

UNC Workgroup 0621 Minutes
Amendments to Gas Transmission Charging Regime
Wednesday 25 October 2017
at Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW

Attendees		
Rebecca Hailes (Chair)	(BF)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Benoit Enault	(BE)	Storengy UK Ltd
Charles Ruffell	(CR)	RWE Npower
Colin Williams	(CW)	National Grid NTS
Danishtah Parker*	(DP)	Cadent
Dave Mitchell	(DM)	Scotia Gas Networks
David Cox*	(DC)	London Energy Consulting
David Reilly	(DR)	Ofgem
Debra Hawkin*	(DH)	TPA Solutions
Gerry Hoggan	(GH)	Scottish Power
Graham Jack	(GJ)	Centrica
Henk Kreuze*	(HK)	Vermillion
Jeff Chandler	(JCh)	SSE
Joanne Parker	(JP)	SGN
Julie Cox	(JCx)	Energy UK
Kieron Carroll	(KC)	PSE Kinsale Energy
Lucy Manning	(LM)	Gazprom
Nahed Cherfa	(NC)	Statoil
Nick Wye	(NW)	Waters Wye Associates
Paul Youngman	(PY)	Drax Powers Ltd
Phil Lucas	(PL)	National Grid NTS
Richard Fairholme	(RF)	Uniper
Robert Wigginton	(RW)	Wales & West Utilities
Roddy Munroe	(RM)	Centrica Storage
Sasha Yankovskiy	(SY)	Gazprom
Sinead Obeng	(SO)	South Hook Gas
Steve Pownall	(SP)	Xoserve
* via teleconference		

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0621/251017>

The Workgroup Report is due to be presented at the January 2018 UNC Modification Panel.

1.0 Introduction and Status Review

1.1 Approval of Minutes

A few small amendments to the minutes were suggested by RW, a track change version of the updated minutes will be published.

2.0 Progress Update

CW went through the agenda for the material provided for today's meeting which can be found here: <https://www.gasgovernance.co.uk/NTSCMF/251017>

CW explained that the meeting would mostly concentrate on a high-level summary of the rationale of what has been put in to the updated draft Modification 0621.

Starting with a reminder of the overall objectives for Modification 0621 CW confirmed that transition arrangements are aimed at facilitating future changes post 2019 and that there are still some areas where TAR compliance is still under discussion.

The updated draft amended modification is published here: <https://www.gasgovernance.co.uk/NTSCMF/131017>

At the NTSCMF meeting held on 13 October, various topics relating to the draft amended modification were discussed, these are summarised as follows:

- There are still EU compliance challenges on the proposals.
- If something is still potentially open to be changed, make this clear in the text.
- If any aspects are based on a methodology or arbitrary values, make this clear.
- Additional thoughts on addressing CWD generated zero prices.
- Highlight components of the proposal that are more either placeholders or background so the solution is easier to follow.
- Provide further detail on reasons for the proposals.
- Provide a timeline of the full series of events including the consultation for UNC0621/EU TAR NC, and any future consultations as needed.
- Would like to understand the parts that would be subject to future change and when and how.
- Share views on Licence changes or potential Licence changes.
- There are some areas that could be included, even if not part of the immediate solution, to provide for easier application if beneficial in the future.
- Balance between what's in UNC and what's not. Too much in code could be counterproductive to the proposals under UNC0621.

CW explained that TAR compliance is challenging on the amended modification, for example, using Commodity for purposes of revenue recovery which will need to be addressed further.

DH reiterated she would be glad to discuss CWD generated zero prices with CW offline.

NW commented that there is a timeframe issue, there is a risk of running out of time.

Responding to a comment regarding the Workgroup Report being presented to UNC Panel in January 2018, DR confirmed that the Ofgem consultation is planned for the end of March, or earlier.

NW said that a suitably developed Workgroup Report needs to be completed ready for January 2018.

RH clarified that the UNC Panel will be looking at whether the Modification is implementable.

