

**UNC Workgroup 0705R Minutes
NTS Capacity Access Review
Wednesday 13 January 2021
via Microsoft Teams**

Attendees

Rebecca Hailes (Chair)	(RH)	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	(APa)	AFRY
Anna Shrigley	(AS)	Eni Trading & Shipping
Anna Stankiewicz	(ASt)	National Grid
Bethan Winter	(BW)	Wales & West Utilities
Bill Reed	(BR)	RWE
Daniel Hisgett	(DHi)	National Grid
Duncan Innes	(DI)	Ofgem
Emma Buckton	(EB)	Northern Gas Networks
Hilary Chapman	(HC)	SGN
Jeff Chandler	(JCh)	SSE
Jennifer Randall	(JR)	National Grid
Jonathan Farrier	(JF)	Ofgem
Julie Cox	(JCx)	Energy UK
Kamila Nugumanova	(KN)	ESB
Lauren Jauss	(LJ)	RWE
Leyon Joseph	(LJ)	SGN
Max Lambert	(ML)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Richard Fairholme	(RF)	Uniper UK
Rosannah East	(RE)	National Grid
Shiv Singh	(SS)	Cadent
Steve Britton	(SB)	Cornwall Insight
Terry Burke	(TB)	Equinor

Copies of all papers are available at: www.gasgovernance.co.uk/0705/130121

The Workgroup Report is due to be presented at the UNC Modification Panel by 21 October 2021 (with an interim report in April 2021).

1. Introduction and Status Review

Rebecca Hailes (RH) welcomed all to the meeting.

1.1. Approval of minutes (08 December 2020)

RH clarified that the affiliation for Samantha Wilcox should be Shell and not My Green Star Energy.

The minutes from 08 December 2020 meeting were approved.

1.2. Approval of Late Papers

RH asked Workgroup to consider accepting the late papers received from National Grid and Ofgem, advising that she felt it would be poor governance to accept them.

Workgroup agreed to accept the late papers submitted however they agreed that it is poor governance to provide papers so late.

1.3. Review of outstanding actions

Action 1201: National Grid (ASt) to provide view on the approach to be taken when zonal capacity arrangements are to be considered.

Update: Update provided as part of agenda item 3.0. **Closed**

Action 1202: National Grid (ASt) to produce definition of a zone in relation to Network Capability.

Update: Update provided as part of agenda item 3.0. **Closed**

Action 1203: National Grid (ASt) to provide workgroup with the proposed wording in relation to prioritising substitution from disconnected sites within the methodology statement.

Update: Update provided as part of agenda item 3.0. **Closed**

Action 1204: National Grid (ASt) to provide commentary from Xoserve about the potential compression of the maintenance window and other practices for improved allocations.

Update: Workgroup agreed that this action 1204 should remain open until a response is received from Xoserve. **Carried Forward**

2. Review of Exit Regime

Capacity Access Review (CAR) Project Management

Jenifer Randall (JR) provided a view of the Capacity Access Review Project Management and provided an up-to-date status and review. She explained that the table reflects the project is currently work in progress. National Grid has a plan which will be shared at each Workgroup meeting going forward.

JR advised that she is developing a mechanism to use to prioritise the list of topics that need to be covered within the Capacity Access Review, these are:

- Governance
- Capacity Assignments
- Exit Regime
 - User Commitment
 - Substitution
 - PARCA process
 - Increased access to unsold capacity
 - Flexibility to move capacity between exit points
 - Flexibility in capacity bookings for embedded generation
 - Greater flexibility to book capacity across the year
 - Exit Capacity Planning Framework
- Within-day Firm Product
- Substitution – prioritisation of disconnected sites
- 2030 Access Review

JR advised that a new modification is due to be presented to UNC Panel in February which will cover Exit Capacity Assignments which has been recently discussed at Transmission Workgroup and the 2030 Access Review will be discussed as part of the Gas Markets Plan (GMaP) project.

