

**UNC Workgroup 0670R Minutes  
Review of the charging methodology to avoid the inefficient bypass  
of the NTS**

**Tuesday 05 May 2020**

**Via Teleconference**

| <b>Attendees</b>        |       |                           |
|-------------------------|-------|---------------------------|
| Alan Raper (Chair)      | (AR)  | Joint Office              |
| Kully Jones (Secretary) | (KJ)  | Joint Office              |
| Adam Bates              | (AB)  | South Hook Gas            |
| Alex Nield              | (AN)  | Storengy                  |
| Andrew Pearce           | (AP)  | BP                        |
| Anna Shrigley           | (ASh) | Eni Trading & Shipping    |
| Chris Wright            | (CWr) | Exxon Mobil               |
| Colin Williams          | (CW)  | National Grid             |
| Dan Hisgett             | (Dhi) | National Grid             |
| David Mitchell          | (DM)  | CIA                       |
| Debra Hawkin            | (DH)  | TPA Solutions             |
| Ed Bentley              | (EB)  | Citadel                   |
| Henk Kreuze             | (HK)  | Vermilion Energy          |
| Jeff Chandler           | (JCh) | SSE                       |
| Julie Cox               | (JCx) | Energy UK                 |
| Kamla Rhodes            | (KR)  | Conoco Phillips           |
| Kirsty Ingham           | (KI)  | ESB                       |
| Laura Johnson           | (LJ)  | National Grid             |
| Nick Wye                | (NW)  | Waters Wye Associates Ltd |
| Paul Youngman           | (PY)  | Drax                      |
| Richard Fairholme       | (RF)  | Uniper                    |
| Sinead Obeng            | (SO)  | Gazprom                   |
| Terry Burke             | (TB)  | Equinor                   |

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0670/050520>

The Request Workgroup Report is due to be presented at the UNC Modification Panel by 16 July 2020.

## **1.0 Introduction and Status Review**

### **1.1. Approval of Minutes (07 April 2020)**

The minutes from the previous were approved.

### **1.2. Approval of Late Papers**

None.

### 1.3. Review of Outstanding Actions

**Action 0401:** Ofgem (DON) to provide an update on the new capacity arrangements.

**Update:** Update deferred to the June meeting. **Carried Forward**

**Action 0402:** National Grid (CW) to discuss internally with the Capacity Access Review Team as to where this forum should reside from a debating forum perspective.

**Update:** Colin Williams (CW) provided a brief update in relation to the informal charging consultation on the options for managing inefficient bypass of the NTS. He stated that in order to facilitate the informal consultation National Grid had held a WebEx session on 01 May 2020 and a second session is planned for 06 May 2020. He suggested that National Grid would need a period of time to reflect on the final decision of Modification 0687 when it is available and also take into account the outcome of the determination in relation to Modification 0686. He added that National Grid acknowledge that there is likely to be limited timescales to take forward proposals on a short-haul Modification for October implementation. He also recognised the current industry priorities and pressures with a number of Urgent Modification proposals to address COVID-19 related issues. [The Gas Charging Discussion Document \(GCD12\)](#) is available on the National Grid website. Responses to the consultation can be sent to: [box.gsoconsultations@nationalgrid.com](mailto:box.gsoconsultations@nationalgrid.com).

AR concluded that National Grid have reached a point where they have completed as much pre-development work that is possible and future activities would need to be sequential following Ofgem's determination on Modification 0678.

In relation to the operational issues raised by Gazprom in their letter to National Grid, AR asked Workgroup for views on where best to consider the issues.

Workgroup participants agreed that it was sensible to continue the discussions within Request Workgroup 0670R as the issues relate to both short-haul and capacity but also to link the discussions to Request Workgroup 0705R – NTS Capacity Access Review although the view was that the scope of the discussion needs to be more clearly defined

Sinead Obeng (SO) accepted this proposal as a way forward and suggested that more work is needed to understand if the issue is just related to entry or wider. She reiterated that Gazprom need a solution to be put in place to respond to the issue raised by the previously proposed and withdrawn short-haul modification.

Workgroup agreed to close this action and embed future discussion as a standing agenda item within this Review group.

