

UNC Workgroup 0426 Minutes Amendment to the NTS System Entry Overrun Charge

Thursday 07 June 2012

at Elexon, 350 Euston Road, London NW1 3AW

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Bogdan Kowalewicz	(BK)	Ofgem
Charles Ruffell	(CR)	RWE npower
Colin Thomson	(CT)	Scotia Gas Networks
Erika Melen	(EM)	Scotia Gas Networks
Fiona Gowland*	(FG)	Total E & P
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
James Thomson*	(JT)	Ofgem
Jeff Chandler	(JC)	SSE
Julie Cox	(JCx)	Energy UK
Lesley Ramsey	(LR)	National Grid NTS
Lewis Hodgart*	(LH)	Ofgem
Malcolm Arthur	(MA)	National Grid NTS
Martin Connor	(MC)	National Grid NTS
Mike Wassell	(MW)	National Grid NTS
Rekha Theaker	(RT)	Waters Wye Associates
Rhys Ashman	(RA)	National Grid NTS
Richard Fairholme*	(RF)	E.ON UK
Robert Cameron-Higgs	(RCH)	Wales & West Utilities

* *via teleconference*

Copies of all papers are available at: www.gasgovernance.co.uk/0426/070612

1.0 Outline of Modification and Initial Discussion

LR gave a presentation outlining the current position and its consequences. Under certain circumstances, a User may deliver gas at an ASEP, above their capacity holdings, and not incur an entry overrun charge.

This weakens the financial incentive for a User to purchase sufficient capacity to cover its gas flow requirements and may undermine the principle of “ticket to ride”. Flows in excess of capacity may contribute to a reduction in the efficiency and economic management of the NTS, as capacity bookings become less of a true indicator for actual flow. The issue is compounded at ASEPs where only interruptible is released (with a zero reserve price).

The number of Entry Overruns per month incurring a zero charge or where there is no capacity booked were illustrated (2008 – March 2012). GJ asked if they were ‘significant’ overruns; MW believed these instances covered a range of different quantities. It was suggested it would be useful if more detail were provided and a comparison be drawn with how these might fare under this

proposal. FG requested that these be published for review in advance of the next meeting.

Action 0426/001: Provide details of the instances of the overruns, demonstrating the volume involved and the overrun charge that would have applied with the proposed solution.

The proposed change and key points of the modification were then explained, with reference being made to an earlier Modification 0119 (Amendment to the Entry Overrun Charge), and the reasons for its subsequent rejection by the Authority. LR emphasised that the present modification is less extensive than that put forward previously, and did not raise the key issues that had led to rejection of Modification 0119.

Implementation costs were estimated to be circa £100k. National Grid NTS proposed a User Pays split of 50% Transporter/50% Entry Shippers and sought views on the criteria to determine on what element(s) the Shipper portion should be allocated between them.

EM queried the apportionment of 50% to all Transporters. MW indicated that this was a starting point and would be discussed with all Transporters to reach an appropriate level.

TD suggested that, given the scale of charge, a very simple mechanism would be required to apportion costs between Shippers, and the Workgroup favoured using shares of entry flows on the implementation date. Further views were welcomed.

JCx voiced concerns regarding the implementation timescale and MW agreed to provide details regarding the expecting lead time for development.

TD observed that the implementation costs appeared to be rather high, given the revenue that might be recovered, assuming this to be minimal/negligible. MW responded that this was seen to be a way of addressing 'regular' offenders. TD suggested that perhaps there may be something wrong with the booking process, and reviewing/adjusting this might be a more economic and efficient option to consider – addressing the problem rather than the symptom.

JCx drew attention to EU changes and questioned the sensibility of addressing this now, when it may be impacted and have to change as soon as, or even before, it is implemented.

While indicating support for the principle that parties who overrun should have to incur a charge for the transgression, RT also questioned what was being provided for the £100k and suggested that MW provide details at the next meeting.

Action 0426/002: Provide an explanation of the costs and timescale of implementation.

A draft Workgroup Report will be published for review/comment prior to the next meeting.

TD encouraged all to read Ofgem's decision letter relating to Modification 0119 before the next meeting.

2.0 Legal Text

No comments were received.

3.0 Terms of Reference

No issues were raised regarding the Terms of Reference.

4.0 Any Other Business

None raised.

5.0 Diary Planning for Review Group

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

The next meeting will be held on Thursday 05 July 2012 at Elexon, 350 Euston Road, London NW1 3AW, within the business proceedings of the Transmission Workgroup.

Action Log – Workgroup 0426: 07 June 2012

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
001	07/06/12	1.0	Provide details of the instances of the overruns, demonstrating the volume involved and the overrun charge that would have applied with the proposed solution.	National Grid NTS (LR)	For publication/ review prior to the next meeting.
002	07/06/12	1.0	Provide an explanation of the costs and timescale of implementation.	National Grid NTS (MW)	