JR went on to explain the Prioritisation table being shown, which is broken down into three different metrics:

1. Benefit (what proportion of industry impacted by the topic)

2. Net Impact (Cost vs savings, a score of 1 = cost outweighing any savings; a score of 5 = change results in a saving)
3. Effort and resource

The formula to be applied would be **Benefits x Impact / Effort = prioritisation score**. Some suggested scoring for each category has been populated into the table which can be seen on slide 3 of the presentation provided.

Workgroup agreed that regular updates within this Workgroup would be beneficial.

When Julie Cox (JCx) suggested that the challenge, in terms of the categories (Benefit; Impact and Effort), and it is currently just a National Grid judgement, JR agreed Workgroup would need to agree on the scores assigned to each category.

RH suggested the formulas used for the priority might need to be looked at.

When RH highlighted there is currently nothing included in the priority list regarding End Consumers, JR confirmed there is nothing explicit about End Consumers and she will consider how to weave that in.

When JCx questioned who the benefits relate to, would that be Customers; National Grid; certain counterparties, JR advised that the information presented at last Workgroup highlighted there are differing needs vs different parties and clarified that for each change there needs to be a commentary of who would benefit.

New Action 0101: National Grid (JR) to develop the Project Management table further and provide Workgroup with an update in February 2021.

Enhanced Obligations for Exit Capacity Booking process

Duncan Innes (DI), Ofgem was invited to present his material regarding the Gas Distribution (GD) Exit Capacity Booking Enhanced Obligations and clarified that Ofgem recently published their consultation for the Enhanced Obligations for Exit Capacity Booking process which would take effect from 01 April 2021. The consultation will run until 29 January 2021:

<https://www.ofgem.gov.uk/publications-and-updates/exit-capacity-enhanced-obligations-guidance-document>

DI provided a summary of the background to the new obligations and advised that previously, under RIIO1, Gas Distribution Networks (GDNs) were incentivised to be efficient in terms of their Exit Capacity bookings by means of reducing total bookings and switching bookings to less constrained Offtakes. He went on to explain that the implementation of uniform tariffs as part of Modification 0678A - Amendments to Gas Transmission Charging Regime (Postage Stamp), means that the incentive would no longer work in RIIO2 and it is not deemed viable to design a replacement whilst the Capacity Access Review is ongoing.

DI advised that Ofgem have now decided to introduce a new set of enhanced obligations in relation to the Exit Capacity booking process, now known as the Exit Capacity Planning Guidance (ECPG) for GDNs and National Grid, the draft of which is currently being consulted on.

It was clarified that Angus Paxton (AP) has been working on the enhanced obligations with Ofgem.

DI clarified that Ofgem's objectives for the new enhanced obligations is to ensure there is no loss of efficiency in the booking of NTS capacity as a result of removing the RIIO1 financial incentive and that all aspects of the booking process are managed in a way that benefits the gas system as a whole.

DI confirmed that when efficiency is being talked about, Ofgem mean this to be getting the balance right between the following factors:

- Users' requirements
- NTS and GDN costs

- Pressure, flex and flat capacity bookings
- Timings of the booking – noting the consequences of the booking (e.g. investment, investment deferral, release of capacity to others)
- Geographical distribution.

In conclusion, DI clarified the elements that make up the draft ECPG which are:

Methodology: Distribution Networks (DNs) are to produce a Methodology Statement which will explain how the forecasts determine what bookings they need to make.

Engagement: How the DN's engage with each other in order to maximise booking efficiency across the gas system.

Reporting: DN's to produce an Annual Report that will detail what actual bookings were made vs what was forecasted.

There followed a number of questions and discussion points which have been documented as follows:

JCx asked, with the effective date being 01 April 2021, what arrangements are being put in place for this year. DI advised that Ofgem are aware for the first year not all elements will be in place and this is part of ongoing discussions.

JCx advised it is her interpretation that DN's do not need to participate in annual bookings, that process would be replaced by this.

JCx raised the concern that Industry will not be able to see methodologies on how they are doing that this year as the Methodology Statements will not be ready in time.

DI advised that the final set of obligations are to be provided mid-March and that GDN's still need to adhere to the reporting requirements in the absence of a Methodology Statement in order to be able to judge if they have been efficient or not.