Discussion led to what Ofgem will be happy to receive with regards to all of the components that are related to this modification, what needs to be in the modification for it to go through, and, is there anything that can be left to a later date in order that the timeframe can be adhered to.

With regards to the topic of Multipliers, NW asked what are the expectations of the Modification, an annual review for all points and interruption needs to be referenced in the Amended Modification.

CW summarised the discussion by firstly advising that Multipliers and Interruptible will be discussed again. There was discussion around a preference for a starting value to be in the code; views on the number will be varied. Further consideration was given to how an enduring process could work to update those numbers in a timely and efficient manner and therefore, what should be in the proposed solution.

The presentation provided by National Grid NTS contained slides covering high level topics as follows, where applicable, discussion points are captured below:

- a) Reference Price Methodology (RPM)
- b) Forecasted Contracted Capacity (FCC)
- c) Multipliers
- d) Interruptible
- e) Specific Capacity Discounts
- f) Avoiding Inefficient Bypass of the NTS
- g) Transmission Services Revenue Recovery
- h) Non-Transmission services Charging
- i) Plan and Change process
- j) Alternates

a) Reference Price Methodology (RPM)

It was confirmed that the Revenue Recovery charge for transmission services will be dependent on RPM.

AS said that the impact of licence obligated level of capacity needs to be discussed.

b) Forecasted Contracted Capacity (FCC)

When asked CW clarified that the definition of short term used in this instance, is no longer than a couple of years.

JCx said that there needs to be a process set in place, that will provide more transparency from National Grid; DR agreed.

In summary, there was a lengthy discussion on FCC and how/when a change in values used for FCC would be done also covering scrutiny and consequences of forecasts. Members of the workgroup agreed that the more accurate the FCC is, the better. NW

suggested that during the transition stage, everyone will be affected by possible inaccurate forecasting.

When asked, CW advised that transition without a delivery date is an open-ended process.

NW suggested Ofgem may be comfortable with a transition period set out in code.

It was mentioned that currently there is a substantial amount of capacity purchased at zero price, going forward there will be a price to pay for that.

AS agreed that transition is necessary, and that it is important to address the expectations of the users and wondered if averages can be taken from how much gas has been delivered over the last 8-10 years.

GJ said that as a package, this is going to be a fundamental change to what we have now.

c) **Multipliers**

When asked about the impact on cross border trade as part of EU requirements, CW confirmed that it is expected this aspect will be part of the consultation responses to either the Modification or the Impact Assessment.

When asked what the neighbouring TSOs' thoughts are, CW explained that Multipliers are generally used for Revenue Recovery.

DR mentioned that, it is likely that GB will be the only country that has a multiplier of less than 1 for short term capacity.

It was mentioned that there is a need to be able to set a multiplier of less than 1. LM commented that the leap from a 0 multiplier to a multiplier of 1 is significant. KC also commented that a multiplier is distance related. Commodity is more postalised. SO said that she was struggling with the rationale of multipliers less than 1 for short term capacity.

LM gave an explanation that other EU countries (e.g. The Netherlands) are looking at how to attract gas to the network and changing entry and exit splits.

LM is concerned that the workgroup has not looked at the analysis to see what the impact is to move the multiplier to 1 and that the workgroup seem to have missed the middle stage of analysis of what the multiplier should be and why. LM believes that with a higher multiplier, trading behaviour will change quite substantially.

GJ commented about the impact on secondary trading, if the multiplier is pitched high, this could encourage secondary trading.

d) **Interruptible**

RF commented that it is hard to see why interruptible capacity will be bought if the price moves away from being zero, giving the example: if there is a firm price of 1, and a probability of interruption might be 0.9; if firm capacity is purchased and there is a constraint, the Shipper has the option to sell back the capacity if asked. RF also agreed that there is a case for Entry and Exit to be slightly different.

There was clarification on the difference in pricing of the current daily firm and daily interruptible prices.

It was agreed that the methodology for Interruptible needs to be able to be reactive.

The workgroup discussed at length the impacts of moving away from a price of zero for Interruptible and CW agreed to give this further thought to this and bring some examples to the next meeting planned for 06 November 2017.

