

UNC Workgroup 0621 Minutes
Amendments to Gas Transmission Charging Regime
Wednesday 06 December 2017
at Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW

Attendees		
Rebecca Hailes (Chair)	(RH)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Adam Bates	(AB)	National Grid NTS
Alexander (Sasha) Yankovskiy	(AY)	Gazprom
Anna Shrigley	(AS)	ENI
Benoit Enault*	(BE)	Storengy
Charles Ruffell	(CR)	RWE Npower
Christiane Sykes*	(CS)	Shell
Colin Williams	(CW)	National Grid NTS
Danishtah Parker*	(DP)	Cadent
David Cox*	(DC)	London Energy Consulting LTS
David Mitchell	(DM)	SGN
Davide Rubini	(DR)	Shell
Debra Hawkin*	(DH)	TPA Solutions
Gerry Hoggan	(GH)	Scottish Power
Graham Jack*	(GJ)	Centrica
Jag Basi	(JB)	ESB
Joanne Parker	(JP)	SGN
John Costa	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Lee Bowerbank	(LB)	ExxonMobil
Marcel Neef	(MN)	BBL
Matt Hatch*	(MH)	National Grid NTS
Gerry Hoggan	(GH)	Scottish Power
Mike Ronan	(MR)	Anghinish Alumina
Nahed Cherfa	(NC)	Statoil
Nick Wye	(NW)	Waters Wye Associates
Paul Toole*	(PT)	NGN
Pavanjit Dhesi	(PD)	Interconnector
Phil Lucas	(PL)	National Grid NTS
Richard Fairholme	(RF)	Uniper
Richard Miller	(RM)	Ofgem
Robert Wigginton	(RW)	Wales & West Utilities
Sean Hayward	(SH)	Ofgem
Sinead Obeng	(SO)	South Hook Gas
William Webster	(WW)	Oil & Gas UK
* via teleconference		

Copies of all papers are available at: <https://www.gasgovernance.co.uk/niscmf/061217>;
<https://www.gasgovernance.co.uk/0621/061217>

1.0 Introduction and Status Review

The minutes from the previous meeting were approved.

RH showed on screen the intended future diary planning table, as shown below, so that all participants are aware of the workgroups planned for NTSCMF; Modification 0621 and Modification 0636.

Date	Topic to be covered	Workgroup
14 December 2017 St Johns Hotel, Solihull	Modification 0621	Workgroup 0621
18 December 2017 Joint Office, Pure, Warwick	Modification 0636	Workgroup 0636
20 December 2017 St Johns Hotel, Solihull	Modification 0621	Workgroup 0621
03 January 2018 Elxon, London	NTSCMF and Modification 0621	NTSCMF
04 January 2018 Elxon, London	Transmission Workgroup followed by Modification 0636	Workgroup 0636

2.0 Pre-Modification Discussion

JCx introduced the two Alternate Pre- Modifications that have been submitted by SSE, one relating to Minimal Distortion, which SSE propose to take forward themselves and the other relating to Threshold. SSE are looking for a sponsor to take forward the latter suggestion.

The minimal distortion modification suggestion has no transition period and instead continues to use FCC based on obligated capacity, with a commodity charge for revenue recovery. An 86% discount for all storage is based on work done by GSOG which will be published shortly.

Both pre-modification alternates suggested by SSE can be viewed here:

<https://www.gasgovernance.co.uk/ntscmf/061217>

Post meeting update: The GSOG document has been published here in relation to another, different alternate modification proposal proposed by Storengy (now designated as 0621A):
https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2017-12/WWA_GSOGMod621Aalternate_coretextv2.0.pdf

The Minimal distortion alternate has now been published and is designated as 0621B:

<https://www.gasgovernance.co.uk/0621>

3.0 Progress Update

CW began by advising that National Grid intend to request an extension at the December 2017 UNC Panel to report at the March 2018 UNC Panel instead of the January 2018 UNC Panel.

CW then began to take the workgroup through the slides prepared for the meeting, which can be found here: <https://www.gasgovernance.co.uk/ntscmf/061217>.

Referring to the Draft Amended Modification, PL explained the intended proposals shown in section 5 Solution in an onscreen review of the Draft Amended Modification.

RF asked for clarification with regards to TO and SO charging, PL agreed some alignment will be required. PL agreed to provide a high-level illustration in the modification.

Reference Price Methodology (RPM)

It was confirmed that Capacity Weighted Distance (CWD) remains the approach for the proposal.

Forecasted Contracted Capacity

Moving on to the proposal for FCC, GJ asked if National Grid NTS intends to provide some reporting on the accuracy of the forecasts. CW confirmed that National Grid NTS intends to be as dynamic and flexible as possible in terms of reporting. National Grid will share how the forecasts develop and what the accuracy is, against actuals.

