

**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**

**10:00 Tuesday 10 November 2015**

**Elxon, 350 Euston Road, London NW1 3AW**

**Attendees**

Amrik Bal	(AM)	Shell
Andrew Pearce	(AP)	BP Gas
Anna Shrigley	(AS)	Eni
Charles Ruffell*	(CR)	RWEST
Dora Ianora	(DI)	Ofgem
Francisco Gonçalvez	(FG)	Gazprom
Graham Jack	(GJ)	Centrica
Julie Cox*	(JC)	Energy UK
Justin Goonesinghe	(JG)	National Grid NTS
Karen Visgarda (Secretary)	(KV)	Joint Office
Les Jenkins (Chair)	(LJ)	Joint Office
Lucy Manning	(LM)	Gazprom
Marshall Hall	(MH)	Oil & Gas UK
Murray Thompson	(MT)	Xoserve
Nick Wye	(NW)	Waters Wye Associates
Phil Lucas	(PL)	National Grid Transmission
Rachael Duke	(RD)	EDF
Richard Fairholme*	(RF)	E.ON
Thomas Grove	(TG)	Centrica

\*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0541/101115>

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 (06 October 2015)**

The minutes of the previous meeting were approved

LJ reiterated to the Workgroup the importance of papers being submitted in a timely manner for future meetings, i.e. 5 days in advance, to allow all participants to consider the contents prior to the meeting.

**1.2 Actions**

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

**Update:** LJ and the Workgroup participants agreed this action should be carried forward.  
**Carried forward**

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

**Update:** National Grid NTS (JG) provided a first-cut view of the updated data and explained that the data set from one of the sub-terminals was not robust (see Section 5.0 below). JG asked that this action be carried forward in order for further investigation to be undertaken. **Carried forward.**

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

**Update:** FG presented slides covering 'Imbalance Examples' of short and long imbalance volumes for Gas Day 1, 2 and 3. PL commented that he had not had an opportunity to review the papers as they were submitted too late for him to review and therefore could not express a view in respect of the stated conclusions. **Carried forward.**

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

**Update:** Although this action was closed at the last Workgroup, PL provided an updated National Grid NTS view that in addition to 0541A and 0541B being User Pays Proposals, 0541 was also a User Pays Proposal due to the fact that the retrospective adjustment aspect of 0541 would also require changes to Transporter Agency (Xoserve) Systems.

PL also highlighted wording from Ofgem's Initial and Final Proposals in respect of the RIIO-T1 price control and specifically the nature of the 'Market Facilitation' allowance. It was clarified that this was in fact an Uncertainty Mechanism, not an allowance. PL expressed National Grid NTS' view that the mechanism was in place to cover changes imposed on National Grid through EU legislation however the changes proposed by 0541 are not imposed on National Grid NTS by EU legislation.

**0909:** Shippers to consider what data or supporting information they would require for the invoices.

**Update:** The Proposers agreed that this action could now be closed on the basis that information would be the same as existing invoices. **Closed.**

**1001:** MH 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.

**Update:** MH reported he had been investigating the aggregated data and had established the data is flowing from 5-5 and 6-6, and that National Grid does have access to the data from 01 October 2015. He felt this data was important and should be included within the Workgroup Report. Discussion ensued within the Workgroup, concluding that three months' data would be required as a minimum, however JG felt this would be an extensive exercise. It was decided that JG would investigate how long it would take to compile this data. **Carried forward**

**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.

**Update:** A first view of the Cost Benefit Analysis was presented (see Section 4.0 below). **Closed**

## **2.0 Additional areas for consideration**

### **2.1 Current Neutrality Exposure**

TG overviewed the presentation "Additional points to consider" (provided by Centrica), focusing on 'Current Neutrality Exposure – 6-6 Terminal Shippers vs 5-5 Terminal Shippers' and explained he had compiled this data as additional information in line with FG's original data that was included in Modification 0541B.

The change in the Gas Day now created additional exposure under the neutrality rules for Shippers at 6-6 terminals compared to Shippers at 5-5 terminals. The effect of this

change of Gas Day in relation to the 'neutrality pot' and the Time Shift Volumes was discussed along with the associated impacts on the 6-6 Shippers and the 5-5 Shippers.

## **2.2 Additional Capacity Exposure**

TG overviewed the slides regarding 'Additional Capacity Exposure' and highlighted that there is now additional capacity exposure for Shippers as they will not be able to estimate in what direction the Time Shifted volumes will occur. This means that a Shipper will now need to procure additional capacity to protect against capacity overrun charges.

Discussion took place concerning the scheduling charges and FG explained the data that TG used was last year's data and was different from the data presented within Modification 0541B, however, both data sets were valid and GJ commented that this information supported the argument.

## **3.0 Finalise the Business Rules for Modifications 0541/A/B**

### ***Modification 0541***

SE was unable to attend the meeting, so no update was available.

### ***Modification 0541A***

AP informed the meeting that he was working on the rules for Modification 0541A and expected them to be available for the next meeting.

### ***Modification 0541B***

NW thanked National Grid for their input and guidance with the Business Rules. PL then overviewed the changes and amendments to the document on screen with the Workgroup.

