

**UNC Workgroup 0525 Minutes**  
**Enabling EU Compliant Interconnection Agreements**  
**Wednesday 11 March 2015**  
**31 Homer Road, Solihull B91 3LT**

**Attendees**

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Andrew Blair*	(AB)	Interconnector UK
Anna Tostevin	(AT)	Dentons
David McCrone	(DM)	Ofgem
Debbie Brace	(DB)	National Grid NTS
Graham Jack	(GJ)	Centrica
Karen Visgarda	(KV)	Joint Office
Phil Hobbins	(PH)	National Grid NTS
Sayf Al-Hadi	(SA)	Centrica

\* *via teleconference*

Copies of all papers are available at: [www.gasgovernance.co.uk/0525/110315](http://www.gasgovernance.co.uk/0525/110315)

The Workgroup Report is due to be presented at the UNC Modification Panel by 18 June 2015.

**1.0 Introduction**

LJ welcomed all to the meeting.

Pointing out that the compressed timeframe would be very challenging LJ outlined the anticipated process. Three Workgroup meetings might be required prior to submission of the Workgroup's report to the June UNC Modification Panel, with an expected consultation phase commencing immediately after.

**2.0 Initial Representations**

None received.

**3.0 Outline of Modification and Initial Discussion**

Noting that initial discussions had already taken place at the European Workgroup prior to formal submission, DB gave a presentation introducing the modification, explaining the rationale and the proposed solution that had been developed in order to meet the compressed timeframe.

The modification proposes a number of changes to enable compliance with the new European Network Code on Interoperability and Data Exchange, most significantly to establish industry consultation and suitable governance for Interconnection Agreements (IAs). It also addresses existing arrangements for User Agents that are no longer required at Interconnection Points under the new allocation arrangements (introduced by Modification 0510 - Reform of Gas Allocation Regime at GB Interconnection Points, and Modification 0493 - EU Gas Balancing Code – Daily Nominations at Interconnection Points).

### *Changes to Interconnection Agreement - Consultations*

To meet requirements under the EU Interoperability Code, Shippers have to be consulted 2 months in advance of new IAs going live. It was recognised that the timeframe required to fulfill the requirements would not fit with the existing time constraints to progress this modification. It was proposed therefore to effect this by running a one-off set of IA consultations in parallel to the modification process and rationalise this through the inclusion of transition text (to enable a single set of time limited formal consultations to occur).

The three IA consultations (comments, review, TSO discussions, etc) must be completed by the end of July, and cannot wait for the modification to be implemented; and so would need to be done 'offline' from a UNC mod process. The consultations would run separate to the modification, with Ofgem approving all, in an appropriate sequence, at the end of the processes.

DB provided a Timeline (as a handout) to illustrate how this was envisaged to operate. LJ suggested a further line(s) was required to indicate what happened after the review of the responses (how did this then feed into the IA changes). DB noted this for consideration.

It was understood that part of the modification will "authorise" the amendment of the Interconnection Agreements in respect of the provisions that affect Shippers. AT briefly outlined the processes that will be followed and why there needed to be an inclusion in the Transition Document (TD) to allow this to happen independently. PH reiterated it was seeking to facilitate the Shipper consultations on the IAs and tripartite agreements before 01 October 2015. In the background TSO discussions and agreements have been taking place and recommendations will be made to Shippers as to the way forward. AB added that TSO discussions had been going well, and IUK expect to have a completed document by April, and to issue relevant sections to consultation in early May.

LJ suggested that PH and DB consider making a short presentation to the Transmission Workgroup in May to raise awareness. PH noted this for consideration with Adjacent TSOs.

DB will update the Timeline and provide for publication; LJ suggested it would also be helpful to include it in the modification.

### *Future Governance*

DB explained the proposed arrangements for future (post 01 October 2015) changes to the Interconnection Agreements that affect Shippers. GJ was concerned that there was no formal process for a Shipper to raise a change request in respect of the IAs. PH explained that the IAs are bilateral contracts between TSOs, not Shippers, and it was therefore not believed appropriate for a Shipper to have this ability. If a Shipper believed something was not working correctly/required change then it ought to discuss this with the relevant TSO. GJ pointed out that the actions of the TSOs (over which Shippers have no control) have commercial impacts on Shippers, and a Shipper should have recourse to a more formal remedy to effect a change or amendment. This was discussed. It was suggested this might be raised as an issue at the Transmission Workgroup or perhaps the TSOs could examine options to help allay concerns and mitigate perceived risks for materially affected parties. PH understood GJ's concerns, and responded that National Grid NTS would like to start from an informal basis and come to agreements; he did not believe that the parties to a bilateral Agreement would accept any formal mechanism for

change, or exertion of any degree of control, by an outside party. GJ reiterated and explained the commercial concerns, and the potential impacts from a Shipper's standpoint.

