

UNC Workgroup 0541/A/B Minutes
Removal of uncontrollable UNC charges at ASEPs which include
sub-terminals operating on a 06:00 - 06:00 Gas Day

Tuesday 06 October 2015

31 Homer Road, Solihull B91 3LT

Attendees

Andrew Pearce	(AP)	BP Gas
Charles Ruffell	(CR)	RWEST
Dora Ianora	(DI)	Ofgem
Francisco Gonalvez	(FG)	Gazprom
Graham Jack	(GJ)	Centrica
Jeff Chandler*	(JC)	SSE
Julie Cox*	(JC)	Energy UK
Justin Goonesinghe	(JG)	National Grid NTS
Karen Visgarda (Secretary)	(KV)	Joint Office
Les Jenkins (Chair)	(LJ)	Joint Office
Louise Clark	(LC)	DECC
Lucy Manning	(LM)	Gazprom
Marshall Hall	(MH)	Oil & Gas UK
Nick Wye	(NW)	Waters Wye Associates
Phil Lucas	(PL)	National Grid Transmission
Sofia Eng*	(SE)	EDF Trading
Steve Nunnington	(SN)	Xoserve
Terry Burke*	(TB)	Statoil
Thomas Grove	(TG)	Centrica

*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0541/061015>

The Workgroup Report is due to be presented at the UNC Modification Panel by 18 February 2016.

1.0 Review of Minutes and Actions

1.1 Minutes (02 September 2015)

The minutes of the previous meeting were approved

1.2 Actions

0803: Draft Business Rules - To be provided for each solution.

Update: Noting that the draft BR for 0541B had been supplied, it was agreed by all parties that this action should be carried forward. **Carried forward**

0804: Costs/benefits - To be quantified and provided for each solution.

Update: See section 2.0 below. It was agreed by the Workgroup that this action could now be closed. **Closed.**

0901: National Grid NTS to articulate how the system could be out of balance and how this would have to be managed.

Update: Using the information provided ahead of the meeting, JG and PL explained how National Grid NTS System Operations anticipated balancing the system and articulated a potential consequence of the proposed 'relaxation' of the Users' obligation to submit accurate nominations.

The Workgroup considered the different decisions made throughout the gas day regarding nominations, particularly in relation to the terminals and the process to maintain line pack.

NW believed that Shippers are unable to nominate in accordance with a 5 to 5 Gas Day for at all terminals. FG stated that Modification 0541 etc, still had the incentive to manage the imbalance on the gas day and that very little can be done to manage the actual day-to-day operational impacts, with or without this modification. JG stated that the reduced incentive balance was not over the whole gas day but only over the 5 – 6 hour bar, where there could be increased or decreased flows. FG proposed he would re-investigate the Delivery Flow Nominations (DFNs) situation, from both a commercial and operational perspective. PL clarified that the DFNs will be provided by sub-terminals on a 5 to 5 basis, with hourly increments and National Grid NTS may also use Users' nominations to make decisions regarding the operational balancing of the network.

Summarising, LJ suggested that it was unclear whether the Reasonable Endeavours clause was necessary to the modifications and, given the concerns raised, that it was for the Proposers to consider whether to continue with this in their Solutions.

Closed.

The Workgroup discussed the evidence with regards to the System Operator taking balancing as a consequence of the of the provision of nominations on a 6-6 basis instead of the required 5-5 basis (under Mod 0461 provisions which became effective from 01 Oct). NW mentioned that he was able to identify if any such System Operator balancing actions had been undertaken and MH said he would investigate compiling evidence regarding the 5-5 and 6-6 Gas Day data.

New Action 1001: MH (Oil & Gas UK) and Shippers to investigate compiling evidence with regards to the 5-5 and 6-6 Gas Day data from the terminals and scaling factors with regards to the aggregation data.

0902: Gazprom to conclude the Option B Cost Benefit Analysis spreadsheet and compress per terminal.

Update: See Section 2.0 below. **Closed.**

0903: Gazprom to provide a summary of the information contained within the Option B Cost Benefit Analysis spreadsheet for the Workgroup Report.

Update: See Section 2.0 below **Closed.**

0904: National Grid NTS to refresh the DECC Working Group analysis (October 2014 – July 2015).

