

UNC Transmission Workgroup Minutes
Thursday 01 December 2022
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Neild	(AN)	Storengy
Anna Shrigley	(ASh)	ENI
Anna Stankiewicz	(ASt)	National Grid
Bethan Winter	(BW)	WWU
Carlos Aquirre	(CA)	Pavilion
Chris Wright	(CWr)	ExxonMobil Gas Marketing Europe Limited
Christiane Sykes	(CS)	Shell
Claire Proctor	(CP)	Petronas
Ellie Rogers	(ER)	Xoserve
Emma Waites	(EW)	BEIS
Jeff Chandler	(JCh)	SSE
Joseph Leggett	(JL)	Interconnector Ltd
Harry Brazier	(HB)	Ofgem
Hursley Moss	(HM)	Cornwall Insight
Isobel Capp	(IC)	BEIS
Kathryn Adeseye	(KA)	Xoserve
Kirsty Appleby	(KA)	National Grid
Lauren Jauss	(LJ)	RWE
Marion Joste	(MJ)	ENI
Mark Rixon	(MR)	Waters Wye Associates
Martin Cahill	(MC)	National Grid
Matthew Newman	(MN)	National Grid
Nicholas Webb	(NW)	Petronas
Phil Hobbins	(PH)	National Grid
Phil Lucas	(PL)	National Grid
Richard Fairholme	(RF)	Uniper
Shiv Singh	(SS)	Cadent
Steve Mulinganie	(SM)	SEFE Energy Ltd
<p><i>This Workgroup meeting will be considered quorate provided at least two Transporter and two Shipper User representatives are present.</i></p> <p><i>Please note these minutes do not replicate detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of papers are available at: https://www.gasgovernance.co.uk/TX/011222</i></p>		

1. Introduction and Status Review

Eric Fowler (EF) welcomed all parties to the meeting.

1.1. Approval of minutes (03 November 2022)

The minutes from the previous meeting was approved.

1.2. Approval of Late Papers

It was noted that there were two (2) late papers relating to agenda item 2 to consider. Attendees agreed to consider these documents.

1.3. Review of Outstanding Actions

Action 1101: Reference Overrun Reporting – UNC TPDJ Obligations – National Grid (ASt) to look to clarify what happens when overruns occur, and whether National Grid is relieved of its obligations under such a scenario.

Update: Anna Stankiewicz (ASt) confirmed the process; in an overrun situation where the excess offtake is causing concern of a local supply emergency then National Grid would contact the site(s) and seek a reduction. National Grid would only instigate a remote switch off where it has remotely operable valves in the event of being unable to communicate with the site. In other cases, if the request to reduce flow is ignored a team would be sent to close manual valves. ASt reiterated that this would only be likely in an extreme emergency.

A general discussion took place as to when that would happen and in what circumstances. The Workgroup proposed that more detail was required on this topic and ASt said she would supply further detail at the January meeting. The action was then closed. **Closed.**

New Action 1201: National Grid (ASt) to provide more clarity with regards to emergency procedures and scenarios when overruns occur.

1.4. Industry Update from Ofgem

Harry Brazier (HB) and EF referred to the estimated decisions dates timetable published at <https://www.ofgem.gov.uk/publications/code-modificationmodification-proposals-ofgem-decision-expected-publication-dates-timetable>, provided an update on the Modifications Awaiting Ofgem Decision.

Modification	Estimated Decision Date
0806 - Change to Curtailment Trade Price Compensation in Section Q	09 December 2022
0809 - Re-distribution of Last Resort Supplier Payments (LRSP) to include IGT sites <i>NB* Accelerated work and hope to make a decision in next few weeks ahead of March 2023.</i>	TBC
0805 - Introduction of Weekly NTS Exit Capacity Auctions	30 January 2023
0761 - Arrangements for Interconnectors with additional Storage capability	28 April 2023
0696V - Addressing inequities between Capacity booking under the UNC and arrangements set out in relevant NExAs	TBC

1.5. Pre-Modification discussions

1.5.1. Introduction of a D-5 Demand Side Response Scheme

Background and overview

Phil Hobbins (PH) provided an overview of the background to the Demand Side Response (DSR) reform proposals for this winter.

