

UNC Workgroup 0449 Minutes

Introduction of Interconnection Points and new processes and transparency requirements to facilitate compliance with the EU Congestion Management Procedures

Monday 22 April 2103

Energy Networks Association, 52 Horseferry Road, London SW1P 2AF

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Charles Ruffell	(CR)	RWE Npower
Chris Wright	(CW)	Centrica
Fergus Healy	(FH)	National Grid NTS
Helen Stack	(HS)	Centrica
Jeff Chandler*	(JC)	SSE
John Williams	(JW)	Poyry Management Consulting
Richard Fairholme	(RF)	E.ON UK

* via teleconference

Copies of all papers are available at: www.gasgovernance.co.uk/0449/220413

The Workgroup Report is due to the UNC Modification Panel on 20 June 2013.

1.0 Introduction

TD welcomed all to the meeting.

2.0 Review of Minutes from previous meeting

The minutes were accepted. There were no actions outstanding.

3.0 Discussion

FH briefly outlined the background to the modification, explaining that the EU requirements for QSEC and AMSEC will introduce an offline surrender process, which will be taken into account when the auction processes are run. For exit processes the surrender process will be the same as entry, utilising the reduction functionality to facilitate the surrenders, together with the buyback mechanism. Of the four processes, three surrender processes would be based on entitlement, and the fourth would be based on holdings.

National Grid NTS had discussed with Ofgem how best to meet a 01 October compliance date and it was agreed that to introduce surrender would be sufficient. It was observed that RMSEC had a surrender process. CW recalled something relating to handing back capacity to avoid excessive neutrality smears and FH pointed out this was not something that the UNC provides for. Daily buyback would be in place for certain circumstances (buyback entitlement, not the holding). There was no concept of relieving the financial obligation. CW indicated he would see if he could clarify more detail regarding his recollections.

CW referred to previous discussions relating to capacity assignment (Modification 0276) which appeared similar but had not been taken forward. FH

indicated that with a 2015 date envisaged, the allocation process for Interconnector Points (IPs) would look to have the CMP processes developed to facilitate (PRISMA, not Gemini) and a different modification might be required to do this. CW recalled an appetite existed for capacity assignment at a number of entry terminals. FH believed this would be considering 2 separate allocation processes and he did not want to blur what needs to be done currently. Revisions may need to be considered once compliance has been established.

Revised Modification

The modification had been revised in an effort to provide more clarity to the Interconnection Point definition and the Transparency Obligations. The Workgroup commenced a review and discussion of the Solution, with comments being captured on screen (as published alongside these minutes).

FH suggested that an IP definition that did not use the EU's words might be preferred, ie by referring to the IP role/position in the processes used. However, it might be easier for National Grid to state specific IPs by name. HS pointed out that an IP was not necessarily a cross border point. FH reiterated that there was a need to have something that was an acceptable description and that was practical and workable, eg ... "points as stated in the various invitation processes....". FH will be discussing this with lawyers.

NTS Entry Capacity Surrender and Oversubscription Processes

Bullet point 1 - The 15 Business Day period was considered and FH explained the timescale required to deal with a number of surrender offers, issue an invitation, review offers, analyse and include in a QSEC invitation letter. Process timings and interactions need close consideration and appropriate planning. CW suggested rolling into the reservation process so that NTS would only have to write out once (surrender and reserve) rather than issue multiple letters.

Bullet point 2 – CW observed that other changes could be associated with holding that capacity, eg a User Pays charge smeared across. CW asked whose would be the liability for overrun charges; FH explained the position, when and to whom these might apply, and would consider clarifying this further.

Bullet point 3 – Responding to a question from RF, FH confirmed that the invitation letter would inform parties what has been surrendered and hence made available. RF observed that it was useful to have such information sooner rather than later to enable appropriate adjustment of a party's auction strategy. RF then asked if the letter was likely to separate out this information. FH said that if multiple parties surrender, it may be difficult to manage as it is to be an offline process.

A short discussion followed on whether RMSEC is EU compliant. FH reiterated that National Grid NTS was not looking to amend any of the processes. Discussions with Ofgem had concluded that RMSEC is fundamentally compliant. National Grid NTS was trying to be practical and work with and within existing processes and functionalities.

Bullet point 4 - The length of time for completion of the QSEC allocation process was queried and the workings of the QSEC allocation process was discussed. FH indicated that he would discuss this further internally.

It was suggested that FH consider the removal of sub bullet point 6.

CR questioned what checking procedures might operate. FH confirmed that National Grid NTS would check what a party holds; this would be a manual check, not a system check. CW observed that reassurance might be required on this.

Bullet points 11/12 – FH explained how National Grid NTS would remain neutral and other parties would receive their appropriate payments.

CW commented that he had found references to a 'surrendering User' helpful and suggested that a formal distinction could be made between this and, for example, an 'acquiring User'. FH would consider including these as formal terms/references to add clarity to the rules.

AMSEC Auction Surrender and Oversubscription processes

Workgroup discussion was discontinued at this point due to time constraints.

Consideration of this section would be recommenced at the next meeting.

Next Steps

The Modification will be revised in light of the Workgroup's discussions and a review of progress will be made at the next meeting.

4.0 Legal Text

FH confirmed that legal text was under preparation and would be provided in time for the Workgroup to review at its next meeting on Friday 10 May 2013.

5.0 Diary Planning

The next Workgroup meeting will take place at 10:30 on Friday 10 May 2013, at Consort House, 6 Homer Road, Solihull B91 3QQ.