

UNC Workgroup 0621 Minutes
Amendments to Gas Transmission Charging Regime
Thursday 11 January 2018
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
Andrew Pearce	(AP)	BP
Anna Shrigley	(AS)	Eni
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 Ltd
Debra Hawkin	(DH)	TPA Solutions
Jeff Chandler	(JCh)	SSE
Gerry Hoggan	(GH)	Scottish Power
Graham Jack	(GJ)	Centrica
Henk Kreuze*	(HK)	Vermillion Energy
Hilary Chapman	(HC)	SGN
Lee Bowerbank	(LB)	ExxonMobil
Julie Cox	(JCx)	Energy UK
Nahed Cherfa	(NC)	Statoil
Nick Wye	(NW)	Waters Wye Associates
Paul Youngman	(PY)	Drax
Pavanjit Dhesi	(PD)	Interconnector
Phil Lucas	(PL)	National Grid NTS
Richard Pomroy	(RP)	Wales & West Utilities
Sean Hayward	(SH)	Ofgem
Sinead Obeng	(SO)	South Hook Gas
Steve Pownall	(SP)	Xoserve
William Webster	(WW)	Oil & Gas UK

* *via teleconference*

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0621/110118>

1.0 Introduction and Status Review

RH made reference to the two Alternate Modifications received so far, advising they can both be found here: <https://www.gasgovernance.co.uk/0621> and that they will both be incorporated in to the Workgroup Report.

CW took the workgroup through the material provided by National Grid for the meeting which can be found here: <https://www.gasgovernance.co.uk/0621/110118>, starting with the Agenda to be used for the day.

With regards to Diary Planning, the Workgroup discussed the timeline leading up to the March 2018 UNC Panel.

CW agreed that the timeline for submission to March 2018 UNC Panel is an ambitious one, which will be reviewed as the Workgroup Report develops.

2.0 Progress Update

CW confirmed to the Workgroup that an Amended Modification for 0621 was published on 21 December 2017. Both clean and tracked change versions are available here: <https://www.gasgovernance.co.uk/0621>.

When asked, CW confirmed that the methodology for the Forecasting of Contracted Capacity will not be in UNC Code.

CS asked what the impact of the Alternate Modifications might be; CW advised that they are undergoing a sensitivity assessment which will look at forecast scenarios, baseline scenarios, assumptions against them and that the results will be talked about over the next two of these workgroups.

CW advised that the aim is to share as much information as possible on the topic of treatment of IPs and any revenue recovery charges over the next two workgroup meetings, adding that analysis should show “with and without” for the enduring position.

AS asked for an explanation of the process between new Forecasted Contracted Capacity (FCC) and Anticipated Capacity and the timeline, CW advised this needs to be published.

New Action 0101: CW will produce a timeline and what/how the inputs for anticipated capacity component are fed in to that timeline.

Moving on to Avoiding Inefficient Bypass and the current proposal, which is as follows:

- Update of costs using RPI
- Change to Transmission only, Commodity
- Distance limit of 60km.

GJ said that he would like an understanding of how Interconnection Points are going to be treated from 2019 onwards, highlighting that there is no product available for 2021 at all. AB then went on to talk the workgroup through the analysis and the chart that shows the redistribution of costs, which can be seen on page 15 of the material provided.

JCx reminded the workgroup of Outstanding Action 1204 (NG to review indexation using RPI and how, or if RPI-X, was used in setting charges in previous price controls). CW confirmed analysis for this was underway and would be shown to workgroup soon.

JCx also expressed concern that the analysis is looking at a single year and should be looking over a much longer period of time, at least going back 5 years and ideally looking forward too.

GJ highlighted that in the year 2000, Shell built an offshore pipeline, with a distance of 200km, bypassing the NTS. This could be used as a piece of evidence of a project which was built that is an example of a major investment. See:

https://www.shell.co.uk/promos/seal/_jcr_content.stream/1513763153408/88979dc159f9cc4c67677308edc74349396eb0fd0c424567e2bc2c7490c8b7e9/seal-021799-asset-fact-sheets-marketing.pdf

Covering the IP Charging and AIBoNTS slide, AB explained the information being presented. This led to discussion within the workgroup regarding commodity charges at Interconnection Points. CW confirmed that the proposal remains that Interconnection Points (IPs) will be charged via a capacity top-up rather than a commodity charge.

PD mentioned that Technical Capacity is more valid at IPs than anywhere else on the Network, therefore the chances of getting it wrong is magnified. There is massive concern for interconnectors in particular as they have to bundle their capacity with National Grid.

Further on in the material provided, CW went on to clarify, for Interconnection Points, Revenue Recovery in the Transition Period advising that in the amended modification it proposes a charge for the purpose of revenue reconciliation at interconnection points during the Transition period. Also, further work is being completed for the inclusion of AIBoNTS.

