

UNC Workgroup 0636 A/B/C/D Minutes
Updating the parameters for the NTS Optional Commodity Charge
Wednesday 09 May 2018
at St Johns Hotel, 651 Warwick Road, Solihull B91 1AT

Attendees

Chris Shanley (Chair)	(CS)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Andrew Pearce	(AP)	BP UK
Carlo Rossini	(CRo)	Energy Link
Charles Ruffell	(CRu)	RWE Supply & Trading GmbH
Colin Williams*	(CW)	National Grid
Debra Hawkin	(DH)	TPA Solutions
Jeff Chandler*	(JCh)	SSE
John Costa	(JCo)	EDF Energy
Julie Cox*	(JCx)	Energy UK
Kirsty Ingham	(KI)	ESB
Matthew Hatch	(MH)	National Grid
Nick Wye	(NW)	Waters Wye Associates
Nigel Sisman	(NS)	Sisman Energy Consultancy Ltd
Richard Fairholme*	(RF)	Uniper
Sean Hayward	(SH)	Ofgem
Shiv Singh*	(SS)	Cadent
Steve Pownall	(SP)	Xoserve

**via teleconference*

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0636/090518>

1. Introduction and Status Review

1.1. Approval of Minutes (05 April 2018)

The minutes of the previous meeting were approved.

1.2. Pre-Modification Discussion

None to consider.

2. Consideration of Modification 0636D

During an onscreen review of the change marked version (v2.0, dated 25 April 2018) of the modification, NW provided an explanation behind the rationale for raising this alternate to 0636, that is in effect an amalgamation of alternates 0636B and C, with some important differences.

In terms of a high level comparison with 0636C, NW explained that 0636D has a separate Interconnection Points formula broadly based around the latest UNC Modification 0621 formula (including RPI numbers).

NW confirmed that 0636D proposes a separate formula for an IP 'Exit Point' (whilst 0636C included both an IP Entry and Exit point).

Workgroup discussions then moved on to consideration of the '*Summary Analysis*' spreadsheet provided by National Grid ahead of the meeting with 0636D now included, CS advised that this had already been incorporated within the draft Workgroup Report due to be considered later in the meeting under item 6.0 below.

In enquiring whether the data had already been updated to include 'M' values (i.e. derivation of M), JCx voiced her concern that the information within the spreadsheet could potentially already be out of date (and lacking in real value) as the 'M' values provided by National Grid all relate to the gas year 2015/16. However, some parties suggested that this matter is dependant upon whether or not the NExAs are up to date. DH confirmed that National Grid has previously stated that they cannot provide more up to date information.

When asked whether National Grid has a view on the concerns being voiced, MH indicated that he would not expect a significant difference between the M value from gas years 2015/16 to gas year 2016/17. However, he agreed to contact his colleague Colin Williams to seek an informed view.¹

NW suggested that perhaps all that is needed is a 'covering statement' (for 0636 and 0636C) adding to both the spreadsheet and the Workgroup Report.

Both JCx and JCh remained convinced that enhanced clarification around this matter would be useful to aid the Workgroup Report content.

3. Consideration of Amended Modification(s)

Other than the discussions under item 2 above, there were no additional amended modifications to consider at the meeting.

4. Consideration of Rough Order of Magnitude(s)

SP provided background information relating to the '*XRN4657 Change Proposal*' published prior to the meeting and focused attention on the '*Change Costs (implementation)*' information provided on page 10.

When concerns were voiced around the inability to provide a manual workaround based solution option, SP explained that the reason that the manual workaround solution costs would be expected to exceed the online system solution is mainly down to the fact that the UK Link system is based on SAP. This would have a significant impact on any work around requirements, as SAP constrains what manual workarounds can be undertaken and how these would operate in reality. SP also pointed out that how we manage 'adjustments' also increases the levels of complexity involved.

When asked when any potential system changes could be undertaken, SP advised that as far as 0636C and D are concerned, the system changes would need to be considered as part of a formal Release mechanism that comes under DSC Change Management Committee governance, especially any change prioritisation related considerations. In noting that this could potentially impact on the proposed implementation timelines, NW enquired whether or not this would also impact on Ofgem's ability to make an informed decision. Responding, SH indicated that he does not have a clear view on any potential impacts on Ofgem decision making at this time. Other parties were also concerned that this could potentially result in 0636C and D being essentially timed out of the decision process, as all proposals are aiming for a 1st October 2018 date (i.e. basically 'off the table' to all intent and purpose) – it was noted that the matter would be captured during completion of the Workgroup Report later in the meeting.

