

**UNC Workgroup 0517 0517A 0517B Minutes**  
**Review of the Supply Matching Merit Order in Setting Capacity Charges**  
**Wednesday 06 May 2015**  
**Elexon, 350 Euston Road, London NW1 3AW**

**Attendees**

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Alena Fielding*	(AF)	Ofgem
Amrik Bal	(AB)	Shell
Andrew Pearce	(AP)	BP Gas
Anna Shrigley	(AS)	Eni
Charles Ruffell	(CR)	RWEST
Colin Williams	(CW)	National Grid NTS
Debra Hawkin*	(DH)	TPA Consultants
Francisco Goncalves	(FG)	Gazprom
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	British Gas
James Thomson*	(JT)	Ofgem
Jeff Chandler	(JCh)	SSE
John Costa	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Laura Butterfield	(LB)	National Grid NTS
Marie Maurice*	(MM)	Engie/GDF Suez
Nick Wye	(MW)	Waters Wye Associates
Ric Lea	(RL)	Deloitte LLP
Robert Wigginton	(RW)	Wales & West Utilities
Sue Ellwood*	(SE)	TPA Solutions
Terry Burke*	(TB)	Statoil
Thomas Dangarembizi	(TD)	National Grid NTS

\* *via teleconference*

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0517/060515>

The Workgroup Report is due to be presented at the UNC Modification Panel by 17 September 2015.

**1.0 Introduction and Status Review****1.1. Minutes**

The minutes of the previous meeting were approved.

**1.2. Actions**

**0401:** WWU to provide a baseline graph from 2015 if a Modification is not made and provide a direct comparison for Modifications 0517, 0517A and 0517B.

**Update:** The information provided by WWU was reviewed. A number of graphs were displayed that demonstrated and compared how example large WWU DN sites and NTS Direct Connect Sites in different zones were differently impacted by the three modifications.

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RW gave a brief overview and explanation of each, responding to questions as they arose. A short discussion ensued.

It was observed that the Workgroup Report would need to include a great deal of modelled analysis in support. Some analysis provided so far may already be out of date because charges for baselines 2015/16 may have changed; prevailing has changed, by how much was not known. Some exit charges in SW and SE have gone down - recent changes could affect perspectives of the degree of effect. What were the effects in respect of other DNs/LDZs? JCx felt she would be unable to form a judgment based on the data produced to date; the data required baselining and updating to take account of the effect of recent changes.

LJ suggested that he could write to the DN Pricing Managers and ask them each to model a couple of exit zones to provide a comparison to be included in the data that would accompany the Workgroup Report.

Some narrative would also be required to explain the relative shapes and what conclusions might be drawn; it was suggested that the Proposers (RW, CW and JCh) liaise to produce this.

**NEW Action 0501: LJ to write to the DN Pricing Managers and ask them each to model a couple of exit zones to provide a comparison to be included in the data that would accompany the Workgroup Report.**

**NEW Action 0502: *WWU Graphs* - Provide a narrative to explain the relative shapes and the conclusions to be drawn.**

It was agreed that Action 0401 be closed. **Closed**

**0402:** All parties to consider and submit the required evidence for the Workgroup Report.

**Update:** Ongoing. **Carried forward.**

**0403:** All parties to provide view on the Relevant Objectives by 28 April 2015 for inclusion with the Workgroup Report.

**Update:** Comments received and included; any further comments would be welcomed for inclusion. **Closed**

## **2.0 Consideration of amended Modification 0517B**

JCh outlined and explained the changes made to align the modification with Workgroup discussions from the previous meeting.

A change marked version will be provided for formal publication.

## **3.0 Required Evidence**

See discussions at Action 0401 above, and new Actions 0501 and 0502.

## **4.0 Relevant Objectives**

The Workgroup considered the Relevant Charging Objectives. Attention was drawn to the addition made under (b).

