Minutes to UNC Workgroup 0501 on 28 November 2014

Section 3.3

"… AC wondered whether or not some form of moratorium on transfers would possibly be a workable option. GJ wondered whether or not one option could be to lose fungibility rights on transfers. NW noted that the same outcome could be achieved by the holder of residual capacity flowing on behalf of another shipper and trading the gas at the NBP (not trading the capacity). ~~Responding,~~ MH suggested that this potentially defers the 2nd part of 0501C, however he would discuss the matter in more detail with Xoserve to ascertain a view – he also suggested that there could be some potential PRISMA impacts to consider…

…Moving on to consider the 'Rebate for bundled products – Example 1 – IP ASEP fully utilised' (slide 7), discussions centred around how the proposals seek to avoid double payments but cater for rebates (on the National Grid Bundled component only) – Eni indicated that they would be more than happy to discuss the matter in more detail offline with National Grid representatives. When asked whether there would be any potential interconnector impacts, MH provided a brief explanation of how the bundled / unbundled aspects are expected to work and also pointed out that any unbundled capacity would be available for sale by TSOs. FH went on to point out that at the UKCS ASEP there would be no capability to surrender capacity. It was also noted that when Shippers buy capacity at the ASEP, they do not necessarily know what they actually wish to flow and where, whilst some parties suggested that not allowing a party to buy unbundled capacity at the IP in the 1st instance would be the correct approach to adopt. NW strongly advocated that this is definitely NOT a sterilisation of capacity concern, as he sees these proposals are little different to current provisions, in terms of the 'bottom line'. At this point RM drew a diagram on the flipchart to help explain Ofgem's concern relating to ~~long term use-it-or lose-it and UKCS residual capacity, Interconnector and D-1 relationships suggesting a day ahead / within day surrender if Users were not going to utilise capacity at either UKCS or IP~~the scenario where a residual UKCS capacity holder decides in the short-term that they want to flow on IP (via one of the interconnectors) and no unbundled interconnector capacity is available. In such a scenario the shipper must buy bundled capacity. If the shipper wants to flow on the IP only then in order to get the rebate for 'buying bacton capacity twice' the capacity not being used should be made available at the next auction. FH was unclear on how the Day Ahead Capacity and rebate mechanism would actually work in practice. Responding, several parties suggested that this is no different to current practises around holding capacity at an ASEP and not flowing it – in essence, in the new regime there would be an artificial commercial capacity position at the Bacton IP. However, RM noted that currently shippers would not get a rebate on capacity they did not use and this is how UNC501C is different. MH reminded everyone that the CAM principle is that you have to offer bundled capacity – as a consequence, a regulatory view on CAM aspects associated with RM's model (concerns) might be needed in due course.

MHa suggested that one option might be to allow the purchase unbundled capacity at the Interconnector – he requested that Ofgem discuss the matter in more detail with ACER. RM noted that this workgroup is working to resolve the issue so no need to discuss with ACER.

At this point, DS also drew a flipchart diagram to highlight her concerns relating to the 'matched capacity' process between National Grid Gas (NGG) and the Interconnector potentially excluding a Shipper from the process. MHa remarked that ACER are also interested in this point as this appears to be a 'unique' issue related to EU provisions and UK flexibility aspects. LJ suggested that these concerns seem to beg the question of why seek to split the Bacton ASEP in the first place, and is this really needed to comply with CAM requirements. Responding, RM advised that Ofgem had considered various options but concluded that the split is the preferred option. GJ noted that one of the discarded options was discriminatory…

…RM pointed out that Ofgem's decision on the 0501 suite of modifications would be heavily dependant upon the proposed Licence changes and should there be any slippage in the licence or UNC modification(s) timeline, ~~they~~ then this could fall foul of the UNC modification timings to start the reallocation process (i.e. 10 days after the closure of the QSEC Auction). MH advised that should this happen National Grid would need to consider raising an Urgent Modification to address the matter. When asked whether or not it would be simpler to defer the QSEC Auctions, FH explained it is not just the timing around the QSEC auctions which is the problem as it also involves issues around compliance with the EU Regulations that come into effect on 01 November 2015 – it was acknowledged that the Workgroup can not advocate a process whereby we encourage a party to break the law and as a consequence advocating a breach of CAM requirements is a non-starter. LJ pointed out that Ofgem could send the UNC modifications back to the Panel directing them to change the text. The Panel could then make the changes and send back to Ofgem. This process could be done very quickly by means of an emergency Panel meeting.