

- paragraph 8 – expanded to include annual yearly auction aspects.
A brief discussion around possible subtle amendments to the wording was undertaken;
- paragraph 8.2.1 – it was suggested that the wording should be amended to read as 'unsold' and / or 'substitutable' capacity as it would help to clearly distinguish between the two, and
- paragraph 8.2.2 – it was suggested that this should be expanded to include priority reservation of unsold capacity for IP applications (i.e. the reverse of paragraph 8.2.1). It was also suggested that the use of the word 'priority' should also be considered.

Section 7 – Relevant Objectives

When it was suggested that it might be beneficial to also add the equivalent charging methodology table, the consensus was that it was not really needed in this instance.

3.0 Development of Workgroup Report

During a brief onscreen review of the draft Workgroup Report (v0.1, dated 09 December 2016), CS advised that due to the impending amendment to the modification, this would simply be a cursory review with the following key points being highlighted:

Section 6 – Impacts & Other Considerations

The main focus of discussions centred on the **RED** text with CS noting that the three 'Interaction Rules' items had been captured within the current version of the modification as reviewed under item 2.2 above.

As far as 'Other Non-UNC issues' are concerned, views before the next Workgroup meeting would be welcomed.

Section 9 – Legal Text

MM and MH advised that they hoped that final legal text would be available for consideration at the 20 December 2016 Workgroup meeting.

Concluding discussions, CS advised that subject to the timely provision of an amended modification he would look to update the Workgroup Report further with a view to hopefully completing the report at the next meeting.

4.0 Review of Actions Outstanding

1201: *PARCA Rules/NPV over a number of years* - MM to clarify this.

Update: Please refer to the presentation provided under item 2.1 above. **Closed**

1202: *PARCA Rules/Reference Prices* - MM to clarify when and how reference prices will be set for each year.

Update: Please refer to the presentation provided under item 2.1 above. **Closed**

1203: To clarify what is the initial price to get over the NPV test (to trigger the investment).

Update: Please refer to the presentation provided under item 2.1 above. **Closed**

5.0 Next Steps

MM to consider the suggestions made in discussions under item 2.0 above, and provide a formally amended modification for publication (as version 3.0), alongside provision of legal text and associated written commentary (if possible) for review at next Workgroup meeting (20 December 2016), to enable the development/completion of the Workgroup Report.

Workgroup to review the legal text (if available), and thereafter look to complete the Workgroup Report.

6.0 Any Other Business

6.1. ENTSOG's Template for Non-Binding Demand Indications by Network Users

By means of an early 'heads up' exercise, MM provided a brief overview of the document explaining the background to some of the more recent amendments.

6.2. ENTSOG Template for the Demand Assessment Report on Incremental Capacity by Transmission System Operators

MM provided an overview of the draft ENTSOG template and confirmed that the final versions of both templates would be made available before the 1st April 2017.

6.3. Tariff Implementation Workshop

MH explained that the workshop is scheduled for the end of March, ENTSOGs intention is now to expand this to 2 days, with day 1 dedicated to TAR, and day 2 to CAM amendments and capacity conversion aspects. ENTSOG, Commission and ACER representatives would be present.

6.4. Capacity Conversion

MH updated that ENTSOG had started to discuss options for capacity conversion; National Grid is pushing for a simple solution (e.g. post auction amendment) as timescales are short and to also minimise costs.

7.0 Diary Planning

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

Time/Date	Venue	Workgroup Programme
10:30, Tuesday 20 December 2016	Consort House 2-6 Homer Road, Solihull B91 3QQ	Standard agenda plus <ul style="list-style-type: none"> • <i>Consideration of amended modification (if applicable)</i> • <i>Review of draft Legal Text and commentary</i> • <i>Development/completion of Workgroup Report</i>
10:30, Tuesday 03 January	Consort House 2-6 Homer Road, Solihull B91 3QQ	Standard agenda plus <ul style="list-style-type: none"> • <i>Consideration of amended</i>

2017		<p><i>modification (if applicable)</i></p> <ul style="list-style-type: none"> • <i>Review of draft Legal Text and commentary</i> • <i>Development/completion of Workgroup Report</i>
10:30, Tuesday 13 January 2017	Consort House 2-6 Homer Road, Solihull B91 3QQ	<p>Standard agenda plus</p> <ul style="list-style-type: none"> • <i>Consideration of amended modification (if applicable)</i> • <i>Review of draft Legal Text and commentary</i> • <i>Completion of Workgroup Report</i>

Action Table (as at 13 December 2016)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1204	13/12/16	2.1	<i>Reference IP PARCA – Entry and Exit - National Grid NTS (MM) to consider amending the modification to include a ‘For Information Only’ provision around the economic test provisions etc.</i>	National Grid NTS (MM)	Pending
1205	13/12/16	2.1	<i>Reference IP PARCA – Entry and Exit - National Grid NTS (MH/MM) to consider potential (credit related) security requirements in order to ensure that a meaningful reservation fee is adopted and also any potential licence related impacts.</i>	National Grid NTS (MM)	Pending