

## UNC Offtake Arrangements Workgroup Minutes

### Wednesday 25 May 2022

### via Microsoft Teams

#### Attendees

Eric Fowler (Chair)	(EF)	Joint Office
Mike Berrisford (Secretary)	(MiB)	Joint Office
Alan Raper	(AR)	Joint Office
Ben Hanley	(BH)	Northern Gas Networks
Ben Oldham	(BO)	Cadent
Christopher Syrett (part mtng)	(CS)	E.ON
Darren Dunkley	(DD)	Cadent
David Mitchell	(DM)	Scotia Gas Networks
Fiona Cottam (part mtng)	(FC)	Correla
Luke Warner	(LW)	Northern Gas Networks
Mark Field	(MF)	Sembcorp
Paul Daniel (part mtng)	(PD)	i-Vigilant
Richard Pomroy	(RP)	Wales & West Utilities
Shiv Singh	(SS)	Cadent
Simon Howard	(SH)	Cadent
Stephen Ruane	(SR)	National Grid
Zoe Thorpe	(ZT)	National Grid

Copies of non-confidential papers are available at: <https://www.gasgovernance.co.uk/OA/250522>

#### 1. Introduction and Status Review

Eric Fowler (EF) welcomed all parties to the meeting and provided an overview of the remit for the meeting, during which he noted that Guv Dosanjh had sent in an apology and that Shiv Singh (SS) / Ben Oldham (BO) would now be providing the update for agenda item 2 on his behalf.

##### 1.1 Approval of Minutes (23 March 2022)

When EF pointed out a typographical error in the update for action 0706 where 'Energy Balancing Energy Committee' should read as 'Energy Balancing Credit Committee', Christopher Syrett (CS) also pointed out that he was under the impression that he had not committed to providing further analysis on the potential impact of gas price fluctuations for Measurement Errors as inferred within new action 0302. Noting this EF suggested, and CS agreed, that the action should be amended to read as '*.....to provide further analysis, if possible, on the potential impact of gas price fluctuations for Measurement Errors*'. Thereafter, the minutes from the previous meeting were approved.<sup>1</sup>

##### 1.2 Approval of Later Papers

Whilst there were no specific late papers to consider, EF pointed out that he had received several items of email correspondence in relation to the outstanding action updates which would be covered under consideration of item 1.3 below. The content would be published alongside the minutes of the meeting.

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<sup>1</sup> An updated copy of the 23 March 2022 OAW meeting minutes (version 2.0, dated 25 May 2022) were published after the meeting on the Joint Office web site at: <https://www.gasgovernance.co.uk/OA/230322>

### 1.3 Review of Outstanding Actions

**Action 0706:** Transporter Metering Forum to share knowledge of the SE007 – Isle of Grain Measurement Error to ensure awareness and consider mitigating actions.

**Update:** When EF made reference to the discussions undertaken at the 23 March 2002 OAW meeting, Zoe Thorpe (ZT) advised that the matter had been raised at the recent Energy Balancing Credit Committee (EBCC) meeting during which there were no adverse comments forthcoming from those in attendance.

ZT then confirmed that the reconciliation for the Isle of Grain Measurement Error (circa £1.8m through balancing neutrality) had now been invoiced via the March Energy Balancing Invoice process route and is therefore no longer sitting in the neutrality pot.

When EF enquired as to whether this satisfies the action requirements, parties in attendance debated whether there are any (additional) Code implications (OAD changes etc.) that the Distribution Network (DN) representatives would need to consider, especially as National Grid Shrinkage was not a counter party as far as the Isle of Grain Measurement Error was concerned. Responding, David Mitchell requested a summary of the actions that National Grid had taken in respect of this matter in order that he could take an informed view.

When ZT explained why National Grid remains of the view that this is really a Code matter, Richard Pomroy (RP) suggested that some of the issues encountered potential related to who owned the gas when competition started.

When ZT then provided a brief example of how Biomethane sites interact with the network (inc. boil off aspects), RP pointed out that Wales & West Utilities had experienced something similar with their Avonmouth issue, which resulted in a negative gas situation which was highly unusual.

