

UNC Transmission Workgroup Minutes

Thursday 02 April 2020

Via Teleconference

Attendees

Lorraine O'Shaughnessy Chair)	(LOS)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Alan Raper	(AR)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Neild	(AN)	Storengy
Andrew Pearce	(AP)	BP
Anna Shrigley	(AS)	Eni Trading & Shipping
Anna Stankiewicz	(ASt)	National Grid
Bethan Winter	(BW)	Wales & West Utilities
Bill Reed	(BR)	RWE
David Adlam	(DA)	Cadent
Debra Hawkin	(DH)	TPA Solutions
Emma Buckton	(EB)	Northern Gas Networks
Hilary Chapman	(HC)	SGN
Jeff Chandler	(JCh)	SSE
Jennifer Randall	(JR)	National Grid
Julie Cox	(JCx)	Energy UK
Kamila Nugumanova	(KN)	ESB
Kamla Rhodes	(KR)	Conoco Phillips
Lea Slokar	(LS)	Ofgem
Leyon Joseph	(LJ)	SGN
Malcolm Montgomery	(MM)	National Grid
Nick Wye	(NW)	Waters Wye Associates
Phil Hobbins	(PH)	National Grid
Ritchard Hewitt	(RH)	BBLC
Steven Britton	(SB)	Cornwall Energy
Terry Burke	(TB)	Equinor
Tracy Brogan	(TB)	Neptune Energy
Will Webster	(WW)	Oil & Gas UK

Copies of all papers are available at: www.gasgovernance.co.uk/tx/020420

1. Introduction and Status Review

1.1. Approval of minutes (05 March 2020)

The minutes from the previous meeting were approved.

1.2. Ofgem update

An overview was provided by Lea Slokar (LS) of the Industry Updates document which covered the following topics:

Statutory consultation on a proposal to approve Rebased Network Replacement Outputs and modify Special Condition 7E of the gas transporter licence held by National Grid Gas plc.

On 6 March 2020 Ofgem published a statutory consultation on our intention to approve the Rebased Network Replacement Outputs and modify the contents of 'Table 1: Network

Replacement Outputs' in Special Condition 7E (Specification of Networks Replacement), of the gas transporter licence held by National Grid Gas plc, with the Rebased Network Replacement Outputs. Ofgem would like views from people with an interest in Gas Transmission Network Output Measures, in particular from licensees and gas network customers. Ofgem also welcome responses from other stakeholders and the public.

<https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-proposal-approve-rebased-network-replacement-outputs-and-modify-special-condition-7e-gas-transporter-licence-held-national-grid-gas-plc>

System Management Principles Statement consent notice 2020

The Special Condition 8A.9 of the Gas Transporter Licence requires National Grid Gas plc (NGG) to have in place at all times a System Management Principles Statement (SMPS). The purpose of the SMPS is to set out the principles and criteria by which NGG will determine the use of System Management Services. On 9 March 2020 Ofgem published our consent for NGG to revise its SMPS following an annual review of the statement.

https://www.ofgem.gov.uk/system/files/docs/2020/03/smps_decision_letter_march_2020.pdf

UNC717 Increasing the Storage Transmission Capacity Charge Discount to 80%: Urgency Application

On 5 March 2020, the Joint Office of Gas Transporters received a request from Storengy UK Ltd that Uniform Network Code modification UNC717 'Increasing the Storage Transmission Capacity Charge Discount to 80%' should be treated as 'urgent' and proceed under a timetable approved by Ofgem. On 19 March 2020 Ofgem have decided they cannot consider the application for urgent status for UNC717. Ofgem were asked to assess this modification proposal on a 'conditional basis' (i.e. this modification proposal was dependent on Ofgem's approval of either UNC678 or UNC678A). Ofgem said that both the licence conditions governing the arrangements around UNC and the existing UNC Modification Rules preclude us from considering proposals against a baseline that is not at that point in time part of the UNC.

