

UNC Transmission Workgroup Minutes
Thursday 03 September 2020
via Microsoft Teams

Attendees

Lorraine O'Shaughnessy (Chair)	(LOS)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Nield	(AN)	Storengy Ltd
Andrew Pearce	(AP)	BP
Angus Paxton	(AP)	AFRY
Anna Shrigley	(AS)	Eni Trading & Shipping (joined from 11am)
Bethan Winter	(BW)	Wales & West Utilities
Bill Reed	(BR)	RWE
Chris Hewitt	(CH)	National Grid
Chris Wright	(CW)	Exon Mobil
Daniel Hisgett	(DH)	National Grid
Dave Adlam	(DA)	Cadent
Debra Hawkins	(DHa)	TPA Solutions Ltd
Emma Buckton	(EB)	Northern Gas Networks
Jeff Chandler	(JCh)	SSE
Jennifer Randall	(JR)	National Grid
John Costa	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kamila Nugumanova	(KN)	ESB
Kamla Rhodes	(KR)	Conoco Phillips
Leyon Joseph	(LJ)	SGN
Max Lambert	(ML)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Paul Youngman	(PY)	Drax
Phil Hobbins	(PH)	National Grid
Phil Lucas	(PL)	National Grid
Pavanjit Dhesi	(PD)	Interconnector UK
Richard Hewitt	(RH)	BBLC
Richard Fairholme	(RF)	Uniper
Shiv Singh	(SS)	Cadent
Sinead Obeng	(SO)	Gazprom
Steven Britton	(SB)	Cornwall-Insight
Steve Pownall	(SP)	Xoserve
Terry Burke	(TB)	Equinor

Copies of all papers are available at: www.gasgovernance.co.uk/tx/030920

1. Introduction and Status Review

Lorraine O'Shaughnessy (LOS) welcomed all parties to the meeting and confirmed the order of the agenda.

1.1. Approval of minutes (06 August 2020)

The minutes from the previous meeting were approved.

1.2. Approval of Late Papers

LOS advised the Workgroup that the Industry Update from Ofgem; an updated National Grid presentation for Request Workgroup 0705R and additional AOB items 5.3 and 5.4 had been provided after the paper deadline. Workgroup agreed to consider these late amendments.

1.3. Review of Outstanding Actions

Action 0301: *Ofgem Update - Decision to reject Uniform Network Code (UNC) 0667: 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: Max Lambert (ML) advised that Ofgem are finalising Special Licence Condition 9B ('Methodology to determine the release of Entry Capacity and Exit Capacity volumes') and are proposing the three parameters of the NPV test move into the Licence which will provide more clarity within Licence. There will be an opportunity for Industry to respond to this addition to the Licence when the consultation is published. He advised there may be a requirement to revise the criteria, relating to Modification 0667 - *Inclusion and Amendment of the Entry Incremental Capacity Release Net Present Value test in the Uniform Network Code*. **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: Updated as part of Action 0301 and to be carried forward to October 2020.

Carried Forward

1.4. Ofgem Industry Update

ML provided an overview of the *Ofgem Industry Update* document published on the [meeting page](#) for this meeting. The update covered the following areas:

RIIO-2 Draft Determinations for Transmission, Gas Distribution and Electricity System Operator – Closing 4 September 2020

On 9 July 2020, Ofgem published their consultation on the draft determinations for the RIIO-2 price control period, following their consultation and decision announcement on the RIIO-2 Framework in July 2018, and the publication of our sector-specific methodology in May 2019.

The consultation for inviting representations and views from industry closes this week on 4 September 2020 so please send all responses by this date to RIIO2@ofgem.gov.uk.

<https://www.ofgem.gov.uk/publications-and-updates/riio-2-draft-determinations-transmission-gas-distribution-and-electricity-system-operator>

Network Innovation Competition – Amended Project Direction for BioSNG

Ofgem issued their decision on 18 August 2020 to amend the Project Direction, including the end date, the date project deliverables are achieved, the project partners and increased funding through the provision of contingency funds.

