

UNC Workgroup 0749R Minutes

Increased DM SOQ Flexibility

Monday 22 February 2021

via Microsoft Teams

Attendees

Alan Raper (Chair)	(AR)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Anusha Patel	(AP)	Corona Energy
Alex Punter	(APu)	Sembcorp Energy
Alex Mann	(AM)	Gazprom Energy
Amy Rawding	(ARa)	Northern Gas Networks
Bridgette Ditchburn	(BD)	Sembcorp Energy
David Addison	(DA)	Xoserve
David Mitchell	(DM)	SGN
Ellie Rogers	(ER)	Xoserve
Gareth Evans	(GE)	Waters Wye Associates
Jenifer Randall	(JR)	National Grid NTS
Kate Lancaster	(KL)	Xoserve
Najaah Jamalkan	(NJ)	Corona Energy
Richard Pomroy	(RP)	Wales & West Utilities
Rosannah East	(RE)	National Grid NTS
Rosie Cox	(RC)	Cadent
Ross Easton	(RE)	Total Gas & Power Ltd
Shiv Singh	(SS)	Cadent
Tim Davis	(TD)	Barrow Shipping Company

Copies of all papers are available at: www.gasgovernance.co.uk/0749/220221

The Workgroup Report is due to be presented at the UNC Modification Panel by 15 July 2021.

1.0 Outline of Modification

Alan Raper (AR) welcomed all attendees to the meeting and explained that this topic was first discussed at the November Distribution Workgroup as a pre-modification. When the Request was raised and presented to the January 2021 UNC Panel it was suggested that Workgroup consider creating a schedule for the reporting; consider Consumer impacts; IGT Cross Code impacts and report back to UNC Panel in July 2021.

Tim Davies (TD) was asked to introduce the Request and explained its purpose which is for Workgroup to explore options for allowing DM SOQs to be adjusted more flexibly, better reflecting costs and avoiding inefficient investment.

TD went on to use the example of CNG Fuels which operate a number of public access filling stations that fuel trucks, but can also be used to fill specific trailers which can then be utilised as mobile filling stations, (these are used to provide reassurance to customers that gas can be brought from elsewhere in order to maintain supply as well as providing temporary facilities during initial commissioning).

TD advised that lorries that carry gas canisters full of compressed gas, which is used to supply off-grid Networks, may require filling at relatively unpredictable times, giving rise to a similar effect to the fleet refuelling issue from a network SOQ management perspective.

TD said that the concern is that this is not a traditional model, if it is a peak day, this could lead to a high SOQ which would then apply for an extended period. The implication of setting SOQs is that they will not use their trailers on a cold icy snowy day; peaks flow would not happen during inclement winter conditions. In fact, during these types of cold conditions, demand is usually halved. Therefore, because the SOQ is derived from demand at peak times, this would then lead the combined system peak SOQs being overstated, which in turn could give inappropriate investment signals.

It was suggested that in addition to looking at how DM SOQs could be adjusted more flexibly, the Workgroup should also consider Demand Estimation and problems regarding UIG in terms of larger sites not providing accurate data and consider if the Daily Metered threshold is set appropriately.

Dave Addison (DA) sought clarification that the off-peak assessment regarding the lorries not going out if conditions are icy, this would change going forward if they undertake a greater investment in their fleet? TD advised this would not be the case as they tend not to take their lorries out if they can avoid it.

In response to these early discussions, AR suggested the Workgroup should consider:

- Whether or not the Daily Metered (DM) regime is fit for purpose;
- Shippers - gas balancing, allocations and UIG;
- Networks - what they need in terms of SOQ, (& SHQ), information.

Amy Rawding (ARa) advised the concern with seasonal or off-peak loads is to take a large spectrum of sites in terms of forecast demands and that sites that are demand driven make it difficult to model and plan.

Shiv Singh (SS) informed Workgroup that there currently is a concept of a seasonal load, this is where allocations are more restricted to certain months of the year and suggested this could be a demand range rather than a date range.

It was clarified that the Interruptible regulations do not work for these sites as they could need to be able to offtake at all times, as and when demanded without risk of interruption. It was noted that the capacity requirements of these sites are already factored into network planning.

Dave Mitchell (DM) asked if contact had been made with National Grid NTS as they would need to allow the Networks to take gas out of the NTS.

TM confirmed that this has happened, but the site was not daily metered.

GE commented that, as demand is dropping across all sectors, this type of demand is likely to go up.

ARa suggested considering along the lines of a more generic problem when peak loads that turn up when unexpected which DNs are unable to set a profile against and unable to plan for that load.

TD clarified that there needs to be a better understanding of what information Networks need and what drives their operational costs and asked if there could be some kind of operational agreement that could be introduced to mitigate these types of sites.

GE said there are a lot of options, to greater or lesser extent, using existing processes and models and suggested it might be worth writing a set of principles.

Richard Pomroy (RP) agreed there is a need to find a solution for efficient use of the Network.

SS added, in terms of the NTS Exit Regime, since 2012, Users have ability to accrue daily capacity from National Grid, this might be a more radical solution that could help with the ability to utilise within day or day-ahead capacity.

TD agreed this is a good option to think about although there is often very little notice prior to it being needed.

RP advised that anything like that is a change to the Interruption regime, introducing some form of Network Interruption; at the moment if there is a need to invoke interruption, DNs have to offer it to Shippers who are already connected to the Network.

RP clarified that WWU look in terms of the nature of the load in terms of operation on the system and that 40 flexible generators have been connected in the last 4 years, and added these are not predictable either. He agrees there is a need for something that enables connections to be managed in a sensible way.