<https://www.ofgem.gov.uk/publications-and-updates/unc717-increasing-storage-transmission-capacity-charge-discount-80-urgency-application>

UNC718/A/B/C - Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS: Urgency Application

On 6 March 2020, the Joint Office of Gas Transporters ("JO") received a request from National Grid Gas Transmission that Uniform Network Code modification UNC718 'Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS' should be treated as 'urgent' and proceed under a timetable approved by Ofgem. Three more proposals (UNC718A/B/C) were submitted to the JO on the same day. On 19 March 2020 Ofgem decided they cannot consider the application for urgent status for UNC718/A/B/C. Ofgem were asked to assess this modification proposal on a 'conditional basis' (i.e. this modification proposal was dependent on Ofgem's approval of either UNC678 or UNC678A). Ofgem said that both the licence conditions governing the arrangements around UNC and the existing UNC Modification Rules preclude us from considering proposals against a baseline that is not at that point in time part of the UNC. .

<https://www.ofgem.gov.uk/publications-and-updates/unc718abc-introduction-conditional-discount-avoiding-inefficient-bypass-nts-urgency-application>

Amendments to Gas Transmission Charging Regime

On 20 March 2020 Ofgem published the responses to our consultation on the UNC678 (Gas Charging Review) minded-to decision, as well as a summary document in accordance with TAR NC (Article 26). Ofgem received 25 non-confidential responses.

<https://www.ofgem.gov.uk/publications-and-updates/amendments-gas-transmission-charging-regime-minded-decision-and-draft-impact-assessment>

Coronavirus (COVID-19) updates of 13 March 2020 and 27 March 2020

Ofgem have published two updates on COVID-19 here:

<https://www.ofgem.gov.uk/publications-and-updates/coronavirus-covid-19-update-13-march-2020-information-licensees>

<https://www.ofgem.gov.uk/publications-and-updates/coronavirus-covid-19-update-27-march-2020-information-licensees-and-industry-coronavirus-response>

Ofgem is working closely with Government to ensure industry is taking all necessary precautions to serve the needs of customers, including the vulnerable and those who may need to self-isolate. Ofgem expect industry to take this seriously and want to ensure they have robust plans in place. This means taking proactive steps to maintain business continuity, including if a licensee has a reduced workforce.

Currently, all regulatory requirements remain in place for all licensees. Ofgem are closely monitoring the situation and Ofgem will update industry if circumstances change.

Ofgem are aware that the current situation will present a number of challenges. As usual, Ofgem expect industry to alert us to any issues that arise, and keep us informed of their plans to deal with these issues. Ofgem will consider any such circumstance in its context, including any official advice and logistical challenges outside the licensee's control.

Ofgem are aware of a range of proactive measures being taken by industry to manage risks and protect customers and have heard a strong commitment to ensuring consumers are protected.

For any regulatory queries related to COVID-19, please contact covid19@ofgem.gov.uk in the first instance.

LS encouraged any industry participants to contact Ofgem if they feel they are unable to meet their obligations.

Forward Work Programme 2020/21

On 31 March 2020 Ofgem published an update on the Forward Work Programme 2020/21. Ofgem said that the [consultation published on 20 December](#) is the best representation of Ofgem's planned projects. However, Ofgem's work is currently being reprioritised because of the impact of COVID-19. Our priority during this time is to work with Government, industry, and consumer groups to protect consumers, especially the vulnerable. Ofgem will publish a fuller account of our planned work in due course.

<https://www.ofgem.gov.uk/publications-and-updates/forward-work-programme-202021>

1.3. Pre-Modification discussions

1.3.1. Overrun Multipliers (NW)

Nick Wye (NW) provided an overview of the purpose of this Modification which included the following information:

As a possible alternative to *Modification 0716 - Revision of Overrun Charge Multiplier*, NW explained this Modification would provide a more holistic approach to overruns. More proactively in the spirit of the capacity review and at the same time looking at the impact of the change in the charging methodology and therefore shipper behaviours.

NW proceeded to walkthrough the presentation Slides provided and published for the meeting and started by stating that, in almost all cases, overruns are caused by error.

UNC 0716 – Headlines

NW stated the overriding principle is that the level of overrun revenue, and therefore overrun exposure, on average, should not be impacted by a change in the charging methodology.