5. Consideration of Legal Text

Opening discussions, MH provided a brief explanation behind the proposed 0636D legal text drafting as provided a day earlier (08 May 2018) and published on the Joint Office web site meeting page. NW pointed out that the 'Value for Gas Year 2018/19' figure for 'w' of 2077.00,

¹ Please note: Colin Williams, National Grid briefly dialed into the meeting during discussions on item 6.0 'Completion of Workgroup Report' to provide a view on the 'M' values.

within the proposed TPD Section Y, paragraph 3.5 changes, is different to the value (2082) provided within the equivalent UNC Modification 0621 legal text. MH clarified that the revised (updated latest available) figure was included in the final 0621 Modification proposal. MH then drew attention to the double formula based solution for 0636D for IP Exit points and all other non IP Exit points.

Moving on, MH then provided a brief overview of the 0636A legal text drafting whilst also explaining that the proposed Transition Document IIC, paragraph 24 changes apply across all 0636 Modifications in relation to the effective date etc. It was noted that National Grid has already issued its 150 day (indicative) Charges Change notice. When JCx enquired as to where she can find the October Charging Statement information (which had a reference to the suite of 0636 modifications currently being developed), AP advised that this is available at the bottom of page two of the *'Indicative NTS Charges to apply from 01 October 2018'* supporting letter.²

In briefly considering the proposed 0636B legal text drafting, JCh once again questioned the values contained within the TPD Section Y table, as these do not match the figures originally provided within the modification – in noting the comments being made, MH indicated that he would double check that the values align correctly with the proposers text. CS also requested that Proposers also double-check their respective modifications content.

Concluding discussions, MH made brief references to the remaining modifications legal text drafting.

6. Completion of Workgroup Report

During an onscreen review of the draft Workgroup Report (v3.3, dated 08 May 2018), CS undertook changes to the document in accordance with Workgroup discussions.

A brief summary of the main points of discussion is highlighted (by exception), as follows:

- this version of the draft Workgroup Report now also includes 0636D elements;
- new appendix 5 added for the additional analysis as provided by the proposer of 0636;
- new statement added at the start of Section 1 to identify where time elapsed data potentially exists;
- change made to the reference to the October date in the *'Justification for Authority Direction'* statement, to now read as 01 April 2018 but it was acknowledged this date had now been superseded;
- *'Requested Next Steps'* statements updated;
- Colin Williams, National Grid provided the background rationale behind the (current) 'M' analysis figures, explaining that the approach was based on trying to align the same baseline analysis provided across the suite of 0636 modifications.

However, CW asked parties to note that the timing of the modifications (i.e. the date they were raised) might have impacted on what date any analysis has been based on, so to avoid this potential issue, National Grid has utilised the same 'baseline' information across all the modifications for gas year 2015/16.

Some parties remained concerned that the utilisation of 2015/16 'M' value information could be potentially misleading, especially when UNC Modification 0621 data seems to be different.

Further concerns relating to potential load factor differences being difficult to fully appreciate were voiced, on the grounds that the information is potentially out of date.

NW reminded everyone that 0636 is in essence a single (1) year change until 0621 provisions come into effect.

It was then agreed that National Grid NTS would provide a revised version of the Summary Analysis spreadsheet with updated 'M' values (2016/17 gas year) for 0636 and 0636C, prior to the start of the consultation phase.

