
UNC Workgroup 0597 Minutes
Rules for the release of incremental capacity at Interconnection
Points

Tuesday 15 November 2016

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

Attendees

Chris Shanley (Chair)	(CS)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Charles Ruffell	(CR)	RWE
David Reilly	(DR)	Ofgem
Graham Jack	(GJ)	Centrica
Jeff Chandler*	(JC)	SSE
Julie Cox	(JCo)	Energy UK
Lesley Ramsey	(LR)	National Grid NTS
Lucy Manning	(LM)	Gazprom
Malcolm Montgomery	(MM)	National Grid NTS
Matthew Hatch	(MH)	National Grid NTS
Richard Fairholme*	(RF)	Uniper
Sarah Cooper	(SC)	Interconnector

* *via teleconference*

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0597/151116>

The Workgroup Report is due to be presented at the UNC Modification Panel by 19 January 2017.

1.0 Outline of Modification

In explaining the rationale behind raising the modification, MM initially focused attention on reviewing the 'Supporting Slides for UNC modification 597' presentation, during which MH indicated that whilst he expects that draft legal text for 0598 could be made available for consideration at the next Workgroup meeting, he very much doubts that the draft legal text in support of this modification would be ready in time.

1.1. Supporting Slides for UNC modification 597 presentation

Moving on to consider the 'High Level steps in the CAM process' slide, some parties observed that the modification and diagram show a case-by-case based process (with either an auction or alternative allocation mechanism being used), rather than a single enduring process solution. Responding, DR pointed out that there are some potential bilateral / tri lateral agreement implications that need to be assessed, whilst MH also advised that the modification is advocating a PARCA based approach as the allocation mechanism, rather than an auction one and suggested that both PTL and Interconnector views align with National Grid NTS's position. MM then indicated that he believes that the modification is not constrained to a single allocation solution but the process has been aligned to the UNC/PARCA where possible (as illustrated in the final slide in the presentation).

In considering the 'Pre-Allocation Timeline', MM explained that the final project proposals are submitted to the NRAs, and should they (the NRAs) be unable to reach

agreement on the proposal, these are then escalated to ACER for a decision. MM went on to add that in terms of the end-to-end process time, the new process for IPs is definitely going to be longer than the current PARCA Phase 1 time of circa 6 months and would be about 18 months.

Focusing on the comparative timescales, MM explained that the extended CAM timelines reflect both TSO engagement and NRA involvement in the process. In noting that the biennial process would commence in 2017, MM pointed out that this does not exclude ad-hoc processes being triggered as well.

Moving on to consider the 'PARCA phase 1 comparison to CAM' slide, JC immediately quoted Article 26.11 (relating to fees for assessing demand indications), suggesting that it does not make sense.

When asked whether or not CAM fees would be expected to be larger than current PARCA fees, MM responded by advising that this is not expected to be the case. MM then went on to add that National Grid NTS expects to discuss the treatment of fees with Ofgem in due course, with regards to how NG treats the revenue. However, one possible option being considered by National Grid NTS at this time is to look to add the fee to the Revenue Driver but it would not need to be included within development of this modification as the topic is outside of the UNC. More information on how the circa £120k fee aspects could be managed in future will be provided following the discussions with Ofgem.

MM confirmed that the CAM consultation would be a joint TSO affair and that CAM is silent on how long TSOs actually have in order to prepare the joint project proposals - the working assumption is that this activity could take a maximum of 3 months.

When asked whether or not there is any 'dead zone' when demand indications could not be submitted, MM explained that the modification outlines a PARCA binding phase which can be varied to avoid clashing with existing allocation processes.

New Action 1101: Reference PARCA phase 1 comparison to CAM - National Grid NTS (MM) to provide an example of how CAM proposals align to PARCA binding aspects and other annual NTS capacity processes such as substitution, etc.

Moving on, MM explained that as far as the ad-hoc process for submitting demand indications is concerned, this is subject to agreement of the TSOs. Additionally there are three types of CAM conditional demand indicators (as specified in business rule 1.4.5 in Section 5 (Solution) of the modification).