This assumes:

1. The change in the charging methodology will not impact shipper capacity booking behaviour and the effects of this behavioural change will not have wider impacts.
2. That the overrun regime is fit for purpose and should not be subject to a broader review.
3. That the level of the overrun charge incentivises booking of capacity and that the penalty is proportional to the “crime”.

Looking Forward – Main features

NW advised the implementation of UNC 0678/ 0678A will inflate capacity prices at a number of points.

- Entry prices are particularly impacted, as currently LRMC's are not scaled up to reflect allowed revenue
- Both modifications also remove short-term firm entry capacity discounts and limit the interruptible discount to 10% of firm charges
- It is reasonable to expect that shippers will endeavour to book capacity at levels close to expected flows in order to limit capacity costs
- As now, bookings will be predominately on a short-term basis in order to ensure bookings reflect flows
 - Expect bookings to be as late as possible within day, limiting usefulness of capacity bookings as an NTS utilisation forecasting tool
- Overbooking will be limited to mitigating against overrun risk

NW explained a number of slides to show entry capacity booking behaviours at St Fergus and Bacton at UKCS in relation to within day firm and interruptible entry capacity short term bookings highlighting that all available capacity is bought each day.

NW discussed the Non-weighted overrun penalties and the impacts by comparing the 8x multiplier under current charging regime with the 3x multiplier under the Postage Stamp, explaining that the penalties showed on average 28x higher and advised that where a single multiplier is to be applied to all entry points it should not significantly penalise some entry points more than others.

NW concluded that using historical overrun revenues to inform future multipliers ignores the causes of overruns and the changes to capacity booking. The key message being that the impact of UNC 0678A at individual points is varied and on average 76x higher and a standard multiplier should be fair and not excessive. Therefore, NW proposed that multipliers at entry and exit should be [1.1]

Lorraine O'Shaughnessy (LOS) opened the conversation up for discussion:

Anna Stankiewicz (ASt) asked NW what was the mathematical way this figure had been arrived at? NW clarified this is not mathematical, it is meant to be encouraging Users to book capacity close to flow to avoid over booking, adding that any penalty that is greater than the cost is inefficient.

Jeff Chandler (JCh) advised that he agrees with the purpose of this Modification and said that National Grid basing their Modification on past history is not logical, any kind of higher overrun charge will be sufficient and should encourage Users to only book what they think is required due to the changes in charges that are coming with the implementation of one of the 0678 Modifications.

ASt said that going to a ratio of 1.1 would be risky and might encourage behaviours to worsen and not be proportionate to the crime.

NW added there is justification for a minimal penalty and that this is fair on a system that is unconstrained, there is no benefit in overrunning your capacity.

LS pointed out that this proposal should be evidenced and well substantiated if it is to be put forward. Ofgem will have to have substantiated evidence.

NW advised that this is not an exact science, the current 8x multiplier and the suggested 3 for Entry and 6 for Exit by National Grid are not an exact science. Jenifer Randall (JR) agreed that the National Grid current 8x multiplier is not based on anything but has been tried and tested and that it has been in the regime for many years, this is why National Grid have committed to reviewing this in 12 months' time, in the meantime National Grid will be looking at how the current level has had an impact on behaviours.

LOS asked NW what the proposed timescales would be in raising this modification. NW asked Alex Neild (AN) to comment and he advised that the Modification would be raised as an alternative Modification to Modification 0716 in the next week.

LS asked if Storengy is proposing that this is raised on a trial basis or not, AN clarified he is not proposing to review this in 12 months' time.

2. European Codes Update

2.1. National Grid update (PH)

Please see the update provided from National Grid for agenda item 3.0.

2.2. BEIS EU/UK FTA briefing to Transmission Workgroup

LOS explained Justin Goonesinghe had made contact with the Joint Office and asked them to make Transmission Workgroup aware of the recently published draft text of the Agreement on the New Partnership with the United Kingdom on the European Commission website: ec.europa.eu/info/publications/draft-text-agreement-new-partnership-united-kingdom_en.

Please respond to Justin Goonesinghe with any comments.

