

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

Thursday 03 April 2014

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

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Angus Paxton	(AP)	Poyry
Anna Shrigley	(AS)	ENI
Charles Ruffell	(CR)	RWE npower
Chris Shanley	(CS)	National Grid NTS
Colin Hamilton	(CH)	National Grid NTS
Danielle Stoves	(DS)	Interconnector UK
David Reilly	(DR)	Ofgem
Eddie Blackburn	(EB)	National Grid NTS
Erika Melen	(EM)	Scotia Gas Networks
Fergus Healy	(FH)	National Grid NTS
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
Hayley Burden	(HB)	National Grid NTS
Isabelle-Agnes Magne*	(IAM)	GDF Suez
James Thomson	(JT)	Ofgem
Jeff Chandler	(JC)	SSE
Jessica Housden	(JH)	Ofgem
Julie Cox	(JCx)	Energy UK
Kirsten Elliott-Smith	(KES)	Cornwall Energy
Lucy Manning	(LM)	Interconnector UK
Natasha Ranatunga	(NR)	EDF Energy
Peter Bolitho	(PB)	Waters Wye Associates
Phil Broom	(PBr)	GDF Suez
Richard Hounslea	(RH)	National Grid NTS
Ricky Hill	(RHl)	British Gas
Roddy Monroe	(RMo)	Centrica Storage
Ryan McLaughlin	(RMc)	Ofgem
Sarah Lloyd	(SL)	National Grid NTS
Victoria Volossov	(VV)	Ofgem

**via teleconference*

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0454/030414>

1.0 Introduction

At the March UNC Modification Panel Ofgem (DR) requested that the Workgroup give further consideration to its concerns (based on the three questions raised in Ofgem's send back letter):

1. Provision of sufficient evidence or criteria to justify the release of discretionary capacity to certain users on an exclusive basis in the light of NGG's obligation not to discriminate between users.
2. The criteria used to determine what (as in its source) and how much discretionary capacity will be available for use as LTNF (and not made available for other users, if that is the case).

3. The criteria for determining when the LTNF buyback option will be exercised, and in particular the order in which it will be exercised compared to other products that are subject to curtailment.

The UNC Modification Panel had therefore requested the Workgroup to address again the points raised by Ofgem and provide a revised FMR for consideration by 19 June 2014, following which the Panel will re-submit it to Ofgem for decision.

2.0 Consideration of Ofgem's 'send back' letter

SL reiterated the aims of Modification 0454. DR was asked to clarify Ofgem's concerns.

DR explained that Ofgem was concerned that the modification had the potential to be discriminatory. The capacity was released at the sole discretion of National Grid NTS and on an exclusive basis to pre-determined Users in response to an incremental signal that was given 7 years in advance. In DR's view the length of the intervening period is not allowing it to be made available to other Users whose demand requirements for capacity may have changed within that period, and new Users will also be excluded from the opportunity of acquiring it. An incremental signal should give exclusive use over capacity. However, Ofgem would not reject a certain amount of discrimination being applied, eg if it became available only as a result of the incremental signal and after some works had been carried out. It needs to be justified why this capacity is only available on an exclusive basis.

A discussion ensued. FH explained about capacity provided under substitution. The modification had been raised in response to a request from a customer and was intended to facilitate early access to the network; it was not firm capacity and was a system solution coupled with a buy-back; it will not be available 365 days per year.

DR pointed out that the legal text gave the perception that it was a firm product; it would need to be clearer that it is not firm. FH indicated that it was firm capacity as a proxy and the buy-back made it interruptible. It was a system solution to give parties whose projects were completing more quickly than at first anticipated a speedier access to the network. It was seen as a common sense solution to a niche issue for a few parties. It has no impact on any firm capacity rights on the system. Other Workgroup participants supported this view, reiterating it was a pragmatic and facilitating solution to expedite customer projects.

DR observed that Ofgem was not aware of an industry need or evidence for this requirement. JCx explained about 'meeting the gap' – it anticipated a perceived potential customer need.

DR suggested that the capacity release methodology might also require revision to make the position clearer, remaining convinced it was a firm product, and would like to be provided with the justification as to why it should be exclusive; in the methodology statement, ie 'capacity will be released for long term non firm and will be exclusive in the following instances....'. Also there is no definition of when it will be released – this adds to the perception of exclusive rights. National Grid NTS *can* discriminate but would need to give acceptable reasons to justify doing so in certain instances.

FH pointed out that release was not at the discretion of National Grid NTS; it was as long as it can be made available in response to a User's signal (quantities were determined by the User), with an associated buy-back. If other parties wished to access there were mechanisms available to them, and FH explained these. At new points there are no other means of access to capacity for parties.

DR said that Ofgem saw merit in this but needed to see further clarity on justification. "Expediency" is not sufficient justification. It is a firm product with an associated option agreement. Proposing to provide it on an exclusive basis to a pre-determined customer could isolate a whole tranche of capacity away from any other party. Ofgem really need to

understand the circumstances in which it would be justified, available, and released. GJ asked, if a party has paid for it what would be discriminatory about that? DR answered there would be restrictions on who can apply. AP pointed out it was just available on a longer release process, it can be bought on a long term basis, and went on to explain how.

FH reiterated that the product cannot be accessed without the incremental signal (sole association). Various scenarios were put forward and discussed. Inclusion of the clarification of the release approach into various documents was considered, however FH did not think that it could be included in the methodology statement at this time.

JCx expressed concern that Ofgem may potentially take the same view when considering the two other related Modifications 0452V and 0465V. However DR believed his comments would stand alone and apart from these.

EB joined the meeting and gave a brief explanation of how his team might approach the analysis in relation to a load enquiry to ascertain if it was feasible to provide the capacity.

DR reiterated the issues as he saw them: expediency, discrimination, firm product 'disguised' as interruptible, and release timescales.

FH explained again that interruptible functionality does not exist and would need development, and this was not likely to happen anytime soon.

LJ noted that while this was the Proposer's modification it had been raised on behalf of the industry, and that other views on how to proceed would be welcome.

DR observed that it works well as a firm product brought forward earlier than anticipated, but was not sure that it copes well with bringing in a genuine interruptible product.

JCx pointed out that this modification had been developed because customers think they might need it and wanted a solution that could be drawn upon as required. JCx added that consideration of this modification should be approached with a focus on customers and their needs.

AP commented that it makes more capacity available rather than less, and this was a good thing.

Workgroup Recommendation

Following today's discussions, it was apparent that the Workgroup still questioned the perception of Ofgem's concerns, and struggled to recognise the validity. The Workgroup was therefore unable to make any further recommendations to Panel at this point.

Next Steps

The Proposer will contemplate what, if any, further action should be taken in respect of this modification proposal.

3.0 Any Other Business

None.

4.0 Diary Planning

No further meetings planned.