

**UNC Workgroup 0501/0501A Minutes
Treatment of Existing Entry Capacity Rights at the Bacton ASEP to
comply with EU Capacity Regulations**

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
Andrew Corkhill	(ACo)	ENI
Anna Shrigley	(AS)	ENI
Charles Ruffell	(CR)	RWE
David McCrone	(DM)	Ofgem
David Tennant	(DT)	Dentons
Debra Hawkin*	(DH)	Independent Consultant
Gareth Davies*	(GD)	Statoil
Graham Jack	(GJ)	Centrica
Isabelle-Agnes Magne*	(IAM)	GDF Suez
Julie Cox*	(JCx)	Energy UK
Louise Aikman	(LA)	National Grid NTS
Malcolm Montgomery	(MM)	National Grid NTS
Matthew Hatch	(MH)	National Grid NTS
Nick Wye	(NW)	Waters Wye
Nigel Sisman	(NS)	SEC
Rachel Turner	(RT)	BG International
Richard Fairholme	(RF)	E.ON UK
Richard Miller	(RM)	Ofgem
Simon Witter	(SW)	ENI

*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0501/160914>

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

1. Introduction

BF explained the order of proceedings for the meeting.

2. Discussion

2.1 Amended Modification 0501

MH offered to conduct a page turn of the suggested revised version of Modification Proposal 0501. The group agreed that this was not needed. MH provided a summary slide to highlight the more significant changes to Modification 0501.

2.2 Walkthrough of Draft Legal Text for 0501

DT provided some context with regards to the legal text. He explained that a number of relatively discreet changes would be required in relation UNC TPD, along with some changes at interconnection points. The intention will be to develop a separate European Interconnection Document (EID), only those rules for

Interconnection Points which are different from or additional to the rules in the TPD. Except where provided in the EID, the rules in the TPD will apply to Interconnection Points in the same way as other System Points.. This is a similar approach used for specific activities in other sections of UNC e.g. independent Gas Transporter Ancillary Document (iGTAD). For consistency, some of the text from TPD Sections A and B will also need to be taken out and added to the EID. DT also highlighted that Modification 0501 will generate a need for some transitional text.

SW asked whether it would be possible to split capacity on a daily basis. MH confirmed that this was not possible and that the Modification Proposal was kept as simple as possible and that the products would be re-allocated in the same manner as originally purchased e.g. monthly or quarterly.

GJ asked about the gas day effect. DT confirmed the rules around the gas day would be revisited to double check there are no unintended consequences, however they were not expecting to amend the text provided.

MH clarified that Section 2.1 relates to the Quarterly QSEC invitation process. GJ suggested a reference to Section B of the UNC might avoid any ambiguity.

RM asked about the hard coding of dates, MH explained that actual allocation dates would not be known so a date would not be hard coded into the UNC.

SW requested clarity on what parties would be bidding for in the 2015 QSEC & MSEC auctions, due to the change in nature of the product in November 2015. MH explained that there is an obligation on NTS to run the auction and suggested parties would need to choose whether to participate or not. Some workgroup members suggested they'd be inclined not to participate in the QSEC Auction without having the product defined. NS believed this to be a timing/transitional issue and further consideration of the timeline may be required to find the best possible solution. GJ prompted discussion surrounding the timing of the QSEC Auctions. MH confirmed that the Proposal would be as flexible as possible with regard to the timetable and that dates would not be hard coded but that the timetable would have to deliver a conclusion to enable compliance with 1st November deadline.

GJ asked for clarity around the freezing of defaults when there is an over subscription. The Workgroup discussed the management of over subscriptions. GJ enquired about the scale back of transfers. DT clarified that this is covered in section/rule 1.10b. However, DT confirmed he would consider whether there are any loose ends in terms of the scale back of transfers and over subscriptions.

Action 0901: National Grid NTS/Denton to consider the scale back of transfers by the same proportions as the primary holdings is fully covered.

AS enquired about the timetable, capacity transfers and posting transactions within Gemini. MH explained that this would be a faxed based process and clarified that Gemini would not be utilised for these trade transactions.

GJ suggested the proposer considers using a consistent term for interconnector points within the Modification. National Grid NTS agreed to address this when amending the modification.

BF reminded National Grid NTS to provide a supporting plain English summary along side the legal text to help link the business rules to the relevant sections of text.

3. Review of Minutes and Actions

3.1 Review of Minutes (12 August 2014)

RM proposed the following amendments to the minutes of the previous meeting.

