

UNC Workgroup 0510 Minutes
Reform of Gas Allocation Regime at GB Interconnection Points
Wednesday 01 October 2014
31 Homer Road, Solihull B91 3LT

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
David Cox*	(DC)	London Energy Consulting
David McCrone*	(DM)	Ofgem
Francisco Goncalves*	(FG)	Gazprom
Graham Jack	(GJ)	Centrica
Martin Connor	(MC)	National Grid NTS
Nick Wye	(NW)	Waters Wye Associates
Phil Hobbins	(PH)	National Grid NTS
Richard Fairholme*	(RF)	E.ON UK

**via teleconference*

Copies of all papers are available at: www.gasgovernance.co.uk/0510/011014

The Workgroup Report is due to be presented at the UNC Modification Panel by 19 March 2015.

1.0 Introduction and Status Review

1.1 Minutes

The minutes of the previous meeting were accepted.

2.0 Workgroup Report

The Workgroup Report is due for submission to the UNC Modification Panel on 19 March 2015.

2.1 Modification

The modification was reviewed. MC outlined the purpose of the modification and the need for change, drawing attention to the current process and the proposed process.

Use of the term 'confirmed nomination' was queried. Modification 0493 will introduce this, and GJ suggested that it be referenced back for clarity. MC will clarify the association with Modification 0493 and any terminology that it is envisaged will potentially be in use. It was confirmed that Modification 0510 can be implemented independently of Modification 0493.

2.2 Consideration of Draft Business Rules

The Draft Business Rules provided by National Grid NTS were reviewed. MC outlined the key points. Attention was focused on Section 4 Allocations business rules (page 5), and MC explained the rationale line by line.

4.2 - NTS will make every effort to allocate as nominated. A discussion then centred on 'Steering Tolerance' (ST); it was suggested it would be useful to know how this was

derived. PH envisaged it to be a fixed quantity and explained why, giving a brief overview of the process and the TSO actions. NW queried the need for it to be fixed. There was concern expressed that there might be scope for gaming. A worked example would be useful to assist understanding. PH believed it would be a mechanistic process driven by Shipper nominations, with TSOs minimising the steering difference as appropriate. Some scenarios were discussed that might present opportunities for undesirable behaviour. PH explained the mechanism in more detail. The key point was to allocate as nominated; theoretically Shippers could over nominate, but the acknowledged risks and consequences associated with any discovered abuse of the process were felt to be significant enough to preclude the occurrence.

Pitching the tolerance at the right level was thought to be key. Confidence was needed that the tolerance was sufficiently wide that pro rating of nominations would not happen on a regular basis. PH indicated it was a cumulative thing - breaching the tolerance might not be a major issue and was the trigger to hold a conversation with the Adjacent TSO with a view to possibly extending the steering tolerance temporarily. The TSOs will monitor the cumulative steering difference very closely and expect any significant breach in tolerance to imply an exceptional event (related to 'difficult days'). NW observed the possibility of scaling back creates a degree of uncertainty; how the tolerances were set and on what basis needs to be understood, and should be set so that a breach would only happen in exceptional circumstances.

GJ observed that systemic bias for a period of time might cause problems, and asked if 'closeness to the ST' be published. PH indicated there were no plans to do so at present, but could be considered. GJ added that some sort of 'warning' would be useful to alert Shippers so that efficient action might be taken.

PH confirmed the OBA will define the absolute values of the ST. Adjacent TSOs would have to be consulted regarding publication of any details/data.

GJ suggested it would be useful to have a picture of how it might have been seen to work if it had been applied over the previous 18 months, ie would any breaches have occurred and what action would have been taken. PH agreed to provide a schematic illustration of ST for inclusion as an Appendix to the modification.

Action 1001: PH to provide a schematic illustration of 'Steering Tolerance' (ST) for inclusion as an Appendix to the modification.

GJ suggested that consideration be given as to how parties are made aware of any NG errors/actions taken.

LJ pointed out the requirement to define the 'may' (as in '*should the ST be breached, TSOs may take action*') or the circumstances in which it is to be applied.

4.3 - This sets out how proportional allocation would operate if 'difficult' circumstances arise. An algebraic formula will be produced to support this.

4.3(b) - Pointing out this only could apply at Interconnector UK, and that it was understood it would be an extremely rare event, nevertheless PH thought it should be included here.

2.3 Additional Information (NTS Presentation)

MC had provided a short presentation to assist in the understanding of the proposed arrangements, and gave a brief overview of the recent operational history at IPs, indicating the extreme rarity of system management actions. How the steering of gas flow would operate day-to-day was illustrated. Steering would be very close to

nominations most of the time. GJ queried if the information was perhaps misleading, as the cumulative flow profile is shown. PH indicated flow will be monitored through the day and there would be an end-of-day position. An example of the proposed arrangements if the Steering Tolerance is breached was illustrated and explained.