AR summarised the discussions and advised future Workgroup considerations will be to look at commercial and operational aspects, some ideas in terms of improved operational flows; seasonal use of the system; interruption arrangements or a new product that could be developed for loads that do not tend to take capacity at peak.

GE advised that because these sites are filling stations, any form of Network constraint, would not want to have lorries piling up due to the gas has been interrupted because its being used elsewhere. TD said that trucks can turn up at any time and it would be a major problem if they were told the supply is to be interrupted although this can be mitigated using back-up trailers that can locate to anywhere.

RP clarified if there is an operational problem on the Network, if it has a high SOQ, and happens to be 1 in 20 and firm capacity, then the Network has to provide it.

TD advised that CNG Fuels are demand driven with the biggest demand being trailer filling alongside normal use. One scenario of note is when a trailer is filled and moved to another filling station where offtake is low. Here, the net effect is zero as they are taking gas out of the network, moving it, and substituting offtake at the destination site.

SS commented that one of the products that there is access to is a Capacity Flow Swap, where capacity is taken from one offtake and given to another offtake and asked if this something that would satisfy the scenario in question, where one site is restricted and is required elsewhere.

RP suggested that might not work in terms of moving capacity between networks.

In response SS suggested the User would approach the Network, (if out of area) and request a potential flow swap and then Network Analysis would consider the request and advise the User accordingly.

TD noted that at the moment, as the sites are NDM, there is no requirement to inform the Network.

ARa explained that the DN Networks have an obligation to support maximum peak flow, which would be assessed at application of a new site. The DN would need to know what the capacity values is in order to ascertain that the Network could support the total volume at peak.

RP commented that the User needs to pay for peak capacity, if preferential terms are offered to a category of site, the Network would have to be able to demonstrate any differentiation was not unduly discriminatory.

It was mentioned that Biomethane sites have been in the discrimination arena previously and GE agreed that there would be a requirement for something that says can have due discrimination.

AR asked if promoting a more efficient operation of the Network would suffice.

When asked, TD confirmed he has not discussed this with Ofgem or BEIS or anyone else.

AR summarised by saying that Workgroup need to be mindful of meeting the requirements of the Network, customers, the load and if there is any reduction in costs to specific customers, these would be picked up by all Shippers and this cost offsetting would flow through to the rest of the market.

Workgroup agreed that flow swapping between sites on the same Network could be put in place, but that does not address the entirety of the issue.

AR said that the flow swap scenario and the unpredictable load scenario are two types of rules that could need to be set to look at the different issues.

However, TD advocated one set of rules, but their implementation needed to be carefully considered.

Progressing with the flow swap scenario, in terms of the demand, the capacity must be available at the donor site which must be planned into the original Network analysis and setup with the view, for example, if the User uses a volume of 10 in an hour, they could use a volume of 240 in a day.

It was mentioned that the concept of substitution could be good, this is not something that exists in Code at the moment. AR noted that there used to be arrangements in Code (Partner Supply Points), where they operated in tandem for interruption purposes, to offset each other's requirement to interrupt and offset demand.

TD wondered if, for sites with certain characteristics, charging and pricing for booked SOQ would be as normal but going above booked, could be looked at.

Bringing Workgroup discussions to a close, TD concluded that he is hopeful this can be resolved and that the challenge is being clear on what it is exactly that is required.

SS advised that there have been recent discussions regarding Shippers being able to access Gemini directly and booking capacity on the day. JR clarified this is being looked at as part of *Request 0705R – NTS Capacity Access Review*, where the facility of buying capacity directly from NTS in order to give more flexibility is being looked at, although this is in very early analysis stage.

It was commented that there is recognition that gas demand is moving to a less standard world where flexibility is a critical factor. More to the point where generators only turn on 20 times a year and that in 5-10 years, with gas generation moving from base-load to it filling supply gaps when other generation is not working.

New Action 0201: AR and TD to discuss and plan how to move workgroup discussions forward.

2.0 Initial Discussion

2.1. Issues and Questions from Panel

2.1.1. Consider Consumer Impacts.

This will be considered as part of Workgroup discussions.

2.1.2. Workgroup to provide an interim report assessing the reporting schedule.

This will be considered as part of Workgroup discussions.

2.1.3. Consider UNC IGT cross code impacts.

This will be considered as part of Workgroup discussions.

2.2. Initial Representations

None received.

2.3. Terms of Reference

As matters have been referred from Panel a specific Terms of Reference will be published alongside the Modification at www.gasgovernance.co.uk/0749/

3.0 Next Steps

AR confirmed the following topics that may be considered going forward to review the characteristic and obligations associated with DM supply Points and determine if, under certain circumstances these could be amended, including but not limited to:

- Examining the scope for an off-peak framework
- Capacity swapping arrangements between sites
- Operational flexibility via NExAs
- DM arrangements as they stand with particular reference to the 58.6m kWh threshold.
- Charging implications
- Balancing & UIG Implications
- Ensuring any proposals are not unduly discriminatory.

4.0 Any Other Business

None.

5.0 Diary Planning

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

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Programme
10:00 Monday 29 March 2021	5pm 18 March 2021	Microsoft Teams	Detail planned agenda items. <ul style="list-style-type: none"> • Review of Impacts and Costs • Consideration of Wider Industry Impacts • Development of Workgroup Report

Action Table (as at 22 February 2021)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0201	22/02/21	1.0	AR and TD to discuss and plan how to move workgroup discussions forward.	Joint Office (AR) Proposer (TD)	Pending