UNC Workgroup 0621/A/B/C/D/E/F/G/H/J Amendments to Gas Transmission Charging Regime Minutes

10:00 Tuesday 20 March 2018

at Elexon, 350 Euston Road, London NW1 3AW

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Attendees					
Rebecca Hailes (Chair)	(RH)	Joint Office			
Helen Bennett (Secretary)	(HB)	Joint Office			
Adam Bates	(AB)	National Grid NTS			
Alex Neild*	(AN)	Storengy			
Alexander (Sacha) Yankovskiy	(AY)	Gazprom			
Andrew Pearce	(AB)	BP			
Anna Shrigley	(AS)	ENI			
Charles Ruffell	(CR)	RWE Supply & Trading			
Christiane Sykes	(CS)	Shell			
Colin Williams	(CW)	National Grid NTS			
Danishtah Parker*	(DP)	Cadent			
Debra Hawkin	(DH)	TPA Solutions			
Emma Buckton	(EB)	NGN			
Gerry Hoggan	(GH)	ScottishPower			
Graham Jack	(GJ)	Centrica			
Henk Kreuze*	(HK)	Vermilion Energy			
Jeff Chandler	(JCh)	SSE			
Joanne Parker	(JP)	SGN			
John Costa	(JCo)	EDF Energy			
Julie Cox	(JCx)	Energy UK			
Kirsty Ingham	(KI)	ESB			
Marcel Neef	(MN)	BBL			
Nick Wye	(NW)	Waters Wye Associates			
Paul Youngman*	(PY)	Draxx			
Paul Toole*	(PT)	NGN			
Pavanjit Dhesi	(PD)	Interconnector			
Penny Garner	(PG)	Joint Office			
Penny Jackson	(PJ)	npower			
Richard Fairholme	(RF)	Uniper			
Richard Miller	(RM)	Ofgem			
Richard Pomroy*	(RP)	Wales & West Utilities			
Sinead Obeng	(SO)	South Hook Gas			
Will Webster	(WW)	Oil and Gas UK Ltd			

1. Welcome

Rebecca Hailes (RH) welcomed all to the meeting and thanked those that had submitted analysis requests.

RH advised the Workgroup that during the UNC Panel meeting held on 15 March, Ofgem suggested they had an expectation that more alternative Modifications would be submitted and clarified that Friday 06 April 2018 is the deadline for submissions to Panel.

Penny Garner (PG) advised the Workgroup that UNC Panel members have taken an action to respond to Ofgem's Direction on National Grid Gas, in particular noting the timescales that Ofgem have stipulated. PG further advised that the Joint Office will do all that it can to support the Industry in meeting the deadline set.

There followed a group discussion when JCx asked for full consideration of any interaction between Modification 0621 and Modifications 0636 and 0653 and wondered how that interaction play out.

When asked, it was confirmed that both Modification 0621 and Modification 0636 will both progress to the timescales determined by Panel, as neither have been either defined as a Significant Code Review (SCR) or given Urgent status by the Authority.

Penny Garner (PG) advised, as Code Administrator, under Modification Rule 12.8.1, as part of their facilitation role, the Joint Office can "seek a view" from Ofgem if this is considered as a cause for concern. If the Workgroup would like that to happen, PG asked the Workgroup to carefully consider the following:

- 1. What is the Workgroup asking, and,
- 2. What does the Workgroup want back from Ofgem.

Chris Warner (CW) added that having two Modifications that change the same piece of code is very unusual.

Richard Miller (RM) agreed it would be useful if clear questions are submitted to aid Ofgem's consideration.

The Workgroup agreed to cover this issue at the next meeting planned for 28 March 2018; the agenda for this meeting has been amended to incorporate this.