Bethan Winter (BW) confirmed that GDN's will still be participating in the Annual Auctions.

Angus Paxton (AP) advised that National Grid cannot allocate capacity outside of the UNC guidelines therefore this allows for a potential UNC modification to change the process.

When JR was asked for a view, she advised her interpretation is that there will be much more collaboration between the DN's and National Grid, the DN's will still need to book their capacity and that their booking should reflect the discussions and the Methodology Statement.

JCx noted the new obligations state that National Grid must publish the Flat; Flex and Pressure for each DN Offtake by the end of July and raised the concern that this currently happens in September.

JR confirmed that National Grid do have some concerns that they will be feeding into the consultation.

JCx sought clarification that, in terms of the bookings GDN's are encouraged to make, currently long-term and short-term bookings make up their forecast, are they still expected to use a balance of products to ensure the most efficient outcome. DI referred to paragraph 2.2 of the draft Exit Capacity Planning Guidance document where it says:

The Guidance should therefore, at the least, result in GDNs' booking a level of NTS exit capacity (representing a combination of Flat, Flex, and Assured Offtake Pressure (AOP) products) 1 that effectively and efficiently provides for their 1-in-20 demand forecast for current and future years as signalled via NTS capacity bookings or data shared via this process.

Jonathan Farrier (JF) provided the clarification that Ofgem are not looking to prescribe how the GDN's book their capacity in terms of long and short-term capacity.

AP advised that under the RIIO1 Incentive Scheme, GDN's booked capacity on a long-term basis, and then gave back their excess if they did not need it.

When JCx asked, DI confirmed that an Impact Analysis has not been carried out and clarified the intention is that there is no loss of efficiency and the aim is to, at worst, maintain the status quo. DI encouraged Workgroup to pass on their views through the consultation.

JCx expressed her concern that, if the DNs are booking capacity to meet their maximum forecast, previously this was discouraged by having the financial incentive under RIIO1, but now, if the booking of capacity is made to meet maximum forecasts, this could have an impact for example, by reducing substitution opportunities as there is no financial incentive to be efficient with their bookings. She added that, whereas the Substitution Methodology is fairly well defined, there is rarely an opportunity to look at the minor detail of the methodology in terms of the impact this could have on it.

Nick Wye (NW) expressed his agreement with the comments made by JCx and commented that historically, this was a financial incentive which is now being replaced with an administrative process.

It was mentioned that the guidance provided in the document is difficult to understand and that when divorcing a booking process from financial exposure, the overbooking will lead to an increase in charges for the end consumer.

AP clarified the 1in20 methodology is complicated, adding that the driver to have 1in20 is to ensure the DN is able to cope with the 1in20 weather conditions.

JCx expressed her concern that this information regarding the ECPG should have been shared earlier as this is Workgroup's first look at it.

NW said that Workgroup will need to look at the way capacity is booked going forward on behalf of the customer and assess if that is the right thing.

There were no more questions on the Ofgem Exit Capacity Planning Framework, therefore Workgroup returned to the material provided by National Grid.

Problems and Possible Solution(s) Development

JR presented the problems that have been identified so far and what the possible solutions could be. The aim is to try to determine from Workgroup what the appetite might be to look at solutions that might require more in-depth work. JR mentioned that the issues listed currently shows the priority score as discussed at the beginning of this agenda item and confirmed the scores require revision.

JR updated Workgroup with the current status of the solution development:

Exit User Commitment: This is looking at reducing User Commitment from 4 years to 2 years applied from July 2021.

Substitution: JR advised that Workgroup never got to a solution that would work for everyone and that all possible options have been exhausted. If a zonal based approach is introduced, this could increase the possibilities of moving capacity around without having to use Substitution.

PARCA process: This would be a process change and probably could be dependent on the solutions chosen for some of the other problems.

Increased access to unsold capacity: This is linked to the flexibility to move capacity between points and flexibility in capacity bookings for DN embedded generators.

JR asked Workgroup to consider if there are any problems with the current regime that have not been captured.

When BW advised there is a clause where National Grid do not have to release capacity to baseline in terms of constraints, which means GDNs understand they cannot rely on daily products for 1in20 capacity bookings, JR confirmed she will look into this.