<https://www.ofgem.gov.uk/publications-and-updates/network-innovation-competition-amended-project-direction-biosng>

Managing Network Charge Bad Debt

In an open letter published on 7 August 2020, Ofgem set out options to enable Networks to recover any potential bad debts arising as a direct result of the Network Charge Deferral scheme in the year 2021-22. Ofgem's proposals within this letter will enable the effective recovery of bad debts arising as a result of this scheme, and would also allow for the recovery of other bad debts incurred due to non-payment of network charges, net of interest income accrued, on an enduring basis.

Please send all responses by 4 September 2020 to regfinance@ofgem.gov.uk.

<https://www.ofgem.gov.uk/publications-and-updates/managing-network-charge-bad-debt-0>

2020 UK National Report to the European Commission

This report contains both the 2020 Great Britain and Northern Ireland National Reports to the European Commission, in accordance with obligations under section 5ZA of the Utilities Act 2000 and section 6A of the Energy (Northern Ireland) Order 2003.

All National Regulatory Authorities (NRAs) are obliged to report annually to the European Commission, in accordance with Directives 2009/72/EC (Electricity Directive) and 2009/73/EC (Gas Directive).

This report covers developments in the GB and NI energy markets in 2019 and the first two quarters of 2020, the regulation and performance of the electricity and gas markets and our compliance with the Electricity and Gas Directives on consumer protection and dispute settlement.

<https://www.ofgem.gov.uk/publications-and-updates/2020-uk-national-report-european-commission>

1.5. Pre-Modification discussions

Phil Lucas made Workgroup aware there is a pre-modification he would like to discuss and advised this will be covered as part of agenda item 2 - European Update.

2. European Update

Phil Hobbins (PH) provided a verbal European Update which covered the following areas and stated that there were no presentation slides to share, he also requested if the agenda item could be updated for future meetings from European Code Updates to EU Update:

- **ENTSOG** - As a result of a recent ENTSOG meeting, there is an initiative for ENTSOG achieving Net Zero by 2050 which will address issues that are faced in this country and on the continent, for example dealing with different gas quality specs. ENTSOG held some Stakeholder engagement sessions earlier in the year which looked at gas quality; hydrogen and what needs to happen in order to evolve.

ENTSOG are keen to continue the engagement with these topics and they are working with Euro Gas to provide a joined up leadership and view. Monthly meetings will be setup for the next 12 months in order to progress this topic, at this stage ENTSOG are only considering inviting Gas Associations although PH thinks there is a possibility that Energy UK might be allowed to join but this is not in ENSOG's gift.

- **Hydrogen** - PH advised there are a number of technical specifications which means that it is not suitable for hydrogen to be transported through re-purposed pipelines EASEE-Gas are looking to produce something by the end of the year and CEN are looking to do something similar but with a longer timeline.
- **Brexit** – PH reminded Workgroup that Justin Goonesinghe from BEIS attended the Transmission Workgroup earlier in the year to talk about the Industry engagement on the EU future trade arrangements. Justin is keen to engage with the industry and would like to use the Gas Operational Forum for this engagement and present to the October and November 2020 meetings. If any parties are interested in attending, please approach Phil Hobbins for assistance if required.
- **Brexit pre-modification** – PL advised Workgroup of National Grids intention to raise a new modification which will make changes to UNC in the event there is a no trade deal for United Kingdom's exit from EU. This will have a similar scope as *Modification 0680S UNC Changes as a Consequence of 'no deal' United Kingdom Exit from the European Union* that was withdrawn in February 2020 as the UK left the EU with a withdrawal agreement This provided a transition period until the 31 December 2020 and if no agreement is reached by that date, a no deal Brexit would be the default outcome on 1 January 2021

Post meeting update: *Modification 0735 - UNC Changes as a consequence of the absence of trade agreement/s between the United Kingdom and the European Union ('no deal')* has now been raised and will be submitted to UNC Panel on 17 September 2020.