Current status of each Modification

Modification	Raised by	Status
0621 v3.0	National Grid NTS	Amended 19-Feb-18
0621A v2.0	Storengy	Amended 05-Mar-18
0621B v2.0	SSE	Amended 09-Feb-18
0621C v2.0	Centrica	Amended 13-Mar-18
0621D v2.0	WWU	Amended 05-Mar-18
0621E v1.0	Uniper	
0621F v3.0	Interconnector UK	Amended 20-Mar-18
0621G v1.0	Vitol S.A	Submitted to Panel 15-Mar-18
0621H v1.0	ENI	Submitted to Panel 15-Mar-18
0621J v1.0	Npower	Submitted to Panel 15-Mar-18

2. Approval of minutes (06 March 2018)

The minutes from 06 March 2018 were accepted and approved.

3. Pre-Modification update

There were no Modifications of this status for this meeting.

4. 0621 Progress update

RH mentioned that there has been a good response to the request for submission of analysis requests, the Workgroup are just awaiting requests from Neil Bashford (NB) (not present at this meeting) and Anna Shrigley (AS). Nick Wye (NW) advised that the analysis request from NB (0621G) will be submitted by the end of this week. The Joint Office will publish the collated list on the meeting page for the next meeting 28 March 2018; https://www.gasgovernance.co.uk/0621/280318

4.1. Alternative Modification A-J

RH invited each proposer of the three alternative Modifications (G, H, and J) which went to Panel last week to update the workgroup with a little more detail as to what the main differences are with their Modification and how it differs to the original National Grid NTS Modification v3.0.

0621H - ENI - AS

AS gave a short summary and presented the slides that were submitted to Panel on 15 March 2018 which covered:

Why change?

Options

Solution

0621J - npower - CR

Charles Ruffell (CR) gave a short summary and presented the slides that were submitted to Panel on 15 March 2018 which covered:

Why change?

Options

Solution

RH then requested any amendments to **any** of the Modifications, to be made as soon as possible.

When asked, CW advised that a lot of functionality has been left in the published CWD model so that users can model their own adhoc analysis requests.

Joanne Parker (JP) asked about the Postage Stamp approach, in terms of meeting the cost reflectivity aspect, is Postage Stamp compliant under those obligations?

CR suggested Postage Stamp is compliant.

Referring to the recent Ofgem Direction Decision letter, published here: https://www.gasgovernance.co.uk/0621, Richard Miller (RM) said that Ofgem is looking for diversity and advised that it is good practice to have different options on the table, adding that this is why the time extension was given.

AS suggested that, in relation to their long-term capacity buying strategy, Eni and other shippers have been affected by the Ofgem Direction Decision letter. This came out on the same day as the QSEC auction; it would be helpful, next year, to give a clearer picture on exactly how the capacity should be treated under the new regime.

Agreeing, Richard Fairholme (RF) said that he has experienced the same sort of issues pertaining to bidding [for gas-fired electricity capacity] in the electricity market.

Moving on, RF suggested that each alternative Modification should be discussed and that time should be allocated to each Modification.

RH invited each proposer present to update the Workgroup on its current status:

0621A - NW representing Storengy

Nick Wye (NW) updated the Workgroup advising that both alternative Modifications A and G are similar. There needs to be closer examination of the arguments presented for each Modification. The relevant objectives ensure they refer to specific numbers to support what is being suggested.

NW is carrying out some own analysis which will be shared at the next meeting. An agenda slot was requested for 28 March for both alternative Modifications 0621A and 0621G.

0621C - GJ

Graham Jack (GJ) advised that this alternative proposal has been updated and that v2.0 is now published.

This Modification is proposing:

- A different solution for optional charging for short haul.
- The discount for capacity at storage facilities is being set at 86% as this is more appropriate.
- Fixing values in the UNC.
- Revenue recovery charges only changing once in any gas year.

GJ talked through the differences between 0621C and the original 0621 v3.0.

CW advised that in early April, an amended National Grid Modification will be submitted.

JCx asked if 6 decimal places from 0621C Modification can be supported in the system. Unfortunately, Steve Pownall (SP) was not at the meeting to be able to comment.

Paul Toole (PT) said that he thinks 4 decimal places is hard coded in to the Gemini system, therefore, this could be a system impact.