AS said that it is a significant change for IPs to move from paying a commodity charge to a capacity revenue recovery charge in the future.

GJ mentioned that with Exit Capacity, users are able to hand it back; users are unable to do this for Entry Capacity. This will be a huge change and will have significant implications, adding that there is no other area of code where a user doesn't have the means to react to a change and not be able to do anything about it.

Timescales

The workgroup discussed the potential plan timescales and what the impact might be if Modification 0621 is moved from March UNC Panel to April UNC Panel and if QSEC 2019 would be conducted under the old or new regime.

JCx requested that Systems Change delivery dates is overlaid on to the plan.

CW advised that processes are underway with regards to system requirements and system delivery timescales.

The Rough Order of Magnitude (ROM) system cost assessment request for 0621 A and B is yet to be sent in.

Post meeting update: this has now been requested.

New Action 0102: CW to add on to the timescales the different system development requirements for the different alternate modifications.

In relation to the possibility of a final amendment to the 0621 Modification proposal, JCx asked if National Grid might provide an indication of areas which are not likely to change and those which might be.

New Action 0103: National Grid to provide a summary of areas that are not open to change and those that might be (to aid consideration of likely alternative submissions).

ACER Consultation Template

The ACER Consultation Template was viewed on screen.

It was confirmed that the template is looking for justification and impact for what is being proposed.

This template could be an appendix to the Workgroup Report and the assumption is that one template would be filled out per modification/alternate.

It was confirmed that National Grid have the responsibility to populate the template and their response will cover 0621 Modification and any alternates.

New Action 0104: Joint Office to outline/document the consultation and response process/timeline considering a) EU Compliance (OFGEM); and b) UNC Requirements (Modification 0621).

For clarity, RH confirmed the response will be from National Grid as the TSO on behalf of National Grid for Modification 0621 and also National Grid will submit a response that will cover 0621A and 0621B using the Workgroup Report and the Modification.

Storage Facilities Discount

CW talked through the updated one-page document with tracked changes.

RH confirmed the Workgroup Report will have a section for Storage and Capacity Discounts. The updated part of the one-page documents will be going in to the Workgroup Report. The Workgroup agreed that it is very useful to have a Final Conclusion.

It was agreed that the one-page documents will not be referenced in the Workgroup Report since they were not part of the official business of the workgroup.

The workgroup agreed that there should be no more updates to the one-page documents, since there is no subgroup meeting during which to discuss/agree those changes.

Avoiding Inefficient Use of the NTS

DH has asked if the wording from the minutes from the 25 April meeting for Action 0404 is included in the one-page document. RH located the text and added to the workgroup report as requested.

Workgroup Report

There followed a short onscreen review of the Workgroup Report and a live update ensued.

It was agreed that the main focus for next meeting will be to develop the Workgroup report and deal with outstanding action updates.

New Action 0621-0105: All to provide summary of issues; concerns for inclusion in the 0621 Workgroup Report.

NG to provide a summary of the areas of discussion to be included in the Workgroup Report.

NW and JCh to provide a summary as to what justifies the % being suggested in each of the Alternate Modifications 0621A and 0621B

3. Review of actions

0301: National Grid NTS (CW) to articulate and capture Storage Review concerns within the Storage discussion document.

Update: Closed

0404: *'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.

Update: Closed

0707: 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.

Update: CW will provide an update on the method of inclusion or exclusion in the CWD model for calculating reference prices including an explanation of the rationale. **Carried Forward**

0901: *Plan and Change process:* RH; Ofgem and CW to provide more information on ACER consultation plus the UNC consultation at the next meeting.

Update: An update from Ofgem is expected early February. **Carried forward**

1101: 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.

Update: Completed. **Closed**

1201: 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.

Update: Nothing received – impact assessment bullet points to be put in to the Workgroup Report. **Carried Forward**

1202: NG to review how, in a Legal capacity, the principle of a charge could be in code but without the calculation, if subject to a further modification to update. Can the Legal text be supplied using this approach.

Update: No response as yet. **Carried Forward**

1203: NG to review how this proposal works with Interconnection points and the method of revenue recovery.

Update. Carried Forward

1204: NG to review indexation using RPI and how, or if RPI-X, was used in setting charges in previous price controls.

Update. Carried Forward

1205: National Grid to include analysis on the revenue recovery proposals under UNC0621 to help demonstrate the potential levels of charges and revenues.

Update. Carried Forward

1206: National Grid to illustrate for IPs the interactions with shorthaul to provide the steps of current methodology into new to show the scale of the “issue” of revenue recovery amounts.