GJ asked for this to be included in the proposal.

~~JCx asked if long term capacity auctions will continue, moving forward, such as Quarterly System Entry Capacity (QSEC). If this is the case, this needs to be clearly defined in the proposal.~~

JCo mentioned that there will inevitably be some large step changes and would like to see what methodology will be used post 2021 in the proposal.

CW wonders how useful would any forecasts be post 4 years out.

When asked, CW confirmed that usually, 2 months' notice is followed when setting charges.

Exit prices are published in June for the July Annual Window, which is something to consider. ~~Exit is the only exception.~~

For GB Auctions, prices are set 2 months before the Auction start date. For EU Auctions prices are set 1 month before for Annual Auctions.

Entry and Exit Annual Auction	GB charges set and published	EU charges set and published
	2 months prior to Auction start-date	1 month prior to Auction start-date

NW reiterated the timescales are very tight and is concerned that it is not practical to get a reasonable FCC. He confirmed is suggestion that 2022 is a far more sensible timeframe.

This led to a conversation of what is driving the 2021 changeover date. CW advised that there is a requirement to move to a capacity focussed regime as soon as possible. The 2021 date is largely driven by having a years' worth of data.

NW added that transition should be a gradual move towards something; keeping the 2021 timescale will mean 2 step changes as opposed to it being a transition and that charges need to be useable and predictable.

LB did not agree that the suggested extended date of 2022, instead of 2021, was necessary.

GJ agreed with JCx and NW that to be able to provide accurate forecasts in terms of booking strategies, 2022 seems a more sensible timeframe.

JCo said that as a shipper more certainty is required; there is not much confidence that the price can be accurately forecasted.

JCx suggested that the impact assessment could pick this up and is concerned that the Workgroup Report has not yet been started.

AS agreed with NW for an extended timeframe out to 2022; going forward there will be another discussion and the workgroup should not exclude the other options such as the postage stamp approach.

Moving back to the Draft Amended Modification, PL carried on with the current proposal for:

Multipliers

Multiplier should be 1 and should be in UNC. CW confirmed that the 1st year (2019) would all be covered under the main consultation with subsequent consultations covering subsequent years.

It was confirmed that more certainty for October 2019 is needed. An ex-ante value of 1 for all products eligible for a multiplier for October 2019 is being considered.

Interruptible

MH took the workgroup through the proposed solution for Interruptible as seen in the Draft Amended Modification, reiterating that this is a Charging change as opposed to a Regime change. The proposal is for something as simplistic as possible.

It was confirmed that Offpeak and Interruptible will have a consistent approach.

MH showed some historic Scaleback and Buyback information that was requested at a previous workgroup (see slides 16 and 17).

CW confirmed that further analysis regarding timings of auctions will follow in a future workgroup.

Specific Capacity Discounts

For specific capacity discounts, there are no changes to the previous proposal.

For the detail for this topic, see slide 19 on the Gas Charging Review for Modification 0621 here: <https://www.gasgovernance.co.uk/ntscmf/061217>.

Avoiding Inefficient Bypass of the NTS (AIBoNTS)

For AIBoNTS, there are no changes to the previous proposal.

For the detail for this topic, see slide 20 on the Gas Charging Review for Modification 0621 here: <https://www.gasgovernance.co.uk/ntscmf/061217>.

During the discussion on the proposal for AIBoNTS, it was highlighted that there are square brackets around the distance cap of 50km; when the decision for this figure is made, there

will be reasoning provided. RW asked how will the group know if 50km or, for example, 59km is the right number to move forward with. CW confirmed when JCx asked that analysis will be provided for the number of sites by distance.

Transmission Services Revenue Recovery

The application of this charge is intended to help manage the anticipated under or over recovery for any given year.

CW talked the workgroup through the general approach to Application at Storage and Application at IPs.

It was mentioned that a Revenue Recovery charge should be applied to all points, however, the question remained how should that be done.

Non-Transmission Services Charging

For Non-Transmission Services Charging, there are no changes to the previous proposal.

For the detail for this topic, see slide 27 on the Gas Charging Review for Modification 0621 here: <https://www.gasgovernance.co.uk/ntscmf/061217>.

Treatment of under/over recovery

~~It was suggested that this is similar to the PARCA process; multipliers should not be changed on a regular basis.~~

RF suggested there is further clarification required around this topic, to be placed in the modification.

Reference Price Methodology

When discussing Reference Prices, it was confirmed that Transmission Services Revenue Recovery Charges is the proposal and would be 100% Capacity based from October 2021.

RF said that clearly capacity bookings will be different in 2019 to 2021, Users may drastically change their booking strategy.

JCx said that the workgroup need to start moving forward and working out what would go in an impact assessment

Existing Contracts

Members of the workgroup highlighted that Existing Contracts is a big issue. Enduring capacity was always purchased in good faith and that prices were set 10 years ago without any indication that the price might be inflated.

