

UNC Workgroup 0501/0501A/0501B/0501C Minutes

Treatment of Existing Entry Capacity Rights at the Bacton ASEP to comply with EU Capacity Regulations

Monday 20 April 2015

Energy UK, Charles House, 5 - 11 Regent Street, London SW1Y 4LR

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Andrew Corkhill	(AC)	Eni
Anna Shrigley	(AS)	Eni
Charles Ruffell	(CR)	RWEST
Fergus Healy	(FH)	National Grid NTS
Graham Jack	(GJ)	Centrica Energy
Lesley Ramsey	(LR)	National Grid NTS
Matthew Hatch	(MH)	National Grid NTS
Richard Miller*	(RM)	Ofgem
Roddy Monroe	(RMO)	Centrica Storage Ltd
Simon Witter	(SW)	Eni

*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0501/200415>

1. Introduction

BF welcomed all to the meeting, explaining that the purpose was to consider Ofgem's Send Back Letter, what actions might be required, and the Workgroup's recommendations to the UNC Modification Panel (Panel).

2. Consideration of Ofgem's Send Back Letter

RM gave a brief overview of the reasons for Ofgem sending back the Final Modification Report (FMR) for further consideration by the UNC Modification Panel and the Workgroup.

Given the importance of the decision to be made in respect of these modifications, Ofgem intended to carry out an Impact Assessment (IA), likely to commence on 19 May 2015, with a final decision on the modifications by August 2015. This presented a problem in respect of the legal text and the reference dates. For all four modifications the text specifies a fixed date for the start of their respective processes (no later than ten Business Days following completion of the allocation of Quarterly NTS Entry Capacity); the completion of the allocation of Quarterly NTS Entry Capacity will be at some point in May 2015, and each modification then explains the processes and timescales following on from this date. The reference dates will no longer be applicable if they remain unchanged and the modifications will not be able to be implemented. Ofgem wishes to ensure that the dates and timescales described within the legal text are compatible with its anticipated decision timing for the modifications. It would prefer to receive the revised Final Modification Report and legal text before publishing its IA. This would provide certainty that any changes to the legal text relate to the dates/timescales only.

Ofgem Impact Assessment and Decision Timelines

RM gave a short presentation on the expected timelines. Ofgem intends to publish its IA on 19 May 2015, with an anticipated consultation period of between four and six weeks. RM believed it was important that changes to the modifications and legal text were confirmed before Ofgem publishes the IA for consultation, or at least before the IA consultation closes. If the IA is published on 19 May 2015 and the FMR was returned to Ofgem after the May UNC Modification Panel it would be a four week consultation. If Ofgem continued to commence its IA on 19 May 2015 and the FMR was returned to it after June UNC Modification Panel due to the UNC Modification Panel sending the modifications out for supplemental consultation on the proposed changes, then it would entail a six week consultation. RM confirmed that Ofgem aimed to publish its decision within 25 working days after the IA consultation closes.

A discussion ensued on various ways to reframe the anticipated timescales to accommodate Ofgem's requirements for its IA, whilst noting that the two potential outcomes of Panel's determination might present different challenges to the range of flexibility open to utilisation. Both outcomes and the potential effects of each on the envisaged timescales were considered. Various adaptations were suggested, including:

- Shortened UNC consultation time period was possible (if Panel had decided the proposed changes were material and a further consultation was necessary). Asked if Ofgem could take into account any shortened consultation timescale required by Panel and reflect this in its closing date for IA process, RM thought it might be possible to achieve an earlier date than the 04 August decision.
- Earlier issuing of the IA by Ofgem (prior to 19 May 2015) - This might be possible if certainty of Panel's view on materiality/immateriality was available at an earlier point and possibly these questions answered at a Panel meeting held prior to the planned May meeting.
- Shortened period for Ofgem's decision making, i.e. reduced from 25 days. This was an internal deadline - not a hard deadline, but the practicality of reducing the decision timeframe of what was seen to be an important set of modifications was not likely. It was also questioned why Ofgem needed what was in fact a further 25 days, having already had this period in relation to the first FMR. RM believed that where there was scope to reduce times then Ofgem would consider this but it could not be guaranteed. The IA consultation responses would inform this.

GJ voiced concerns in respect of the effect on CAM and Bacton capacity. MH noted elements of flexibility in the Licence. It might be possible to make live at Moffat and not at Bacton. This was briefly discussed.

