

**UNC Workgroup 0500 Minutes**  
**EU Capacity Regulations – Capacity Allocation Mechanisms with**  
**Congestion Management Procedures**

**Friday 11 July 2014**

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

**Attendees**

Bob Fletcher (Chair)	(BF)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Anna Shrigley	(AS)	ENI
Charles Ruffell	(CR)	RWEst
Francisco Goncalves	(FG)	Gazprom
Graham Jack	(GJ)	Centrica
Isabelle-Agnes Magne	(IAM)	GDF Suez
Julie Cox*	(JC)	Energy UK
Kevin Brown	(KB)	Petronas
Kirsten Elliott-Smith	(KES)	Cornwall Energy
Lesley Ramsey	(LR)	National Grid NTS
Lucy Manning	(LM)	Interconnector UK
Malcolm Montgomery	(MM)	National Grid NTS
Marie Clark*	(MC)	ScottishPower
Marshall Hall	(MHa)	Oil & Gas UK
Matthew Hatch	(MH)	National Grid NTS
Pavanjit Dhesi	(PD)	Interconnector UK
Peter Bolitho	(PB)	Waters Wye Associates
Richard Fairholme*	(RF)	E.ON UK
Richard Miller	(RM)	Ofgem

\*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0500/110714>

The Workgroup Report is due to be presented at the UNC Modification Panel by 20 November 2014.

**1. Introduction and Status Review**

**1.1 Review of Minutes**

The minutes of the previous meeting (03 June 2014) were accepted.

**1.2 Review of Actions**

**0601:** With regards to *PRISMA and TSO technical response times*, National Grid NTS (MM) to check and clarify.

**Update:** MM explained that the backstop is 2 minutes, before suggesting that in reality it is nearer to 'real time'. **Closed**

**0602:** National Grid NTS (MM) to provide scenarios/worked examples where capacity can become unbundled (for next meeting).

**Update:** Please refer to the 'CAM Modification 500' presentation under item 2.1 below for more details. **Closed**

**0603:** With regards to *PRISMA Auctions* – National Grid NTS (MM) to check that the PRISMA system would recognise what had been bid before by a party at the time of bid submission.

**Update:** In examining when a bid is entered into the uniform price option, MM advised that the validation is undertaken at the time of the bid submission. **Closed**

**0604:** With regards to *PRISMA Auctions* – National Grid NTS (MM) to clarify the principles applying to multi-currency functionality within PRISMA and what, if anything, could change between bid windows that might present risk.

**Update:** MM provided a brief overview of the ‘Multi-currency on PRISMA’ presentation. He also advised that PRISMA representatives have been invited to the August meeting to provide more detail on this matter. **Closed**

**0605:** IUK (DS) to provide more detail around within day nominations/capacity validation done by IUK.

**Update:** LM explained that the action had already been covered under her 0493 Nominations presentation earlier in the day.<sup>1</sup> **Closed**

**0606:** With regards to *PRISMA Processes* – National Grid NTS (MM) to provide more clarification, and additional worked examples on competition.

**Update:** Linked to action 0604 above, MM provided a brief overview of the ‘Multi-currency on PRISMA’ presentation and specifically the ‘1:n bundling’ related slides.

When asked what impacts changing the gas day might have on the proposals outlined on the ‘Example bid stacks’ slide 12, MM reminded those present that UKCS is based on UK terms and conditions and prices whilst CAM is based on the equivalent PRISMA ones. He also advised that PRISMA representatives have been invited to the August meeting to provide more detail on this matter. **Closed**

## 2. Discussion

### 2.1 Secondary Processes

MM provided a detailed overview of the ‘CAM Modification 500’ presentation. The key discussion points have been captured (by exception), as follows:

CMP LT UIOLI, slide 7 – similar to the previous 0485 discussions, it is suggested that there remains a big unknown around managing the withdrawal process and a view from Ofgem would be beneficial. Responding, RM referred to previous views from Ofgem that this would be done on a case-by-case basis, but he will check with those working on this issue (though noted that there is unlikely to be any change).

