

## UNC Workgroup 0534S Minutes

### Maintaining the efficacy of the NTS Optional Commodity ('shorthaul') tariff at Bacton entry points

Monday 29 June 2015

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

#### Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Andy Giles*	(AG)	GDF Suez E & P
Caroline Rossi*	(CRo)	ExxonMobil
Fergus Healy	(FH)	National Grid NTS
Francisco Goncalvez	(FG)	Gazprom
Graham Jack	(GJ)	Centrica
James Thomson*	(JT)	Ofgem
Kent Waterhouse*	(KW)	ExxonMobil
Nick Wye*	(NW)	Waters Wye Associates
Rob Wigginton*	(RW)	Wales & West Utilities

*\*via teleconference*

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0534/290615>

The Workgroup Report is due to be presented at the UNC Modification Panel on 20 August 2015.

#### 1.0 Introduction

LJ confirmed that the Workgroup's reporting date to Panel had been extended to 20 August 2015.

#### 2.0 Review of Minutes and Actions

##### 2.1. Minutes (30 April 2015)

The minutes of the previous meeting were approved.

##### 2.2. Actions

**0401:** National Grid NTS (FH) to investigate whether or not anonymised information can be supplied in order to better assess potential impacts of a hybrid offline and reconciliation based solution.

**Update:** FH confirmed this had been discussed with FG. As this would have to be based on assumptions it was difficult to identify what benefits this might provide; affected Shippers would already have an understanding of their positions and how their flows were affected. It was agreed this was no longer required. **Closed**

**0402:** *Reference For Bacton Purposes Only* - National Grid NTS (FH) to consider suppressing the original (commodity) invoice in order to subsequently issue alongside the ad-hoc (reconciliation) invoice.

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**Update:** This was superseded by proposed changes to the modification. **Closed**

**0403:** Ofgem (JT) to consider whether self-governance status continues to apply in the event that an ACS is raised and whether as a consequence, they would look to 'call the modification in'.

**Update:** JT advised that Lesley Nugent (Ofgem) would discuss the position with LJ.  
**Carried forward**

**0404:** Joint Office (LJ) to consider what should happen where parties are unable to agree on the User Pays aspects for a self-governance modification.

**Update:** LJ advised that the Workgroup Report would clearly set out the various views expressed by the Proposer and the Workgroup's participants. FH reiterated his concerns regarding the transparency to industry of the process for Agency Charging Statement (ACS) amendments. It was suggested that Panel could if necessary be requested to seek respondents' views on appropriate User Pays options when the modification was issued for consultation. **Closed**

### 3.0 Draft Amended Modification

Following the last meeting, a draft amended modification had been provided for consideration and FG explained the proposed changes to introduce an interim transitional solution.

FH explained that when the ROM was raised with Xoserve for an interim (i.e. transitional) solution it was recognised that system development would not be possible for some time. Xoserve needs to assess what is required before it can confirm if interim solution work can be done, and formal confirmation will not be given until a Change Order is raised. It is not the usual procedure to raise a Change Order (with associated costs) at this point in a modification's process. However, the initial belief is that the solution is viable and can be done, i.e. invoices will go out as now and will be corrected one month in arrears.

LJ summarised that the interim solution will introduce a one month delay, and at some point in the future an enduring solution will be developed. Noting that Tariff and Shorthaul changes are ongoing, FH indicated that the modification has been constructed to make this happen - currently this appears to be the most efficient way to do this. The enduring solution was as described previously.

#### 3.1 Review of Business Rules for Proposed Interim Solution

FG outlined the proposed rules and a short discussion ensued.

It was suggested that the illustration (1, 2 and 3) currently provided was actually detailing the current process and should be relocated under the Enduring Solution text, and should be clear that this was being maintained. Referring to the nominations process for shorthaul, FH pointed out there is a presumption that both flows at Bacton split will be included for the shorthaul. There is still an existing process to be able to switch shorthaul nominations and this can minimise the adjustment that needs to be taken.

FH confirmed that Xoserve had provided a very approximate cost of £100k (for now, as part of the ROM) for the interim solution, and an approximate cost (for now) of £430k for the enduring solution.