PL suggested that the Business Rules (BRs) needed to include the Retrospective Adjustments. A discussion ensued, specifically in relation to Shippers' ability to provide the required data back to 01 October 2015, and the impact if not all Shippers complied with this mandate; BR 22 should be amended. Retrospectivity, in relation to Urgent Modification 0560 and Ofgem's guidance, was considered for Modification 0541B. Views differed and it was felt this should be explored in more detail in the Report.

NW described the draft changes to Modification 0541B, which now contained the Business Rules together with the adapted Title and Cost Neutrality wording. PL flagged the need for the Solution to align with these Rules and NW confirmed this would be amended accordingly.

## **4.0 Review Cost Benefit Analysis (including Summary for WG Report)**

FG overviewed the 'Measuring GMT Technical Synthetic Imbalance Costs' slides, which showed both SAP/SMP data and Time Shift Mismatches, together with the Time Shift variances. Discussion took place regarding the changes in volumes against the days and the terminals of the flow, and it was suggested by LJ that it would be worthwhile to investigate whether the flows form the reverse perspective too. FG said he would look into this and TG proposed that the 'buy' would always be greater than the 'sell'.

FG moved on to the 'Synthetic Imbalance Sum is a Minimum Sum' schematic, which showed two examples of variations in the Gas Day, assuming 'flat flows' and assuming the 'flows were not flat' within a 24-hour time period. Discussion ensued concerning the difference between the 5-5 and 6-6 Time Shifts on Gas Day 1 and Gas Day 2, together

with the impact on SAP from a marginal 'buy' or marginal 'sell' price perspective. LJ suggested that FG provide more detail of this information in a simple 'bullet point' format to give greater clarity.

DI asked whether this data was based on assumptions, and FG confirmed this was the case, but stressed the assumptions did in fact show the same. JD also confirmed the data was based on a 1/24<sup>th</sup> basis and TG explained that it was impossible for National Grid NTS to calculate the differences. MH suggested it would be interesting to look at the aggregated data, as this would provide more detailed information however it was generally felt that this level of data analysis did not need to be included within Modification 0541B.

FG overviewed the 'Exploring how long and short imbalances work with application of Option A Gas Day Algorithm' slides and explained how the quantity charges for Shippers algorithm worked in relation to the adjustment, specifically by 'flow variations'. TG also explained some of the more complex procedures involved in this transaction.

## 5.0 DECC Working Group Analysis - update

PL overviewed 'Gas Day Estimated Imbalance Cost Update' slides and explained the analysis had included the following 10 terminals: Bacton Perenco, Bacton Shell, Bacton Seal, Barrow, Easington Dimlington, St Fergus Apache, St Fergus Shell, Teesside BP, Teesside PX and Theddlethorpe, which covered the 12 months between 01 September 2014 and 31 August 2015 inclusive. Both PL and GD explained that this analysis was going to be re-produced, as there were clearly errors in the data that was used to calculate the Absolute Residual Imbalance Costs.

## 6.0 Development of Workgroup Report

The Workgroup then reviewed onscreen the content of the Workgroup Report and FG confirmed he would sense check and amend the following sections (as applicable): Incentive to Balance, Cost Benefit Analysis, Impacts on Charges and Neutrality, Effects on Competition, Relevant Objectives and the Implementation information.

## 7.0 Outstanding Actions

None.

## 8.0 Any Other Business

FG proposed raising a new action for National Grid NTS in relation to 'measuring the materiality' prior to, and post, the Gas Day change, associated to real and synthetic imbalances. LJ explained this was out of scope.

## 9.0 Next Steps

The main focus for the next meeting on 09 December 2015 will be to consider amended modification(s), a review of the remaining Business Rules, Systems and Costs Update and the further Development of the Workgroup Report.

## 10.0 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
-----------	-------	---------------------

10:00, Wednesday 09 December 2015	Elxon, 360 Euston Road, London NW1 3AW	<ul style="list-style-type: none"> <li>• Amended Modifications</li> <li>• Business Rules</li> <li>• Systems and Costs Update</li> <li>• Development of Workgroup Report</li> </ul>
10.00 Wednesday 13 January 2015	31 Homer Road, Solihull, West Midlands B91 3LT	<ul style="list-style-type: none"> <li>• Legal Text</li> <li>• Completion of Workgroup Report</li> </ul>

**Action Table (10 November 2015)**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
<b>0803</b>	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)	<b>Carried forward</b>
<b>0904</b>	02/09/15	5.0	National Grid NTS to refresh the DECC Working Group analysis (October 2014 – July 2015).	National Grid NTS (JG)	<b>Carried forward</b>
<b>0905</b>	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	<b>Carried forward</b>
<b>0909</b>	02/09/15	6.0	Shippers to consider what data or supporting information they would require for the invoices	Shippers	<b>Closed</b>
<b>1001</b>	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. <i>Update 10 Nov: JG to assess how the data can be gathered.</i>	Oil & Gas UK (MH) & Shippers	<b>Carried forward</b>

---

**Action Table (10 November 2015)**

<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
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	<b>Closed</b>