

UNC Workgroup 0621 0621A 0621B
Amendments to Gas Transmission Charging Regime Minutes
10:00 Tuesday 23 January 2018
at St Johns Hotel, Warwick Road, Solihull, B91 1AT

Attendees		
Rebecca Hailes (Chair)	RH	Joint Office
Helen Bennett (Secretary)	HB	Joint Office
Adam Bates	AB	National Grid NTS
Alex Nield	AN	Storengy UK
Anna Shrigley *	AS	Eni Trading & Shipping
Christiane Sykes *	CS	Shell
Colin Williams	CW	National Grid NTS
Danishtah Parker *	DP	Cadent
David Cox*	DC	London Energy Consulting Ltd
David Mitchell	DM	SGN
Debra Hawkin	DH	TPA Solutions
Graham Jack	GJ	Centrica
Harry Thorpe *	HT	Oil and Gas UK
Henk Kreuze	HK	Vermillion
Jag Basi	JB	ESB
Jeff Chandler *	JCh	SSE
Joanne Parker	JP	SGN
John Costa	JC	EDF Energy
Julie Cox	JCx	Energy UK
Nahed Cherfa	NC	Statoil
Nick Wye	NW	WatersWye
Nigel Sisman	NS	Sisman Energy Consultancy Ltd
Paul Youngman	PY	Draxx Power Limited
Pavanjit Dhesi	PD	Interconnector
Penny Jackson	PJ	npower
Phil Lucas	PL	National Grid NTS
Richard Fairholme	RF	Uniper
Robert Wigginton	RW	Wales & West Utilities
Sean Hayward	SH	Ofgem
Sinead Obeng *	SO	SouthHook Gas
Steve Britton *	SB	Cornwall Insight
Steve Pownall	SP	Xoserve

**via teleconference*

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0621/230118>

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

Apologies

Gerry Hoggan

1. Welcome

RH reminded the Workgroup to advise Joint Office of their intentions to attend the meetings and thanked those who had done so. As the meetings for Modification 0621 are getting increasingly larger, this will help with planning and room/catering arrangements.

RH also confirmed the current Alternatives and other potential alternative Modifications which are:

Modification 0621

Raised by National Grid NTS, amended on 22/12/17 and published here:

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

Modification 0621A

Raised by Storengy on 12/12/17 and published here:

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

Modification 0621B

Raised by SSE on 12/12/17 and published here:

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

Draft Modification (may be numbered as 0621C)

Draft for workgroup discussion raised by Wales & West Utilities, can be viewed here:

<https://www.gasgovernance.co.uk/0621/230118>

Draft Modification (may be numbered as 0621D)

Potential Modification yet to be raised by Centrica, pre-modification discussion slides can be viewed here: <https://www.gasgovernance.co.uk/0621/230118>

Draft Modification (may be numbered as 0621E)

Potential Modification yet to be raised by Uniper, pre-modification discussion slides can be viewed here: <https://www.gasgovernance.co.uk/0621/230118>

Draft Modification (may be numbered as 0621F)

Potential Modification yet to be raised by Interconnector UK, pre-modification discussion slides can be viewed here: <https://www.gasgovernance.co.uk/0621/230118>

<p>RH confirmed that with 0621 reporting to the March UNC Panel, the deadline for submission of Alternative Modifications to 0621 is Friday 02 February for submission to February UNC Panel on 15 February.</p>

It was also clarified that this meeting is covering Modification 0621 only and not NTSCMF. All NTSCMF meetings are held in the first week of each month.

2. Review of Minutes of previous meeting (11 January 2018)

RH showed the Workgroup an onscreen review of some small amendments to the minutes suggested by JCx and confirmed that they have been amended and re-published.

Closure of Action 0404 was queried by NS, asking whether the Sub Workgroup had reworded and provided clarity as requested in the action description. CW clarified that this has been added to the Workgroup Report, agreement was reached at the 11 January 2018 Workgroup meeting (see p. 4 of the minutes available here:

<https://www.gasgovernance.co.uk/0621/110118>) that the one-page summaries would not be updated; confirming that the Workgroup Report includes this topic.

The Workgroup approved the Minutes.

3. Pre-Modification Discussions

3.1. Draft Modification (may be numbered as 0621C) Robert Wigginton, WWU

RW talked the Workgroup through the material provided for the Workgroup which can be found here: <https://www.gasgovernance.co.uk/0621/230118>

The material provided covered:

- Our Proposal
- Gas Act
- Potential Cross Subsidy
- Summary of other issues
- Potential risks from removal

GJ question why the shorthaul product could not have been removed at DN level first before it is removed at NTS level. RW advised that there has been limited take up of it at DN Level and will look to address this and remove it in due course.