3. Workgroups

3.1. 0705R – NTS Capacity Access Review 0671 – New Capacity Exchange process at (Report to Panel 15 October 2020) www.gasgovernance.co.uk/0705

4. Issues

No issues were raised.

5. Any Other Business

5.1. NGG Gas Quality Blending Services at NTS Entry Points (P Hobbins)

PH advised workgroup that National Grid have completed quite a lot of work in this area and referred to *Modification 0714 Amendment to Network Entry Provision at Perenco Bacton terminal*, which is currently awaiting Ofgem decision and have now reached the point to engage with Industry formerly, the consultation document is currently in draft status and the intention is to publish it mid-September with the aim of seeking views from Industry on the principles. The consultation will be for a 2-month period. Please refer to Item 5.2 for further information.

Phil Hobbins and Rachel Hinsley are the lead contacts for further information:

philip.hobbins@nationalgrid.com

Rachel.Hinsley1@nationalgrid.com

5.2. Requests to Change Gas Quality Limits at Individual Entry Points (P Hobbins)

PH clarified that when a terminal operator proposes to amend a gas quality limit, National Grid incur manpower costs (which have not previously been recovered), which include Workgroup attendance; Network analysis; updates to the Connection Agreement; possible operational activities on-site etc.

PH clarified that National Grid historically have only recovered costs that are associated with the operational activities from the requesting operator where these are material.

National Grid have reviewed their position and are now proposing to recover all elements of costs, as described above, from the requesting customer rather than through transportation charges levied on all shippers as part of the National Grid market facilitation role.

In response Workgroup had a number of comments and statements that PH would need to consider, including:

- Nick Wye (NW) mentioned that currently, market facilitation costs are recovered through permitted revenue and asked if these costs will be reduced accordingly?
- Paul Youngman (PY) questioned the legitimacy of charging parties for network analysis if the revenues are not allowed revenues because it is a monopoly activity that only National Grid can undertake.
- There followed a discussion on whether a more robust framework is needed, such as the Planning & Advanced Reservation of Capacity Agreement (PARCA), to make it clear what National Grid's standards of service are, timescales etc, to ensure it is clear that requesting parties know what they are paying for upfront

New Action 0901: PH to provide further clarity on the cost elements and regulations of how the costs are broken down in order to provide assurance that National Grid will not be recovering costs twice.

PH is also to include the previously asked PARCA element as part of his response.

New Action 0902:

PH to review what the framework would look like for setting up a Service Line.

PH to provide further clarity on a proposed framework and clarify how this change in policy would manifest.

When asked, PH clarified that when National Grid are approached by a Terminal Operator, there is an option to raise a modification or explore other avenues e.g. getting consent of all Shippers that hold capacity at the point.

5.3. NEC Industry Exercise BALTIC – Industry Briefing (P Hobbins)

PH provided a view of the Exercise BALTIC briefing note to raise its awareness and advised that this year's exercise will take place on 07 and 08 October 2020.

PH explained the Network Emergency Industry Exercise is an annual event and is designed to simulate an emergency scenario where all Industry have an opportunity to take part.

5.4. Ofgem's RII02 Draft Determinations

JR drew Workgroup attention to one part of the RII02 draft determinations- System Impacts of Regulative Change.

In the RII02 Business Plans National Grid included funding for IT system impacts of Legislative and Regulatory change (i.e. funding IT system costs, Gemini / GCS / MIPI / UK Link, for when a UNC Code Modification is implemented). National Grid proposed that this be included as a baseline allowance as this would have given them the flexibility to respond to those changes in an agile manner. However, in their Draft Determinations, Ofgem have proposed this as an Uncertainty Mechanism (UM) on the basis that not enough is known (and therefore can't be provided) about what specifically these Legislative and Regulatory changes are going to be, RII02 will be a key time for market changes but at this stage National Grid do not know specifically what they will be (their Business Plan took an average of the RII01 yearly change costs). Although, principally, National Grid agree with Ofgem's position on this, we do not support their proposal for this to be included as an Uncertainty Mechanism.