**Action 0301: National Grid NTS to consider what route could be established for Shippers to express concerns regarding the terms of the IAs.**

AB commented that the IA consultation did not include capacity bundling from IUK's point of view. PH indicated that anything beyond the mandatory areas for consultation was up to each TSO as to what they include, and this might differ between TSOs. DM reiterated the mandatory minimums (Article 4), and believed that bundling was captured in the first; PH agreed that was National Grid NTS' view. AB observed there was not a formal requirement to consult on that section but did not believe that visibility would be a problem; National Grid NTS and IUK will discuss offline.

*Indemnities*

AT indicated there were two issues here: liabilities potentially if errors occur, and do the IA provisions work. The indemnity proposed to be introduced into UNC was designed to facilitate an equivalent provision in the Interconnection Agreements between the TSOs.

To assist the Workgroup's understanding, PH drew a diagram to illustrate the limited liability between National Grid NTS and its Shippers (a virtually 'no liability' regime under UNC) and the other TSOs and their parties. This demonstrated the view that if it was not right for a Shipper to lodge its claim against its TSO, i.e. National Grid NTS, it should not be able to lodge a tort claim against an Adjacent TSO. This was creating in effect a neutral indemnity between TSOs and PH stated that Modification 0525 was seeking to enable this.

GJ asked if the IA has no commercial aspect; AT indicated it does have obligations and so there could be a 'breach of contract' claim, and explained in more detail. A discussion ensued on how/what losses might be incurred and how this affected various parties. AT explained that a breakdown between TSOs would be covered by breach of contract; a Shipper would have a claim against its TSO. PH summed up that this was attempting to recognise the potential for a claim to arise and to reaffirm that UNC is a 'no liability contract' except where a liability is specifically created e.g. failure to make gas available to Shippers for offtake. If the TSOs were to get something wrong then there might be a Shipper impact but it was not believed appropriate to pay Shippers liquidated damages. Currently the Bacton Agent acts as a facilitator in terms of any claims but also operates on a no liability basis, therefore PH considered the proposal under Mod 0525 represented 'business as usual' from this point of view for Shipper. GJ pointed out that currently Shippers have the ability to shape that existing Agency agreement but will not be able to that in the future, and indicated that he would be seeking views from Centrica's legal team. Referring to Modification 0493 (EU Gas Balancing Code - Daily Nominations at Interconnector Points (IP)), which covered some of this, PH observed that it was trying to bring tort arrangements into line with the contract. GJ indicated he would seek a view on the proposal from Centrica's lawyers.

*CSEP Ancillary Agreements*

There were no questions raised regarding these changes. DB reported that draft legal text was under preparation and would be ready for review at the April meeting.

### *Moffat Interconnection Point*

Arrangements to manage requirements at Stranraer DN Offtake were still under discussion. It was hoped to give an update to the April meeting.

The physical network relationships were illustrated. Scotia Gas Networks (SGN) has responsibility to provision gas for Stranraer and book capacity at Moffat. Stranraer is a DN Offtake/process, not a TSO/TSO; it was a very challenging situation and pragmatic arrangements were still being developed.

It was questioned which side had more capacity and what would be offered? PH observed that the same question had arisen at the European Workgroup and that National Grid NTS would return with an answer. GJ asked if Shippers were going to be forced to buy bundled products on PRISMA with a resulting increase in costs? How was it done at the moment? PH explained that SGN was treated as a pseudo-Shipper on the PTL network and books capacity on the NTS side. SGN will book capacity at Moffat. Moffat baseline does not include Stranraer, which has its own baseline. PH explained how Stranraer was treated, noting that the obligation was on SGN. New processes have to be introduced at Moffat, and the question was should Stranraer be brought into the TSO/TSO process or be kept separate.

Procurement of capacity by a non-Shipper, and how it was accounted for currently, was discussed. It was questioned whether Stranraer was a Direct Connect on the NTS and why it should not be treated as a DN Offtake. It is a point on the GB mainland; can it be said to be downstream? Options might be either bring Stranraer into the matching process by SGN making an exit nomination on the NTS network and then it gets matched with SGN on the PTL side, or keep it separate with no matching nominations and PTL just make arrangements with SGN. LJ suggested redefining IPs, and moving IPs to beach, then having possibly 2 or 3 TSO/TSO arrangements (using commercial balancing concept not physical). GJ suggested carving out Stranraer entirely from new EU Code processes at Moffat and PH agreed that was National Grid NTS's view.