When asked, RW provided clarification on the formula being used.

There followed a discussion regarding charges for connection to the NTS. NW commented that it is difficult to argue for this Modification on the grounds of cost reflectivity. RW clarified that this Modification is trying to improve cost reflectivity.

The possibility of an economic test was discussed. This would be required when Short Haul is requested, the User would have to submit costs to support the request. NW said that this is potentially onerous and felt it could be open to abuse.

It was mentioned that, under a previous price control, National Grid was paid on a pence per therm throughput basis aimed to maximise throughput.

NS added that cost reflectively is where Users pay a fair proportion of the underlying costs.

AS commented that anything that brings more gas to NTS would provide more cost relief to more customers.

Some attendees thought that Modification 0621C draft would do the opposite, i.e. it would discourage gas flow on to the NTS.

RW confirmed the next steps for this draft Modification, advising that if it is to be raised as a definite alternative to Modification 0621 it will be submitted in time for February 2018 UNC Panel. The deadline of 02 February 2018 for new Modifications was confirmed by RH.

3.2. Draft Modification (may be numbered as 0621D) Graham Jack, Centrica

GJ introduced the Workgroup to the material provided for Draft Modification 0621D which can be found here: <https://www.gasgovernance.co.uk/0621/230118>

The material provided covered:

- 3 Key Changes Compared to National Grids Proposal
- Short-Haul – Advantages of Approach
- Short-Haul – Capacity Charges
- Short-Haul – Applicable Quantity
- Short-Haul – Other Charges
- Short-Haul – Other Considerations
- Legacy/ Historical Entry Capacity Contracts

Storage Facilities

DH commented that it may be an anomaly that DN Offtakes are not being considered within this Draft Modification approach.

JP highlighted her concern towards costs being pushed to areas that cannot utilise Short Haul, e.g. Scotland.

NW said that trying to start with Capacity Weighted Distance (CWD) and then add on point to point may prove to be problematic.

GJ advised that CWD is used for cost allocation and there is no other model being presented at this time.

GJ also stressed that Shippers holding entry capacity have no option to hand it back to National Grid and therefore cannot react to any change in capacity prices. This is at odds with the situation for exit capacity where capacity can be returned to National Grid.

GJ confirmed this would be a 2019 implementation and there is no natural end at 2021.

GJ confirmed the next steps will be to draft the Modification ready for submission to the Joint Office on 02 February 2018 for discussion at the February 2018 UNC Panel.

3.3. Pre-mod of Uniper Potential Alternative Mod Proposal – Interaction with Electricity Capacity Market (Richard Fairholme, Uniper)

For clarity, this potential alternative may be numbered 0621E, depending on eventual submission dates. RF took the Workgroup through the material which can be found here: <https://www.gasgovernance.co.uk/0621/230118> advising that this is not yet a proposal and that it is more an issue to be discussed.

The material covered the following:

Uniper's Concerns
Potential Solution

RF addressed the concerns by explaining that the Electricity market will commence bidding in the T-4 2021-2022 Auction on 06 February 2018. As a result of 0621, it is not yet clear what the future gas (and electricity) charging arrangements are going to be.

RF made it clear that Uniper's preference would be for National Grid to amend their own Modification 0621 to be in line with the potential Uniper solution of delaying the move to full capacity-based charging until 2022, as outlined in the material provided for this meeting.

Some attendees thought this to be a reasonable suggestion. JCx asked for confirmation of the process, asking whether RF would raise this Modification Proposal at the February 2018 UNC Panel in the event that National Grid do not amend their Modification. RF said it would depend on National Grid and their timings (see Action 0621-0106 below).

New Action 0621 0106: NG to respond to whether the implementation date for full capacity-based charges will be moved out from 2021 to 2022 by 05 February 2018 at the very latest as it may have an impact on how users bid on the up and coming electricity Capacity Market auction.

JCx also sought clarity from National Grid as to why they have landed on specific decisions for certain topics, adding that National Grid have got to be clearer if there is to be scope change.

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)

Moving on to an update on timescales, CW advised that it is likely to be mid-February when some feedback will be provided to the Workgroup on new Action 0103.

JCx said that there is an enormous amount of work and some of the Alternatives are at risk of requiring change until National Grid lands on a final version of their Modification. She added that once topics are finalised, the Workgroup needs to know the rationale behind the decisions that National Grid makes/has made.

RF added that there is a risk that, if the National Grid Modification is not finalised very soon, there could be a rush of Alternative Modifications at very short notice.

RW suggested that all the square brackets within Modification 0621 need to be resolved as these are areas where National Grid have not landed on a decision and asked when are those square brackets going to be resolved.

Regarding compliance, CW said that there will need to be some form of narrative from the proposer of any/all Alternative Modifications to Modification 0621 as to how they believe their proposal is compliant. Such a statement would be included in the Workgroup report.

