

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

Tuesday 20 December 2016

at Consort House, 6 Homer Road, Solihull B91 3QQ

Attendees

Charles Ruffell	(CR)	RWE npower
Chris Shanley (Chair)	(CS)	Joint Office
Graham Jack	(GJ)	Centrica
James Thomson*	(JT)	Ofgem
Karen Visgarda (Secretary)	(KV)	Joint Office
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
Shane Jaftha*	(SJ)	National Grid NTS
Silke Goldberg*	(SG)	National Grid NTS

* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0597/201216>

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

1.0 Introduction and Status Review

1.1. Approval of Minutes (13 December 2016)

The minutes of the previous meeting were approved.

2.0 Consideration of Amended Modification

MM provided an on screen review of the presentation 'Supporting Slides for UNC Modification 0597', which clarified the areas that had been discussed in the previous Workgroup Meeting and the related actions that had been raised.

MM summarised the response to the PARCA Security Amount (PSA) related action 1205, and provided an overview of how the amount of security is currently derived under PARCA and the associated formula. MM highlighted that 365 days worth of (the maximum amount of) capacity is used in the calculation and that the number of years asked for does not have an impact on this calculation.

MM went on to explain how the current PSA calculation works in relation to the Entry and Exit capacity at IPs. MM, then explained a proposed amendment to the PSA calculation, which would now include any new Annual Yearly and Annual Quarterly Sales at IP's in the weighted average price. He also explained the materiality of these changes was currently negligible, but he did say this might increase in time.

MM then moved on to explain the amendments to the Modification, which included a link to the amended CAM code and Foot Note 1. that provided clarification regarding the approach to the reserve pricing and that a Modification would be required at a later date.

GJ asked when the revised pricing approach would need to be adopted. MH said that a new Modification would be required to do this, and that this could be raised as part of wider Tariff Code work and would be required before November 2017 if a Demand Indication was raised

in April 2017. MM then moved on to explain Foot Note 2. that provided clarification regarding how the f-factor is used in the Economic Test and it would be included in the Capacity Release Methodology statement. Similarly a discussion was had on the timing of this work.

CS proposed that the Foot Notes should be amended to provide clarity regarding these matters.

New Action 1206: National Grid NTS (MH/MM) to amend the wording in Foot Note 1 & 2, to clarify the potential ways forward and the associated timings.

MM then moved on to overview the new text in section 8 to cover the Security Amount changes discussed earlier, as well as minor edits to the text in section 9. Impact on other Long Term Allocation Processes.

3.0 Development/Completion of Workgroup Report

CS provided an onscreen review of the draft Workgroup Report (v0.1, dated 19 December 2016) and it was noted that there had been a few amendments had been made since the last meeting to capture the Security Amount issue.

MH provided an update on the alternative approach, and confirmed that all the adjacent TSO's were now fully supportive of this, rather than, using the auctions process.

CS moved on to explain that under the Other Non-UNC issues section, that the following issues were summarised; Economic Test, Withholding 10% of incremental Capacity and Return Fees.

A general discussion took place surrounding the topic of the Withholding 10% of incremental Capacity and regarding what the percentage would be either side of the IPs. GJ said that within the CAM Code it stated that it could be between 10% – 20%, and MH said that it was the National Grid NTS view it should only be 10% and they were looking to agree this with Ofgem. More detail would be added to the Capacity Release Statement or within the Project Proposal once the discussions with Ofgem had been finalised. A discussion was had on the costs to the Shipper and the Community and CS agreed to amend the wording on this matter to reflect that it should be considered as part of any related proposals or consultations.

4.0 Overview of Legal Text

4.1 Section E –Rules for the Release of the Incremental Capacity at Interconnection Points

SG provided an overview of the newly drafted Legal Text and she apologised that this had only just been made available for review.

She then moved through the document, providing a high-level overview of each section, which are listed below:

1.1 Introduction – SG provided the background explaining, this would be inserted into new EID section E to provide the framework and rules regarding incremental capacity at the Interconnection Points. No comments were raised on this section but some square brackets were noted.

1.2 Interpretation – SG explained the various interpretations that were listed within the document and the subsequent meanings of each of these.

2. Demand Assessment

2.1 Biennial Process – SG explained that this process was open to all 'Interested Parties'

and not just a user; any person could ask for Incremental Capacity. She then overviewed each section in relation to the Biennial Process explaining each point in turn.