New Action 0303: Graham Jack (GJ), Steve Pownall (SP) and National Grid to explore:

- 1. System implications of more than 4 decimal places
- 2. How can a meaningful discount be administered?
- 3. Compliance of the discount under TAR what is the likelihood

0621E - RF

Richard Fairholme (RF) advised that he is awaiting the National Grid final Modification before 0621E is amended. For the moment, the solution remains unchanged.

RF has suggested some analysis for National Grid to look at.

For the Revenue Recovery charges for existing capacity bookings, and specifically the legal text on how to allocate capacity, RF suggested a conversation to clarify how it would work would be useful.

0621F - PD

Pavanjit Dehsi (PD) advised the Workgroup that he is updating this Modification to be in line with 0621v3.0.

Post meeting update: v3.0 amended 20-Mar-18

When asked, PD confirmed this Modification relates to physical bi-directional IP Points.

0621G - NW representing Vitol.

As above, Nick Wye (NW) updated the Workgroup advising that both alternative Modifications A and G are similar. There needs to be closer examination in the arguments presented for each Modification. The relevant objectives ensure they refer to specific numbers to support what is being suggested.

NW is carrying out own analysis which will be shared at the next meeting. An agenda slot was requested for 28 March for both alternative Modifications 0621A and 0621G.

Moving on, RH encouraged proposers to provide own their analysis as and where possible.

CW said that in a previous workgroup (Autumn 2017) there was certain analysis that National Grid NTS advised the Workgroup they were unable to provide.

Post Meeting note: Within the workgroup report there is a list of the areas of analysis which the workgroup has asked for. As it is covered items can be "ticked off"; what is left will be discussed, some will likely fall into the remit of the Regulatory Impact Assessment.

PT asked if the data that supports the analysis is available? CW advised they can / will make it available and added that for the analysis that is presented by National Grid NTS, they will provide supporting data tables.

Adam Bates (AB) advised that it is the intention that a CWD model will be developed for each of the alternative Modifications.

RH went on to show onscreen the slides that were submitted by Joint Office to March Panel, which can be found here: https://www.gasgovernance.co.uk/0621/200318, and confirmed the workgroup report submission date is actually earlier than originally thought, it is 03 May 2018.

RF suggested it might be a good idea, in terms of updating alternative Modifications, for the Workgroup to set an aspirational deadline date for all 0621-related Modifications to be finalised.

JCx asked whether Ofgem might consider putting a halt to any further alternatives.

The Joint Office presentation covered the following:

Before May Panel

RH informed the Workgroup that the request for Legal Text at UNC Panel on 15 March was denied as it was thought it is too early.

Paul Toole (PT) asked, if Legal Text has been denied for Modification 0621 and all of the Alternatives, is there any way we can have the legal text just for the National Grid Modification?

Richard Pomroy (RP) advised that a request for Legal Text cannot be made for a Modification that has only just been to that UNC Panel. If the Modifications are changing, then there could be a lot of wasted time working on legal text if it is not the final version of the Modification.

When asked, Colin Williams (CW) confirmed that there will be another amendment to Modification 0621 and he would be in a position at the next meeting scheduled for 28 March to advise the Workgroup as to when to expect it.

Julie Cox (JCx) commented that to go out to consultation without the legal text is not something that should happen. Workgroup members agreed.

Workgroup meetings

RH suggested that all new analysis should be presented by 19 April, and subsequently the Workgroup Report needs to be finalised.

Will Webster (WW) asked what the format of the Workgroup Report is likely to be. Pg explained that JO colleagues have been working on this, suggesting that each Modification may have

- a page to describe it and its solution,
- a page for analysis and
- a page for coverage of relevant objectives.

Then a features comparison table would be used to show how the Modifications related to each other.

JCx said that it is crucial that the National Grid Modification is finalised as there is a possibility that some of the alternatives would no longer be required, depending on the final version of the National Grid Modification.