3.4 Pre-Mod of Interconnector UK Potential Alternative Mod Proposal (may be numbered as 0621F) – Pavanjit Dhesi, Interconnector UK

PD took the Workgroup through the material which can be found here: <https://www.gasgovernance.co.uk/0621/230118> advising that this is not yet a proposal and that it is more an issue to be discussed.

The material covered the following:

- Key changes being considered compared to UNC Modification 0621
- Interconnectors provide seasonal flexibility just like Storage
- Rationale for a level playing field

Looking at the 'Interconnectors provide seasonal flexibility just like Storage' slide, PD advised that the chart was provided by National Grid NTS and that it shows Interconnectors behave in the same way as Storage.

NW asked about National Grid ending isolation on Article 9 (see: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R0460&from=EN>), PD confirmed he does not see this as a compliance issue.

PD clarified that, in terms of compliance, Article 6.4 A and B talks about benchmarking and allows adjustments to the reference price methodology.

PD confirmed that discounts would be applied on physical flows at BBL too, which would satisfy Article 9.

It was clarified that this draft modification idea would see the same discount as storage applied at all interconnectors with physical bi-directional flow.

For example, if there is a flow of 30 TWh, 10 in one direction, 20 in the other, then netted off 20TWh gets the discount.

4. 0621 0621A 0621B Progress update

CW took the Workgroup through the new content from the material provided for the meeting which can be found here: <https://www.gasgovernance.co.uk/0621/230118>

CW agreed to send some data source information ("central forecast") and the same data is going to be used to extend the CWD Model out to 2021.

When asked, CW confirmed that the principle of ex-ante stays and the principle of an adjustment charge stays.

PD asked for clarification, stating that in the enduring solution there will already be an adjusted price, therefore what is the recovery charge?

CW confirmed that, if using the exact forecast, there might be a need for a recovery charge from the beginning, depending on whether the forecast is being used.

The question was raised as to whether the Workgroup feels there is any benefit in having the future process in the Modification; what sort of opportunity will the Workgroup have to consider this.

RW agreed with JCx that National Grid need to be transparent.

Discussion followed with regards to existing; interim and abandoned capacity contracts and that they may need to be looked at differently.

JCx said that it feels like there is unnecessary/extra complexity being put in to the Modification.

AS asked CW to consider that Bacton UKCS is next door to the Bacton Interconnector. What happens if there is an over-subscription at one or the other? Would the revenue recovery charge be looked at for capacity not utilised; potentially National Grid can re-sell that capacity. It was agreed that CW and AS would talk off-line.

CW agreed to add clarity to the Modification regarding an adjustment twice a year; the secondary adjustment for the enduring period is in the Modification to make sure under recovery is zero, which means it is then recalculating the reserve prices.

The Workgroup discussed the physical updating of systems, currently this is in file format, how will a new Short Haul calculation be sent out?

CW confirmed that if a Short Haul rate is changing, a notification would be issued to the User.

GJ added that any change to those rates need to be notified in good time.

SP advised the Workgroup that a series of business tests will be carried out over the next couple of weeks.

New Action 0621-0107: NG to clarify the system process around updating short haul rates and who is in control of what.

CW confirmed that National Grid are looking at developing some scenarios so that it is easier and more effective to look at the 2019 vs 2021 transition period. JCx asked that prices are provided in parallel.

5. Action updates

0621-0707: 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.

11/01 Update: CW this is about the influence of existing contracts in the proposal. 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.

23/01 Update: Update for next meeting requested. **Carried Forward**

0621-0901: Plan and Change process:

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.

23/01 Update: meeting later this week – ACER template shown last meeting on 1101, this action ties in with 0621-0104. **Carried Forward**

0621-1201: All to visit the Impact Assessment Requests to date slide 33 <https://www.gasgovernance.co.uk/ntscmf/061217> and go through each bullet point 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.

23/01 Update: This list is now in the Workgroup Report. **Closed**

0621-1202: 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?

23/01 Update: Legal text is being worked on from a transitional point of view. **Carried Forward**

0621-1203: NG to review how this proposal works with Interconnection points and the method of revenue recovery.

23/01 Update: **Closed**

0621-1204: NG to review indexation using RPI and how, or if RPI-X, was used in setting charges in previous price controls.

23/01 Update: Will be provided at the 06/02/18 meeting. **Carried Forward**

0621-1205: National Grid to include analysis on the revenue recovery proposals under UNC0621 to help demonstrate the potential levels of charges and revenues.

23/01 Update: Model needs updating **Carried Forward**

0621-1206: National Grid to illustrate for IPs the interactions with Short Haul to provide the steps of current methodology into new to show the scale of the “issue” of revenue recovery amounts.