When ZT then explained how having exceeded the 18 month Code rule (Ref: TPD Section S1.8 provisions), the Isle of Grain Measurement Error found its way into the Neutrality arena, Alan Raper (AR) suggested that in essence the Workgroup has the answer to the action requirements insofar as in instances where 18 months elapses after the Invoice Due Date occur, neutrality mechanism should be employed and any actions undertaken within the 18 month 'window' satisfy 'normal' invoicing protocols. At this point in the discussion ZT highlighted that consideration is still needed around how we (the industry) would correct the UIG associated with sites that fall into the greater than 18 month category to which parties in attendance pointed out that this would also depend upon what the definition for 'notification' actually means and who found the error in the first place.

In considering whether the Workgroup is proposing to override current Code provisions, ZT suggested that all that is needed is additional clarification around the processes and timelines involved and furthermore she would be more than happy to support offline discussions between National Grid (ZT), the Joint Office (AR), the DN's (BH, DM, RP, SS) and Correla (FC and Brendan Gill) in order to move the matter forward – it is proposed that this could take the form of an ad-hoc sub-Workgroup meeting to be arranged in due course by AR inline with his outstanding action 0907 deliberations.

In concluding, EF suggested and parties in attendance agreed that action 0706 should now be closed and any further development / consideration undertaken as part of the ongoing discussions under action 0907. **Closed**

**Action 0708:** Transporters and National Grid to consider how to ensure all Offtake Measurement Errors are captured and covered by a documented adjustment process.

**Update:** Noting the discussion under action 0706 above, parties in attendance agreed that the action could now be closed. **Closed**

**Action 0904:** Offtake Arrangements Workgroup to review the Offtake guidelines to ensure they are fit for purpose.

**Update:** When AR referenced the discussions under action 0706 and suggested that a new item to cover an Offtake Guidelines Review should be added to future OAW agenda, ZT noted that there could be some potential ITE overlap aspects to consider. Thereafter, parties in attendance agreed that the action could now be closed. **Closed**

**Action 0907:** Joint Office (AR) to clarify the accounting arrangements for monies paid by Shippers to National Grid as a result of a Measurement Error and add this information to the Measurement Error Guidelines for the future.

**Update:** In referring to the proposed sub-Workgroup approach and pending discussions, parties in attendance agreed to carry forward the action. **Carried Forward**

**Action 0101:** E.ON (CS/KD) to discuss the rationale for two ITE's and to reconcile two the separate reports.

**Update:** Please refer to the discussions under agenda item 4 below for more details. At the end of said discussions, when asked, parties in attendance agreed that the action could now be closed as once again this links into the forthcoming sub-Workgroup discussions under action 0907. **Closed**

**Action 0301:** All to review the Measurement Error Notification Guidelines and identify areas of the document to the Joint Office which need to be reviewed. This is to prompt discussions and allow for an itemised May agenda.

**Update:** In noting that there does not appear to be any additional items required over and above the current agenda item 4 ones, EF suggested, and parties in attendance agreed the action could now be closed. **Closed**

**Action 0302:** E.ON Energy (CS) to provide further analysis, if possible, on the potential impact of gas price fluctuations for Measurement Errors.

**Update:** In referring to agenda items 4.1 and 4.2, CS advised that he had reviewed circa 70 historic Measurement Errors focusing on the monthly median (in order to smooth out the effects of the higher outliers) to establish an approximate volume by month figure (plotted min / max volumes per month back to 2012) – it should be noted that the latest (more recent) values only serve to widen the perceived gaps. Summarising the findings, CS advised that he had observed a range of data from very high to very low values with little in between. However, parties are asked to note that several apparently low MER's ended up costing more than medium sized ones, as they involved significant financial aspects when investigated in more detail.

CS went on to advise that he is now considering adoption of a 'machine learning' based approach for which analysis is still ongoing with the expectation that an update would be provided at the next Workgroup meeting.

Parties in attendance agreed to carry forward the action. **Carried Forward**

**Action 0303:** Fiona Cottam (FC) to provide known threshold references within the UNC.

**Update:** Whilst EF noted that this would be discussed further under agenda item 4.3 below, FC proceeded to provide a brief overview of her action summary document provided ahead of the meeting. Parties in attendance agreed the action could now be closed. **Closed**

**Action 0304:** National Grid (MN) to confirm if any live errors should be closed.

**Update:** In providing an onscreen review of Matthew Newman's email to the Joint Office in response to this action, EF outlined the content whilst FC thanked both EF and Helen Cuin for the supporting information.

