

**UNC Workgroup 0653 Minutes**  
**Updating the parameters for the NTS Optional Commodity Charge –**  
**Introducing the NTS Optional Capacity Charge**  
**Tuesday 03 July 2018**  
**at Elexon, 350 Euston Road, London NW1 3AW**

**Attendees**

Rebecca Hailes (Chair)	(RH)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Nield*	(AN)	Storengy UK
Andrew Pearce	(AP)	BP
Anna Shrigley	(AS)	ENI
Colin Williams	(CW)	National Grid NTS
Debra Hawkin	(DH)	TPA Solutions
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
Jeff Chandler	(JCh)	SSE
John Costa	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kirsty Ingham	(KI)	ESB
Matt Hatch	(MH)	National Grid NTS
Nick Wye*	(NW)	Waters Wye Associates Limited
Paul Youngman	(PY)	Drax
Penny Jackson	(PJ)	npower
Richard Fairholme*	(RF)	Uniper
Samuele Repetto*	(SR)	EDF Trading
Sinead Obeng	(SO)	Gazprom Marketing & Trading
Steve Pownall	(SP)	Xoserve

\* via teleconference

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0653/030718>

**1. Introduction and Status Review****1.1. Approval of Minutes (05 June 2018)**

The minutes from the previous meeting were approved.

**2. Amended Modification**

RH confirmed that there was no recently amended modification to consider.

**3. National Grid Analysis****3.1. National Grid NTS presentation**

Opening discussions, GJ provided a brief recap behind outstanding action 0601

before handing over to CW to run through the National Grid NTS presentation that has been compiled around the discussions between National Grid NTS and Centrica.

RH observed that development of suitable business rules would naturally feed into development of a potential solution.

During a brief overview of the *'UNC0653 Analysis development: Some basic assumptions'* slide 3, CW advised that the modification does not seek to introduce a codified limitation and would be about providing parties with choice and flexibility – to this end, the information provided takes the form of simple basic building blocks on which to develop a solution going forwards.

Moving on to examine the *'UNC0653 Analysis development: Building the calculation'* slide 4, CW pointed out that the baseline flow data is based on 2017/18 figures. When DH voiced her concern around the reference to 'higher prices', CW acknowledged the point before reiterating that these are simply the initial building block examples that he expects will be developed further in due course.

CW then provided an overview of the *'UNC0653 Analysis development: The calculations required'* slide 5, during which he expanded upon the 'Straight Line Distance' (SLD) aspects before GJ pointed out that the 'All eligible flows pick up TO Entry and TO Exit Commodity charges' bullet point represents the key difference between the proposed and the existing processes – in short this attempts to provide a 'balanced' solution, similar to (Centrica's) UNC Modification 0621C 'Amendments to Gas Transmission Charging Regime'. Considering the final 'All eligible flows do not pay SO Commodity' bullet point, GJ advised that a simple way of looking at the proposals are that if the 'nominated' side stays the same, the 'revenue collection' side of the equation would increase slightly. Furthermore, it should be noted that discounts would be available on both Entry and Exit Capacity charges (based on the calculation around the 'SLD' ratios).

Attention then focused on the *'UNC0653 Analysis development: Potential impacts'* slide 6, during which CW explained how National Grid NTS and Centrica have worked together towards proposing this flow based approach. When CW indicated that he accepts that additional business rules around discounts (firm capacity aspects etc.) and possibly weighted average capacity aspects might be needed, GJ asked parties to note that if you opt for Optional Capacity it is the previous slide's calculation that applies. He then provided a brief explanation behind how the proposals differ to the current OCC provisions.

When a brief discussion around the distance related aspects ensued, with reference to the previous UNC Modification 0621 models, GJ reiterated that the proposals are only the first steps at this time and he accepts that the Workgroup would need to look at the wider aspects (i.e. shorthaul and LDZ embedded sites aspects) during the development phase of the modification.

When asked, GJ indicated that in his opinion both SLD and weighted average distance elements (as per UNC Modification 0621C) would be required, supported by Shipper registration processes developing.