New Action 0102: *Problems and Possible Solutions for Development:* All Workgroup to consider and bring back to next meeting.

AP questioned if there is a need for an Exit Capacity regime and if baselines need to stay as they are.

When ML asked how the options fit into the GMaP project, JR clarified that GMaP is looking at 2030 Access and what regime would be needed.

NW commented that there is still considerable uncertainty beyond 10 years, whereas we know that gas demand is likely to decline, the future still needs to be future proofed.

JR provided Workgroup with an overview of some Offtake options worked examples which included a reminder that as part of the Enduring Offtake Workgroup, Ofgem developed a series of options for the NTS Offtake regime, in March 2020 National Grid presented various zonal options to Workgroup with one of the options (Option EX3 shown on slide 8 of the presentation) being comparable to Zoning Nodes and Zonal at point in time; Option EX4 being similar to “Full zonal”, “Competing auctions” and “Zonal at point in time” (in the long-term). At this time there was also a no baseline option which was muted by Ofgem where there would be no formal requirement to make available a specified volume of capacity.

JR clarified that when all Options are considered, it is Option EX2: Nodal model with substitution incentive that would be the preferred option.

This concluded the review of the Exit regime.

3. Substitution Progress

Anna Stankiewicz (ASt) provided an update to outstanding **Action 1203** and provided a view of the proposed wording in relation to prioritising substitution from disconnected sites within the Methodology Statement.

Workgroup offered no questions and agreed that **Action 1203** can be closed.

An update was provided for **Action 1202** where clarification was provided for Network Capability Zones and Gas Ten Year Statement Zones.

Workgroup offered no questions and agreed **Action 1202** can be closed.

ASt provided an update for outstanding **Action 1201** where she provided a view of the approach to be taken when zonal capacity arrangements are to be considered and advised of the principles that might be considered:

- The arrangements should not create additional risk on the NTS (this might be related to fulfilment of obligations, safety and security of supply, costs etc).
- Analysis is likely to be started from the beginning as current zones have been created with different purposes in mind (these will act as guidelines only).
- Complexity will depend on scope/option agreed to pursue with the industry (e.g. how much capacity can be moved within zone and on what basis e.g. does the exchange rate needs to stay the same).
- It is likely all scenarios/combinations of capacity being moved will need to be tested (this might be very time consuming and labour-intensive process).

Workgroup offered no questions and agreed **Action 1201** can be closed.

4. Daily Firm Products Development

ASt) provided an update for outstanding Action 1204 and what the potential implications related to shortening of the maintenance window (from 2am to 3am) could include:

- Lack of buffer for processes overrunning which might result in an unplanned outage or system issues.

- Outage would need to be requested in instances when additional maintenance needs to take place (e.g. security patches), data fixes/fixes need to be performed.

ASt advised that the possibility of a 3am allocation is being considered, the potential impact of which is currently being assessed and would include:

- Necessity of changes being made to UNC Allocation Effective Time (currently +2h on exit)
Annex B-1 NTS Exit Capacity Invitation, Application and Allocation 3.7 (d) in relation to a capacity allocation or selection period: (i) the "allocation effective time" is the time with effect from which Daily NTS Exit (Flat) Capacity is to be allocated pursuant to the acceptance of bids or offers during such capacity allocation or selection period, being the first hour bar which falls more than sixty (60) minutes after the start of the capacity allocation or selection period.
- Over 1800 jobs will need to be assessed in order to be moved and downstream/upstream impacts will need to be considered

ASt confirmed that National Grid are awaiting Xoserve's input with regards to:

- Frequency of potential outages/further impact assessment resulting from shortening the maintenance window and
- Assessment of batch jobs being affected by adding 3am allocation (and therefore moving maintenance to 3.30am start)

Workgroup agreed that the change from 2am to 3am change would be welcomed and agreed that this **Action 1204** should remain open until a response is received from Xoserve.