PH explained some of the background discussions for the DSR Reforms, had encompassed the large industry Shipper stakeholder views on costs and incentives, lead-time, and alternate Fuels. In relation to the costs, more financial incentives were requested, likewise on the lead-time more notice was requested to participate in the DSR, and it was considered alternative fuels were not possible as, as sites had decommissioned or mothballed their sites and that would be a breach of environmental permits due to switching of fuels.

PH provided an overview of the DSR Reform Proposal for this winter as detailed below:

Overview of DSR Reform Proposals for this Winter

Invitation to Offer	For this Winter and/or the next two Winters Shippers offer option quantities, option price and exercise price Delivers a guaranteed level of response
Option Payment	Designed to be passed onto the relevant consumer Obligation to trade with National Grid when supplies are tight Funded by all other shippers
Extend DSR Window	Extend the trigger from within-day to D-1 Enables more participation

PH noted the proposed timetable of the Key Events, as detailed and he noted that during this process that National Grid were also seeking non-binding D-5 DSR options offer, acceptance subject to later implementation of the Modification 0822 - Reform of Gas Demand Side Response Arrangements.

DSR Options Invitation to Offer

Process		Key Dates	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
D-1 and Within Day DSR Options	Pre-tender communication and timetable issued	04-Nov-22	★						
	D-1 and Within Day options tender published	18-Nov-22	★						
	Tender period			→					
	Tender period closes	09-Dec-22		★					
	Offer evaluation period			→					
	Notify tendering shippers of outcomes*	23-Dec-22		★	→				
	Notify wider industry of aggregate tender outcomes				→				
	D-1 and Within Day DSR options effective					→	→	→	→

* Plus potentially a 10 day reference to Ofgem for >£5m options fees.

Introduction of a D-5 Demand Side Response Scheme

For full details please refer to the published presentation.

Modification 0833 (Urgent) - Enabling Demand Side Response (DSR) Market Offers to be made by Non-Trading System Transactions

- *Enable National Grid NTS to effect Gas Demand Side Response (DSR) trades with Users that do not have access to the On-the-Day Commodity Market (OCM); and*
- *Correct two drafting oversights from UNC0822 – Reform of Gas Demand Side Arrangements <https://www.gasgovernance.co.uk/0822>*

Outline of the Proposal – A Balancing Service

Extension of D-1 and within day DSR options to include a D-5 product

- Shippers commit to offer DSR on behalf of large consumers when trigger is met
- Option for National Grid to exercise 5 days in advance
- Options exercised up to a forecast shortfall in supply vs forecast demand
- Mirror Modification 0822 – Reform of Gas Demand Side Response Arrangements. rules as far as possible.

PH noted that this Pre-Modification had been instigated to encourage participation in the offer, following discussions with larger industrial and commercial Shippers. PH explained that some organisations have more than 1 Shipper entity and once a DSR is accepted then that Shipper commits and would be unable to make a DSR offer. PH also noted the complexities between the Retail Shipper and Trader User and the interaction of the OCM.

PH stated the reason for the urgency status on this Modification was to enable it to be in place before the tender process ends on 08 December 2022, and the Modification was going to be expanded to include the Margins Notice and the amendment to the pence per kWh per day.

Harry Brazier (HB) confirmed that the urgency status and derogation had been granted during the meeting, to enable a reduced timeline for the consultation period, with the consultation of Modification 0833 closing at 5pm on Friday 02 December 2022. HB added that the extraordinary UNC Panel would be held on Wednesday 07 December 2022.

HB verbalised the Ofgem stance on this matter, as detailed below:

“Ofgem wants to support and encourage industry participation in DSR Schemes.

We consider it important to have a functional DSR tool to prevent or lessen the impact of a GDE.

Therefore, we consider it appropriate for NNG to consider strengthening the existing DSR tool, where possible. For example, customers have said that they require longer notice periods to participate in DSR

We expect NGG to use all the tools at its disposal to ensure the safe and efficient operation of the network, working pragmatically to minimise/mitigate the risk of disruption this winter.”