When GJ suggested that the Workgroup would also need to consider how to improve on the current shorthaul process limitations (i.e. Entry / Exit combinations etc.), CW indicated that he believes that it would potentially boil down to what the industry wants to include within any new models – in short, what range of options will be available. Consideration of items such as eligible quantity based on flows and replacement of current shorthaul commodity based charges will be needed in due course – in short, it is not just a solution for firm capacity bookers, but rather about giving all parties a viable choice.

When asked, GJ confirmed that the intention, regardless of any UNC Modification 0621 decision, is to aim for an October 2019 implementation. It was noted by those

in attendance that a 0653 decision could potentially overwrite an 0621 decision, should the actual timing of the decision(s) come into play. Some parties remain concerned about the potential 'linking in' or alignment between the two modifications (0621 suite of, and 0653), should one be approved before the other.

When asked, GJ explained that the 0653 solution is subtly different (including some revenue related tweaks, subject to the timing between it and 0621C) to the one proposed by 0621C, insofar as 0653 proposes an enduring solution. A request for some 'dummy' examples was noted by CW and GJ.

When asked whether or not National Grid NTS are in a position to provide some working models, CW responded by suggesting that based on today's discussions and feedback we are clearly not quite there yet, and as a consequence he would look to provide something meaningful by 13 July 2018, if possible.

It was suggested that a better understanding of the current shorthaul and OCC processes would be extremely beneficial, and especially how 0653 seeks to change these, as this would enable the Workgroup to better understand what is actually being proposed.

**New Action 0701: Reference current Shorthaul and OCC process impacts and the proposed future process changes - National Grid NTS (CW) and Centrica (GJ) to provide some 'dummy' examples of how the proposed processes and models are expected to work going forwards.**

Moving on, GJ provided a brief explanation behind the historical development of the current (shorthaul / OCC) provisions and why now might be the right time for a change, including aspects such as pipeline investment. In recognising that there are 'tensions' between past commercial decisions and how we may, or may not, look to change things (i.e. economic vs. market change arguments), JCx felt that care would be needed in order to consider all requirements.

The Workgroup briefly debated the potential impact of an offshore pipeline (into Bacton) and how shorthaul could be impacted by by-passing the Network – reference was made to the 'Silk' pipeline which was originally built to by-pass the NTS, which has been 'in mothballs' for a period of time and would take circa 6 months to reinstate.

The general consensus amongst those present was that Ofgem should undertake an informed Impact Assessment at some point in the future.

### **3.2. Rough Order of Magnitude (ROM) Request – XRN4680**

In providing a quick onscreen review of the ROM, SP focused attention on Appendix A and explained that the proposals are based on the current solution and business rules as they stand at this time.

In noting the discussions undertaken so far, SP believes that an amended modification might be needed, after which Xoserve would look to update the ROM.

Moving on to consider the 'Costs and Timescales', SP provided a brief explanation behind the figures provided and also noted that the 0653 solution seems to be TAR compliant.

In considering who might be expected to fund the changes, MH indicated that it is most likely to be National Grid NTS on the grounds that it would take the form of pass-through provisions similar to 0621.

When asked if implementation of 0653 after implementation of one of the 0621 modifications could potentially impact on the indicated 0653 costs, SP responded by suggesting it might, although this would be dependent upon which of the 0621 modifications was approved – in short, should one of the 0621 modifications be implemented, Xoserve would need to reconsider/re-open the 0653 ROM.

When asked whether or not any 'cost of implementation' is taken into account by

Ofgem in making their decision, SP advised that previously Ofgem has indicated that it mainly focuses on the Relevant Objectives as part of its decision criteria. SP went on to suggest that until the modification is approved, further clarity on costs is hard to identify.

When asked why the change is expected to take up to 45 weeks, SP reminded parties of the role that the DSC Change Management Committee plays in prioritising any system changes - JCx suggested that EU Law related changes are given highest priority in terms of change prioritisation criteria.

When asked why it is believed that 0653 impacts on the UK Link system, SP explained that this is due in part to shorthaul related elements and impacts such as unique sites, which reside within the UK Link (SAP) system.