Regarding point 2.1.14 *National Grid NTS shall use the standard templates for demand assessment reports as provided by ENTSG*, a discussion took place surrounding the fact this statement was still in square brackets []. MH confirmed that these could now be removed, as the draft template had now been shown and discussed with the Workgroup at the last meeting and ENTSG will supply the required final template prior to the EIF date. SG confirmed she would now amend this section accordingly.

2.2 Ad-hoc (open season) Process – SG overviewed each point and explained the context and no further discussion took place.

3. Design Phase

3.1 Joint Consultation – SG moved through the points in relation to the consultation process. LM wanted to know if the 12 weeks was a CAM requirement and MM confirmed this was correct. SG said she would amend some of the wording in this section, to include the word ‘relevant’ to add clarity with regards any Adjacent TSO consultation.

4 Regulatory Approval

4.1 Project Proposal – SG explained the process that would be followed at the completion of the consultation process, with regards to the time lines and procedural steps for the Adjacent TSO’s. No further points were raised.

4.2 Joint Notice – SG moved through the process and explained the timelines.

5. Allocation

5.1 Alternative Mechanism – SG explained the rules and how the alternative mechanism would work in practice. It was highlighted that the CAM foresaw the allocation mechanism being decided on a case-by-case basis but only the Alternative approach was being introduced. MH confirmed that if an auction approach were required a new modification would need to be raised and any reference to auctions in this section could be removed.

6 Demand Indication Fee – SG explained how the Demand Indication Application Fee would work and the process and steps that would be required.

7 Impact on Other Processes – SG said these were not new to Workgroup participants as they had already been discussed previously.

MM said he would ensure all the changes that had been discussed in the meeting would be considered, as part of any revised Legal Text and MM/SG would work together to achieve this. Revised Legal Text was expected to be published within the next week.

New Action 1207: All to provide any amendments or comments on the Legal Text to MH/MM prior to Friday 06 January 2017.

5.0 Review of Actions Outstanding

1204: Reference IP PARCA – Entry and Exit - National Grid NTS (MM) to consider amending the modification to include a ‘For Information Only’ provision around the economic test provisions etc.

Update: MM explained that this action could now be closed as this topic had now been addressed within the amended modification. **Closed**

1205: Reference IP PARCA – Entry and Exit - National Grid NTS (MH/MM) to consider potential (credit related) security requirements in order to ensure that a meaningful reservation fee is adopted, and also any potential licence related impacts are highlighted.

Update: MM explained that this action could now be closed as this topic had now been addressed within the presentation. **Closed**

6.0 Next Steps

National Grid NTS (MM) to amend the modification inline with the discussions under section 2 and 4 of this meeting.

Joint Office (CS) to then provide an updated (draft) Workgroup Report for consideration and completion at the next Workgroup meeting, to be held on Friday 13 January 2017.

CS confirmed that the next meeting that had been planned was originally Tuesday 03 January 2017, however, this would now be cancelled as the Workgroup had agreed to send any comments directly to Matthew Hatch (in readiness for the meeting on Friday 13 January). CS confirmed the Workgroup Report would be completed and submitted to the January Panel as a Short Notice item but the Panel had already agreed this.

7.0 Diary Planning

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

Time/Date	Venue	Workgroup Programme
10:30, Tuesday 13 January 2017	Consort House 2-6 Homer Road, Solihull B91 3QQ	Standard agenda plus <ul style="list-style-type: none"> • <i>Consideration of Legal Text and commentary</i> • <i>Completion of Workgroup Report</i>

Action Table (as at 20 December 2016)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1204	13/12/16	2.1	<i>Reference IP PARCA – Entry and Exit - National Grid NTS (MM) to consider amending the modification to include a 'For Information Only' provision around the economic test provisions etc.</i>	National Grid NTS (MM)	Closed
1205	13/12/16	2.1	<i>Reference IP PARCA – Entry and Exit - National Grid NTS (MH/MM) to consider potential (credit related) security requirements in order to ensure that a meaningful reservation fee is adopted and also any potential licence related impacts.</i>	National Grid NTS (MM)	Closed
1206	20/12/16	2.0	National Grid NTS (MH/MM) to amend the wording in Foot Note 1 & 2, to clarify the potential ways forward and the associated timings.	National Grid NTS (MH/MM)	Pending

Action Table (as at 20 December 2016)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1207	20/12/16	4.0	All to provide any amendments or comments on the Legal Text to MH/MM prior to Friday 06 January 2017.	ALL	Pending