GJ asked if there might be any benefit of separating out the two solutions into different modifications. This was briefly discussed. FH indicated that the enduring solution might

be wrapped up in the Tariff work and so costs may be caught up in that. National Grid NTS will look to do whatever is required in the most efficient and cost effective manner and may need to discuss options with the industry depending on developments with Tariff Code, etc. NW agreed that the development of the enduring solution would depend on the eventual outcome of the Tariff Code details when known; it would be unreasonable for National Grid NTS to start work on this in the absence of this knowledge, and would be very difficult to formalise. FH added that keeping the interim and enduring solutions in one modification will mean that for shorthaul the two Bacton points will have to be considered as one. The expectation will be in place that an enduring solution will be developed as Tariff Code details become clearer and arrangements/processes are reviewed. LJ noted that it would be subject to the Transporter then confirming an appropriate implementation date.

LJ summarised that the content of the modification's Solution should include and adequately and clearly define both interim and enduring solutions. FG indicated he would clarify the Solution to reflect the discussions.

### **3.2 Consideration of Implementation Timescales**

FH disagreed with the first statement ("...no additional costs for industry parties"); FG will clarify this to mean Shippers.

The transitional component would be implemented for 01 November 2015, and the enduring component would be confirmed by National Grid NTS taking into account Tariff Code developments/outcomes.

### **3.3 Agency Charging Statement (ACS)**

Noting that the ACS would include details on how National Grid NTS will look to recover costs FH indicated there are options regarding recovery routes. Should it be limited to those parties who currently have shorthaul services or should it be extended to cover all those who are eligible to take shorthaul at Bacton? National Grid NTS would want to avoid a charge that needed to be applied every time a new party 'joins'. FH sought the Workgroup's views and this was briefly discussed.

NW's view was the assumption should be a commodity charge on the basis of utilisation, recovered through invoicing; the Proposer's view was that it should apply to everybody. NW pointed out that if it involved a sizeable number then parties would query why they should be expected to pay. What was the most efficient way to recover costs and over what period? LJ suggested that options regarding the recovery period could be included in the Workgroup Report and views could be sought. FH indicated it was not circa £100k and then an ongoing charge (interim solution). He needed to check whether the circa £430k included the circa £100k for the interim solution, i.e. that the circa £430k was an overall cost for both. If part was to be wrapped up in the Tariff Code costs then this would have an effect also (in reducing the costs).

FH confirmed that the amended ACS would be sent to Ofgem for its approval.

The User Pays section of the modification will be amended to include the views of the Proposer and National Grid NTS.

## **4.0 Completion of Workgroup Report**

Development and completion deferred until modification has been amended and legal text provided and reviewed.

The aim will be to complete the Workgroup Report at the next meeting via teleconference on 21 July 2015, ready for submission to the August UNC Modification Panel. Assuming that the standard consultation period of 15 business days (closing on 11 September 2015) is then agreed, Panel may be requested to accept the Final Modification Report at short notice for consideration at its September meeting.

## 5.0 Next Steps

FG will revise the modification to reflect the Workgroup's discussions.

Panel will be asked to formally request the Transporter to provide legal text.

FH will arrange for the preparation and provision of the legal text.

The Workgroup will then review the modification and text and complete the Workgroup Report at its next meeting.

## 6.0 Diary Planning

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

The next Workgroup meeting will take place as follows:

Time/Date	Venue	Workgroup Programme
09:00 - 10:00, Tuesday 21 July 2015	Via teleconference: 0207 950 1251, access code 21870295#	Review of amended Modification and legal text, and completion of Workgroup Report.

**Action Table (29 June 2015)**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0401	30/04/15	2.0	To investigate whether or not anonymised information can be supplied in order to better assess potential impacts of a hybrid offline and reconciliation based solution.	National Grid NTS (FH)	Closed
0402	30/04/15	2.0	<i>Reference For Bacton Purposes Only</i> - National Grid NTS (FH) to consider suppressing the original (commodity) invoice in order to subsequently issue alongside the ad-hoc (reconciliation) invoice.	National Grid NTS (FH)	Closed

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**Action Table (29 June 2015)**

<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
<b>0403</b>	30/04/15	3.0	To consider whether self-governance status continues to apply in the event that an ACS is raised and whether as a consequence, Ofgem would look to 'call the modification in'. <i>LJ to clarify the position</i>	Joint Office (LJ)	<b>Carried forward</b>
<b>0404</b>	30/04/15	2.0	To consider what should happen where parties are unable to agree on the User Pays aspects for a self-governance modification.	Joint Office (LJ) and Ofgem (JT)	<b>Closed</b>