Jeff Chandler (JCh) expressed his concerned that if the Modifications end up in Judicial review or other appeal processes, the lawyers that go through the Workgroup Report will need the detail and will need the entire Modification in the Workgroup Report and not as an appendix. The Workgroup Report will need a thorough and robust legal appraisal. JCh said that he is opposed to any kind of summary version of the Workgroup Report as this would be at risk of diluting any of the alternatives.

PG said that the finalisation of the look of the Workgroup Report is open for debate and it may be that this should be an agenda item for what the template should be for the Workgroup Report.

Consultation template – information for the FMR

RH advised that it was unanimously agreed by Panel that the Joint Office would do a minimal amount of editing in terms of presenting the consultations responses in the FRM v1.0. In these slides this is referred to as Option 1: Table Summary of each Modification- which representations are in which category for each Modification: Support/Oppose/Qualitied Support. In this way anyone reading the report would need to read the responses in detail.

Consultation and beyond

CR asked what the governance is around moving Panel date in May, which is currently scheduled for 17 May 2018, to maybe push it towards the end of May?

PG and RH clarified the importance of this Modification being considered at a regular, scheduled, face to face panel meeting, adding that there are several difficulties associated with extraordinary panel meetings.

In addition, the Ofgem Direction specifies the 17 May 2018 Panel or earlier (see page 4 of the direction available here: https://www.gasgovernance.co.uk/0621).

RH asked the Workgroup to advise Joint Office if they intend observing at the May UNC Panel meeting so that appropriate venue and catering can be arranged.

Moving on to the presentation provided by National Grid, CW took the Workgroup through the presentation focusing on the update slides as follows:

Future updates to Modification 0621 (Slide 8)

Alternative method to address RPM generated zero prices (Slide 10-13)

JCx challenged the compliance of this part of the National Grid proposal.

CW explained some of the issues being debated around the workgroup and confirmed he will check compliance.

Some Workgroup members concluded that using distance weighting is the only sensible option.

JCx said that compliance with TAR would mean the same approach for both Entry and Exit.

Some Workgroup members agreed this could be the fairest solution.

Addressing some of the CWD outcomes (Slide 14)

Relevant Flow Scenario (Slide 15)

Example GB Relevant Flow Scenario for illustration (Slide 16)

Some members agreed that this is a more cost-effective method.

JCh said that it appears that the charge for capacity within each of the zones, may be moving more towards a postage stamp charging.

It was mentioned that Postage Stamp pushes some prices higher, whilst reducing others.

CW stressed at this point, the scenario is for illustration and is a very simplistic method.

Graham Jack (GJ) suggested that in regard to the effects on the extremes of the network in terms of CWD, Short Haul could be a potential mitigation.

GJ commented that Exit charges under CWD are relatively low compared to exit charges on a postage stamp.

There was discussion between Workgroup members to see what the appetite is for National Grid to further develop the Example GB Relevant Flow Scenario illustration on slide 16.

JCx suggested if someone wants to see this, a Modification might need to be raised. The time constraint is the biggest disincentive to further development of this suggestion.

It was confirmed that, if further work on this is required, a party should raise a Modification. Joanne Parker (JP) said she would discuss this with colleagues back at the office and take appropriate action.

WebEx session / material from 15 March 2018 (Slide 18)

UNC0621: Developing the Analysis (Slide 21-25)

New Action 0621-0303: National Grid to examine the effect of the transition of revenue recovery years from now up to 2022.

New Action 0621-0304: National Grid to publish spreadsheets (the data that sits behind the analysis) alongside the analysis – link to be provided.

Plan and Change Process Timescales: Licence change (Slide 30-32)

AB then briefly took the Workgroup through the LRMC CWD Postage Stamp presentation which was given at the Webex session on 15 March and is published here: https://www.gasgovernance.co.uk/0621/200318

4.2. Analysis Results

Neil Bashford (NB) and Anna Shrigley (AS) need to submit their analysis requirements. NW advised, for NB, their analysis request will be submitted by Thursday 22 March.

