
UNC Workgroup 0534S Minutes
Maintaining the efficacy of the NTS Optional Commodity
(‘shorthaul’) tariff at Bacton entry points

Thursday 30 April 2015
at Elexon, 350 Euston Road, London NW1 3AW

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Charles Ruffell	(CR)	RWEST
Debra Hawkin*	(DH)	TPA Consultants
Fergus Healy	(FH)	National Grid NTS
Francisco Gonçalves	(FG)	Gazprom
Graham Jack	(GJ)	Centrica
James Thomson	(JT)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Rachel Hinsley	(RH)	Xoserve
Sue Ellwood*	(SE)	TPA Solutions

*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0534/300415>

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

1.0 Review of Minutes and Actions

Opening the meeting, LJ explained that the intent of the modification had been explained at a previous Transmission Workgroup meeting. He reminded the Proposer that the modification is predicated on both other UNC modifications and licence changes (i.e. application of terminology etc.) and that an amended modification is still required.

1.1. Minutes

The minutes of the previous meeting were approved.

1.2. Actions

There were no outstanding actions to consider.

2.0 Consideration of ROM and impacts on Solution

FH explained that he had only received a Rough Order of Magnitude (ROM) costing, plus limited supporting analysis from Xoserve, the night before the meeting¹.

Having briefly considered the ROM and supporting evidence, FH outlined several potential options, as being:

1. Bill offline either monthly or 6 Monthly

Any supporting information & MI would be issued via the Adhoc process, multiple spreadsheets. In order to support such an approach an IS supported database would be

¹ Please note: the ROM identifies costs for an enduring solution are circa £100 - £400k and no costs for an interim solution are available at this time.

required, including provision of new reports to support an offline solution, or

2. Gemini invoices continue to run and then adjust accordingly on a quarterly / 6 monthly cycle (Offline)

Again, supporting information & MI would be issued via the Adhoc process, multiple spreadsheets. In order to support such an approach An IS supported database would be required, including provision of new reports to support an offline solution, or

3. Change the charge rate for affected invoices, or

4. Online Solution Option

To support this approach, changes would be required to Gemini, UK Link and possibly Unique sites.

During a brief debate the alternative solutions were considered by those in attendance and FH remarked that, whilst the potential solution (based on the modification as currently drafted) appears simple, in reality how nominated flows to the Exit Points are achieved remains a key issue. To help explain the potential problems in more detail, FH provided a diagrammatical representation of the issue(s) (*please refer to Appendix A at the end of these minutes*).

In considering the potential options, FH confirmed that as far as Bacton is concerned, he was suggesting that potentially an adjustment to originally issued invoices (via an ad-hoc invoice at one-months delay) might be a suitable interim solution – how this could actually be achieved via an offline (manual) process is currently being considered as part of the ongoing ROM development. Xoserve are also looking at possible resourcing requirements in order to support a manual workaround process. In recognising that potentially Xoserve would have to examine significant amounts of flow related data in order to provide a manual service, it was suggested that a business rule would be needed which seeks to focus attention on only those occasions where the manual workarounds (i.e. M18 aggregate flows) are needed. It was noted that Shipper nominations would be on a single Entry Point basis.

Whilst other options such as nominating all Exit Points against a single ASEP (in order to establish simple supporting algorithms for calculating the tariffs) were considered, it was noted that the aim of the modification is to maintain the 'status quo' so that Shippers are able to flow the same amount of gas via "shorthaul" mechanisms whilst utilising as much of the existing system functionality as possible. Some felt that whilst processing the actual numbers is not difficult, it is the 'scaling' aspects that require a bit more work to resolve.

When asked to consider the UNC Panel question "*can the proposal be implemented as requested, with an 'offline fix' or a later reconciliation, or will a full systems solution be required?*", LJ suggested that based on discussions it feels somewhat like a hybrid based around both an offline and reconciliation based solution. This was acknowledged as being the most pragmatic solution which hinges on whether Shippers feel they can live with; an invoice first and correct thereafter process, especially when bearing in mind that only a limited number of Shippers are impacted. When asked whether or not National Grid NTS could look to provide anonymised information in order to assess the potential impacts better, LJ pointed out that National Grid NTS has to assume that ALL Shippers would / could be able to utilise the solution.

New Action 0534S 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.