It was agreed that all of the modifications should continue to be considered together.

2.1 Summary Review of proposed Modification Changes

MH gave a short presentation, referring to Ofgem's decision to conduct an IA and its direction on the resultant necessity to revise Modifications 0501, 0501A, 0501B and 0501C in relation to the start date of the process, which is currently "no later than ten Business Days following the completion of the allocation of Quarterly NTS Entry Capacity", and the need to reassess subsequent timings as currently laid out in the legal text.

It was noted that the Bacton Reallocation Process needed to conclude on 30 September 2015, and that the new nominations process would start on the Gas Flow Day on 01 October 2015 at Interconnection Points (IPs). LR then explained the timeline for Bacton Reallocation process and the potential revised timelines for each of the modifications. It was noted that some activities had been combined to facilitate compression of the timelines. These would replace the current timelines in the modifications. A calendar was displayed to illustrate the longest reallocation process timeline, from 30 September 2015 backwards, which indicates a reallocation process start date of no later than 21 July 2015. FH confirmed that this start date

works for all four modifications without having to issue the invitation on Day 0, whereas the 04 August date will work for Modifications 0501 and 0501A, but causes difficulty for Modifications 0501B and 0501C.

MH pointed out that National Grid NTS had reduced its own process steps (number of business days) whilst maintaining the original number of days for Shippers to respond. This allowed a reallocation process start date of 21 July 2015. National Grid NTS intended to publish the appropriate timeline immediately once it was known whichever of the modifications had received approval, so as to give absolute clarity as to which timeline will be applied. MH confirmed National Grid NTS was proactively preparing for these changes and that in testing no problems had been identified so far.

It was then questioned how Panel might determine whether or not the changes were material or immaterial. BF gave a brief overview on what tests might be applied, what factors might be taken into account, and how Panel might reach its decision. RM confirmed that Ofgem would undertake the IA, and not a consultant. The IA was currently being drafted.

National Grid NTS agreed to circulate draft Variation Requests in advance, in response to a request from GJ to ensure consistency of approach.

Returning to slide 5, FH clarified the timeline for Modification 0501B, and observed that those for Modifications 0501 and 0501A could accommodate a little flexibility if necessary. If the date was confirmed as 04 August then National Grid NTS could give advance warning for parties to start preparing, but would not be able to confirm which modification would be applied. The decision date could be the implementation date so that it could commence without additional delay.

2.2 Consideration of Legal Text

MH explained the change required to Modification 0501; it was proposed that exactly the same change should be reflected in Modifications 0501A, 0501B and 0501C. The proposed changes were displayed and MH explained what was required.

Paragraph 1.2 - All of the modifications would require a new definition of 'Effective Date'.

Paragraph 2.1 - MH explained the change required for Modifications 0501, 0501A, 0501B and 0501C.

The change required was exactly the same for all four modifications and the revised legal text will reflect this. The Workgroup was content with the proposed revisions for each modification. MH would now commence preparation of the revised text with Dentons.

2.3 Draft Variation Request - Modification 0501

The draft Variation Request for Modification 0501 was displayed and briefly reviewed; some suggestions were made to improve clarity of the proposed change.

BF explained why a separate Variation Request was necessary for each modification, and the subsequent process that would be followed at the Panel.

2.4 Completion of Workgroup Report

Having considered the issues raised in the Authority's direction to amend the Final Modification Report and having reviewed the proposed Variation Requests, the Workgroup concluded that the changes proposed were identical for each modification and simply clarify how the modifications would be implemented in the business rules. The Workgroup agreed that in its view the Variation Requests should be considered as immaterial.

It was suggested that the UNC Modification Panel be requested to convene an extraordinary meeting outside its regular programme to consider the materiality of these Variation Requests at

the earliest opportunity, to determine its views and thus to inform and provide the Authority with the degree of certainty it required before undertaking its IA on 19 May 2015.

The Workgroup then considered its formal recommendations to Panel, and these were included in the revised version of the Final Modification Report.

3. Agreement of Next Steps

The next steps were agreed as follows:

- The proposer of each modification to provide its individual Variation Request to the Joint Office for publication, by Wednesday 22 April 2015.
- The Chair to write to Panel to request the convening of an additional Panel meeting (teleconference) at the earliest opportunity to consider the Variation Requests and determine a view on materiality.
- The revised FMR to be presented to Panel.
- No further Workgroup meetings were required.