

## Negative Implied Flow Rates Stakeholder Meeting Minutes (as agreed between all attendees)

5<sup>th</sup> September 2016

### Attendees:

Lucy Manning (LM)	Gazprom Marketing and Trading
Chris George (CG)	Gazprom Marketing and Trading
Matt Owen (MO)	Gazprom Marketing and Trading
Simon Grayson (SG)	Uniper
Richard Fairholme (RF)	Uniper( <i>on the phone</i> )
Catherine Nelson (CN)	EDF Trading
James Garrett (JG)	RWE
Phil Hobbins (PH)	National Grid Gas Transmission
Jen Randall (JR)	National Grid Gas Transmission

### **Slides used at workshop:**



### **Recap so far:**

JR presented first two slides on progression of the NIFR issue to date.

LM/PH discussed how the loss of the “super user” ability was initially discussed prior to 1<sup>st</sup> October 2015. It was accepted from both parties that more could have been done to understand the impact of this change but given the scale of change being processed with the introduction of EU codes, it was a difficult time.

LM stated that it has not been clear that NG are not happy to continue with the current process whereby shippers send a renominations fax which breaches the NIFR rule to the GNCC for non IPs. It was felt that if other shippers know this then more would be involved.

**Action: NG took an action to ensure this is clear at the next Gas Operational Forum and Transmission Workgroup.**

The question was also asked what was the outcome of the letters NG sent out at the beginning of the year whereby information was requested as to why shippers had been making renominations. NG provided an overview of the reasons shippers stated in their responses to the letters. LM enquired as to the purpose of this request and PH stated that it was to discharge an obligation under the UNC. LM asked whether the outcome of that process i.e. that NG is not happy to continue accepting renomination faxes at non-IPs has been made clear to shippers. NG stated that they would ensure this is done.

**Action: NG to ensure the outcome of these letters has been communicated to the industry.**

MO/LM raised the point that if the GNCC no longer has the “super user” ability, what happens in situations under the Balancing Code which states that TSO may “amend the gas quantity requested under a nomination and re-nomination in exceptional events, and emergency situations when there is an evident danger to system security and stability.”<sup>1</sup> MO also mentioned that at the beginning of October 2015 when the ability for the GNCC to amend nominations was initially lost, Xoserve were able to change the nominations (as originally it was thought that it was due to a system error). NG noted that the information that would now be required to be entered into Gemini for IPs creates a greater risk in terms of error when entering this information (i.e. 16 digit code required which contains dots and slashes over multiple screens).

**Action: NG took an action to clarify this and to further investigate the possibility of amending renominations.**

***The problem:***

JR went through the perceived problem that the GNCC face (slide 9) and explained that if a shipper makes a renomination on their producer then it is believed that there is a time lag between the shipper making the renomination to the GNCC. This was challenged and asked what evidence NG has that shippers are doing this. NG (PH) explained that this is difficult to quantify. The network managers have a log book where these issues would be logged, however, going back and trawling through these log books would be very time consuming. Shippers emphasised that they would like to see evidence of why the NGG control room does not think it is receiving or does not expect to continue receiving accurate and timely information if this is to be used as justification to no longer allow renomination faxes.

LM / JG explained that it is in the shipper interests that they make a renomination into the GNCC as soon as they have made a renomination on their producer. The shippers “requested” number is only up to date when they have made the appropriate renomination into the GNCC. The shippers use this “requested” number to inform them of their real time imbalance position and also for shipper to shipper trades at NBP. Therefore, it is in shippers interests to ensure they make their renomination into the GNCC asap.

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<sup>1</sup> EU Balancing Network Code, Article 17 (4)

NG also explained that the number of faxes received by the GNCC has grown significantly over time.

**Action: NG to discuss this feedback from shippers internally.**

In NG's view the fax process undermines the scheduling regime and does not encourage timely and accurate shipper renominations. Furthermore, the NIFR rule is linked to the capacity regime in that it assumes a 1/24<sup>th</sup> flow rate. Shippers considered that they just need the ability to provide NG with the most up to date information they have. Shippers noted it is in NGG's interests to receive this information. If the fax facility is removed then shippers will face the risk of not being able to renominate downwards, and may mitigate this risk by holding-off sending their initial nomination to NGG until they have more certainty on flows. This may be relatively late in the day and would not help NGG operate its system.

**Options:**

Option 1 – Do nothing i.e. continue accepting renomination faxes at non-IPs but not accepting renomination faxes at IPs: It was agreed that this is not in the interests of either NG or shippers as the current situation is not desirable for any party. NGG stated it believes the current arrangement of accepting renomination faxes at non-IPs is unsustainable.