3.0 Any Other Business

PD asked about whether National Grid would be amending their modification further with a view to the raising of alternates.

Post meeting update: the following email went out to interested parties summarising the deadlines and dates for Modification 0621:

Dear Colleague

I wanted to clarify the timings of meetings and submission dates relating to Modification 0621, 0621A and 0621B. Please note the dates below. If you are intending to submit an alternative Modification to 0621, it is good practice to have a 10-minute pre-modification panel slot at Workgroup. For submission to February Panel this would take place at the next workgroup meeting on 23 January 2018. Then submission of the modification text should take place before close of play on 02 February 2018. Any alternative submitted to February Panel can then be discussed and incorporated into the workgroup report at Workgroup on 20 February 2018. Note that Modifications 0621 0621A and 0621B are due to report back to March 2018 Panel.

<i>Tuesday 23 January 2018</i>	<i>NTSCMF and Workgroup 0621</i>
<i>Friday 02 February 2018</i>	<i>New Modification panel deadline for February Panel (close of play)</i>
<i>Tuesday 06 February 2018</i>	<i>NTSCMF and Workgroup 0621</i>
<i>Thursday 15 February 2018</i>	<i>Panel meeting</i>
<i>Tuesday 20 February 2018</i>	<i>NTSCMF and Workgroup 0621</i>
<i>Friday 02 March 2018</i>	<i>New Modification panel deadline for March Panel (close of play)</i>
<i>Tuesday 06 March 2018</i>	<i>NTSCMF and Workgroup 0621</i>
<i>Thursday 15 March 2018</i>	<i>Panel meeting</i>

*Regards,
Rebecca Hailes*

4.0 Diary Planning

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

Time / Date	Venue	Workgroup Programme
10:00 until 4pm	Solihull St Johns Hotel	• Workgroup 0621

Monday 23 January 2018		
10:00 Tuesday 06 February 2018	Solihull St Johns Hotel	<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• Legal Text
10:00 Tuesday 06 March 2018	Energy UK, Charles House, 5-11 Regent Street, London, SW1Y 4LR	<ul style="list-style-type: none">• NTSCMF Gas Charging Forum• Workgroup 0621

As at 11 January 2018					
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. UPDATE 11/01	National Grid NTS (CW)	Closed
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. UPDATE 11/01	National Grid NTS (CW)	Closed
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. 18/12 update: CW this is about the influence of existing contracts in the proposal. Demonstrate difference between	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. 18/12 Update. Met last week and working through the effect of the ACER consultation – reasonably complex. Update to follow. CW to share the ACER template.	RH; Ofgem; CW	Carried Forward
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. Update:	National Grid (CW/CH)	Closed
0621-1201	06/12/17		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	Carried Forward
0621-1202:	20/12/17		NG to review how, in a Legal capacity, the principle of a charge could be in code but without the calculation, if subject to a further modification to update. Can the Legal text be supplied using this approach.	National Grid (CW)	Carried Forward

0621-1203:	20/12/17		NG to review how this proposal works with Interconnection points and the method of revenue recovery.	National Grid (CW)	Carried Forward
0621-1204:	20/12/17		NG to review indexation using RPI and how, or if RPI-X, was used in setting charges in previous price controls.	National Grid (CW)	Carried Forward
0621-1205:	20/12/17		National Grid to include analysis on the revenue recovery proposals under UNC0621 to help demonstrate the potential levels of charges and revenues.	National Grid (CW)	Carried Forward
0621-1206:	20/12/17		National Grid to illustrate for IPs the interactions with shorthaul to provide the steps of current methodology into new to show the scale of the “issue” of revenue recovery amounts.	National Grid (CW)	Carried Forward
0621-0101	11/01/18	2.0	CW will produce a timeline and what/how the inputs for anticipated capacity component are fed in to that timeline.	National Grid (CW)	Pending
0621-0101	11/01/18	2.0	CW to add on to the timescales the different system development requirements for the different alternate modifications.	National Grid (CW)	Pending
0621-0103	11/01/18	2.0	CW to add on to the timescales the different development requirements for the different alternate modifications.	National Grid (CW)	Pending
0621-0104	11/01/18	2.0	Joint Office to outline/document the consultation and response process/timeline considering a) EU Compliance (OFGEM); and b) UNC Requirements (Modification 0621).	Joint Office (RH)	Pending
0621-0105	11/01/18	2.0	New Action 0621-0104: All to provide summary of issues; concerns for inclusion in the 0621 Workgroup Report. NG to provide a summary of the areas of discussion to be included in the Workgroup Report. NW and JCh to provide a summary as to what justifies the % being suggested in each of the Alternate Modifications 0621A and 0621B	All	Pending