MH highlighted that the role of ENTSOG (including standard template considerations) is due to be considered in more detail at a meeting scheduled to take place the following day (16 November 2016) and that more information would be provided in due course. When asked, MM confirmed that parties could submit a demand indication for one year, subject to it passing the economic test criteria.

Moving on to consider the 'Demand Indication Fee' slide, attention focused on the conditions under which the fee would be returned to parties. When asked whether returning the fee when a project does not progress to the design phase could be considered to imply that no cost would be incurred, MH advised that this is not the case as some administration costs would have been incurred. When asked what National Grid NTS actually does in terms of their work to suitably justify the upfront £120k costs under such circumstances, MM explained that in essence the fee funds design works in exactly the same way that the PARCA fee does. One parties felt strongly that under such circumstances, the £120k fee is unjustifiably large – one suggestion put forward was to delay obtaining the fee until the demand project proposal stage (i.e. at the first **green box** and not the **blue box** stage in the process map). At this point DR explained that there are possible CAM compliancy related impacts that need consideration.

When asked, MM confirmed that the CAM fee would also need to be clearly defined within the Charging Statements, in the same way that the current PARCA fee is. After some discussion, MM felt that although the CAM process was different the effect was similar as a PARCA project would be reconciled to zero at the end if the design phase had not been conducted.

Moving on to consider the 'Closer Look at Design & NRA approval phases' slide, in response to a question about withdrawal, MM responded that everything up to publishing the Joint Notice was non-binding, and parties are under no obligation to continue into the binding phase. When MH advised that consideration of the binding aspects around capacity would be considered at a forthcoming Workgroup meeting, one party in attendance asked whether or not National Grid NTS could provide an indication of what happens to unsold capacity and the associated 'lock down' aspects.

New Action 1102: National Grid NTS (MM) to provide an indication of what happens to unsold capacity and the associated 'lock down' aspects, as part of a CAM incremental capacity project.

Moving on to quickly consider the table contained within that 'Commercial Framework' slide, MM reminded those in attendance that the demand indication fee aspects would be subject to National Grid NTS and Ofgem discussions around the licence and GRD methodology matters.

When asked where planning consents come in to the considerations, MM advised that the Workgroup would be looking at this aspect in due course.

1.2. Modification 0597 Section 5 – Solution (Business Rules) Line-by-Line Review

MM provided a line-by-line review of the business rules contained within Section 5 (Solution) in the modification during which the most salient points are captured by exception only, as follows.

Demand Assessment – Biennial Process

BR1.4 – When asked MM agreed to consider whether this includes demand for bundled capacity;

New Action 1103: Reference Modification BR1.4 - National Grid NTS (MM) to consider whether this includes demand for bundled capacity.

BRs 1.4.5.1, 1.4.5.2 & 1.4.5.3 – relate to the three conditional demand indicators;

BR1.8.1 – contains an incorrect cross reference which should read as '1.9' and not '1.11' as currently stated and also MM agreed to check all other references;

BR1.8.3 – MM considering removal in amended version of modification;

BR1.11.3 - It was also suggested that addition of a footnote to clarify the matter would aid consultation process in due course;

BR1.11.4 – MM confirmed that whilst this is not specifically a GB market matter, it is included for completeness, before suggesting that this might relate to CAM Article 12(d) that looks to have been removed anyway.

New Action 1104: Reference Modification BR1.11.4 - National Grid NTS (MH) to seek a legal view on inclusion / retention of this business rule going forwards.

Design Phase – Joint Consultation

When asked what the costs are associated with withheld capacity (levels of 10% to 20% can be ring fenced by the NRA) and who underwrites it, MH explained that this would be the subject of discussions between National Grid NTS and Ofgem in due course and hopefully an update will be provided at the next Workgroup meeting.

BR 3.3.6 – some discussion (and contention) about whether ‘a fixed price’ definition is correct, as some believe the Tariff Code states that it has to be floating prices for the IPs. MM pointed out that there are discretionary aspects around utilisation of floating prices and agreed to consider the use of a footnote to provide additional background to the stance taken.