Some additional comments regarding cost reflectivity, for inclusion under (a), had been provided by JCh (by email, and would be added to the Draft Workgroup Report after this

meeting). JCh explained this in more detail. It was noted these comments were common to all three modifications.

CW suggested the addition of the phrase, '...providing there is a commodity charge to allow for revenue recovery.'

Noting that there was no definition, LJ suggested that this meant Proposers could provide their own definitions/assumptions of 'cost reflectivity'. NW suggested it could be argued that they are no less cost reflective than the current arrangements and have other benefits.

The Workgroup would give the new inclusions some thought prior to the next meeting.

## 5.0 Development of Workgroup Report

JCx drew attention to the Table on page 4, suggesting the inclusion of further data relating to the winter just gone, and figures relating to Peak Day. Following a short discussion it was agreed that CW should look at recent values and see what can be included to explain the variance of the selected day from a 1 in 20 peak day.

**Action 0503: *Draft Workgroup Report, page 4 Table* - CW to look at the inclusion of additional data relating to Peak Day.**

CW observed that the Merit Order does not have to be based on a Peak Day scenario; it should be based on the same premise as the original Merit Order was put in place. Whilst recognising that this might not have any basis in reality, and must be based on assumptions, NW affirmed that no alternative had been established, and reiterated that there was no defence for the current Merit Order, but that there was a defence for changing the Merit Order.

JCx also suggested looking at the top 10 Peak Demand Days in a winter, to establish whether there were outliers or more significant occurrences; was Peak Day a representation of what else was flowing/flow profile. It would be good to have this data and comment on it to increase the robustness of the Workgroup's report. GJ asked what was reasonable pattern of supply, and observed that looking at the last few years of flow pattern was not sufficient. It there is a movement into a sustained cold period this could attract greater LNG supplies as prices start sharpening.

It was clear that parties held certain views but these were not based on any hard data.

## 6.0 Next Steps

LJ will update the draft Workgroup Report to include the information provided by RW and the comments provided by JCh and publish after this meeting.

JCh will revise Modification 0517B and provide for formal publication and inclusion in the draft Workgroup Report. (LJ will issue an email advising of the re-publication of the draft Workgroup Report.)

Assuming good progress in preparation, the drafted legal text will be reviewed at the next meeting.

The development of the Workgroup Report will continue at the next meeting.

## 7.0 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:

Time / Date	Venue	Workgroup Programme
10:30, Wednesday 03 June 2015	31 Homer Road, Solihull B91 3LT	Development of Workgroup Report 0517 and consideration of Legal Text
10:30, Wednesday 22 July 2015	31 Homer Road, Solihull B91 3LT	NTSCMF and finalisation of Workgroup Report 0517

**Action Table (06 May 2015)**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
<b>0517 0401</b>	01/04/15	3.0	WWU to provide a baseline graph from 2015 if a Modification is not made and provide a direct comparison for Modifications 0517, 0517A and 0517B.	WWU (RP/RW)	<b>Closed</b>
<b>0517 0402</b>	01/04/15	4.0	All parties to consider and submit the required evidence for the Workgroup Report.	All	<b>Carried forward</b>
<b>0517 0403</b>	01/04/15	6.0	All parties to provide view on the Relevant Objectives by 28 April 2015 for inclusion with the Workgroup Report.	All	<b>Closed</b>
<b>0517 0501</b>	06/05/15	1.2	LJ to write to the DN Pricing Managers and ask them each to model a couple of exit zones to provide a comparison to be included in the data that would accompany the Workgroup Report.	Joint Office (LJ)	<b>Complete</b>
<b>0517 0502</b>	06/05/15	1.2	<i>WWU Graphs</i> - Provide a narrative to explain the relative shapes and the conclusions to be drawn.	Proposers (CW, RW and JCh)	<b>Pending</b>
<b>0517 0503</b>	06/05/15	1.2	<i>Draft Workgroup Report, page 4 Table</i> - CW to look at the inclusion of additional data relating to Peak Day.	National Grid NTS (CW)	<b>Pending</b>