

UNC Workgroup 0485 Minutes
Introduction of Long-term use-it-or-lose-it mechanism to facilitate
compliance with EU Congestion Management

Thursday 06 March 2014

at ENA, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Alison Chamberlain	(AC)	National Grid Distribution
Amrik Bal	(AB)	Shell
Anna Shrigley	(AS)	ENI
Bethan Winter	(BW)	Wales & West Utilities
Charles Ruffell	(CR)	RWE npower
Chris Shanley	(CS)	National Grid NTS
Colin Hamilton	(CH)	National Grid NTS
Danielle Stoves	(DS)	Interconnector
Felicity Bush	(FB)	ESB
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
John Costa	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Karen Healy	(KH)	National Grid NTS
Kirsten Elliott-Smith	(KES)	Cornwall Energy
Malcolm Montgomery	(MM)	National Grid NTS
Marshall Hall	(MH1)	Oil & Gas UK
Nick Wye	(NW)	Waters Wye Associates
Phil Broom	(PB)	GDF Suez
Phil Lucas	(PL)	National Grid NTS
Richard Fairholme*	(RF)	E.ON UK
Richard Lea	(RL)	Gazprom
Ricky Hill	(RH)	British Gas
Roddy Monroe	(RM)	Centrica Storage
Ryan McLaughlin	(RMc)	Ofgem
Sofia Eng	(SF)	EDF Energy

**via teleconference*

Copies of all papers are available at: www.gasgovernance.co.uk/0485/060314

The Workgroup Report is due to be presented at the UNC Modification Panel by 19 June 2014.

1.0 Outline of Modification

CH introduced the modification and explained its purpose, which was to address a compliance issue relating to CMP, and envisaged to be in place by 01 October 2014.

Ofgem will have a duty to monitor and determine any action to be taken in relation to data supplied by National Grid NTS. A monitoring guidance document will be published on the National Grid website; the source data will be confidential.

2.0 Initial Discussion

CH gave a presentation. Under-utilisation was defined together with the monitoring periods. It was noted this was a transition modification to be implemented and facilitate the pre CAM period, following which, and with the advent of bundled capacity, the arrangements will have to be revisited. However it was hoped that the monitoring aspects would be able to remain very much unchanged.

The definition of congestion was discussed, with DS pointing out that there were at least two to be considered. Contractual congestion could be defined as the occasion when there was more demand than what was offered.

The key points of the modification were summarised, together with the proposed timeline to meet a 01 October 2014 implementation date.

GJ asked if Ofgem intended to develop any indicative guidelines to clarify expectations of its actions/decisions. RMc confirmed that although something was likely to be developed it would not be very prescriptive or exhaustive, and any occasion meriting further action/investigation would be addressed on a case-by-case basis.

The modification was then reviewed in more detail, and the trigger points for the withdrawal mechanism were discussed.

Reviewing Section 1, CH confirmed there was no prior test of congestion; it would only become apparent at the auction where withdrawal was offered. Monitoring will be continuous. FH gave examples of various scenarios and how it might be applied. DS had a different interpretation of the triggers. FH indicated that reporting had to take place regardless; it was a timing issue, ie irrespective of the withdrawal process and whether the capacity is sold out or not. Prior to auction utilisation is monitored, and Shippers notified where appropriate and provided with the opportunity to present a justification. NW suggested an amended process in that no justification would be required until after the auction has taken place and that the auction had been proved to have congestion. NW also was of the opinion that this 'investigation' should be a dialogue between Shipper and Ofgem; there was no need for National Grid NTS to be involved.

Following a suggestion from LJ that further clarity was required regarding different interpretations and the legal view, CH will re-examine the interpretation and seek a legal view.

Action 0301: Re-examine interpretations and seek a legal view.

CH confirmed that the first monitoring period would cover 01 October 2013 – 31 March 2014 and this will be used to produce a trial monitoring report to inform the process. The outcome will be shared with the Workgroup.

Reviewing Section 3, CH explained the new Defined Terms. Responding to questions, FH explained that the guidance document would provide most of the detail; this will avoid having to raise a UNC modification each time any minor adjustment to the information items was required. Each case might require the provision of different items of information. It was noted that some governance arrangements should be considered to address which party/parties could make/propose a change to the document and how this might be considered/consulted/approved. National Grid would update the document to reflect Ofgem's requirements.

NW questioned what information Ofgem would actually ask for. There were concerns raised that any investigations would offer potential carte blanche opportunities for the extraction of all sorts of information and not just information pertinent to the case in hand.

It was suggested there might be standard elements that would be required in all cases, with specific investigations requiring more specific items on request. CH indicated he would give further consideration to what should be included in the report and clarify what Shippers would be expected to provide. RMc observed that the information to be provided by Shippers in support of justification was not to be part of the UNC.

NW considered that Ofgem's role in decision-making needed to be clear. The Regulator and the Shipper should agree what information it was reasonable to expect to be provided, and there may need to be strict guidelines as to what information was permitted to be accessed - it was evident there were concerns about 'open door investigative powers' in relation to 'alleged hoarding of capacity' whilst noting that it was in the Shipper's interest to provide sufficient information to justify its position and actions. There were also concerns that Ofgem would ask National Grid NTS to provide information and that National Grid NTS should not be involved in this part of the process. There should be a sensible approach to dialogue between Ofgem and the Shipper. The expected extent and parameters of any investigation and what arrangements should then be drawn upon should be considered. The guidance document should clarify the methodology for reporting (two data items) and what should be included in the report. It was also suggested that more clarity was required in respect of the trigger phase.

DS' offer to provide a presentation on her view of what the process steps should be was welcomed by the Workgroup.

Action 0302: DS to provide a presentation on IUK's view of what the process steps should be.

Concerns were raised at the severity of the penalty and that this principle if accepted for transition might also then be applied to an enduring solution. Shippers were not in favour of this 'penalty' aspect. Whilst recognising that this was seeking to promote an anti-hoarding mechanism and encourage a secondary market, and more appropriate use of the auction processes, Shippers asked National Grid NTS to review the modification to match the Modification 0449 surrender process more succinctly - it was after all an interim process that should be kept simple by basing it on entitlement, and may in all actuality never be used. Shippers were not in favour of paying for something that had been taken away from them. LJ suggested that perhaps a smaller penalty could be considered with eg 80% being returned. Price risks were referred to.

The facilitation of the relevant objectives was considered. RMc suggested that as well as (g) the modification might also facilitate (a). CH noted this and will review this and the other objectives.

Next Steps

CH will review the modification in light of the day's discussions.

LJ suggested that more clarity would be welcomed on the envisaged working of the process and that a presentation could be made at the next Workgroup meeting.

Action 0303: Provide a presentation on the envisaged working of the process.

It was anticipated that the Workgroup Report should be completed by the end of May.

3.0 Diary Planning

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

The next meeting will take place within the European Workgroup on Thursday 03 April 2014 at ENA, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF.

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0301	06/03/14	2.0	Re-examine interpretations and seek a legal view.	National Grid NTS (CH)	Pending
0302	06/03/14	2.0	DS to provide a presentation on IUK's view of what the process steps should be.	IUK (DS)	Pending
0303	06/03/14	2.0	Provide a presentation on the envisaged working of the process.	National Grid NTS (CH)	Pending