Page 2, under Action 0602, Part 2, Update (paragraph 4):

“MHa pointed out that capacity holders had directed their efforts and information to the consultation process, which was now closed; and that the information they provided under this may assist Ofgem’s views. DM thanked those parties that had responded to the consultation, and their responses were being followed up individually. LMa commented that Ofgem had received very limited content from a few parties, and suggested it would be helpful if others could respond to Ofgem with further information (Ofgem would be happy to arrange meetings to discuss) ~~as it would be very difficult for Ofgem to form a view at present~~ **to enhance the development of policy**. LMa recognised it was rather a ‘chicken and egg’ situation and urged parties to talk to Ofgem regarding issues and concerns; based on the information received by Ofgem to date there appears to be no problem. No responses had made any reference to legacy contracts. Ofgem would like to understand what legacy contracts were believed to be in place and how they are perceived to be affected.”

Page 2, under Action 0602, Part 2, Update (paragraph 7):

“LMa referred to the coming into existence of IUK and BBL as additional entry points at the Bacton ASEP (some years after the UNC arrangements were brought in), and this did not seem to have been perceived as presenting fundamental change to any ~~position~~ **products or contracts. Therefore removal of the possibility to flow via IUK and BBL when holding Bacton UKCS capacity returns us to the pre-interconnector world and is no fundamental change to products or capacity.**”

Page 4, under Discussion, General Comments (paragraphs 1 and 3):

MHa suggested that the rate at which capacity comes back and is made available for bundling at Bacton could be key for the Panel to consider. An accelerated rate of bundling might be seen as an advantage of 0501A over 0501, for the world beyond 2018. **LM noted that CAM already allows for unbundled existing capacity contracts to be bundled voluntarily at an interconnection point. Therefore 0501A is not necessary to accelerate the rate of bundling.**

It was considered that an ability to terminate might accelerate bundling faster.

There may be an impact(s) on the commodity charge if capacity is returned with Modification 0501A. MHa commented that Ofgem’s Gas Transmission Charging Review (GTCR) was meant to be addressing some of these issues. **RM noted that if existing capacity contracts are terminated at Bacton then this reduction in NGG collected revenues may need to be recovered from higher commodity charges paid at all entry points.**

The proposed changes were reviewed and accepted. It was agreed that the minutes of the previous meeting would be revised and republished. The minutes were then approved.

3.2 Review of Actions

0602: Perceived Potential Change of Product:

Part 1 - Ofgem to provide a legal view/interpretation of this modification (for consideration at the next meeting).

Part 2 - Where possible, parties to provide individual Bacton contractual evidence to Ofgem.

Update: DM confirmed that bi-lateral discussions continue. The current view is that Ofgem see no impediment for either modification to progress. He encouraged parties to communicate with Ofgem if they want to have an input to the bi-lateral discussions and have information, which is considered sensitive for discussion in a wider Workgroup. In terms of Workgroup proceedings he saw no impediment to progress based on publicly provided information. It was clarified that

Ofgem will be considering the publicly provided information along with any confidential information provided to them. **Complete.**

4. **Modification 0501A - Treatment of Existing Entry Capacity Rights at the Bacton ASEP to comply with EU Capacity Regulations, including capacity return option**

GJ confirmed work continues with National Grid NTS to understand the changes to 0501 to reflect some of the required changes to 0501A. A marked up redraft is hoped to be provided by the end of this week and an amended version made available for publication.

Intent to discuss legal text on 08 October and conclude the Workgroup report on the 21 October

GJ asked any parties to contact him if there any questions

5. **Next Steps**

The Workgroup agreed for the next meeting to undertake a summary review of any changes to Modification 0501/0501A and reconsider/review the Legal Text. The intention will be to conclude the Workgroup Report on 21 October 2014 to enable the report to be presented to the UNC Modification Panel by 20 November 2014.

6. **Any Other Business**

None raised.

7. **Diary Planning**

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

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
Wednesday 08 October 2014	ENA, 6th 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, 6th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF	Workgroups: 0500 and 0501 0501/0501A Workgroup Report completion
Wednesday 05 November 2014	ENA, 6th 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
0602/1	03/06/14	2.0	<i>Perceived Potential Change of Product – Part 1 - Ofgem to provide a</i>	Ofgem (DM)	Complete

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			legal view/interpretation of this modification should additional information/analysis be provided to inform a view		
0602/2	03/06/14	2.0	<i>Perceived Potential Change of Product – Part 2 – Where possible parties to provide individual Bacton contractual evidence to Ofgem.</i>	All parties	Complete
0901	16/09/14	2.2	National Grid NTS/Denton to consider the scale back of transfers by the same proportions as the primary holdings is fully covered.	National Grid / Denton	Pending