PH provided a summary of the Key Issues as detailed below:

Issue	Initial Proposal
Thresholds for participation	Consumer > 2m therms pa and 100,000 kWh minimum offer
Relationship to D-1 / within day offers	Separate products: Shipper may submit offers for one product per consumer
Shipper Obligations	Post DSR Market Offers for NGG to accept upon trigger / NGG instruction
DSR Market Offer quantity	Lesser of the accepted option and the prevailing nomination
Exercise commitment	Commitment given by NGG at D-5 (unlike D-1 and within day where option not to trigger is retained)
Exercise trigger	Exercisable where margins notice forecast for D-5 indicates expected available supply < forecast demand by > 5 mcmd
Exercise mechanism	Shipper posts an offer at D-5 for D on the OCM or NGG notification of exercise at D-5, shipper posts offer at D-1
Funding Arrangements	As UNC0822: options funded directly from balancing neutrality, exercise costs and price feed into cashout for day D. Ofgem referral for aggregate option costs > £5m
Certainty of requirement	Recognition that a longer lead-time product carries inherently greater uncertainty

Regarding the issue of *Relationship to D-1 / within day – Separate products: Shipper may submit offers for one product per consumer*, Steve Mulinganie (SM) said he would like further clarity on this area as D-5 was speculative for this year and Shippers submit one product for D-1 and so cannot subsequently submit a product for D-5.

PH noted that this was correct and that he was happy to investigate this area further and to take views on if this aspect was a barrier. SM said this would need to be thought about in relation to more than one product this year, he noted that a Shipper was more likely to go with D-1, as there was only one chance available. PH noted that if a party was to submit a covering letter on the offer, so the Shipper explained the circumstances for the acceptance of a D-5 offer, that would clarify the wish to only accept one product. SM said he felt this might be counterproductive in this scenario.

Lauren Jauss (LJ) asked how the DSR arrangements would interact with the Energy Bill Relief Scheme (EBRS) in relation to benefit to the consumer. PH said the benefits arrive at the consumer via the contractual arrangements, and capping of energy costs, which was an additional financial benefit. LJ said that more information was required from BEIS on this matter as to what was in and out of scope. Emma Waites (EW) agreed to investigate this area.

New Action 1202: BEIS (EW) to provide clarity on the interaction of the Energy Bill Relief Scheme (EBRS) and the DSR from a 'what is in scope?' perspective.

Post Meeting Note: EW noted confirmed as below:

- The intent of EBRS is not to intervene in the normal operation of the energy market, so we would consider DSR activity to sit separately to the workings of the EBRS.
- Businesses in receipt of DSR payments would of course not receive the EBRS discount for the volumes of gas they don't use due to DSR, but no further adjustment to EBRS support would need to be made to take account of income received through DSR.

The action is now Closed. Closed

Mark Rixon (MR) asked with respect to *Exercise Trigger- Exercisable where margins notice forecast for D-5 indicates expected available supply < forecast demand by > 5 mcmd*, if National Grid has discretion on the timing of the exercise of options PH responded that the Margins Notice process is visible to the wider market and said it would be what the most appropriate fit was at the at time. MR asked if there would be a message such as an ONS (online notification system) to say that National Grid has taken an action. PH agreed to look at this. Joseph Leggett (JL) asked if the £5million quoted was the total or per product, PH confirmed it was the aggregate cost option prices and if that cost rose over £5mil then Ofgem would need to approve an increase on 'options costs' only. Lauren Jauss asked whether National Grid could indicate what volume of gas might be secured for the £5million. PH responded that it would be for shippers and consumers to value the lost load and set their own prices.

PH overviewed the proposed timeline as detailed below:

Process	Key Dates	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Pre-mod discussion at Transmission Workgroup	01-Dec-22		★					
Meeting with industrial consumers / associations	28-Nov-22		★					
Extra-ordinary Transmission Workgroup	08-Dec-22		★					
Draft UNC Mod, legal text and DSR methodology changes			→					
Implementation capability assessment			→					
Mod & methodology go / no-go decision	12-Dec-22		★					
Raise UNC Mod (urgent) and methodology derogation request	12-Dec-22		★					
Ofgem approve Mod urgency & methodology derogation requests	13-Dec-22		★					
UNC Mod consultation (14 bus days)	starts 14-Dec-22		→					
DSR methodology consultation (14 bus days)	starts 14-Dec-22		→					
Consultations close	06-Jan-23			★				
Extra-ordinary UNC Panel meeting	12-Jan-23			★				
Submit DSR consultation report to Ofgem	12-Jan-23			★				
Ofgem approval of UNC Mod and DSR methodology	20-Jan-23			★				
NGG opens 2 week window for consent to accept D-5 offers	23-Jan-23			→				
D-5 acceptance window closes	06-Feb-23				★			
NGG assessment process starts based on shipper responses (10 bus days)	07-Feb-23				★			
NGG assessment process completion	21-Feb-23				★			
Acceptance / rejection notifications issued for D-5 offers, offers effective	21-Feb-23				★			
Ofgem referral period (10 bus days) starts (depends on value of D-5 options)	21-Feb-23				★			
Ofgem veto / non-veto deadline	07-Mar-23					★		
Longer duration DSR options in force	07-Mar-23						→	

PH stated if there were no offers for D-5 (received by 9th December) then there would be little point in progressing with the urgent Modification and added that if some offers were received then the urgent Modification would progress with the urgency status and reduced timeline.