New Action 1001: *Interruptible*: CW to will check what the probability of interruption is at all points.

e) Specific Capacity Discounts

JCx advised that there is little support from the industry for 50% applying to storage sites only. CW confirmed he is looking for others to suggest how other industry parties value storage and what the industry appetite is.

JCh said that having the 50% discount at Storage sites will drive volatility in prices.

KC advised the workgroup that the revenue from auctions held in France doesn't cover revenue recovery, therefore they put a levy on the transportation system to make up the shortfall.

f) Avoiding Inefficient Bypass of the NTS

CW advised that there is a lot of further thinking on this topic which will be brought to workgroup on 06 November and 22 November; a range of combinations is being explored.

When asked, CW confirmed that the methodology is available to be put in to UNC although the January completion timeframe is a challenge.

g) Transmission Services Revenue Recovery

It was commented that capacity at IPs could be treated differently, though LM suggested it was difficult to see why cross border points would be different.

It was reiterated that all Bacton capacity is long term (after the Bacton split process) and there is a question as to how fair it is to charge on existing contracts.

DR flagged that Article 35 is important.

GJ commented it was likely an alternative will be raised at some point

h) Non-Transmission services Charging

When asked CW clarified some of the methodology around the calculations that would be used.

i) Plan and Change Process

PY asked for clarifications as to when Modification 0621 would be formally amended; CW confirmed that an updated draft would be published in time for discussion on 22 November.

j) Alternates

The workgroup expressed concern around timing and alternates, noting that each alternate needs to go to UNC Panel in the first instance, UNC Panel will then refer the alternate to workgroup (the workgroup should receive notice of the alternate 5 clear business days before the meeting).

JCh expressed concern that under National Grid's current plan, ACER are being asked to respond to the consultation prior to the workgroup report being finalised.

Concern was expressed that the final modification report will go out to consultation (both UNC consultation and ACER together) alongside any alternates, prior to Ofgem making its decision.

DR confirmed that when Ofgem receive the final modification report from UNC Panel with Panel's recommendation for/against implementation, Ofgem can either reject; accept or send the modification back. As part of Ofgem's consideration the organisation will conduct their own impact assessment.

DR confirmed that Ofgem had given clear guidance about compliance with TAR code in its open letter of 21 February 2017 and urged workgroup participants to familiarise themselves. The letter can be found here: <https://www.ofgem.gov.uk/publications-and-updates/open-letter-european-union-network-code-harmonised-transmission-tariff-structures-gas-tar-nc>

All actions from the last NTSCMF meeting were carried forward.

At the next NTSCMF meeting the outstanding actions will be split into NTSCMF only actions, and Modification 0621 actions.

3.0 Development of the Workgroup Report

The workgroup report will be updated when a further amended modification is received.

4.0 Next Steps

RH confirmed that the next NTSCMF meeting on 06 November 2017 will cover NTSCMF Gas Charging Review, Modification 0621 and Modification 0636.

The workgroup discussed the possibility of an additional meeting on Thursday 14th December; this is only a provisional date at this stage and will be confirmed by the Joint Office in due course.

5.0 Any Other Business

None.

6.0 Diary Planning

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

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:00 Monday 06 November 2017	Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW	<ul style="list-style-type: none"> • NTSCMF Gas Charging Forum • Modification 0621 • Modification 0636
10:00 Wednesday 22 November 2017	Energy UK, Charles House, 5-11 Regent Street, London, SW1Y 4LR	<ul style="list-style-type: none"> • Modification 0621
10:00 Wednesday 06 December	Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW	<ul style="list-style-type: none"> • NTSCMF Gas Charging Forum • Modification 0621

2017		<ul style="list-style-type: none"> • Modification 0636
10:30 provisional date: Thursday 14 December 2017 (TBC)	TBC	<ul style="list-style-type: none"> • Modification 0621

Action Table (as at 25 October 2017)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1001	25/10/17	2. d)	<i>Interruptible</i> : CW to check what the probability of interruption is at all points.	National Grid (CW)	Pending