

## UNC Workgroup 0606S Minutes

### National Grid Gas plc and National Grid Gas Distribution Limited transitional invoicing arrangement post Project Nexus implementation

Thursday 02 February 2017

Elexon, 350 Euston Road, London NW1 3AW

#### Attendees

Chris Shanley (Chair)	(CS)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Amrik Bal	(AB)	Shell
Angharad Williams	(AW)	National Grid NTS
Anna Shrigley	(AS)	Eni UK
Charles Ruffell	(CR)	RWE
Chris Warner	(CW)	National Grid Gas Distribution
Colin Hamilton	(CH)	National Grid NTS
David Byrne	(DBY)	National Grid Gas Distribution
David Cox	(DC)	London Energy Consulting
David Eastlake*	(DE)	CVSL
David Turpin*	(DT)	Xoserve
Debbie Brace	(DB)	National Grid NTS
Gerry Hoggan	(GH)	ScottishPower
Graham Dickson	(GD)	Interconnector UK
Graham Jack	(GJ)	Centrica
Jeff Chandler	(JCh)	SSE
Jen Randall	(JR)	National Grid NTS
John Burke*	(JB)	National Grid Gas Distribution
John Costa	(JCo)	EDF Energy
Justin Goonsinghe	(JG)	National Grid NTS
Lee Harrison	(LH)	Xoserve
Lucy Manning	(LM)	Gazprom
Marine Valls*	(MV)	Storengy
Nick Wye	(NW)	Waters Wye Associates
Osama Rashed	(OR)	ConocoPhillips UK
Phil Hobbins	(PH)	National Grid NTS
Rebecca Hailes	(RH)	Joint Office
Richard Fairholme	(RF)	Uniper
Sabrina Salazar*	(SS)	National Grid Gas Distribution
Samuele Rapetto*	(SR)	EDF Trading
Sean Hayward	(SH)	Ofgem
Steve Britton	(SB)	Cornwall Energy
Steve Nunnington	(SN)	Xoserve

\*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0606/020217>

The Workgroup Report is due to be presented at the UNC Modification Panel by 20 April 2017.

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## 1.0 Review of Minutes (05 January 2017)

The minutes were accepted.

## 2.0 Proposer's update on progress

The modification has continued development under the Distribution Workgroup.

## 3.0 Amended Modification

CW confirmed that no formal amendments have been made since the previous meeting.

## 4.0 Action Update

The following action was raised at the Transmission Workgroup's review on 05 January 2017, for consideration by the Proposer and the Distribution Workgroup.

**0101: Reference Invoicing Solution requiring Shipper involvement** - NGGD (CW) to provide a clear explanation of what other options have been considered and why they have been discounted, and why this current proposition requiring Shipper involvement is perceived to be the most appropriate. CW also to include these explanations in the Q and A document and republish.

**Update:** DBy gave a brief presentation, displaying a table summarising the Invoice solution options that had been analysed, explaining why they had been discounted and why it had been concluded that the Option 1 was the 'least worst' option.

DBy advised that the summary table had also been added to the Q&A paper (a revised copy had been published at [www.gasgovernance.co.uk/0606/020217](http://www.gasgovernance.co.uk/0606/020217)).

It was agreed that this action could now be closed from a Transmission Workgroup perspective. **Closed**

## 5.0 Contribution to Workgroup Report

A discussion followed the action update. JCo observed that it may be the 'least worst' option for National Grid NTS and the DN's, but not for Shippers, who would have to incur additional costs to accommodate this solution. EDF was not willing to accept this, being of the view that it should be remedied 'behind the scenes' and not involve Shippers at all. CS commented that Project Nexus has clouded the situation, with the inability to make further changes as parties might wish without causing delay to the project. DT added that impacts on Nexus delivery are to be avoided at all costs and any further system changes would compromise the June delivery date.

NW questioned how this modification would actually further any of the relevant objectives; it seems just a 'fudge' to allow invoices to be correctly directed. It does not seem to be an improvement to anything; it does not facilitate network processes; changes are just being made to benefit National Grid's sale of the network processes. Shippers present did not consider the effect on relevant objective (f) to be a positive one from their point of view.