When ZT then provided a quick status update on MER's WM020 and 023 and NO014 advising that these would be provided to Correla by the end of the week, parties in attendance agreed the action could now be closed. **Closed**

#### 1.4 User Representative Appointment Process

EF provided an overview of the 'Joint Office User Representatives Appointment Process 2022/23' presentation during which he highlighted the key dates, as follows:

##### **Timeline for 2022/23**

##### **09 May – 27 May**

- Single Point of Contact (SPoC) will be reminded to update their contacts and a formal invite will be issued to our UNC mailing list to encourage new SPoC registrations.

##### **06 June – 24 June**

- SPoCs are invited to nominate Modification Panel/UNCC and Sub-Committee representatives. The nomination process will last no longer than 3 weeks.

##### **11 July – 29 July**

- If an election is required, the details of candidates and ballot papers are issued to SPoCs. Elections will last no longer than 3 weeks.

##### **By 01 September**

- Joint Office will issue notification of the elected candidates via its UNC distribution list.

##### **From 01 October**

- Elected members will take up positions on the UNC Modification Panel and Sub-Committees.

EF reminded parties in attendance that as the UNC Modification Panel appointments are for a 2-year period, nominations would not be invited for this year.<sup>2</sup>

#### 2. Significant Measurement Error Update EM009 – Alrewas EM MTD

Introducing this item, Ben Oldham (BO) introduced the 2<sup>nd</sup> ITE Paul Daniel (PD) from i-Vigilant to provide a brief resume on the progress of the 2<sup>nd</sup> ITE Report findings.

Following the presentation, several key points were discussed and are recorded (by exception) as follows:

- Site tests were conducted between 16 and 20 May 2022;
  - During the 4 days of testing, errors will have been caused on 2 days (while the plates were reversed for the test);
  - The correction of the 2 day's worth of errors associated with the test will be considered in due course;
  - Circa 160k m<sup>3</sup> of gas flowed during the test period;
- Cadent (BO) confirmed that they have contacted the 1<sup>st</sup> ITE and will liaise with the 2<sup>nd</sup> ITE to identify a suitable date (possibly over the next two to three week period) for a meeting to consider and compare both ITE Report findings;
  - It was noted that publication of both the independent ITE Reports (1 and 2) should where possible also coincide with the combined (consolidated) ITE Report;

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<sup>2</sup> For Information - the current registered SPoCs and related documents are published at:  
<https://www.gasgovernance.co.uk/elections>

- Without fettering discretion, it was advised that there are potential differences in the findings between the 1<sup>st</sup> and 2<sup>nd</sup> ITE's Reports;
- It was recognised that minimising the 'lag' between publication of the 1<sup>st</sup> and 2<sup>nd</sup> ITE's Reports and the combined (consolidated) ITE Report would be beneficial;
- Based on progress to date, it is now anticipated that the associated billing for this Measurement Error will not take place during June 2022, as there could be a potential 6 to 8 week process delay post publication of the combined (consolidated) ITE Report;
  - The combined (consolidated) ITE Report would then be presented to Transporters for review, which means that even a July 2022 billing provision is under threat;
  - Reconciliation preparation ahead of National Grid NTS approval remains a crucial unknown element at this time;

Concluding the discussions, parties thanked PD for taking the time to prepare and present the presentation.

### **3. Establishing Enduring Arrangements for Entry Errors (lessons learnt from the Isle of Grain meter error)**

When EF noted that this item would now be covered within future discussions to be undertaken within the proposed sub-Workgroup meeting, as outlined under actions 0706 and 0907 above, DM confirmed that he was comfortable with the proposed approach.

### **4. Measurement Error Notification Guidelines Review**

Opening consideration of this item, EF explained that following discussions at the March Workgroup meeting the Joint Office had subsequently received an email from E.ON (Kirsty Dudley and Christopher Syrett (who had now left the meeting)) that outlines several discussion points that seek to bridge the perceived governance gaps – it was noted that the email content does not necessarily directly align to the sequence of following agenda items.

#### **4.1 Significant Measurement Error 50GWh Threshold**

It was noted that this links into the (medium measurement error) monetary impacts noted by CS during discussion on action 0302 above.