#### **Closed.**

Following closure of Action 0404, Workgroup held a further discussion on the issues raised in the Gazprom letter and the next steps. The following comments and observations were made:

- a) CW asked if there was no short-haul product whether the ability to transfer exit and entry capacity is relevant as a capacity related issue? He suggested that National Grid need to understand if the issues raised by Gazprom need to be addressed in the absence of short-haul. CW indicated that National Grid need to understand if these issues are only related to Gazprom or wider and would be concerned about combining the two topics if there was a risk to the development and delivery of the short-haul product. He added that he would be happy to develop some structured questions with Gazprom for discussion at the next meeting.

- b) Nick Wye (NW) suggested that the Gazprom issue is wider than just short-haul and relates more generally to the way that capacity transfers between Users. He added that the short-haul product should not be treated in isolation, in term of secondary trading, as capacity could not be segmented in this way.
- c) Richard Fairholme (RF), agreed with this view and stated that the capacity access review is also looking at this issue. From previous discussions on this subject, he understood that a key issue was whether National Grid systems could manage capacity assignment.
- d) Anna Shrigley (AS) suggested looking at examples from European Networks, as they have the functionality to manage capacity assignment. She added that Shippers need to understand the transfer price and details of the trade and how these would be recorded and managed by National Grid. In response, CW commented suggested that there might be some liability increases for trading parties.
- e) RF asked about timescales and how quickly National Grid could implement the necessary changes because, and commented that if there is a long development time then it may be sensible to separate from short-haul product development. In response, CW suggested that development time could be 12-18 months.

Following discussion, Workgroup agreed that more work is needed to understand:

- The scale and the scope of the issues
- The dependency between wider capacity trading issues and the short-haul proposals
- Implications and impact on systems and processes
- Impact on contractual and commercial arrangements.

In terms of next steps, it was suggested that National Grid and Gazprom work together to develop a draft terms of reference to specify the scope and identify the dependencies. There was broad agreement that the discussions need to be linked with the work of Request 0705R.

SO stated that she had held discussions with the Capacity Access Review Group and that National Grid had acknowledged the issue and commented that a programme of issue management had already been scheduled. SO suggested that where issues arise, they need to be managed and that National Grid should be more flexible with their work plan.

CW signalled that there is an opportunity to keep a dialogue going with the capacity access team and that he would liaise with Jennifer Randall. He disagreed that National Grid's concerns are simply due to the impact on commercial arrangements and further commented that what appear to be simple issues tend, in practice, to result in solutions that are significantly more complex in nature.

**New Action 0501:** National Grid (NG) and Gazprom (SO) to develop a scoping paper to consider the capacity issues in relation to Transferred Capacity and Optional Charging proposals but also wider issues such as assignment and the transfer of capacity. The scoping paper and discussion questions to be provided by Friday 15 May 2020.

## 2.0 Any Other Business

None.

## 3.0 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 Tuesday<br>02 June 2020 | Via Teleconference | <ul style="list-style-type: none"> <li>Transferred Capacity and Optional Charging Proposals</li> </ul> |

### Action Table (as at 05 May 2020)

| Action Ref  | Meeting Date(s) | Minute Ref | Action   | Owner                              | Status Update          |
|-------------|-----------------|------------|--|------------------------------------|------------------------|
| <b>0401</b> | 07/04/20        | 3.0        | Ofgem (DON) to provide an update on the new capacity arrangements.   | Ofgem (DON)                        | <b>Carried Forward</b> |
| <b>0402</b> | 07/04/20        | 3.0        | National Grid (CW) to discuss internally with the Capacity Access Review Team as to where this forum should reside from a debating forum perspective.  | National Grid (CW)                 | <b>Closed</b>          |
| <b>0501</b> | 05/05/20        | 1.3        | National Grid (NG) and Gazprom (SO) to develop a scoping paper to consider the capacity issues in relation to Transferred Capacity and Optional Charging proposals but also wider issues such as assignment and the transfer of capacity. The scoping paper and discussion questions to be provided by Friday 15 May 2020. | National Grid (CW)<br>Gazprom (SO) | <b>Pending</b>         |