

**UNC Workgroup 0439 Minutes
Notice for Enduring Annual Exit (Flat) Capacity Reduction
Applications**

Thursday 10 January 2013

Elxon, 350 Euston Road, London NW1 3AW

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Alan Raper	(AR)	National Grid Distribution
Alison Chamberlain	(AC)	National Grid Distribution
Andrew Fox	(AF)	National Grid NTS
Andrew Pearce	(AP)	BP Marketing
Antony Miller	(AM)	Centrica Storage
Bethan Winter	(BW)	Wales & West Utilities
Charles Ruffell	(CR)	RWE Npower
Chris Shanley	(CS)	National Grid NTS
Chris Wright	(CW)	Centrica
Debra Hawkin	(DH)	National Grid NTS
Emma Buckton*	(EB)	Northern Gas Networks
Erika Melen	(EM)	Scotia Gas Networks
Fiona Strachan	(FS)	Gazprom
Graham Jack	(GJ)	Centrica
Harvey Beck	(HB)	Ofgem
James Thomson	(JT)	Ofgem
John Costa	(JC)	EDF Energy
Julie Cox	(JCx)	Energy UK
Lewis Hodgart	(LH)	Ofgem
Lorna Lewin	(LL)	DONG Energy
Peter Bolitho	(PB)	Waters Wye Associates
Phil Hobbins	(PH)	National Grid NTS
Richard Fairholme	(RF)	E.ON UK
Rob Marshall	(RM1)	National Grid NTS
Robert Cameron-Higgs	(RCH)	Wales & West Utilities
Roddy Monroe	(RM)	Centrica Storage
Shelley Rouse	(SR)	Statoil UK

**via teleconference*

Copies of all papers are available at: www.gasgovernance.co.uk/0439/100113

The Workgroup Report is due to the UNC Modification Panel on 21 March 2013.

1.0 Outline of Modification

AM introduced the modification, explaining that it seeks to remove the “14 months notice rule” in certain circumstances such that Users holding Enduring Annual NTS Exit (Flat) Capacity may apply, in the July application window of gas

year Y, for a reduction with effect from the first day of any month in gas year Y+1. Users with a UCA may apply for such a reduction only from the first day of any month after the UCA has been forecast (based on published prices for year Y+1) to have been satisfied.

2.0 Initial Discussion

AM gave a presentation, explaining that the modification builds on the flexibility for reducing exit capacity introduced by Modification 0417S (which waives the 14 month notice period for Users whose User Commitment amount (UCA) both commences and is forecast to be fully met in gas year Y+1). AM believed the benefits from this change to include:

- Improved ability of the enduring exit capacity holder to respond to price signals
- Increased certainty for investors regarding the ability to manage exposure to enduring exit capacity charges
- Ensuring consistency of enduring exit capacity reduction rules applying to all Users (ie all users to be treated the same as those covered by Modification 0417S).

Presenting the information on Slide 6, AM then identified the perceived positive impacts of the proposed change. AF confirmed that in the medium to long term there is no impact on charges, and explained the effects of under/over recovery and how remedied. To show the potential impact in the year of occurrence (given this would bring forward any reductions by a year), National Grid NTS had estimated that if every opportunity to reduce exit capacity holdings was taken, this would lead to an under recovery of about 2% of allowed revenue. This extreme position would need to see a significant change to commodity charges in order to recover that revenue, with the potential impact on commodity charges being in the order of a 20% – 30% increase. This is, however, the extreme scenario and reductions on this scale were considered unlikely.

It was recognised that this modification does not change National Grid NTS allowed revenues, however, it potentially changes how costs are distributed across Users. NTS charges set in May cannot be adjusted to account for any expected capacity reductions; a shortfall in exit capacity revenue may be recovered by National Grid NTS via commodity charges in subsequent years; and the relevant Users would reduce in any respect so the extent of distributional impact is limited.

Responding to a question from JC, AF confirmed that, to revert back to a previous position, a party would need to follow the standard application process.

AM indicated that National Grid NTS has confirmed that systems changes will not be required and hence no implementation costs are anticipated. AF indicated that National Grid NTS would prefer that the modification be approved by the middle of June 2013, if the change is to take effect for the July 2013 reduction application window.

The Workgroup agreed that the modification was expected to facilitate Relevant Objectives C, D and G.

Legal Text

The legal text provided by National Grid NTS was reviewed and no changes were suggested; the changes to deliver this proposed modification appeared

relatively straightforward. AF indicated that some changes would also be required to the IExCR.

Next Steps

The draft Workgroup Report will be published ready for completion at the next meeting.

3.0 Any Other Business

None raised.

4.0 Diary Planning for Review Group

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

The next meeting will take place within the Transmission Workgroup on Thursday 07 February 2013, at Elexon, 350 Euston Road, London NW1 3AW.