Jeff Chandler (JCh) said in relation to the shortened 5-day consultation, if the DSR offer were accepted over the counter, what would the reporting trigger be to the industry from a transparency perspective. PH noted there was already a proforma which parties completed and submitted via email. SM said that the 5-day consultation window was not ideal just before Christmas and added that parties did need to express an opinion on the D-5 option and the process should be expedited as soon as possible.

2. Milford Haven Risk

Anna Stankiewicz (ASt) provided an overview of the Milford Haven Risk status as summarised below:

National Grid Gas intends to propose a reduction of capacity released during Summer 2023 at the Milford Haven ASEP via a change to Entry Capacity Release (ECR) Methodology Statement:

- *The proposal will be issued to consultation next week*
- *The consultation (min. 28 days) will be launched via the Joint Office distribution list*
- *Once it closes, the consultation report will be submitted to Ofgem for consideration and decision*
- *Parties who have previously showed interest in the topic (but who might not be subscribing to JO emails) will also be notified*

Reasons for putting the proposal forward is a combination of the following factors:

- *Wider customer / consumer risk and potential costs if frequent constraint management actions need to be taken due to extended periods of time when LNG flows exceed network capability*
- *Uncertain geopolitical situation / export to EU to continue*
- *Information related to Norwegian pipeline maintenance link to Gassco pages https://umm.gassco.no/?col=A_AssetName&dir=ASC*

National Grid Gas (NGG) recognise that there are different industry views regarding consumer risk and feel it is their role to consult so that customers can put forward their views. Feedback received via the consultation process will be shared with Ofgem for consideration in the decision-making process.

Weekly capacity for Milford Haven for Summer 2022:

<https://www.nationalgrid.com/gas-transmission/document/139651/download>

ASt stated this decision had not been taken lightly and that National Grid understood the impacts, however they needed to ensure risk mitigation and ASt noted that discussions were still taking place with Gassco.

Adam Bates (AB) stated he was exceedingly disappointed about this decision and confirmed he had already given feedback to National Grid, Ofgem and BEIS on this matter. He noted that this proposal restricts the gas flow levels for liquefied natural gas (LNG) Cargos and that the utilisation levels are likely to be lower than the restrictions contained within the proposals due to LNG shippers needing certainty around available firm entry capacity. This was evident from the flow levels at Milford Haven in Summer 2022, after the prior restriction. He noted LNG shippers need certainty at the time of contracting the cargo that entry capacity is available and the Monthly entry capacity auctions on a month ahead basis, are too late to give the certainty required. This ultimately discourages cargoes into the UK and Milford Haven and this is detrimental to the GB consumer and in conflict with the engagement SHG has been having with BEIS and Ofgem to encourage LNG imports into GB.

AB felt the analysis and justification from last year's restriction was insufficient and focussed on notional constraint costs rather than the full market impacts. AB stated that he would like a full impact assessment to be undertaken by Ofgem.

Nicholas Webb (NW) concurred with these comments especially in relation to the analysis surrounding the potential costs, as there were no definite costs concerning the cargoes coming into the UK. NW added that clearly no Shipper views had been taken into consideration regarding this matter and he too was very disappointed.

ASt said that the market price impact was difficult to quantify against the LNG. She noted that National Grid taken the prudent view that the risk (of constraints) will still be present next

summer. ASt reiterated that National Grid do not take this lightly and Parties are invited to respond to the proposal and confirmed all Parties views would be sent to Ofgem. Christiane Sykes (CS) stated that an Ofgem impact assessment should be undertaken not just for Milford Haven, but should also encompass HSE involvement, the need for compressor upgrades and other areas that have impacts.

ASt said that it was important to look at the overall regime and how this was originally constructed. National Grid needs funding signals in order to justify investments in the system. The capability of the Network cannot be materially changed to be greater next year so the capacity restriction can't be relieved in time taking into account the expected Geopolitical situation. , .

