

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

Tuesday 21 October 2014

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

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
David McCrone	(DM)	Ofgem
David Tennant*	(DT)	Dentons
Debra Hawkin*	(DH)	TPA Consultants
Graham Jack	(GJ)	Centrica
Jeff Chandler	(JC)	SSE
Lesley Ramsey	(LR)	National Grid NTS
Malcolm Montgomery	(MM)	National Grid NTS
Matthew Hatch	(MH)	National Grid NTS
Richard Fairholme*	(RF)	E.ON UK
Richard Miller	(RM)	Ofgem
Richard Riley*	(RR)	National Grid
Roddy Monroe	(RM)	Centrica Storage
Simon Witter	(SW)	Eni

**via teleconference*

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0501/211014>

The Workgroup Report (0501, 0501A, 0501B) is due to be presented at the UNC Modification Panel by 20 November 2014.

1. Introduction and Status Review

1.1 Minutes

DM requested the following amendment be made to the minutes of the previous meeting:

Page 2, under Section 4 Any Other Business.

“SW expressed concerns about the loss of flexibility at Bacton. He expressed the view that ENI would not be able to support this proposal as it did not make provision for the degree of flexibility offered by Modification Proposal 501A.”

SW clarified the context and confirmed his view that none of the current options offer the same degree of flexibility that currently exists.

Having agreed the change, the minutes of the previous meeting were accepted and will be revised and republished.

1.2 Actions

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

Update: Referring to Modification 0501, LR said that where a new ASEP was oversubscribed and there is a transfer that is higher than the primary holdings following proration the transfer would be split between the two new ASEPs in the same proportions as the primary holdings. Trading examples were discussed. GJ envisaged that for Modification 0501A following proration the trade would remain in place in most circumstances (only if the scale back was very severe might it be affected) and preference could be given to the trade to the extent of the primary holdings. MH asked if this would 'break the trade'? GJ replied the principle would be to honour the trade with sufficient primary capacity as is possible after proration of the primary holdings.

It was suggested this needs recognition in the legal text, and to be included in the Business Rules for Modification 0501A. Attention was drawn to the draft Workgroup Report, page 18, 0501A/BR11; this was considered and discussed. Oversubscription is the issue; for Modifications 0501A and 0501B (this does not apply to Modification 0501 as no capacity is returned) a trade can be prioritised.

MH, GJ, DT and RM will discuss the trading aspects in relation to all three modifications and will review to see if this is/should be included/clarified in the legal text and will address if necessary.

Closed

1001: LM to provide the workgroup with a timeline for the publication of the statutory consultation document.

Update: Reporting that bilateral discussions with Shippers and National Grid NTS were continuing, DM outlined the potential timeline.

Ofgem cannot make a decision on these modifications until the Licence comes into effect. The next step is the statutory consultation, looking to be published early to mid December (prior to 18 December 2014). The minimum consultation period is 28 days (this may be extended to mid January 2015, to take account of the Christmas/New Year period). Ofgem then estimates a four week period will follow in which it will consider/review responses and respond. Licence direction may then occur mid February (with 56 days' notice of direction which includes an associated 20 day appeal window), looking to be effective in first week of April. (If a material change to the Licence is subsequently proposed then a further consultation might be necessary, and will therefore extend this provisional timeline.) Based on this timeline the modification decisions are likely to be made in early April 2015.

SW stated that Eni was considering raising a modification (but had not concluded as to the content as yet) to address the flexibility issue (may potentially be an alternate or a standalone) and that this timeline would appear to provide sufficient time for its development. DM observed that whatever was raised would still rest with Ofgem to be considered 'in the round' with any others. BF explained the modification process and how the existing three modifications (0501, 0501A, 0501B) would be considered and progressed by the Workgroup and UNC Modification Panel. The raising of a further, potentially third alternate, modification might therefore require a change in the Workgroup's approach and time allowed. BF explained how a fourth modification might be treated, depending on whether it was deemed to be an alternate or a standalone. This was discussed.

MH expressed a strong preference for the existing three modifications to progress as planned on the original timeline and for the Workgroup to report to the UNC Modification Panel on 20 November 2014.