It was requested that National Grid NTS look to providing a monthly (utilisation) report to be consistent with the IUK provision.

**Action 0500 0701: Ofgem (RM) to provide a view on whether Ofgem will give some high level guidelines for when it would withdraw capacity under LT UIOLI**

**Action 0500 0702: National Grid NTS (MM) to seek a view from his operational colleagues as to whether or not, a monthly (utilisation) report can be provided.**

Buy back – summary slide, slide 11 – when asked whether or not the proposed hierarchical buy back order could/would pose an issue post 2018, LM advised that as far as IUK is concerned they do not split out between unbundled and bundled and would only seek to buy back in circumstances where the 100% over subscription limit was breached. She also pointed out that Bacton has unsold capacity anyway.

<sup>1</sup> To view a copy of the 0493 Workgroup meeting minutes please refer to: <http://www.gasgovernance.co.uk/0493/110714>

MM reminded those present that the overarching concept behind CAM is to retain the bundled capacity product, in preference to unbundled capacity. It was suggested that care would be needed in assessing this matter as over subscription only applies in such cases and further consideration of the CAM interpretation of buy back may prove beneficial.

Voluntary Bundling – Summary Slide, slide 16 – in considering the acceptance by the adjacent TSO bullet, MM confirmed that this is there because National Grid NTS would not necessarily know what (bundled) capacity was on the ‘other’ side of the equation and that furthermore, it is a CAM obligation anyway.

Unbundling example – Oversubscription, slide 19 – whilst unhappy with the general concept of unbundling, it was accepted that it is what it is, but concerns remain over the TSO being able to change to a different value as this is seen as discouraging the utilisation of the surrender process. Some parties believe that it would be better if the TSOs could look to an alternative solution that would avoid users being left holding (packets) of unbundled capacity on one side or the other as this poses a potentially significant risk to users in the form of a loss of value associated with the unbundled capacity – in essence it is ‘stranded’ (unbundled) capacity and it should be re-bundled where possible. MH suggested that where a User has unbundled capacity on the secondary market, they would be credited under the UIOLI rules. LM also pointed out that IUK could not support a change to the proposed mechanism and should Users prefer to see their capacity to remain bundled they should consider utilising the secondary market option. It was suggested by some parties that retaining bundled capacity is still the favoured option for Users.

RM noted that surrender is used for parties that no longer want to use their annual, quarterly and monthly bundled capacity. If shippers surrender such capacity it suggest they no longer need it and that having unbundled as a result should not be a concern. If having unbundled is a concern RM noted that shippers should therefore use the secondary market as bundled have to be maintained there (especially as the secondary market can be used as evidence against withdrawal from LT UIOLI). RM also noted that as surrender is limited to long- to medium-term products then the secondary market is the only option that would be available at the day-ahead and within-day stage. Those in industry with concerns on unbundling from surrender seemed appeased by these points.

Unbundling example – Buy back, slide 20 – when asked, MH confirmed that there is no price cap for unbundled capacity, only for incremental buy back capacity. Some believe that further consideration of the prioritisation (hierarchy) approach to bundling/unbundling capacity is needed as it has a potential impact on the nominations/re-nominations processes.

Moving on to consider the ‘Supporting Processes’ part of the presentation, the key discussion points have been captured (by exception), as follows:

Charging: What stays the same; what changes?, slide 26 – MM advised that the National Grid charging team would be coming to a future meeting to provide more details. As far as the ‘Auctions for Exit’ bullet is concerned, the aim is to retain the ‘as-is’ (charging regime) process as much as possible and apply an administration price for auctions at the IP.

Consideration of slides 27 through to and including 30 were not considered.

Secondary Processes, slide 33 – when asked MM confirmed that the 1<sup>st</sup> auction is scheduled for 31 October 2015.

Concluding discussions, BF advised that the [ ]’s would need to be removed before the Workgroup Report can be presented to Panel. MH also added that currently, the ‘target’ Panel dates for Modifications 0500 and 0501 being January 2015, however the aim was to report earlier should the text and modifications be ready.

