

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

**Tuesday 16 September 2014**

**31 Homer Road, Solihull B91 3LT**

**Attendees**

Bob Fletcher (Chair)	(BF)	Joint Office
Helen Cuin	(HC)	Secretary
Alison Chamberlain	(Ach)	National Grid NTS
Anna Shrigley	(AS)	ENI
Charles Ruffell	(CR)	RWE
Colin Williams*	(CW)	National Grid NTS
David McCrone	(DM)	Ofgem
Gareth Davies*	(GD)	Statoil
Graham Jack	(GJ)	Centrica
Laura Butterfield*	(LB)	National Grid NTS
Malcolm Montgomery	(MM)	National Grid NTS
Matthew Hatch	(MH)	National Grid NTS
Nigel Sisman	(NS)	SEC
Rachel Turner	(RT)	BG International
Richard Fairholme	(RF)	E.ON UK
Richard Miller	(RM)	Ofgem

\*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0500/160914>

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

**1. Review of Minutes and Actions**

**1.1 Minutes**

The minutes of the previous meeting were accepted.

**1.2 Actions**

**0801:** To ask PRISMA about the feasibility of selling capacity subject to minimum quantities being re-allocated for Surrender offers.

**Update:** MM explained that it would be technically challenging to introduce a new type of auction/process for handling “conditionally available” surrenders. He believed with time constraints it wouldn’t be possible to include this as part of the modification as it is a fundamental change to PRISMA functionality and outside UNC governance arrangements. **Complete.**

**2. Workgroup Report**

MM provided a set of slides to update to the Workgroup on a number of issues National Grid NTS have considered.

**2.1 Surrender Cash Flows**

MM explained any money received for long term use it or lose it (LT UIOLI) offer and surrender offers will have their own quantity holders in the Gemini system to allow revenue to be treated separately. MM discussed the proposal that surrender and LT

UIOLI revenues and costs will feed into neutrality, and highlighted that Exit IP (surrender / LT UIOLI) transactions would feed into the neutrality pot as well as the Entry IP transactions.

The Workgroup discussed net revenues being smeared back – surrenders would be cost/revenue neutral, but LT UIOLI would be a net revenue. MM confirmed that any net revenue would be closely monitored.

## 2.2 Surrender Price

MM explained that there may be more than 1 clearing price for bundled auctions in the case of 1:2 IP scenarios. For post auction processing then it is proposed to process the highest priced bundled auction results first, followed by the lower priced results. (Unbundled will remain last.) The surrender credit shippers receive could be based on 1 of up to 3 different clearing prices.

## 2.3 Minimum Surrenders

MM explained that it would be technically challenging to introduce a new type of auction process for handling “conditionally available” surrenders.

He believed with times constraints it wouldn't be possible to include this as part of the modification as it is a fundamental change to PRISMA functionality which as noted previously, is outside of UNC governance, and would require wider multi-lateral discussions.

## 2.4 CMP: Long-term Use-it-or-lose-it Guidance note

MM provided an embedded guidance note explaining how National Grid NTS calculates a network user's utilisation of their contracted capacity.

MM noted he needed to include consecutive annual IP capacity as this had been inadvertently omitted within the guidance note.

The Workgroup considered the appropriate period used for identifying shippers to be monitored i.e. 24 months and the wording of the guidance note.

It was requested that clarification was added to the guidance note for long-term auctions.

GJ asked National Grid NTS to consider reporting to all Users. He believed that the IUK is doing this for all IUK Users on a monthly basis. He thought this had also been agreed by National Grid NTS. MH understood the functionality may be made available, however it was believed that National Grid NTS would only be reporting to Ofgem where there is under utilisation by Users, and not reporting to all Users. NG agreed to take an action to confirm what information is reported to Users.

**Action 0901: National Grid NTS to confirm what information is reported to Users for LT UIOLI under utilisation.**

## 2.5 Contingencies

MM summarised the existing UNC Class A contingencies.

He sought views on the contingency arrangements going forward. He suggested using the existing rules for PRISMA and Gemini. MH confirmed discussions were taking place with PRISMA on contingency arrangements to be used in future. NS asked about an over nomination process. MH confirmed National Grid NTS would offer non obligated capacity if Users request it and it is available.

MH explained the contingency arrangements for Gemini. There are no overruns in the event that no daily allocations of entry capacity take place. The Workgroup discussed if Gemini was out for 1 hour or 22 hours, should the modification keep contingency arrangements inline with current section B i.e. no overruns or should National Grid NTS manually upload available capacity to PRISMA.

The Workgroup considered the exposure of an outage towards the end of the day and the ability of shippers to nominate or reduce flows in terms of an overrun. If PRISMA is offline at the beginning of the day suspending flows would limit Shipper actions. The Workgroup discussed suspending overruns.

The proposal was to keep to the current contingency arrangements for IPs where overruns will be zero. However, GJ didn't believe this was sufficient. NG agreed to look at possible options and discuss IP arrangements further at the next meeting. There was a view that wider contingency arrangements should be considered further outside Workgroup 0500 for any flows subject to the over-run regime.

**2.6 Recap**

MM summarised the topics covered so far by the Workgroup and the intention to consider Tariff Arrangements.

MM asked if there were any topics Shippers wanted to bring back to the table for further consideration or any areas missed that they believed needs to be considered.

MM offered to discuss any Shipper concerns. No immediate concerns were raised.

**2.7 Amended Modification**

MM provided a summary of the changes to the modification, which will be formally submitted in due course.

**2.8 Charging Update**

LB provided a presentation to provide a charging update to the Workgroup. She clarified there are a number of changes required in order to implement CAM into the charging regime.

It was noted that a change to Section Y would be required.

AS enquired about the rules to be applied to exit capacity price steps. She asked if the same price rules would apply when new tariffs come in at a later stage. MH clarified that National Grid NTS are keeping the same principles for charging related aspects to keep changes to a minimum.

CW clarified that floating exit capacity will remain exactly as it is now and explained the use of a new tariff price.

**3. Next Steps**

BF confirmed that an amended modification and legal text is expected for consideration on 08 October 2014. The intention will be to conclude the Workgroup Report on 05 November 2014 to enable the report to be presented to the UNC Modification Panel by 20 November 2014.

It was noted that should the modification require a change to Section Y, then consideration of the Relevant Charging Methodology Objectives would be required.

**4. Any Other Business**

None raised.

**5. Diary Planning**

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

Workgroup meetings will take place as follows, however additional short notice meetings may be required.

Time / Date	Venue	Workgroup Programme
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Wednesday 08 October 2014	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF	Workgroup 0501: Summary Review 0501/0501A Legal Text Review  Workgroup: 0500 Amended modification Legal Text Review
Tuesday 21 October 2014	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF	Workgroups: 0500 and 0501 0501/0501A Workgroup Report completion
Wednesday 05 November 2014	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF	Workgroups: 0500 and 0501 0500 Workgroup Report completion

### Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0801	12/08/14	1.2	To ask PRISMA about the feasibility of selling capacity subject to minimum quantities being re-allocated for Surrender offers.	National Grid NTS (MH)	Complete
0901	16/09/14	2.4	National Grid NTS to confirm what information is reported to Users for LT UIOLI under utilisation.	National Grid NTS (MH)	Pending