Update: National Grid NTS (JG) requested this action be carried forward, as the analysis was currently being refreshed in readiness for the next meeting. The Workgroup expressed no objection to the analysis alternatively covering the 12 month period September 2014 to August 2015 inclusive. **Carried Forward.**

0905: Shippers to provide an illustrative view on imbalance effects on Shippers (model showing some shippers short, some shippers long).

Update: The Proposers requested this action be carried forward. **Carried forward.**

0906: Summary on the use of SAP prices to be articulated for the Workgroup Report.

Update: Referring to the information provided ahead of the meeting, JG explained how System Average Prices were calculated. It was agreed this should be included in the report for completeness. **Closed.**

0907: National Grid NTS (JG) to consider and provide justification for User Pays.

Update: Again referring to the information provided, JG and PL explained the National Grid NTS view on User Pays. LJ informed the meeting that, as it was unlikely that a common view could be formed, the Report should articulate the views for and against User Pays as this was a decision for Ofgem as part of their consideration of any proposed changes to the Agency Charging Statement. It was necessary however to consider and

propose a cost allocation methodology for use in the event that it was to be User funded.
Closed.

0908: Proposers to reconsider the reasonable endeavours element of the modifications.
Update: See action 0901 above. It was agreed that this action could now be closed.
Closed.

0909: Shippers to consider what data or supporting information they would require for the invoices.
Update: The Proposers requested this action be carried forward. **Carried forward.**

2.0 Cost Benefit Analysis review

FG overviewed the 'Modification 0541 Cost Benefit Analysis' presentation with the Workgroup and explained the reasons for the variances and imbalances in the flows. The Workgroup discussed the imbalance and value of risks from a Shipper perspective together with the issue of competition from a large and small Shipper portfolio perspective. FG went on to explain the thinking surrounding the aggregated flows and the sub terminals impact. The Workgroup discussed the time shift percentages from a 5 to 5 and a 6 to 6 Gas Day with the potential associated costs. It was agreed that more detail was required regarding the costing structure.

Referring to the "TOTALS" sheet, it was observed that the 'Option B' referred to here was not in fact 0541B, but a reference to an external workgroup. This naming would be amended for this Report. LJ concluded this by requesting that the Proposers develop the information into a full Cost Benefit Analysis (in plain English) for inclusion in the Workgroup Report

New Action 1002: Proposers to detail the Cost Benefit Analysis for inclusion in the Workgroup Report, including stating how the time shift is generated in a percentage format.

3.0 Legal view on key issues and compliancy

LJ reminded that the question was whether Modification 0541 was in actual fact a realistic and viable option.

DI provided an informal view, which LC concurred with, that it would be difficult to evidence that 0541 complied with EU legislation. She clarified that this was not intended to be seen as any form of decision, but that Ofgem would need to see more supporting evidence than had been provided so far.

Discussion ensued about whether a hierarchy of legislation existed; whether being consistent with the principles of the Regulation was 'better' than complying with the letter of the Codes etc. Ultimately there is no such hierarchy and modifications needed to evidence how they furthered the Relevant Objectives.

MH suggested to both DECC and Ofgem to look at the how other Member States operate, particularly in relation to the domestic markets arrangements, from a minimising effect. LC and DI both stated the legal process dictates the governance procedures.

The Workgroup discussed at length Modifications 0541/A/B and the feasibility of them being accepted. LC explained that BAL was the more detailed Code and that if one or more of the Proposals were in conflict with BAL then this may reduce the likelihood of implementation.

LJ stated that the area of discussion was straying into the consultation process and that all parties would be able to put their viewpoint forward at that time. LJ reminded parties of the process for assessing the modification. He explained that the scope of the Workgroup was not to challenge if the modification was right or wrong but to consider if the

modification was feasible and what the impacts would be upon implementation. He highlighted that parties will have an opportunity to express any other view during the consultation phase and asked the Workgroup to concentrate on assessing the impacts of the proposals.

4.0 Business Rules

Business Rules for Modification 0541B

Balancing Neutrality Charge Adjustment (including Scheduling Charges)

LJ stated that the Business Rules had been submitted late. NW apologised for the late submission and explained that the Business Rules were a high level overview and needed more detail with regards to the invoicing, calculations and formulas processes. DI requested that this detail should be explained via an appendix. FG stated he would re look at the Business Rules and make amendments where appropriate.