Post Meeting note: This has been received from NW.

4.3. Features Comparison table

Not discussed at this meeting.

4.4. Actions update

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

Update: This is 90% delivered. Additional information required: capacity and commodity rates and breakdown of % of revenues by capacity/commodity. **Closed**

0621-0102: CW to add on to the timescales the different Systems development requirements for the different alternate Modifications. By the beginning of May.

Update: Update 06 April 2018 meeting. Carried Forward

0621-0105: All to provide summary of issues and/or 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.

All proposers of Alternative Modifications should submit a summary explaining why your alternative better furthers the relevant objectives than those set out by National Grid split by Transition and Enduring.

All proposers of Alternative Modifications should submit a summary explaining as to what justifies the % being suggested in each of the Alternate Modifications.

Update: GJ (for 0621C) and RF (for 0621E) have done this. Carried Forward

0621-0201: National Grid to consider the different tariff periods for different purposes in relation to Article 28 and confirm back to the Workgroup.

Update: Carried Forward

0621-0202: National Grid and Ofgem to consider Article 28 paragraph 2

Update: It was confirmed that this is commercially viable – some legal questions need to be addressed before this action can be closed. **Carried Forward**

0621-0205: New piece of analysis linked to Action 0707 – exploring the existing contracts effect on exit and entry prices – enduring.

Update: This will be presented on 28 March 2018. Carried Forward

0621-0206: Is Ofgem concerned over potential price discrimination between new contracts and legacy contract holders with regards to the paper raised by JCx on 20 February 2018. Update due 06 March 2018.

Update: Update due 28 March 2018. Carried Forward

0621-0209: National Grid to investigate the possibilities of using a square root of the distance to mitigate the magnifying effect of long distances at the extremities of the Network.

Update: Provided in analysis. Closed

0621-0210: Ofgem to clarify the compliance of UNC process under article 28 of TAR.

Raised by All.

Update: Same as Action 0202 update 28 March. Carried Forward

0621-0213: CW to update the publication dates table to show compliance with TAR. **Update**: PL requested this is carried forward. **Carried Forward**

0621-0214: National Grid to provide Baseline assumptions and scenarios with commentary outputs from the model including:

- Postage Stamp
- Existing reserve plus TO conversion
- Extremes rather than averages in GDNs and Power Stations

Update: This was completed at the Webex on 15 March 2018. Closed

0621-0301: ENI is to update the Alternative Modification to bring it in-line with the amended National Grid NTS Modification v3.0. Raised by RH.

Update: Update at next meeting 20 March 2018. Carried Forward

0621-0302: National Grid to look at a maximum distance cap. Raised by All due 15

March 2018.

Update: Provided in analysis, relating to Relevant Flow Scenarios. Closed

5. Development of the Workgroup Report

Not discussed at this meeting.

6. Next Steps

Not discussed at this meeting.

7. Any Other Business

None discussed at this meeting.

8. Diary Planning

It was agreed that the meeting planned for 19 April will now be a Joint Office led meeting and will be moved away from the UNC Panel date that it is currently sitting under. Joint Office will inform all once a suitable date and venue has been identified.

Time / Date	Venue	Workgroup Programme
10:00 Wednesday 28 March 2018	Elexon, 350 Euston Rd, London NW1 3AW	Workgroup 0621
10:00 Tuesday 04 April 2018	St Johns Hotel, 651 Warwick Road, Solihull B91 1AT	NTSCMF and Workgroup 0621
10:00 Thursday 12 April 2018	St Johns Hotel, 651 Warwick Road, Solihull B91 1AT	Workgroup 0621
10:00 Thursday 19 April 2018 (date	TBC	Workgroup 0621
TBC)		Analysis
10:00 Monday 23 April 2018	TBC	Focus on Workgroup Report
10:00 Wednesday 25 April 2018	St Johns Hotel, 651 Warwick Road, Solihull B91 1AT	Workgroup 0621
10:00 Friday 27 April 2018	TBC	Focus on Workgroup Report
10:00 Tuesday 01 May 2018	Elexon, 350 Euston Rd, London NW1 3AW	NTSCMF and Workgroup 0621
10:00 Wednesday 02 May 2018	TBC	Focus on Workgroup Report