It was suggested that the slides could be revised to make clear that it is the end-of-day position that matters.

Action 1002: NTS Presentation - MC to revise the slides to make clear that it is the end-of-day position that matters.

It was noted that any actions taken by the TSO would have to be based on its view of the circumstances prevailing at the time (difficult days). GJ indicated he would prefer to allow TSOs an element of discretion to be able to scale back or not as they see fit. Whilst recognising that steering tolerance breaches become important if on a difficult day system management actions might be warranted, the key was to set appropriate tolerance levels. If a breach within day appeared likely this would trigger discussions; if it occurred after the end of the day the TSOs would discuss appropriate actions with extending the tolerance temporarily as the first option.

Moving on to the scenario illustrated on Slide 6, the TSO would still be aiming to allocate as nominated, but it was difficult to predict circumstances, and MC observed that the TSO needed to have provisions/may need to consider proportional allocation if this circumstance arose. GJ asked if scheduling charges would be disapplied, and PH indicated he would consider this.

Action 1003: PH to consider and provide a view on whether scheduling charges would be disapplied and under what circumstances.

NW questioned what tools would be used to take balancing actions and what costs might then be imposed on the community. Would the TSO wait until the end-of-day and not take any action? Would the breach of Steering Tolerance cause NTS to take balancing actions? PH indicated that this was being discussed internally as NTS did not want to cause any unnecessary costs to Shippers. If Shippers did not take action, various tools might be considered. NW had a number of queries - was the TSO taking balancing actions to keep them whole; and who pays for that? How would costs be treated and does it affect NTS incentives? GJ asked was it more of a scheduling issue, rather than a balancing issue? How the commercial and the physical link together needs to be better understood. MC said that discussions were taking place with adjacent TSOs as well as internally. NTS is the residual balancer but all parties need to have incentives to take the right and appropriate actions before NTS is forced to take a balancing action. UJ asked what information a Shipper might need to be in possession of to enable it to take an informed view and appropriate action. Potential costs to others need to be understood. PH and MC noted these points and intended to bring a presentation to the next meeting to further clarify the position.

An example of proportional allocation was explained.

PH indicated that tolerance levels were being discussed (in parallel) and were in the process of being agreed with adjacent TSOs. It was hoped to have some figures in time for the modification's consultation phase. GJ and NW reiterated that parties needed to have comfort that the Steering Tolerances were set at sensible levels, and it would be useful to see examples showing how (had it existed) it might have been applied to any relevant circumstances that had occurred over the last few years.

Action 1004: Provide examples showing how (had it existed) Steering Tolerances/proportional allocation might have been applied to any relevant circumstances that had occurred over the last few years.

LJ reiterated that there appeared to be no direct link between breach of tolerance and immediate action; breach was almost an irrelevance, but what sort of manipulation might be required under the circumstances needed to be clearly understood. PH confirmed that a breach was the trigger for TSOs to have a dialogue, but not necessarily to act.

3.0 Next Steps

In line with the discussions, MC and PH will:

- revise the modification to provide additional clarity
- revise the presentation given and provide for republishing
- provide a further presentation(s) to address points raised
- prepare draft legal text.

4.0 Any Other Business

None.

5.0 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
Thursday 06 November 2014 <i>(within European Workgroup)</i>	ENA, 52 Horseferry Road, London SW1P 2AF	<ul style="list-style-type: none"> • Amended Modification • Consideration of Business Rules
10:30 Tuesday 02 December 2014 <i>(Dedicated to Workgroup 0510)</i>	31 Homer Road, Solihull, B91 3LT	<ul style="list-style-type: none"> • Review of Impacts and Costs • Review of Relevant Objectives • Consideration of Wider Industry Impacts • Consideration of Legal Text • Development of Workgroup Report

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1001	01/10/14	2.2	PH to provide a schematic illustration of 'Steering Tolerance' (ST) for inclusion as an Appendix to the modification.	National Grid NTS (PH)	Pending
1002	01/10/14	2.3	<i>NTS Presentation</i> - MC to revise the slides to make clear that it is the end-of-day position that matters.	National Grid NTS (MC)	Pending
1003	01/10/14	2.3	PH to consider and provide a view on whether scheduling charges would be disapplied and under what circumstances.	National Grid NTS (PH)	Pending
1004	01/10/14	2.3	Provide examples showing how (had it existed) Steering Tolerances/proportional allocation might have been applied to any relevant circumstances that had occurred over the last few years.	National Grid NTS (MC/PH)	Pending