² Copies of the 2018 Notice of Charges documentation can be found on the Joint Office web site at: <https://www.gasgovernance.co.uk/ntscharges/2018>

- in reviewing the '*Consumer Impact Assessment*' table, it was recognised that the Workgroup has been unable to complete load factor assessments for all the 0636 modifications and that using the 0636 analysis to estimate the savings for the Alternatives was appropriate;
- the '*What costs or benefits will pass through to them*' statements updated in accordance with Workgroup discussions;
- with regards to the '*EU Code Impacts*' statements, it was suggested that a balance between 'current' and 'future' views might be beneficial – a view not supported by all parties in attendance;
- it was felt that the incorporation of the 0636B methodology (that supports the OCC formula and parameters) should be incorporated within the Methodology Statement;
- '*Consider the links, relationship and impacts with the relevant elements of modification 0621 – Amendments to Gas Transmission Charging Regime*' updated inline with the 0621 Workgroup Report;
- '*Assessment of alternative means to achieve objective*' was noted as being a request included within the 0636 Individual Terms of Reference, in response to Panel discussions;
- the '*Analysis of OCC utilisation and OCC rates*' statement updated to include some parties concerns relating to 'M' values;
- additional information provided on pages 30 through to, and including 34 noted and discussed in brief;
- when some parties questioned whether or not the '*Attracting gas to GB*' statement was factually accurate, CS responded by explaining that the wording tries to establish a 'balanced' view for the whole market;
- the '*Rough Order of Magnitude (ROM) Assessment*' statement was expanded to include a reference to the implementation timescale challenges for 0636C and D;
- detailed Workgroup discussions undertaken around the various '*Relevant Objectives*' statements (which follow a similar style to UNC 0621), with concerns relating to cost reflectivity and potential cross border related issues being voiced, and culminating in CS undertaking several amendments to the statements in the form of amendments of, additions to and deletions of, the associated text;
- in reviewing *Section 8 'Implementation'*, MH advised that the legal text allows for implementation on the first of any month for all proposals;
- the *Section 10 'Recommendations'*, statement was updated to reflect the Workgroup consensus that the Report is sufficiently developed for the modification to proceed to the consultation phase, and finally
- it was noted that the new 'Appendix 5' covers off outstanding action 0402.

Concluding the review, CS explained that he would now tidy up the Workgroup Report prior to formal submission to the 23 May 2018 Panel.³

7. Review of Outstanding Actions

0401: National Grid (AB) to clarify the commodity charge assumptions used in the analysis spreadsheet and to add a footnote to reference the assumptions used.

Update: In conjunction with discussions undertaken in items 2.0 and 6.0 above, it was agreed that the action could now be closed. **Closed**

0402: National Grid (AB) & TPA Solutions (DH) to check and confirm the £82m figure describing the overall reduction in the amount re-distributed for UNC 0636 and to provide an explanation of how the £82m figure was derived. In addition, to understand the differences in the data and provide an explanation of the differences.

³ Post meeting note: the (final) Workgroup Report (v4.0, dated 10 May 2018) and supporting Summary Analysis spreadsheet (provided by National Grid) were published on the Joint Office web site following completion of the Workgroup meeting, at: <https://www.gasgovernance.co.uk/0636>

Update: When CS confirmed that a statement relating to this matter had now been added to the (draft) Workgroup Report, it was agreed that the action could now be closed. **Closed**

0403: National Grid (AB) to check and confirm the data showing savings per customer.

Update: When CS confirmed that the financial impact information in the report had been updated to be based purely on that provided by National Grid NTS (with no interpretation), it was agreed that the action could now be closed. **Closed**

8. Next Steps

In summarising discussions, CS noted that the next steps would be to:

- An updated version of the Summary Analysis for Modifications 0636 and 0636C, to reflect the updated M value (using gas year 2016/17 information) would be published prior to the consultation phase, and
- The Workgroup Report will now be presented to the extraordinary Panel meeting scheduled for Wednesday 23 May 2018.

9. Any Other Business

9.1. Ofgem Decision Letter on Urgency for 0636

SH advised that Ofgem had today provided/published their decision letter rejecting urgent status for UNC Modification 0636.

10. Diary Planning

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

There are no further Workgroup meetings planned at this time.

Action table as at 09 May 2018

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0401	05/04/18	6.0	To clarify the commodity charge assumptions used in the analysis spreadsheet and to add a footnote to reference the assumptions used.	National Grid (AB)	Update provided. Closed
0402	05/04/18	6.0	To check and confirm the £82m figure describing the overall reduction in the amount re-distributed for UNC 0636 and to provide an explanation of how the £82m figure was derived. In addition, to understand the differences in the data and provide an explanation of the differences.	National Grid (AB) & TPA Solutions (DH)	Update provided. Closed
0403	05/04/18	6.0	To check and confirm the data showing savings per customer.	National Grid (AB)	Update provided. Closed