5. Entry Products Suitability for LNG

Not discussed. Note new Modification 0752 - Introduction of Weekly Entry Capacity Auction <https://www.gasgovernance.co.uk/0752>

6. Next Steps

RH confirmed the next steps for this workgroup to be:

- National Grid will further develop the Project Plan for Workgroup to review at the next meeting.
- National Grid will review the formula being used to assist in the prioritisation of the issues to be looked at.
- All Workgroup to review the Problems and Possible Solutions ahead of the next meeting in February 2021 and consider if there should be any additions.

7. Any Other Business

7.1. Methodology Statement Reviews

ASt reminded Workgroup that each Methodology Statement must be consulted on at least once every 2 years (Ofgem can direct that they are reviewed) and provided an update as to the current proposed change which are documented in agenda items 7.1.1 and 7.1.2. ASt confirmed that an informal consultation will be launched by the end of January 2021.

7.1.1. Entry User Commitment Methodology Update

Entry Capacity Release (ECR)

- Amend to the baseline User Commitment to capacity requests which signal substitution funded incremental from 16 quarters to 4.
- Changes related to implementation of UNC Modification 678A i.e. wording change rather than content (e.g. removal of reference to zero prices in reserve prices)
- Project costing –TBC

Entry Capacity Substitution (ECS)

- Disconnected sites to be prioritised as donor sites for entry substitution when there is reasonable sufficient benefit to the donor site). Previously these sites were only prioritised if the exchange rate was less than 1:1.

Entry Capacity Transfer and Trade (ECTT)

- Housekeeping and changes to licence driven updates only

7.1.2. Exit User Commitment Progress

Exit Capacity Release (ExCR)

- Reduction of the User Commitment within baseline from 4 years to 2.

Exit Capacity Substitution and revision (ExCS)

- Disconnected sites to be prioritised as donor sites for exit substitution when there is reasonable sufficient benefit to the donor site). Previously these sites were only prioritised if the exchange rate was less than 1:1.
- Change to substitution increment size from 0.01 GWh/d (0.000923 mcm\|d) to 0.1 GWh/d. (0.00923 mcm\|d). The minimum Gemini capacity amount is 0.1 GWh/d and only states Exchange rate to 4 decimal places.

8. Next Steps

RH confirmed as follows:

Exit - National Grid are to list the problems and their proprieties, and hold bilateral talks in the meantime. Slide 6 to be reviewed.

Substitution – National Grid will implement the change and complete the zonal analysis. National Grid will likely raise the modification for 2am Exit and will continue to examine the 3am opportunity.

9. Diary Planning

Post Meeting Update

The following dates were proposed and await further confirmation.

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

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 – 13:00 10 February 2021	5pm – 03 February 2021	Teleconference	Standard items
10:00 – 13:00 10 March 2021	5pm – 03 March 2021	Teleconference	Standard items
10:00 – 13:00 14 April 2021	5pm – 07 April 2021	Teleconference	Standard items

Action Table (as at 13 January 2021)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
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1201	08/12/20	3.0	<i>Substitution progress</i> - National Grid (ASt) to provide view on the approach to be taken when zonal capacity arrangements are to be considered.	<i>National Grid (ASt)</i>	Closed
1202	08/12/20	3.0	<i>Substitution progress</i> - National Grid (ASt) to produce definition of a zone in relation to Network Capability.	<i>National Grid (ASt)</i>	Closed
1203	08/12/20	3.0	<i>Substitution progress</i> - National Grid (ASt) to provide workgroup with the proposed wording in relation to prioritising substitution from disconnected sites within the methodology statement.	<i>National Grid (ASt)</i>	Closed
1204	08/12/20	4.0	<i>Daily Firm Products Development</i> - National Grid (ASt) to provide commentary from Xoserve about the potential compression of the maintenance window and other practices for improved allocations.	<i>National Grid (ASt)</i>	Carried Forward
0101	13/01/21	2.0	National Grid (JR) to develop the Project Management table further and provide Workgroup with an update in February 2021	<i>National Grid (JR)</i>	Pending
0102	13/01/21	2.0	<i>Problems and Possible Solutions for Development</i> : All Workgroup to consider and bring back to next meeting.	<i>All Workgroup</i>	Pending