EF moved on to provide a brief onscreen review of the Action 0303 update provided by Fiona Cottam (FC) ahead of the meeting during which parties in attendance debated the potential value of changing the threshold trigger by which the procurement of 2 ITEs would commence.

In noting that there has been reduction in the number of Measurement Errors being raised in recent years, the DN representatives in attendance indicated that they are unable (at this time) to support a recommendation to change the threshold value(s).

Aware of the potential monetary elements and volumetric aspects (i.e. unit cost – total volume), DN representatives proposed that this is a matter better considered within the Performance Assurance Committee (PAC) arena.

In acknowledging that perhaps Shippers would / could potentially take a slightly different view on these matters, Richard Pomroy (RP) suggested that the only reason for arguing to reduce the threshold trigger value would relate to the monetary aspects involved. When Ben Hanley (BH) indicated that as he believed the 50GWh value was simply a 'line in the sand' that was originally a throughput-based trigger, he would find it difficult to support a proposed change in either an upward or downward direction.

When EF summarised the discussions as being a consensus towards favouring leaving the threshold values 'as-are' and engaging with the PAC for them to consider the matter in more detail and report back in due course, Mark Field (MF) felt that from a small Shipper's point of view, he would greatly appreciate the provision of some supporting analysis from the PAC (inc. consideration of retaining market stability where gas prices are fluctuating (up or down)) in order to assist him to take an informed view.

When AR reasoned that the 50GWh threshold equated to a monetary value of circa £1m and that if this is deemed to be a qualifying LDZ reconciliation threshold, he would expect Shippers would prefer to reduce the threshold value (relating to qualified / non-qualified reconciliation aspects within Code), EF acknowledged the point, but suggested that the E.ON focus would seem to be more on the 2 ITE provision aspects. AR then went on to point out that the Workgroup (and PAC) would need to better understand any potential impacts associated with moving the threshold up or down, especially baring in mind the potential financial scale associated with doing so.

When EF suggested that the matter would really boil down to whether any party feels sufficiently aggrieved that they would raise a UNC Modification to change the 50GWh threshold, ZT provided some enlightening background information relating to the equivalent SAP prices for 50GWh threshold, as follows:

- For 2019, 50GWh equated to circa £500k, and
- For 2021 highest price period, 50GWh equates to circa £7m.

When ZT went on to note that any time lag would / could potentially have a direct impact upon Shippers which then begs the question as to whether we should have a monetary or energy based value, AR responded by suggesting that it boils down to the Shippers considering whether a level of materiality change warrants changing the 50GWh threshold.

When asked, AR confirmed that reducing the current 50GWh value down to a 25GWh value would not necessarily result in an increase of reconciliations, as it would only effect how we would reconcile (i.e. monthly and custom pot approaches akin to the old RbD era), which however, might have a potential ITE appointment trigger impact.

In summarising the discussion, EF suggested that in the context of this Workgroup, there is none, or little appetite to change the 50GWh threshold value either up or down, even though the Workgroup does acknowledge the potential monetary aspects (and scales) involved.

**New Action 0501:** *Reference 50GWh Threshold Change* – Joint Office (EF) to write to PAC to update them on the Workgroup views and request that PAC also considers the matter and reports back on its findings.

#### 4.2 Requirement for Two Independent Technical Experts (ITEs) 50GWh Threshold

Please refer to the discussion under item 4.1 above for more details.

#### 4.3 UNC References to 50GWh (TPDE)

Please refer to the discussion under item 4.1 above for more details.

#### 4.4 End-to-End Communication Process / Timeline

When asked, DM advised that he would like to consider the points put forward by E.ON with his colleagues back at Scotia Gas Networks, although in his initial opinion, should the DNs agree, he sees no obvious reason why the guidelines could not be updated accordingly, especially aspects associated with the process timeline aspects.

When asked, the other DN representatives in attendance supported DM's suggested approach and stance on the matter.

**New Action 0502:** *Reference End-to-End Communication Process / Timeline* – DNs to consider E.ON proposals and provide a view at the July meeting.