Option 2 – Remove the NIFR rule: LM considered that, in relation to non-IPs, this option would effectively create the same end operational result as doing nothing but with a lot more work involved and so is undesirable given that UNC already provides discretion for NGG to accept renominations that do not comply with the NIFR rule if it can do so. LM felt that there would be scope within the UNC that would provide a quicker solution to the specific problem at IPs.

Option 3 – Remove the NIFR rule on a trial basis: This option would mean removing the NIFR rule on a trial basis for a set duration, say, 6 – 12 months. It would involve setting the parameters of the trial upfront, when would check points be, what would determine whether it is / has been successful. This option was seen as feasible by NG and shippers as it would add comfort for NG that if the timeliness and accuracy of information provision by shippers deteriorated then it could be reverted. This option would also possibly be quicker to implement than option 4.

Option 4 – Remove the NIFR rule and introduce additional incentives: NG explained that although shippers have a licence obligation to provide "prompt and accurate" information to NG, there is no definition about what those words actually mean. NG may wish to establish such definition before removing the rule, potentially by somehow linking the contracts the shippers have with upstream producers to arrangements the shipper and NG have, if this were possible. However, in discussion, it was agreed that such definition would likely be arbitrary and therefore questioned whether this would add any value. LM raised the concern that this will take a long time to implement (PH indicated c. 1 year) by the time this has been agreed, additional incentives have been designed and been through UNC modification process, and systems changes have been scheduled. Shippers commented on the reference to the "Incentivised Nomination Scheme" in NGG's slides; they noted this was not effective in the past and would not be expected to solve this difficulty either.

Option 5 – Always apply NIFR rule: It was agreed that this option is undesirable because it wouldn't allow shippers to provide the GNCC with their most up to date information. Shippers reiterated that it is in NGG's interest to receive this information.

Option 6 – Relax the NIFR rule so that GNCC accept faxes up to a particular point in the day: For this to be valuable to the GNCC the cut off time would need to be early evening – 10pm, however this would not allow shippers to make renominations following midnight beach trades.

Option 7 – Keep the NIFR rule and change Gemini to allow GNCC “super user” access: This option would effectively revert to pre 1<sup>st</sup> October 2015 arrangements and would therefore allow shippers to make renominations that breach the NIFR rule to the GNCC at IPs again. Shippers expressed a preference for this. NG explained that this would require a Gemini system change and therefore costs would be incurred. The risk of error in manually entering the changes would still be evident and wouldn’t address the issue of the volume of faxes received by the GNCC. We discussed whether the development of a ‘template’ and/or use of email could mitigate this risk, and agreed to explore how Xoserve’s existing ability to amend renominations could be utilised/adapted.

Option 8 – Sub daily balancing: NG considered that this option was expected to resolve the NIFR issue but is potentially ‘a sledgehammer to crack a nut’. It was agreed that other drivers would have to be present to justify progressing this option and that the consequences of such a fundamental change to the regime would need to be carefully thought through.

Preferred approach is Option 3, which would remove the NIFR on a trial basis of 6 – 12 months was agreed as the option that should be further considered. As this would take some time to put in place by the time the criteria around the trial has been determined, it was agreed that NG should look at option 7 and the practicalities of allowing faxes again at IPs as a potential temporary measure – this could either be through GNCC (depending on the outcome of action 1) or potentially Xoserve. In addition to this, ways to make this process simpler should be explored in terms of whether renominations have to be submitted via fax or whether an email could be used which may reduce the risk of entering wrong details.

#### ***Governance:***

We discussed potential governance routes to move the issue forward. It was suggested that either the UNC Request process or the same arrangements through the Joint Office that were used for the [OCM multiple market operator] discussions could be pursued.

**Action: JR to further investigate.**

#### **Actions Summary:**

1. NG to confirm that GNCC no longer has “super user” ability to overwrite renominations on Gemini that have breached the NIFR
2. NG to explore with Xoserve the potential for facilitating renominations that breach the NIFR rule where operationally acceptable in respect of IPs on a temporary basis
3. NG to ensure that the outcome of the letters have been communicated
4. NG to discuss shipper feedback from the meeting concerning timely and accurate renominations internally.

5. NG to establish the number of faxes received at IPs
6. All to further consider the feasibility of Option 3 (remove the NIFR rule on a trial basis) and what criteria may be required in relation to this option
7. NG to feedback from the meeting the Gas Operational Forum and Transmission Workgroup.
8. NG to consider the most appropriate UNC governance arrangements in relation to this issue.