NW was also surprised at there being no offer of compensation to Shippers; CW reiterated there was no way to do this within UNC. JCo acknowledged there was no route for direct compensation but suggested that charges be reduced in some way to address the fact that Shippers apparently had to incur extra costs for this DN sales 'fall out' - some form of recompense is surely necessary.

GJ asked what was the contingency plan if the modification was not approved? CW indicated that he had not really considered one necessary.

There was a general discussion; certain approaches could not be considered because of financial regulatory difficulties, which DBy explained in more detail. DBy also explained that

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single-company invoicing (as carried out under Mod 0592S) was only workable whilst NGGD was part of the National Grid Group and not be feasible going forward due to confidential information and payment restriction reasons. It was also not considered appropriate for confidentiality agreements to be used to overcome these issues.

NW repeated that this modification is being proposed as a result of National Grid benefitting from the sale of its networks and profiting from it by doing so. It would not be required otherwise. It does not feel right that Shippers should have to incur extra costs just because National Grid has made this business decision. It would not be open to Shippers to do this.

It was asked how long it would take to introduce an enduring solution. CW indicated this would depend on Xoserve's ability to address. Following FGO it will be industry responsibility to make decisions regarding the prioritisation of work to be done, so it would be difficult to predict. DT added there would be prioritisation for a first release, then a second release, etc. It was believed that in the normal course credit arrangements would be considered a reasonably high priority, but others may take precedence depending on industry views and the voting structure post-FGO. DBy observed that the change request had been made in the early part of last year, and gave more background details; the change freeze was instituted, and it has been very difficult to find another solution.

LM believed that this modification should not be self-governance; it has a material impact on Shipper billing systems, and should be sent to the Authority for decision.

NW observed that, although it might be a necessary solution at the end of the day, it was clearly not applying Ofgem's "polluter pays" principle. It needs to recognise that the issue has been caused by National Grid's decision to sell its networks for its own benefit, having been made with no account of the fact that other parties are adversely affected; Shippers are then being left to pick up a cost to support National Grid's sale process. There would also be concerns regarding the setting of precedent.

#### *Value at Risk*

In response to Action 1201 *To clarify what and how, Value at Risk (VAR) would be calculated under the provisions of the modification*, (which had been closed at the last Distribution Workgroup/Workgroup 0606S meeting) JB gave a short presentation, and confirmed that a revised separate VAR calculation has been issued (in January) for separate companies. Parties were encouraged to check that their company had received this, and that all was in place.

## **6.0 Next Steps**

CW confirmed that this modification would continue its development through the Distribution Workgroup (the next meeting of Workgroup 0606S would therefore take place on Thursday 23 February 2017 at Elexon, 350 Euston Road, London NW1 3AW).

CS indicated that the issues raised would be fed into the Workgroup Report 0606S but it would not be brought back to the Transmission Workgroup prior to submission to the UNC Modification Panel.

It was suggested that if parties could not attend the Distribution Workgroup/Workgroup 0606S they should provide any comments and evidence with regards to the costs to shippers from implementation of the proposal, to the Joint Office, to be passed on to the Workgroup 0606S Chair for inclusion in the Workgroup Report.

## 7.0 Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

Time/Date	Venue	Workgroup Programme
Thursday 23 February 2017 <i>(Distribution Workgroup)</i>	Elaxon, 350 Euston Road, London NW1 3AW	<ul style="list-style-type: none"> <li>Development of Workgroup Report</li> </ul>

### Action Table (as at 02 February 2017)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1201	22/12/16	1.0	To clarify what and how, Value at Risk (VAR) would be calculated under the provisions of the modification.	NGGDL (CW)	Closed
0101	05/01/17	2.0	<i>Invoicing Solution requiring Shipper involvement</i> - CW to provide a clear explanation of what other options have been considered and why they have been discounted, and why this current proposition requiring Shipper involvement is perceived to be the most appropriate. CW also to include these explanations in the Q and A document and republish.	NGGDL (CW)	Closed