Moving on, ZT observed that the timings associated with procuring a 2<sup>nd</sup> ITE are heavily dependent upon when the 1<sup>st</sup> ITE assessment becomes available, and that until that moment occurs, it is very difficult for the DNs to know whether a 2<sup>nd</sup> ITE is required. Noting this point, EF suggested that had it been immediately apparent, a different approach might have been adopted for the Alrewas Measurement Error. Supporting this notion, AR added that it is probably a question of assessing any ME's that are approaching the threshold and assessing when is the best time to trigger – in short, any clear and obvious potential threshold crossers should invoke the procurement of the 2<sup>nd</sup> ITE immediately, whilst for the less obvious potential threshold crossers, it would be helpful to request a high-level initial preliminary view from the 1<sup>st</sup> ITE. This preliminary assessment was agreed as a potential requirement for the appointment of an ITE.

#### 4.5 Other Identified Areas for Review

When asked, BH suggested that perhaps inclusion of DN Entry Points into the guidelines would prove helpful (inc. Biomethane aspects etc.).

When EF wondered whether this would also tie in with the proposed sub-Workgroup meeting considerations (Isle of Grain) proposed under action 0907, AR confirmed it would / could fit in nicely.

#### 5. Any Other Business

None raised.

#### 6. Diary Planning

The Workgroup agreed to defer the June meeting and meet again in July when the consolidated ITE report should be available for review.

Further details of planned meetings are available at: [www.gasgovernance.co.uk/events-calendar/month](http://www.gasgovernance.co.uk/events-calendar/month)

Time/Date	Paper Publication Deadline	Venue	Programme
10:00, Wednesday 22 June 2022	Cancelled		
10:00, Wednesday 27 July 2022	17:00 Monday 18 July 2022	Teleconference	Standard Agenda
10:00, Wednesday 24 August 2022	17:00 Monday 15 August 2022	Teleconference	Standard Agenda

**Action Table (as of 25 May 2022)**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Target Date	Status Update
0706	08/07/21	3.0	Transporter Metering Forum to share knowledge of the SE007 – Isle of Grain Measurement Error to ensure awareness and consider mitigating actions.	All Transporters	May 2022	Update provided. <b>Closed</b>
0708	08/07/21	3.0	Transporters and National Grid to consider how to ensure all Offtake Measurement Errors are captured and	All Transporters	May 2022	Update provided. <b>Closed</b>

Action Table (as of 25 May 2022)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Target Date	Status Update
			covered by a documented adjustment process.			
0904	01/09/21	1.3	Offtake Arrangements Workgroup to review the Offtake guidelines to ensure they are fit for purpose.	All Transporters	May 2022	Update provided. <b>Closed</b>
0907	29/09/21	1.3	Joint Office (AR) to clarify the accounting arrangements for monies paid by Shippers to National Grid as a result of a Measurement Error and add this information to the Measurement Error Guidelines for the future	Joint Office (AR)	July 2022	<b>Carried Forward</b>
0101	07/01/22	1.0	E.ON (CS/KD) to discuss the rationale for two ITE's and to reconcile two the separate reports.	E.ON (CS/KD)	May 2022	Update provided. <b>Closed</b>
0301	23/03/22	3.0	All to review the Measurement Error Notification Guidelines and identify areas of the document to the Joint Office which need to be reviewed. This is to prompt discussions and allow for an itemised May agenda.	All	May 2022	Update provided. <b>Closed</b>
0302	23/03/22	3.0	E.ON Energy (CS) to provide further analysis, <u>if possible</u> , on the potential impact of gas price fluctuations for Measurement Errors.	E.ON Energy (CS)	July 2022	<b>Carried Forward</b>
0303	23/03/22	3.0	Fiona Cottam (FC) to provide known threshold references within the UNC.	Correla (FC)	May 2022	Update provided. <b>Closed</b>
0304	23/03/22	3.0	National Grid (MN) to confirm if any live errors should be closed.	National Grid (MN)	May 2022	Update provided. <b>Closed</b>
0501	25/05/22	4.1	<i>Reference 50GWh Threshold Change</i> – Joint Office (EF) to write to PAC to update them on the Workgroup views and request that PAC also considers the matter and reports back on its findings.	Joint Office (EF)	July 2022	<b>Pending</b>
0502	25/05/22	4.4	<i>Reference End-to-End Communication Process / Timeline</i> – DNs to consider E.ON proposals and provide a view at the July meeting.	DN's	July 2022	<b>Pending</b>