#### 4. Completion of Workgroup Report

In undertaking an onscreen review of the draft Workgroup Report (v0.3, dated 08 June 2018), RH focused attention on the questions and comments the Workgroup would like Ofgem to consider.

It was noted that until the business rules are properly 'bottomed out', it would be extremely difficult to prepare the associated legal text and any, updated ROM.

During a brief discussion, SP explained the possible (combined / non combined) 0621 / 0653 solution approach.

In looking to establish a viable reporting date the Workgroup agreed that provision of a set of 'key deliverables' would help to ensure delivery of the Workgroup Report on time.

When JCh observed that predicting forwards and trying to understand behaviours is difficult, especially bearing in mind that this was not undertaken for 0621 / 0636 purposes, some parties suggested that it might be prudent to also consider potential shorthaul impacts, once National Grid NTS provides its analysis. CW suggested that care would be needed in attempting to compare fundamental charging proposals, especially trying to do a current shorthaul to future proposal assessment, although he would look to provide more information around this matter in due course.

Summarising, RH explained that she would tidy up the Workgroup Report following the meeting, prior to submission to the 19 July 2018 Panel, and seeking an extension to September 2018.

#### 5. Review of Outstanding Action(s)

**Action 0601:** Centrica (GJ) to arrange for CW to liaise with Centrica colleague with regards to analysis.

**Update:** Please refer to discussions under item 3.1 above. **Closed**

**Action 0602:** Joint Office (RH) to request an extension to August 2018 at UNC Panel on 21 June 2018.

**Update:** Please refer to discussions under item 4 above. **Carried Forward**

#### 6. Next Steps

RH to submit an interim Workgroup Report to the 19 July 2018 Panel requesting a reporting date extension through to September 2018.

GJ to consider the feedback provided and whether or not an amendment to the modification is required.

Key deliverables/plan identified:

- First look at analysis 13/07/18 from NG – there is a question as to what the format of this will be. If possible Spreadsheet and/or slides (spreadsheet if at all possible)

answering the question: “what is the effect on the current shorthaul portfolio?”. Results will be on an aggregated basis.

- Discuss analysis at Workgroup on 01/08/18, record Workgroup views. (If a potential request for further analysis or further development of business rules is required, Workgroup would need to request an extension to the Panel reporting dates beyond Sept Panel).
- ‘Mop up’ changes in amended modification to be reviewed at September NTSCMF 04/09/18.
- Legal text request at August workgroup date 01/08/18 or September Workgroup 04/09/18 or soon thereafter and received/reviewed ASAP thereafter.
- Revised ROM request 01/08/18 or 04/09/18 or soon thereafter and received/reviewed soon thereafter.
- Finalise WGR at 04/09/18 NTSCMF meeting, send to panel for September panel (Panel date 20/09/18).

**7. Any Other Business**

None.

**8. Diary Planning**

Further details of planned meetings are available at:

<https://www.gasgovernance.co.uk/events-calendar/month>

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:00 Wednesday 01 August 2018	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Standard Workgroup Agenda <ul style="list-style-type: none"> <li>• Consideration of Amended Modification</li> <li>• Development of Workgroup Report</li> </ul>
10:00 Tuesday 04 September 2018	Elexon, 350 Euston Road, London NW1 3AW	Standard Workgroup Agenda

**Action Table as at 03 July 2018**

<b>Action Ref</b>	<b>Meeting Date(s)</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
0601	05/06/18	3.0	GJ to arrange for CW to liaise with Centrica colleague with regards to analysis.	Centrica (GJ)	Update provided. <b>Closed</b>
0602	05/06/18	5.0	RH to request an extension to August 2018 at UNC Panel on 21 June 2018.	Joint Office (RH)	<b>Carried Forward</b>
0701	03/07/18	3.1	<i>Reference current Shorthaul and OCC process impacts and the proposed future process changes</i> - National Grid NTS (CW) and Centrica (GJ) to provide some 'dummy' examples of how the proposed processes and models are expected to work going forwards.	National Grid NTS (CW) & Centrica (GJ)	<b>Pending</b>