LJ suggested that if the Workgroup is advocating a 'hybrid' solution, then the Proposer would need to consider developing business rules for both a transitional (manual workaround) and enduring (systematised) solution. It was noted that the duration of any

workaround would have a significant impact on industry views on the interim solution. FH advised that, to date, Xoserve suggest a minimum 6 month lead time to deliver the interim solution (although they have not stated when the work would commence) and that trying to now incorporate such a solution into the phase 3 EU delivery (due April 2016) is highly unlikely.

In accepting that the modification is intact (as written) in terms of an enduring solution, it was noted that further development is required to provide for the interim solution.

Several more options for an interim solution were considered with the main focus being the production of a simple supporting (Excel) spreadsheet based approach along with the possible nomination of a lead ASEP – the key consideration being establishing the initial assumptions and starting position. Once again focus return to the diagram to discuss potential options and impacts.

In considering the possible utilisation of a pro rata mechanism, FH explained this takes into account the fact that Shippers nominate their “shorthaul” combinations (and tariffs) – where only one Exit Point is involved there is no need to pro-rata, but where multiple Exit Points exist then a pro-rata mechanism could / would be utilised. At this juncture, it was pointed out that this is not seeking to change the current pro-rata mechanisms and, if this was deemed necessary, a new UNC Modification would need to be raised.

FH suggested that as written, the modification proposes a ‘wider’ industry generic solution, and feels that if the Workgroup believe that the focus should be on a Bacton ASEP specific solution, that this would make the subsequent development less complex and easier to complete.

In the end, the consensus view of the Workgroup was to opt for a simpler interim based solution in preference to changing the process requirements in order to have multiple Entry to Exit Points, as this would involve a significantly more complex and costly solution.

In order to develop a suitable interim based solution, FH explained that he would need to discuss the matter in more detail with Xoserve in order to understand how the interim process would actually be expected to work. He then suggested that the following considerations would need to be undertaken (in no order of preference):

- Run commodity and “shorthaul” processes ‘as-are’;
- Examine flow related relationships;
- Access UDQI / UDQO relationships on a daily basis (where inputs > than outputs no issue, but where inputs < outputs we incur problems and might need to pro-rata);
- Access days when “shorthaul” and/or commodity have applied;
- Access potential impact of “shorthaul” tariffs;
- Consideration of any potential pro-rata requirements, and
- Run calculations and generate invoices.

It was suggested that FH discusses requirements in more detail offline with NW and FG in order that FG can provide an amended modification in due course.

New Action 0534S 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.

3.0 Consideration of self governance status

Linked to item 4.0 below, Ofgem was asked 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’.

New Action 0534S 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’.

4.0 Consideration of User Pays status

During a brief discussion, FH pointed out that Xoserve would be submitting an Agency Charging Statement (ACS) to Ofgem in due course. Thereafter, it was acknowledged that the Workgroup Report would record any differing views on the User Pays aspects of the modification.

LJ reported that he could not recall a situation where a proposed Self Governance modification had disagreement between parties about User Pays and felt that he should consider this outside of the meeting including, potentially, a discussion with Ofgem.

LJ observed that if National Grid NTS believe that it is definitely a User Pays modification then they would need to provide a suitable UP statement for inclusion in the Workgroup Report.

New Action 0534S 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.

5.0 Consideration of Legal Text

In response to a suggestion that production of any legal text would be a simple matter, LJ pointed out that the Workgroup Report would need to highlight the full range of potential impacts associated with the modification. Views remained divided with some parties believing that the legal text for an enduring solution only needs a simple one line statement. However, it was recognised that the legal text to support the proposed interim solution is more of an issue (i.e. catering for the initial OTA invoice aspects etc.) but only needs to define how and what National Grid NTS can, or cannot do.

6.0 Development of Workgroup Report

LJ suggested that if the Workgroup is advocating a simpler interim solution approach, then we might only need one more Workgroup meeting in order to complete the Workgroup Report.

7.0 Next Steps

It was noted that for the next Workgroup meeting and amended modification, legal text and a draft Workgroup Report would be required.

8.0 Any Other Business

None.

9.0 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
10:00 Friday 29 May 2015	Energy UK, Charles House, 5-11 Regent Street. London. SW1Y 4LR.	Standard Workgroup considerations plus: Consideration of Amended Modification Review Business Rules for proposed

		<p>Interim Solution</p> <p>Consideration of likely Implementation timescales</p> <p>Consideration of Legal Text</p> <p>Completion of Workgroup Report</p>
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Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0534S 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)	Pending
0534S 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)	Pending
0534S 0403	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, they would look to 'call the modification in'.	Ofgem (JT)	Pending
0534S 0404	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)	Pending

Appendix A – Example of Bacton split options