Noting that Eni's potential modification would be raised to address the issue of flexibility, MH believed it was not an alternate as the existing three modifications relate to the Bacton split and reallocation of capacity as required to implement the CAM Regulation. However, AC believed the flexibility issue to be inter-related, and disagreed that this would exclude Eni's potential

modification from simultaneous consideration. AC reiterated that the degradation of existing capacity products should not be lost sight of. SW was concerned there were still substantial issues in play and unresolved, and suggested there may be different ways of achieving an appropriate solution, for example splitting the ASEP three ways (via a historic ASEP).

GJ thought the flexibility question could be approached differently, and could possibly be 'piggy-backed' on one or more of the existing modifications, or a separate modification could of course be raised and progressed on a different timeline.

MH observed that the issue of flexibility had already been under wider industry and Workgroup discussion for the past 12 months, and pointed out that National Grid NTS was only planning to deliver what was currently set out in respect of systems for CAM compliance; should any further changes be required there may be an increased risk to the industry programme and systems delivery by October/November 2015.

SW confirmed that Eni would discuss the potential modification with Ofgem to ascertain the best way forward. **Closed**

2. Workgroup Report

2.1 Summary Review of Modification Changes

No amended modifications for consideration at this stage.

Proposed Reduced User Response Timeline for Modifications 0501, 0501A and 0501B

Noting that if this proposal were accepted then the legal text would require adjustment, LR presented a diagram to illustrate the process timeline for Modifications 0501, 0501A and 0501B and indicated where the response times had been reduced (User response reduced from 20 to 10 Business Days), following discussions at the previous meeting.

The proposed process had therefore been shortened, allowing for Modification 0501B which has the longest timeline to be accommodated, and would finish around the end of August, rather than September.

The process was discussed. It was intended that communications (e.g. general notification) would be issued to all Users, and invitations to specific Users thereafter. GJ observed that the use of fax was not liked as a communication method; LR suggested that email could also be utilised, but this would be in addition to, and not instead of, fax which was mandated as the formal communication method in the UK Link Manual.

2.2 Consideration of Legal Text

Modification 0501

DT drew attention to and explained the changes made, some of which he observed were consequent upon the premise of Modification 0501 being implemented prior to Modification 0500.

Modification 0501A

Observing that the majority of changes made were identical to those of Modification 0501, DT drew attention to the changes made specifically in relation to Modification 0501A.

Modification 0501B

Observing that the majority of changes made were identical to those of Modification 0501, DT focused on the changes made specifically in relation to Modification 0501B. The Workgroup's attention was drawn to paragraphs 4.1, 4.2(b) and 5, and DT explained these in more detail.

RM confirmed that he had submitted comments to National Grid NTS, and pointed out that some of the terms will be dependent on the Licence changes. MH noted this.

2.3 Development of Workgroup Report

BF outlined the potential complications inherent in having to report on the three modifications in the one document, and suggested various approaches that might be adopted to enable clear comparison but also distinction.

Following the day's discussions it was noted that the modifications and legal text would be amended. BF suggested that the Proposers take this opportunity to make it very clear and concise in the Summary section how each modification differs from the alternatives.

Observing that each modification appeared to address different relevant objectives, BF asked the Proposers to consider very carefully how each modification facilitated (or not) each of the relevant objectives; this would be a focus for the next meeting.

BF added that the Implementation Section of the Workgroup Report might need to include information relating to various impacts (Licence, systems) and any dependencies.

3. Next Steps

Eni will provide an update on the status of its potential new modification.

The Proposers of Modifications 0501, 0501A and 0501B and the legal text provider will consider what amendments as discussed during the meeting should be made to the respective modifications and provide revised modifications and text as appropriate for review at the next meeting (05 November 2014).

At the next meeting it is anticipated that the Workgroup will review its report, with a view to completion for submission to the November Panel.

4. Any Other Business

None raised.

5. 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
10:00 Wednesday 05 November 2014	ENA, 6th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF	Workgroups 0500 and 0501
10:00 Friday 07 November 2014	31 Homer Road, Solihull B91 3LT	Workgroup 0501 - <i>To be confirmed at 05 November meeting</i>

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0901	16/09/14	2.2	National Grid NTS/Dentons to consider the scale back of transfers by the same proportions as the primary holdings is fully covered.	National Grid/ Dentons	Closed
1001	08/10/14	4	LM to provide the workgroup with a timeline for the publication of the statutory consultation document.	Ofgem (LM)	Closed