CS said regardless of these areas, there needed to be transparency on all areas to ensure a secure supply for the 2023 summer. AB agreed with this comment and said that National Grid needed to look at the holistic and aggregate level, as the constricted level did not reflect the capability of the summer for 2023. ASt noted that the capability point of last summer was what was released and was the highest capacity for over 5 years and that these levels were not dissolved of risk and were as accurate as possible, for last year.

AB stated that information needed to be included within the consultation document. ASt confirmed she would include this information and provide links to specific areas of analysis as appropriate.

3. Gas Safety (Management) Regulations - GS(M)R Review

Phil Hobbins (PH) stated there was no further update this month and that the HSE impact assessment was expected by the end of 2022.

Chris Wright (CWr) asked as the winter was going to be tight from a DSR perspective, if there was a situation where the emergency specification was required, were there flags in place to monitor this, from an upper Wobbe limit aspect.

PH said this was subject to the wider gas specification and was looked at by the Networks and the HSE. PH noted that National Grid would not have a pre sight of when and where this might need to take place and so there would need to be evidence for a permanent change to the upper Wobbe limit.

4. Transmission Change Horizon Plan

Anna Stankiewicz (ASt) provided a brief update on the plan. The Gemini Change programme had already started and the decisions on Modification 0761 – Arrangements for Interconnectors with additional Storage capability and Modification 0805 - Introduction of Weekly NTS Exit Capacity Auctions were being awaited from Ofgem.

5. Workgroups

5.1. 0813 - Revision of Virtual Last Resort User and Contingent Procurement of Supplier Demand Event Triggers

(Report to Panel 19 January 2023)

<https://www.gasgovernance.co.uk/0813>

6. New Issues

No new issues raised.

7. Any Other Business

7.1. Virtual Teams Meeting Attendance/ Face to Face

EF explained the Joint Office were interested to seek views on whether to return to face-to-face meetings or whether to have a hybrid combination of face to face and teams.

The Workgroup stated that due to travel budgets being reduced a hybrid solution would need to be considered and that perhaps a face-to-face meeting once every quarter could be discussed, but this would need to be driven by the length and complexity of the agenda.

8. Diary Planning

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

Time / Date	Paper Publication Deadline	Venue	Programme
10:00 Thursday 05 January 2023	5pm Wednesday 28 December 2022	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 02 February 2023	5pm Wednesday 25 January 2023	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 02 March 2023	5pm Wednesday 22 February 2023	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 06 April 2023	5pm Wednesday 29 March 2023	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 04 May 2023	5pm Wednesday 26 April 2023	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 01 June 2023	5pm Wednesday 31 May 2023	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 06 July 2023	5pm Wednesday 28 June 2023	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 03 August 2023	5pm Wednesday 26 July 2023	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 07 September 2023	5pm Wednesday 30 August 2023	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 05 October 2023	5pm Wednesday 27 September 2023	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 02 November 2023	5pm Wednesday 25 October 2023	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 07 December 2023	5pm Wednesday 29 November 2023	Microsoft Teams	Standard Transmission Workgroup Agenda

Action Table (as of 01 December 2022)

Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
1101	03/11/22	5.	<i>Reference Overrun Reporting – UNC TPDJ Obligations</i> – National Grid (ASt) to look to clarify what happens when overruns occur, and whether National Grid is relieved of its obligations under such a scenario.	December 2022	National Grid (ASt)	Closed
1201	01/12/22	1.3	National Grid (ASt) to provide more clarity with regards to emergency procedures and scenarios when overruns occur.	January 2023	National Grid (ASt)	Pending
1202	01/12/22	1.5.1	<p>BEIS (EW) to provide clarity on the interaction of the Energy Benefits Relief Scheme (EBRS) and the DSR from a what is in scope perspective.</p> <p><u>Post Meeting Note: EW noted confirmed as below:</u></p> <ul style="list-style-type: none"> <u>• The intent of EBRS is not to intervene in the normal operation of the energy market, so we would consider DSR activity to sit separately to the workings of the EBRS.</u> <u>• Businesses in receipt of DSR payments would of course not receive the EBRS discount for the volumes of gas they don't use due to DSR, but no further adjustment to EBRS support would need to be made to take account of income received through DSR.</u> 	January 2023	BEIS (EW)	Pending <u>Closed</u>