Capacity Neutrality Overrun Charge Adjustment

NW wanted to thank Xoserve for their help and guidance in understanding the charging and invoicing process, with regards to the 3 charges; balancing charges, scheduling charges and capacity overruns. NW proposed these could largely be used for both Modifications 0541A and 0541B with the Proposers agreement. The Workgroup discussed the area of overruns and percentage impacts, together with uncontrolled imbalances. PL noted that all of the 3 Proposals advocate retrospective one off reconciliations (back to 01 October 2015) and therefore the process of how this is undertaken should be articulated in the Business Rules.

5.0 System solution options

None discussed.

6.0 Development of Workgroup Report

LJ overviewed the amended Workgroup Report with all parties present and explained how the sections would be compiled. The Relevant Objectives section needed to be completed by the Workgroup once the evidence had been compiled. The Workgroup Report v0.2 (Draft post meeting 06 October 2015) can be found at: <http://www.gasgovernance.co.uk/0541/061015>

7.0 Next Steps

LJ proposed to the Workgroup, that due to the complexity of Modification 0541/A/B, he felt it was not appropriate for this modification to be included within the Transmission Workgroup day and that separate meetings should be dedicated to progressing this modification.

LJ also believed that an extension should be requested at the October Panel, with the completed modification to be presented by the Panel on 18 February 2016. The Workgroup were in agreement with this suggestion.

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, Tuesday 10 November 2015	Elexon, 360 Euston Road, London NW1 3AW	<ul style="list-style-type: none"> Finalise the Business Rules Review Cost Benefit Analysis Development of Workgroup Report
10:00, Wednesday 09 December 2015	Elexon, 360 Euston Road, London NW1 3AW	<ul style="list-style-type: none"> Review Legal Text Systems and Costs Update Development of Workgroup Report
10.00 Wednesday 13 January 2015	31 Homer Road, Solihull, West Midlands B91 3LT	<ul style="list-style-type: none"> Completion of Workgroup Report

Action Table (06 October 2015)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0803	06/08/15	2.1	<i>Draft Business Rules</i> - To be provided for each solution.	BP Gas (AP), EDF Trading (SE), and Gazprom (FG)	Carried forward
0804	06/08/15	2.1	<i>Costs/benefits</i> - To be quantified and provided for each solution.	BP Gas (AP), EDF Trading (SE), and Gazprom (FG)	Closed
0901	02/09/15	5.0	National Grid NTS to articulate how the system could be out of balance and how this would have to be managed.	National Grid NTS (JG)	Closed
0902	02/09/15	5.0	Gazprom to conclude the Option B Cost Benefit Analysis spreadsheet and compress per terminal.	Gazprom (FG)	Closed
0903	02/09/15	5.0	Gazprom to provide a summary of the information contained within the Option B Cost Benefit Analysis spreadsheet for the Workgroup Report.	Gazprom (FG)	Closed

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0905	02/09/15	5.0	Shippers to provide an illustrative view on imbalance effects on Shippers (model showing some shippers short, some shippers long).	Shippers	Carried forward
0906	02/09/15	5.0	Summary on the use of SAP prices to be articulated for the Workgroup Report.	National Grid NTS (JG)	Closed
0907	02/09/15	6.0	National Grid NTS to consider and provide justification for User Pays.	National Grid NTS (JG)	Closed
0908	02/09/15	6.0	Proposers to reconsider the reasonable endeavours element of the modifications.	BP Gas (AP), EDF Trading (SE), and Gazprom (FG)	Closed
0909	02/09/15	6.0	Shippers to consider what data or supporting information they would require for the invoices	Shippers	Carried forward
1001	06/10/15	1.0	MH (Oil & Gas UK) and Shippers to investigate compiling evidence with regards to the 5-5 and 6-6 Gas Day data from the terminals and scaling factors with regards to the aggregation data.	Oil & Gas UK (MH) & Shippers	Pending
1002	06/10/15	2.0	Proposers to detail the Cost Benefit Analysis for inclusion in the Workgroup Report, including stating how the time shift is generated in a percentage format.	Proposers	Pending