

# UNC Workgroup 0454 Minutes Introduction of a Long Term Non Firm Capacity Product

**Thursday 01 August 2013**

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

## Attendees

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Antony Miller	(AM)	Centrica Storage
Chris Hill	(CH)	Cornwall Energy
Chris Wright	(CW)	Centrica
Emma Buckton*	(EB)	Northern Gas Networks
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
James Thomson	(JT)	Ofgem
Jeff Chandler	(JC)	SSE
Mike Wassell	(MW)	National Grid NTS
Natasha Ranatunga	(NR)	EDF Energy
Rhys Ashman	(RA)	National Grid NTS
Richard Fairholme	(RF)	E.ON UK
Richard Lea	(RL)	Gazprom
Sarah Lloyd	(SL)	National Grid NTS

\*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0454/010813>

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

## 1.0 Review of Minutes

The minutes were accepted.

## 2.0 Discussion

### 2.1 Modification

Minor amendments had been made to the Modification, and legal text had been provided for the Workgroup's review.

RA reiterated the reasons for the modification and recapped on previous discussions. The comments made had been considered and it was believed that the modification as it currently stands meets the requirements set out at the start of the modification development process.

GJ reiterated his views and raised concerns regarding inconsistency between Exit and Entry. RA confirmed that GJ's comments had been considered but it had been decided to leave the modification as it is. GJ observed that capacity was needed by a given date and a simple mechanism is needed to bridge the gap until firm rights are available; he saw this modification as adding complexity. He commented that he was not sure yet that Centrica would take up this product, but liked the idea of being updated on the likelihood of interruption. The probability of interruption (commercial and physical) was briefly discussed. AM pointed out that more than the one party might like to know the probability of interruption if it was seriously considering shifting to an off peak product - was it appropriate to limit the availability of information?

User Commitment and whether charges paid should contribute to this were discussed. RA explained that the product was not linked to the provision of enduring firm capacity and so

charges should not contribute. GJ did not agree with that view, arguing that it was being sold as firm capacity. MW was concerned that the User Commitment amount may be met before firm capacity is delivered, and this carries a risk of assets being stranded. National Grid NTS would need to be reassured that asset stranding was not a risk before accepting any change to the existing process and definitions, which exclude the LTNF product revenues from the calculation of when User Commitment is discharged.

NR questioned how the various revenue flows fed into Allowed Revenue, and MW explained why it was revenue neutral in the event of the option being exercised.

The User Pays elements were considered and discussed. A 50:50 split Transporter (ie NTS) and Users (ie Shippers and DNs) had been proposed. It was not considered likely that the DNs would avail themselves of this product.

Apportionment across Users was discussed and an equal split across all Users was agreed as appropriate.

The modification will be revised to reflect the appropriate User Pays elements.

## 2.2 Legal Text

The legal text was reviewed. RA explained the changes made, and noted comments made for further consideration. All square brackets are to be removed.

### *TPD B*

2.1.15(a) – Wording to be revised.

2.15(b)(i) – Does an incremental capacity signal need to be defined? Does it need to be more specific? Reconsider.

2.15(b)(iii) – This was discussed; it was not clear how a User could get this product. It was questioned if relevant prices would be available for new ASEPs. When do prices get published? What happens before an ASEP goes live, and also subsequently? Reconsider.

2.15(c) – The application form will be available on the National Grid website. The application restriction on the number of sites/years needs to be made clearer.

2.15(e) – To which paragraph does the confirmation relate (eg (e)(i)...(e)(ii)...)? It would be preferred if National Grid NTS would tell a User that the application was rejected/why at the outset, to provide an opportunity for immediate rectification/resubmission.

What amounts could be made available were discussed. It was suggested that if there was any ambiguity that might lead to misinterpretation this should be addressed.

2.15(g) – The publication of prices to be checked. Remove extraneous ‘and’.

2.15(h) – Consider adding in timescales to provide more clarity.

2.15(k)(ii)(4) – Capacity charge – for more than the one year? Charges?

The legal text will be revised to take account of today’s discussions.

## 3.0 Workgroup Report

The modification and legal text will be revised and it was agreed to complete the Workgroup Report at the next meeting

TD drew attention to the relevant objectives and how these might be facilitated by this modification. The Proposer and the Workgroup were asked to give some thought to this before the next meeting to enable considered views to be reflected in the Workgroup’s report.

#### **4.0 Any Other Business**

##### **5.1 Minutes 06 June 2013 – amendment**

SL requested an amendment be made to the minutes of the meeting held on 06 June 2013. The upper band should be £50k (as stated in the modification).

“2.0 Initial Discussion

RA indicated that although usable functionality exists, some testing was proposed (at a cost of £10k – ~~£15k~~ 50k.”

The Workgroup accepted the amendment and the minutes would be republished.

#### **5.0 Diary Planning for Workgroup**

The next Workgroup meeting will be held on Thursday 05 September 2013 at the Energy Networks Association, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF (within the Transmission Workgroup).