Interim contracts

AS mentioned that the change is required because of the behaviour, the current structure of the regime is a steep decline in demand and consequently the level of capacity. Stability in charges is required and asked how do we provide a solution that meets Users' expectation and helps National Grid.

Workgroup Report

There was a discussion as to what would go in to the Workgroup Report Impact Assessment and to what detail. Some decisions are not yet finalised.

It was agreed that the Sub Workgroup one page documents could be viewed and used to start off some of the topics.

Overview of potential Plan Timescales

02 March is deadline for new/alternate mods based on the 15 March 2018 Panel reporting date.

08 March is the deadline for ordinary submissions to the March Panel.

Impact Assessment – Requests to date

New Action 0112: All to visit the Impact Assessment Requests to date slide 33 <https://www.gasgovernance.co.uk/ntscmf/061217> and go through each bullet point and suggest whether it fits in to Modification 0621 Impact Assessment or the Ofgem Impact Assessment. Also consider how the information can be provided.

4.0 Development of the Workgroup Report

RH confirmed that the workgroup report will be updated with the sub group one oage documents and again when a further Amended Modification is received.

5.0 Next Steps

It is proposed that further development and refinement of Modification 0621 will be undertaken, with updates to be applied to the future Draft Amended Modification.

The next meeting on 14th December will be looking at more detail on certain topics.

6.0 Any Other Business

None presented.

7.0 Diary Planning

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

Field Code Changed

Time / Date	Venue	Workgroup Programme
10:30 Thursday 14 December 2017	St Johns Hotel, Solihull	<ul style="list-style-type: none"> Workgroup 0621
10:30 Monday 18 December 2017	Joint Office, Pure, Lake View House, Tournament Fields, Warwick CV34 6RG	<ul style="list-style-type: none"> Workgroup 0636
10:30 Wednesday 20 December 2017	St Johns Hotel, Solihull	<ul style="list-style-type: none"> Workgroup 0621
10:00 Wednesday 03 January 2018	Elexon, 4th Floor, 350 Euston Road, London,	<ul style="list-style-type: none"> NTSCMF Gas Charging Forum

	NW1 3AW	<ul style="list-style-type: none">• Workgroup 0621
13:00 Thursday 04 January 2018	Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW	<ul style="list-style-type: none">• Workgroup 0636, to take place after completion of Transmission Workgroup
10:00 Monday 23 January 2018	Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW	<ul style="list-style-type: none">• Workgroup 0621
10:30 Tuesday 06 February 2018	Solihull venue TBC	<ul style="list-style-type: none">• NTSCMF Gas Charging Forum• Workgroup 0621
10:00 Tuesday 20 February 2018	Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW	<ul style="list-style-type: none">• Modification 0621

As at 06 December 2017					
Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0621-0301	06/03/17	3.0	National Grid NTS (CW) to articulate and capture Storage Review concerns within the Storage discussion document.	National Grid NTS (CW)	Carried Forward
0621-0404	24/04/17	4.1	'Avoiding Inefficient Bypass of the NTS' (one-pager) - CW and the Subgroup to revisit/re-word the final paragraph to add clarity, and re-publish.	National Grid NTS (CW)	Carried Forward
0621-0707	17/07/17	3.1	CW to check the calculations of CWD to better understand when to include the existing contracts, clarifying the influence on entry vs exit impact in the CWD model of existing contracts. This will be illustrated at future workgroup. Action extension: CW/LJo to give a view on materiality and analysis is required to see if the calculations cancel each other out. Action extension 05/09/17: CW to re-examine the principles behind the charging model and provides justification as to how NTS undertook the charging modelling.	National Grid (CW)	Carried Forward
0621-0901	26/09/17		<i>Plan and Change process:</i> RH; Ofgem and CW to provide more information on ACER consultation plus the UNC consultation at the next meeting.	RH; Ofgem; CW	Carried Forward
NTSCMF-0902	26/09/17		<i>Plan and Change process:</i> Joint Office to request views from those that don't attend the workgroups	Joint Office (RH)	Closed
0621-0903	26/09/17		<i>Plan and Change process:</i> All to respond to the comments made in the presentation regarding the Impact Assessment, specifically slide 61.	All	Closed
0621-1101	22/11/17		National Grid NTS to provide aggregate figures for buyback costs year on year historically going back 15 years at discreet points just for use in the impact assessments.	National Grid (CW/CH)	Carried Forward
0621-0112	06/12/17		New Action 0112: All to visit the Impact Assessment Requests to date slide 33 https://www.gasgovernance.co.uk/ntscmf/061217 and go through each bullet point on and suggest whether it fits in to Modification 0621 Impact Assessment or the Ofgem Impact Assessment. Also consider how the information can be provided.	All	Pending