JR stated that the Uncertainty Mechanism windows are currently proposed by Ofgem as 01 April 2021 (day one of RII02) and January 2023. National Grid are unlikely to have much more detail on the specifics of the Legislative and Regulatory change by 01 April 2021 – particularly due to the level of cost and project certainty Ofgem have indicated they would require. Therefore, the only option would be to go through the 2023 window, with the 2-year lag before any allowance would be recovered through Transportation Charges, this would result in 2 years plus, (as Ofgem haven't given any indication yet about their decision timescale post UM window), before National Grid have any certainty over funding and 4 years before they receive this funding. Therefore, National Grid would not be able to implement any Legislative / Regulatory change which has an impact on IT systems until 2023. This would be fundamentally unworkable, it would stifle any agility, slow down the progress of market development and negatively impact consumers. Furthermore, as mentioned, Ofgem have indicated that they will require a high degree of certainty of project and cost before allowing funding through a UM. As Legislative and Regulatory changes are often implemented through a UNC Modification, this certainty is only available once an Ofgem decision has been made. In some cases, it is not practical to do this and some "no-regrets" IT changes can be developed before a final Ofgem decision is made to ensure compliance. This could further slow-down the implementation process and could create a risk of non-compliance.

Alternatively, National Grid are proposing that a pass-through funding mechanism is more appropriate. This would enable a more agile approach to be taken which will not stifle changes being made which benefit industry, end consumers, and help meet decarbonisation targets. A pass-through mechanism would set an upfront allowance cost which would then be trued up against actual spend. This would mean there would not be the restrictions created by the time-limited UM windows and the degree of cost and project certainty required before funding is granted, whilst at the same time appropriately dealing with inherent uncertainty. Part of this proposal to Ofgem could be that more detail is provided on IT costs of a Legislative / Regulatory change in the UNC Modification template, all Modifications requiring

an IT spend are set for authority direction (rather than self-governance), and that by approving the implementation of a UNC Modification, Ofgem are also approving the IT spend.

JR said that she wanted to highlight this to Transmission Workgroup, as being the forum most affected and so that if any Workgroup participants had a view on this, they could share with Ofgem. JR appreciated that the Consultation deadline is 05 September but recognised that discussions are likely to be had with Ofgem over the coming months before Ofgem's final determinations in December.

6. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

There is an assumption that all remaining meetings in 2020 will be via teleconference unless an update is given by the Joint Office.

Time / Date	Venue	Workgroup Programme
10:00 Thursday 01 October 2020	Teleconference	Standard Agenda
10:00 Thursday 05 November 2020	Teleconference	Standard Agenda
10:00 Thursday 03 December 2020	Teleconference	Standard Agenda

Action Table (as at 03 September 2020)					
Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0301	05/03/20	1.2	<p><i>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:</i></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><i>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:</i></p> <p>With reference to the NPV Test to progress decarbonisation, Ofgem to provide clarity on the direction of travel.</p>	Ofgem	Carried Forward
0901	04/09/20	5.2	<p><i>Requests to Change Gas Quality Limits at Individual Entry Points:</i></p> <p>PH to provide further clarity on the cost elements and regulations of how the costs are broken down in order to provide assurance that National Grid will not be recovering costs twice.</p> <p>PH is also to include the previously asked PARCA element as part of his response.</p>	National Grid (PH)	Pending

0902	04/09/20	5.2	<i>Requests to Change Gas Quality Limits at Individual Entry Points:</i> PH to review what the framework would look like for setting up a Service Line. PH to provide further clarity on a proposed framework and clarify how this change in policy would manifest.	National Grid (PH)	Pending
-------------	----------	-----	---	--------------------	----------------