When asked whether there are any potential incremental / non incremental capacity commitment implications (i.e. transitional) involved, MM once again suggested that this is not really a GB market issue;

BR 4.2.1 – MM highlighted that CAM is silent on whether consultation responses (not confidential) are included in a Project Proposal, and explained that he would discuss the matter with other TSOs in due course. When MH suggested that from a National Grid NTS perspective he would support the provision of consultation responses, it was suggested that perhaps a simple caveat statement to ‘cover off’ the matter of adjacent TSO approval would suffice;

BR 4.3.4 – MM explained that he would be looking to provide an example for consideration at the next Workgroup meeting.

New Action 1105: Reference Modification BR4.3.4 - National Grid NTS (MM) to provide clarification of the Economic Test parameters.

BR4.3.6 – When asked whether or not the Adjacent TSOs have something similar to PARCA in place (i.e. to cater as an alternative allocation mechanism and/or for any Adjacent TSO work which maybe needed), MH explained that National Grid NTS has openly shared its PARCA process with the Adjacent TSOs and he is aware that some of them still need to undertake some additional work to fully adopt similar / complementary processes.

MM also explained that National Grid NTS has a broad agreement with the Adjacent TSOs to look to utilise alternative allocation operation solutions. MH noted that should parties decide to favour an auction based solution, these could always be developed in time for 2019.

Allocation – Alternative Mechanism onwards

Consideration of the remainder of the business rules was deferred until the next meeting.

Concluding this part of the discussions, CS requested that National Grid NTS considers highlighting which regime the respective business rules apply to (i.e. PARCA and/or CAM) in order to aid better industry understanding.

2.0 Initial Discussion

2.1. Initial Representations

None received.

2.2. Issues and Questions from Panel

None.

3.0 Next Steps

MM confirmed that he would be looking to provide an amended modification (in line with discussions) in time for consideration at the next Workgroup meeting.

4.0 Any Other Business

None.

5.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

Time / Date	Venue	Workgroup Programme
10:00 Friday 02 December 2016	Consort House 2-6 Homer Road, Solihull, B91 3QQ	Detail planned agenda items. <ul style="list-style-type: none"> • <i>Consideration of amended modification</i> • <i>Continued consideration of business rules</i> • <i>Development of Workgroup Report</i>
10:30 Tuesday 13 December 2016	Energy UK Offices, Charles House, 5-11 Regent Street, London, SW1Y 4LR	Detail planned agenda items. <ul style="list-style-type: none"> • <i>Development of Workgroup Report</i> <ul style="list-style-type: none"> • <i>Consideration of User Pays</i> • <i>Consideration of Relevant Objectives</i> • <i>Consideration of Legal Text</i> • <i>Consideration of Workgroup recommendation(s)</i>
10:30 Tuesday 03 January 2017	Consort House 2-6 Homer Road, Solihull, B91 3QQ	Detail planned agenda items. <ul style="list-style-type: none"> • <i>Completion of Workgroup Report</i>
10:30 Tuesday 13 January 2017	Consort House 2-6 Homer Road, Solihull, B91 3QQ	To be confirmed.

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1101	15/11/16	1.1	<i>Reference PARCA phase 1 comparison to CAM</i> - National Grid NTS (MM) to provide an example of how CAM proposals align to PARCA binding aspects and other annual NTS capacity processes such as substitution, etc.	National Grid NTS (MM)	Pending
1102	15/11/16	1.1	To provide an indication of what happens to unsold capacity and the associated 'lock down' aspects, as part of a CAM incremental capacity project.	National Grid NTS (MM/MH)	Pending
1103	15/11/16	1.2	<i>Reference Modification BR1.4</i> - National Grid NTS (MM) to consider whether this includes demand for bundled capacity.	National Grid NTS (MM)	Pending
1104	15/11/16	1.2	<i>Reference Modification BR1.11.4</i> - National Grid NTS (MH) to seek a legal view on inclusion / retention of this business rule going forwards.	National Grid NTS (MH)	Pending
1105	15/11/16	1.2	<i>Reference Modification BR4.3.4</i> - National Grid NTS (MM) to provide clarification of the Economic Test parameters.	National Grid NTS (MM)	Pending