3. Consequential impacts of coronavirus

Ofgem

LOS advised that Ofgem had already provided an update during their agenda item 1.2 Ofgem Update.

Joint Office

LOS advised; Joint Office are operating as normal; all Industry meetings are being held via teleconference. Joint Office are operating 'Business as Usual' until they hear otherwise and are in regular discussions with Ofgem.

National Grid

Phil Hobbins (PH) provided an update from National Grid on how they are operationally planning to mitigate the impacts of COVID19.

- Restricted access to the Gas National Grid Control Centre.
- Physical segregation for shift and operationally critical day staff has been implemented.
- Specific areas of National Grid House have been designated for operationally critical staff only.

Additional planned measures include moving to a 12 hour shift rota, creating a 7th shift team and plans are in place to keep the Control Room team members onsite for a number of weeks, this is in development and not yet implemented.

National Grid are also in regular contact with major groups and stakeholders.

PH confirmed National Grid have not encountered any system issues to date and he is expecting the resilience of the network to remain high. He went on to advise that a reduction in demand has been observed over the last couple of weeks which is helping with Network resilience, due to more people working at home, he is expecting the domestic load to increase but the Industrial and Commercial loads to decrease.

The Market is balancing well and National Grid are in regular liaison with their adjacent TSO's to understand any impacts to their businesses and there continues to be regular assessment of non-storage supplies.

Looking ahead to winter 2020/21, National Grid are actively assessing and prioritising planned activities ensuring key assets are not adversely impacted.

Questions:

Anna Shrigley (AS) advised there was some mis-information regarding power cuts circulated on a WhatsApp group and suggested it would be good if National Grid could put this information in the public domain in order to give confidence to the public-

Terry Burke (TB) updated the Workgroup and advised that information was issued from the UK Power Networks so that info is out there in the public domain. It was clarified that ENA had corrected this point.

TB advised that the National Grid ESO team are also holding weekly calls which are very informative and asked if National Grid Gas SO could possibly join the calls which happen every Wednesday at 2pm. There was a comment made at this week's call that would have been very helpful to have had Gas SO on the call to answer. He suggested that maybe a joint communication between ESO and SO could be formulated.

Julie Cox (JCx) supported the comments made by TB and expressed her concern that there is not much communication coming from National Grid Gas compared to National Grid ESO.

New Action 0401: Consequential impacts of coronavirus: National Grid (PH) to advise Joint Office of what GSO plans are to communicate COVID-19 impacts with stakeholders.

Post Meeting Response: A National Grid GSO industry webinar is scheduled for 8 April at 3pm.

4. Workgroups

LOS advised workgroup that a request had been made to move Agenda item 4.4 as the Proposer had to leave the call early and JR had agreed to swap 0705R to item 4.4 allowing 4.1 to be discussed first. The workgroup had no issues accommodating this request.

- 4.1. 0705R – NTS Capacity Access Review 0671 – New Capacity Exchange process at**
(Report to Panel 15 October 2020)
www.gasgovernance.co.uk/0705
- 4.2. 0714 – Amendment to Network Entry Provision at Perenco Bacton terminal**
(Report to Panel 21 May 2020)
www.gasgovernance.co.uk/0714
- 4.3. 0716 - Revision of Overrun Charge Multiplier**
(Report to Panel 18 June 2020)
www.gasgovernance.co.uk/0716
- 4.4. 0720S - Amendments to the Agreed Target Quantity at the Moffat Interconnection Point**
(Report to Panel 16 July 2020)
www.gasgovernance.co.uk/0720

5. Issues

6. Any Other Business

- 6.1.** PH advised he will present a view of the post winter review methodology at the next meeting in May.
- 6.2.** Update on DESC's Seasonal Normal Review 2020 to other Forums (MP)

Mark Perry (MP) joined the meeting and advised he was attending different forums to provide awareness on the Seasonal Normal Review that is due to be implemented later on this year.

This was a request that had been made last year during one of the workgroups to provide more transparency.

MP provided a presentation which he walked the Workgroup through which included the background to the changes, the timeline and implementation.