PH explained the scenario where allocation arrangements have to continue. For Stranraer, nominations have to be matching on NTS/PTL networks, but then would have to somehow prevent this entering into 'allocation as nomination' process (to avoid a risk of double accounting). The PTL and SGN processes are still under discussion, as are where IPs should be. Should Twinholme be an IP? Is it a commercial or physical based problem?

The definition of an IP was briefly considered. LJ advised that the modification proposal should explain why certain options could not be pursued, e.g. why IPs cannot be moved to a point where it can be balanced across TSO to TSO (EU CAM principle/mechanisms); why Moffat cannot be treated as a single IP (and leave the Irish parties to address suitable arrangements); why Shippers would have create a relationship with BGE. GJ queried if the definition of IP was restrictive; DM read out the EU definition.

PH observed that the modification needs to recognise and review what is impacted by the EU changes and address this in time for 01 October 2015 - the EU compliance time limit is forcing this proposed solution. LJ observed that the modification would need to explain these arrangements and there is no option to move IPs around.

Returning to the presentation an illustration of the current National Grid NTS contractual arrangements was displayed. PH explained that BGE would have no relationship with Shippers in the future; PTL and GNI had a relationship with Shippers; there would be bundling arrangements with PTL and GNI Shippers and NTS. There would be a new NTS

matching process; National Grid NTS will need to have a relationship with PTL and GNI for this process. BGE acts as a post box for matching (two tripartite agreements will need to be in place). The current and future arrangements were discussed. AT commented that National Grid NTS' understanding was not yet complete and details were still to be clarified. PH observed that there was only an arrangement with BGE now, but a contractual relationship with the other TSOs would be necessary. LJ suggested that PH and DB produce a 'current and future state' comparison of what was trying to be achieved to aid the Workgroup's understanding.

**Action 0302: *Moffat IP* - Produce 'current and future state' comparisons of arrangements (physical, contractual, regulatory, commercial) to illustrate positions and demonstrate change requirements.**

#### *Modification*

The modification was displayed, and the six elements of the Solution were reviewed.

GJ commented that reliance would be made on external parties to meet the expectations of this Workgroup, and suggested that SGN and the other TSO representatives should attend the meetings.

**Action 0303: PH to invite SGN and the other TSO representatives to attend the next Workgroup meeting (13 April 2015).**

## 4.0 Legal Text

The draft text provided was reviewed by the Workgroup. Suggestions and comments were noted as discussion progressed.

#### *Amendment of Interconnection Agreements, etc*

This was to address what was necessary prior to 01 October 2015 (the first part of the Modification Solution: Enable Users to be consulted on changes to the IAs that affect them outside of the UNC Modification process).

### Transition Document

#### Part VB - Interconnection Agreements

*Paragraph 4(a)* - This gives the authority retrospectively to carry out the consultation. The key point was that Shippers would be actively consulted (UNC TPD I and J require this to be done). Ofgem recognises this has to be a pragmatic approach, and it would be expected to approve Modification 0525 before approving the IAs. This approach was briefly discussed.

**Action 0304: *Draft Legal Text: UNC TD VB 4* - DM to seek a legal view on the proposed approach to consultation ahead of legal confirmation.**

*Paragraphs 4(a) - (f)* - PH described the process to be followed regarding the consultation. LJ suggested it would be good practice to publish the consultation and its responses, and also recommended reducing the amount of text in this paragraph 4. PH noted these suggestions for consideration.

*Paragraph 5* - This was discussed and it was suggested the wording required further clarification. PH noted this for consideration.

## European Interconnection Document

### Section A - General

It was clarified this was based on the 'to be' version. LJ suggested this be made clear when formal text was produced.

This was to address the second part of the Modification Solution: Establish UNC governance arrangements for future amendments to the IAs that affect Users.

*Paragraphs 2.1.2(a) and (b)* - The deletions were queried. It was suggested that AT and PH clarify the reasons for the deletions.

*Paragraph 4.1.1(b)* - The use of 'relevant' rather than 'restricted' was suggested. The distinction between relevant and non-relevant was briefly discussed, and it was suggested that the wording needed softening. The commentary should explain what is being done and why.

*Paragraph 4.1.2(a)* - GJ suggested replacing 'make available to Users' with 'publish'. PH noted this for consideration.

*Paragraph 4.1.2(b)* - GJ queried the wording, believing it might give rise to a flood of requests - was there a simpler way of doing it? PH indicated that it was trying to reflect the principles of UNC TPD I and J. AT and PH to consider clarifying this.

*Paragraph 4.1.3(a)* - GJ referred to daily capacity - is it a snapshot of time within a day? PH explained the need for transparency and expediency.

*Paragraph 4.1.2(c)* - DM queried the term 'legal requirement' - does this need clarifying to mean GB or EU? AT and PH to consider clarifying this.