10:00 Thursday 03 May 2018	TBC	Focus on Workgroup Report
10:00 Wednesday 09 May 2018	Joint Office of Gas Transporters, Radcliffe House, Blenheim Court, Warwick Road, Solihull, B91 2AA	May not be requiredWorkgroup 0621
10:00 Thursday 10 May 2018	Joint Office of Gas Transporters, Radcliffe House, Blenheim Court, Warwick Road, Solihull, B91 2AA	May not be requiredWorkgroup 0621
10:00 Tuesday 05 June 2018	Joint Office of Gas Transporters, Radcliffe House, Blenheim Court, Warwick Road, Solihull, B91 2AA	• NTSCMF

As at 20	As at 20 March 2018					
Action Ref	Meeting Date(s)	Minute Ref/ Raised by	Action	Owner/ Update due by	Status Update	
0621- 0102	11/01/18	2.0	CW to add on to the timescales the different Systems development requirements for the different alternate Modifications. By the beginning of May.	National Grid (CW) 06 March 20 March 04 April	Carried Forward	
0621- 0105	11/01/18	2.0	Action reworded from 21 February 2018: 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. All proposers of Alternative Modifications should submit a summary explaining why your alternative better furthers the relevant objectives than those set out by National Grid split by Transition and Enduring. All proposers of Alternative Modifications should submit a summary explaining as to what justifies the % being suggested in each of the Alternate Modifications.	All 06 March 28 March	Carried Forward	
0621- 0201	06/02/18	3.0	National Grid to consider the different tariff periods for different purposes in relation to Article 28 and confirm back to the Workgroup.	National Grid (CW) 06 March 20 March 28 March	Carried Forward	
0621- 0202	06/02/18	3.0	National Grid and Ofgem to consider Article 28 paragraph 2	National Grid (CW)	Carried Forward	

0621- 0205	06/02/18	4.0	New piece of analysis linked to Action 0707 – exploring the existing contracts effect on exit and entry prices – enduring.	Ofgem (RM) 06 March 20 March 28 March National Grid (CW) 06 March 20 March	Carried Forward
0621- 0206	20/02/18 Day 1	4.1 JCh	Is Ofgem concerned over potential price discrimination between new contracts and legacy contract holders with regards to the paper raised by JCx on 20 February 2018. Update due 06 March 2018.	Ofgem (RM) 06 March 20 March 28 March	Carried Forward
0621- 0210	21/02/18 Day 2	All	Ofgem to clarify the compliance of UNC process under article 28 of TAR. Raised by All. Update due by 06 March 2018	Ofgem (RM) 06 March 20 March 28 March	Carried Forward
0621- 0213	21/02/18 Day 2	JCx	CW to update the publication dates table to show compliance with TAR.	National Grid (CW) 96 March 20 March 28 March	Carried Forward
0621- 0301	06/03/18	3.0 RH	ENI is to update the Alternative Modification to bring it in-line with the amended National Grid NTS Modification v3.0. Raised by RH.	ENI (AS) 20 March 28 March	Carried Forward
0621- 0303	20/03/18	4.1	Graham Jack (GJ), Steve Pownall (SP) and National Grid to explore: 1. System implication of more than 4 decimal places 2. How can a meaningful discount be administered? 3. Compliance of the discount under TAR – what is the likelihood	Graham Jack (GJ), Steve Pownall (SP) and National Grid 28/03/18	Pending
0621- 0304	20/03/18	4.1	National Grid to look at the transition of revenue recovery years from now up to 2022.	National Grid (CW/AB) 28/03/18	Pending
0621- 0305	20/03/18	4.1	National Grid to publish spreadsheets, the data that sits behind the analysis alongside the analysis – link to be provided.	National Grid (CW/AB) 28/03/18	Pending