Seasonal Normal Review 2020 – Exec Summary

MP explained that from 01 October 2020 a new Seasonal Normal basis will take effect, which means that:

- the Composite Weather Variable (CWV) formula will change (to include Solar Radiation); the Seasonal Normal Composite Weather Variable (SNCWV) values will change.
- Class 3 and 4 NDM Nominations and Allocations will be using CWVs based on the new formula and the revised SNCWV values.
- all Rolling AQs / SOQs for Class 3 and 4 Supply Meter Points will reflect the new view of Seasonal Normal weather.

MP added that Billing AQs / SOQs will remain unchanged and will only reflect the new Seasonal Normal basis from April 2021 (based on December 2020 snapshot).

Any questions on the Seasonal Normal Review 2020 process can be directed to the Demand Estimation team at Xoserve Email: Xoserve.demand.estimation@xoserve.com

7. Review of Outstanding Actions

Action 0301: Ofgem Update - Decision to reject Uniform Network Code (UNC) 667: Inclusion and Amendment of the Entry Incremental Capacity Release Net Present Value test in the Uniform Network Code: Ofgem to provide further clarity on the progression of decarbonisation in order to better understand the decision to reject Modification 0667.

Update: LS advised workgroup that this action will remain outstanding and requested that it should be carried forward as it may take time to resolve. She added that Ofgem now have a draft on Special Licence 9B and are proposing to insert a new provision which will detail three parameters; (i) thresholds; (ii) period for MPV test and (iii) discount rate. Discussions regarding this are ongoing. **Carried forward**

Action 0302: Ofgem Update - Decision to reject Uniform Network Code (UNC) 667: Inclusion and Amendment of the Entry Incremental Capacity Release Net Present Value test in the Uniform Network Code: With reference to the NPV Test to progress decarbonisation, Ofgem to provide clarity on the direction of travel.

Update: This action relates to Action 0301 and has the same update. **Carried forward**

Action 0303: Gas Quality Institution of Gas Engineers and Management (IGEM): IM (IGEM) to feedback to Workgroup in terms of transparency. Industry cannot support a change like this without knowing how it is going to be governed going forward. Clarity is required before it goes out to Government consultation.

Update: LOS explained that because IGEM are not a standing Workgroup member that Joint Office will liaise with IGEM to establish the update for this action. The ownership of this action will transfer from IGEM to Joint Office. **Carried forward**

8. Diary Planning

Further details of planned meetings are available at:

<https://www.gasgovernance.co.uk/events-calendar/month>

Time / Date	Venue	Workgroup Programme
10:00 Friday 07 May 2020	Teleconference	Transmission Workgroup standard Agenda plus any associated Modifications

10:00 Friday 04 June 2020	TBC	Transmission Workgroup standard Agenda plus any associated Modifications
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Action Table (as at 02 April 2020)					
Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0301	05/03/20	1.2	<p>Ofgem Update - Decision to reject Uniform Network Code (UNC) 667: Inclusion and Amendment of the Entry Incremental Capacity Release Net Present Value test in the Uniform Network Code:</p> <p>Ofgem to provide further clarity on the progression of decarbonisation in order to better understand the decision to reject Modification 0667.</p>	Ofgem	Carried Forward
0302	05/03/20	1.2	<p>Ofgem Update - Decision to reject Uniform Network Code (UNC) 667: Inclusion and Amendment of the Entry Incremental Capacity Release Net Present Value test in the Uniform Network Code:</p> <p>With reference to the NPV Test to progress decarbonisation, Ofgem to provide clarity on the direction of travel</p>	Ofgem	Carried Forward
0303	05/03/20	4.0	<p>Gas Quality Institution of Gas Engineers and Management (IGEM):</p> <p>IM (IGEM) to feedback to Workgroup in terms of transparency. Industry cannot support a change like this without knowing how it is going to be governed going forward. Clarity is required before it goes out to Government consultation.</p>	Joint Office (LOS)	Carried Forward
0401	02/04/20	3.0	<p>Consequential impacts of coronavirus:</p> <p>National Grid (PH) to share any information from ESO during the COVID19 Lockdown period</p>	National Grid (PH)	Pending