## **2.2 Review of paragraph 3.5 ‘Surrender Process at Interconnection Points’ within the Modification**

MM undertook a brief onscreen review of the current surrender process at IPs outlined within the modification (page 20 onwards).

Paragraph 3.5 (3)(e) – a new action was placed on National Grid NTS to confirm its current surrender capacity processes;

**Action 0500 0703: National Grid NTS (MM) to confirm their current surrender capacity processes.**

3.5 (4) – subject to ongoing adjacent TSO considerations;

3.5 (7) – National Grid NTS do not envisage breaking down unsold capacity as it dies away naturally, or alternatively it could be cascaded down through successive (sub) auctions;

3.6 – proposal is that as modification is developed, the guidance document should also be updated to align the two;

3.6 (6) – National Grid NTS are now considering that 2 days after the surrender deadline would be preferable;

3.6 (9) – MM confirmed that the intention is to do a separate calculation for each gas day (weighted average for all products);

3.9 (4) – MM suggested that parties might wish to consider other trading options, over and above OTC;

In the absence of an enduring product, assignment (transfer of capacity holdings between Shippers) aspects were placed on the sideline, but could be reconsidered should the appetite exist. However, cost and timing could be an issue, especially as it is not a CAM requirement and system development scope is already extremely tight.

When asked whether some buy back examples between National Grid and IUK could be provided, LM questioned the value as IUK are only looking to buy back their specific capacity products – IUK has a forced capacity buy back mechanism with a cap on price.

**3. Legal Text**

Consideration of the legal text was deferred.

**4. Workgroup Report**

Consideration of the Workgroup Report was deferred.

**5. Any Other Business**

None.

**6. Diary Planning**

The following meetings are scheduled to take place during 2014.

Date	Location
Tuesday 12 August 2014 <b>European Workgroups Day:                      0493, 0500 and 0501</b>	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Tuesday 16 September 2014 <b>European Workgroups Day:                      0493, 0500 and 0501</b>	31 Homer Road, Solihull B91 3LT
Wednesday 08 October 2014 <b>European Workgroups Day:                      0493, 0500 and 0501</b>	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Tuesday 21 October 2014 <b>European Workgroups Day:</b>	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF

<b>0493, 0500 and 0501</b>	
Wednesday 05 November 2014 <b>European Workgroups Day: 0493, 0500 and 0501</b>	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF

### Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0601	03/06/14	2.0	<i>PRISMA and TSO technical response times</i> – Check and clarify.	National Grid NTS (MM)	Update provided. <b>Closed</b>
0602	03/06/14	2.0	Provide scenarios/worked examples where capacity can become unbundled (for next meeting).	National Grid NTS (MM)	Update provided. <b>Closed</b>
0603	03/06/14	2.0	<i>PRISMA Auctions</i> - Check that the PRISMA system would recognise what had been bid before by a party at the time of bid submission.	National Grid NTS (MM)	Update provided. <b>Closed</b>

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0604	03/06/14	2.0	<i>PRISMA Auctions</i> - Check and clarify the principles applying to multi-currency functionality within PRISMA and what, if anything, could change between bid windows that might present risk.	National Grid NTS (MM)	Update provided. <b>Closed</b>
0605	03/06/14	2.0	To provide more detail around within day nomination/capacity validation done by IUK.	IUK (DS)	Update provided. <b>Closed</b>
0606	03/06/14	2.0	<i>PRISMA Processes</i> - National Grid NTS to provide more clarification, and additional worked examples on competition.	National Grid NTS (MM)	Update provided. <b>Closed</b>
0701	11/07/14	2.1	To provide a view on whether Ofgem will give some high level guidelines for when it would withdraw capacity under LT UIOLI	Ofgem (RM)	Update to be provided.
0702	11/07/14	2.1	To seek a view from his operational colleagues as to whether or not, a monthly (utilisation) report can be provided.	National Grid NTS (MM)	Update to be provided.
0703	11/07/14	2.2	To confirm their current surrender capacity processes.	National Grid NTS (MM)	Update to be provided.