*Paragraphs 4.1.5(a), (b) and (c)* - The raising of alternate modifications was discussed; under the current Modification Rules a Proposer was not permitted to raise an alternate Modification to its original Modification. AB believed that an Interconnector would never seek to bring a proposal for an alternate IA through the Modification process and this should be built into the IA dispute process. Debate should be held within the terms of the IA and not within the UNC Modification process. PH and AT to reconsider how alternate proposals for IA changes might be dealt with.

*Paragraphs 4.1.5(b) and (c)* - LJ pointed out that the Proposer and not the UNC Modification Panel or the Code Administrator should manage co-ordination with the Adjacent TSO; PH and AT to reconsider the wording.

*Paragraph 4.1.5(d)* - It was suggested that the requirement of 2 months be clearly specified (here and in the Modification Proposal). How this could be achieved was discussed. Interpretations were considered and it was believed the Modification/Workgroup process would cover this.

*Paragraph 4.2.1(a)* - This was still under discussion with the other TSOs.

*Paragraph 4.2.1(b)* - GJ asked if there was to be a reciprocal arrangement between TSOs and in the Irish Codes. GB Shippers would require this reassurance. PH responded it was intended to be a mutual arrangement (suggested by Adjacent TSOs) and was believed to be a good idea. Risks were discussed and the potential for pursuance of tort claims by Shippers under the existing process. It was asked what were the current arrangements for redress if NTS gave GBE non-compliant gas?

**Action 0305: Draft Legal Text: EID A 4.2.1 - PH to confirm mutual arrangements will be in place between Adjacent TSOs and in the Irish Codes.**

**Action 0306: PH to clarify the current arrangements for redress if NTS gave GBE non-compliant gas.**

*Modifications of Ancillary Agreements*

The inclusions for each Agreement were briefly reviewed.

*Paragraph 2.4* - Answering a question from LJ, PH confirmed this meant that the Agreement in its entirety ceases to be in force.

**5.0 Next Steps**

*Timeline* - DB will revise and provide for publication.

*Draft text and commentary* - PH and DB will revise to reflect the discussions, and amend the modification as appropriate.

*Stranraer arrangements* - PH and DB to provide an update at the next meeting.

**6.0 Any Other Business**

None.

**7.0 Diary Planning**

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

Depending on progress made at the next meeting (13 April 2015), a view will be taken as to whether an additional meeting should take place following the Transmission Workgroup on 07 May 2015.

Workgroup meetings will take place as follows:

<b>Time / Date</b>	<b>Venue</b>	<b>Workgroup Programme</b>
10:00, Monday 13 April 2015	31 Homer Road, Solihull B91 3LT	<ul style="list-style-type: none"> <li>• Amended Modification</li> <li>• Consideration of legal text and associated commentary</li> <li>• Development of Workgroup Report</li> </ul>
Thursday 07 May 2015 ( <i>provisional - following Transmission Workgroup</i> )	ENA, 52 Horseferry Road, London SW1P 2 AF	<i>(Provisional - to be confirmed following April meeting)</i>
10:00, Wednesday 27 May 2015	31 Homer Road, Solihull B91 3LT	<p><i>To be confirmed</i></p> <p><i>The Workgroup Report must be completed and submitted by 05 June 2015, for consideration at June Panel</i></p>

**Action Table (11 March 2015)**

<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
<b>0301</b>	11/03/15	3.0	National Grid NTS to consider what route could be established for Shippers to express concerns regarding the terms of the IAs.	National Grid NTS (PH)	<b>Pending</b>
<b>0302</b>	11/03/15	3.0	<i>Moffat IP</i> - Produce 'current and future state' comparisons of arrangements (physical, contractual, regulatory, commercial) to illustrate positions and demonstrate change requirements.	National Grid NTS (PH/DB)	<b>Pending</b>
<b>0303</b>	11/03/15	3.0	PH to invite SGN and the other TSO representatives to attend the next Workgroup meeting (13 April 2015).	National Grid NTS (PH)	<b>Pending</b>
<b>0304</b>	11/03/15	4.0	<i>Draft Legal Text: UNC TD VB 4</i> - DM to seek a legal view on the proposed approach to consultation ahead of legal confirmation.	Ofgem (DM)	<b>Pending</b>
<b>0305</b>	11/03/15	4.0	<i>Draft Legal Text: EID A 4.2.1</i> - PH to confirm mutual arrangements will be in place between Adjacent TSOs and in the Irish Codes.	National Grid NTS (PH)	<b>Pending</b>
<b>0306</b>	11/03/15	4.0	PH to clarify the current arrangements for redress if NTS gave GBE non-compliant gas.	National Grid NTS (PH)	<b>Pending</b>