23/01 Update: **Closed**

0621-0101: CW will produce a timeline and what/how the inputs for anticipated capacity component are fed in to that timeline.

23/01 Update: **Carried Forward**

0621-0102: CW to add on to the timescales the different development requirements for the different alternative Modifications.

23/01 Update: **Carried Forward**

0621-0103: 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).

23/01 Update: **Carried Forward**

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

23/01 Update: **Carried Forward**

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

23/01 Update: NW has completed his section. **Carried Forward**

6. Development of the Workgroup Report

RH suggested that a modified Workgroup report layout is likely to be required in order to accommodate the multiple alternatives, and asked for feedback. The Workgroup was generally positive and agreed that the standard format using colour coding would prove difficult to manage with more than three alternatives.

RH went on to explain the Workgroup Report would include the following:

- Cover sheet (essentially same as in normal format)
- Table of contents
- Summary of 0621
- Features comparison table (all Alternatives + 0621)
- Workgroup Impact Assessment (same as in normal format)
- Full text of each Modification Proposal as Appendices

The Features comparison table would look something like the following (perhaps a little more complex than shown):

Features	0621	0621A	0621B	0621C
Short Haul	√			
FCC	√	√	√	

JCx asked for the comparison table to be published sooner rather than later.

RH then went on to show the published Workgroup Report provided for this meeting. (v0.6, edited onscreen to form 0.7)

6.1. N Wye Summary of 0621A for report

RH thanked NW for assisting by summarising the Alternative and the background/rationale as to why the features had been included. RH showed onscreen the published summary provided for this meeting.

CW confirmed the current version of the CWD Model as being version 1.4.4.

SP advised that the ROM requests for Alternative Modifications A and B are potentially being returned.

7. Diary Planning

RH asked the Workgroup whether extra Workgroup meetings in February and March would be likely to be required.

There was a suggestion from RW of having particularly themed Workgroup meetings and GJ voiced a preference not to have conference calls.

RH advised that some attendees of the Workgroup have suggested the potential for a 2-day workshop in late February.

It was agreed that at the NTSCMF meeting on 6 February, the decision for a 2nd day, potentially Wednesday 21 February, would be decided.

New Action 0108: JO to investigate options for 2-day workshops, with update on feasibility of having a status update via t-con a week before any meetings.

The timeline would be as follows:

02 February submission deadline for Panel

The Workgroup agreed on the possible agenda for **06 February** to include:

- NTSCMF - Long Term Revenue Forecasts (including January prices)
- 0621
 - Pre-Modification discussions
 - 0621A (Amended to match the current version of 0621)
 - 0621B (Amended to match the current version of 0621)
 - Timeline for 0621 amendments
 - Comparison table 0621; 0621A; 0621B; 0621C etc.
 - Decision on 21 Feb

National Grid indicated that an Amended 0621 Modification is likely to be issued on or around Friday **16 February**.

The Workgroup agreed on the possible agenda for **20 February** as being:

- NG Amended 0621 Modification by 16 February
- 0621A Amended to match the current version of 0621
- 0621B Amended to match the current version of 0621
- Legal text discussion (1hour)
- Clarification of dates/deadlines

The Workgroup agreed on the possible agenda for **21 February** (9am start) as being:

- Results of analysis
- Final Modification 0621
- Consideration of any new Alternative Modifications from 15 February Panel
- Review of the features comparison table

As at 11 January 2018					
Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
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. 1101 Update: CW this is about the influence of existing contracts in the proposal. 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.	National Grid (CW)	Carried Forward
0621-0901	26/09/17		Plan and Change process: 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
0621-1201	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	Closed
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. 2301: update from PL – legal text is being worked on from a transitional point of view. C/f	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)	Closed
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)	Closed
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. Update: carried forward	National Grid (CW)	Carried Forward
0621-0102	11/01/18	2.0	CW to add on to the timescales the different development requirements for the different alternate Modifications. Update carried forward	National Grid (CW)	Carried Forward
0621-0103	11/01/18	2.0	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).	National Grid (CW)	Carried Forward
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)	Carried Forward
0621-0105	11/01/18	2.0	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	Carried Forward
0621-0106	23/01/18	3.3	NG to respond to whether the implementation date for full capacity-based charges from 2021 to 2022 by 5 Feb at the very latest as it may have an impact on how users bid on the up and coming electricity Capacity Market auction.	National Grid (CW)	Pending
0621-0107	23/01/18	4.0	NG to clarify the system process around updating short haul rates and who is in control of what.	National Grid (CW)	Pending
0621-0108	23/01/18	7.0	JO 3 options for 2-day workshops – week before any dates have a status update via t-con	Joint Office (RH)	Pending