

UNC Workgroup 0745 Minutes
Mandatory Setting of Auction Bid Parameters
Thursday 04 February 2021
via Microsoft Teams

Attendees		
Rebecca Hailes (Chair)	(RHa)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Adam Bates	(AB)	South Hook Gas
Andrew Pearce	(AP)	BP
Anna Shrigley	(ASh)	Eni Trading & Shipping
Anna Stankiewicz	(ASt)	National Grid
Bethan Winter	(BW)	Wales & West Utilities
Bill Reed	(BR)	RWE
Chris Wright	(CW)	Exxon Mobil
Daniel Hisgett	(DHi)	National Grid
Emma Buckton	(EB)	NGN
Hannah Reddy	(HR)	Xoserve
Jeff Chandler	(JCh)	SSE
Jennifer Randall	(JR)	National Grid
Julie Cox	(JCx)	Energy UK
Kamila Nugumanova	(KM)	ESB
Lauren Jauss	(LJa)	RWE
Leyon Joseph	(LJo)	SGN
Lucy Manning	(LM)	National Grid Grain
Malcolm Montgomery	(MM)	National Grid
Max Lambert	(ML)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Pavanjit Dhesi	(PD)	Interconnector UK
Phil Hobbins	(PH)	National Grid
Richard Fairholme	(RF)	Uniper
Ritchard Hewitt	(RHe)	Hewitt Home and Energy Solutions
Rosannah East	(RE)	National Grid
Shiv Singh	(SS)	Cadent
Sinead Obeng	(SO)	Gazprom
Steven Britton	(SB)	Cornwall Insight
Victoria Bishop	(VB)	Sembcorp
Yvonne Reid-Healy	(YR)	Cadent

Copies of all papers are available at: www.gasgovernance.co.uk/0745/040221

The Workgroup Report is due to be presented at the UNC Modification Panel by 18 March 2021.

1.0 Introduction and Status Review

RHa advised Workgroup that the intention of the meeting is to reconsider two aspects referred from UNC Panel on 21 January 2021 and to complete the Workgroup Report.

1.1. Approval of Minutes (07 January 2021)

The minutes were accepted.

1.2. Approval of Late Papers

Rebecca Hailes (RH) confirmed that there were no late papers to approve.

1.3. Review of Outstanding Actions

No outstanding actions.

2.0 Amended Modification

RHa provided an onscreen view of the change marked version of the amended Modification and invited Malcolm Montgomery (MM) to update Workgroup regarding the changes made:

Section 5 Solution:

Clarification that IP auctions are not included has been added.

If the Shipper places a bid outside of the parameters set, an override function has been added to give the functionality to be able to override.

2.1. Issues and Questions from Panel

2.1.1. Workgroup to consider potential 'double counting' concerns.

This has been answered as part of the development of the Workgroup Report.

2.1.2. Workgroup to consider the question of materiality, and as a consequence, the suitability of Self-Governance status for the Modification.

This was considered as part of the amendment to the Modification where justification for Self-Governance has now been updated.

On 21 January 2021 UNC Panel referred the following questions back to Workgroup:

2.1.3. Consider suitability for Self-governance.

Workgroup reconsidered suitability for self-governance and determined that the Modification should be subject to Self-Governance due to the efficiency that would have been recognised, approx. £3million errors which, should the parameters have been set throughout 2020, would have been avoided.

2.1.4. Provide the number of instances where Auction errors have occurred, the value redistributed and how this might impact consumers.

Malcolm Montgomery (MM) advised that commentary has been provided for the Workgroup Report which summarises the analysis presented showing the known bid errors for the calendar year 2020.

MM advised that records of bid errors are not formally kept and the information presented shows the number of instances where Shippers have notified National Grid of a bid error.

MM advised of the following caveat:

1. It is entirely possible Shippers have not informed National Grid of some mistakes.
2. This is a non-exhaustive list, as there is no way of tracking.
3. This is the minimum level of bid errors during the period specified.

MM explained he has identified 9 bid errors over the calendar 2020, 6 relating to bid price and 3 relating to location. The total value of the errors amounts to approximately £3million, in terms of energy.

MM advised it is National Grid's view that User errors do occur, and may occur at any time for a variety of reasons and this information gives a reasonable indication of what the extent of the issue might be.

When asked, MM confirmed that the Modification looks to make mandatory settings on price and volume, Location errors are not being addressed in this modification. He suggested there may be a functionality within Gemini to set different parameters, for price and volume, per location, but this would not prevent location errors occurring.

3.0 Review of Legal Text

Revised Legal Text has been received, which was reviewed by Workgroup.

MM advised the highlighted text shows the changes from the previous version of legal text.

MM explained Code is now saying the maximum eligible price cannot be exceeded. If the override function is used, that becomes the maximum eligible price.

New Action 0201: MM to send a clean version of the Legal Text.

Post Meeting update

A Clean version of the Legal Text was received on 08 February 2021 and has been published here: <https://www.gasgovernance.co.uk/0745>. **Action Closed**

4.0 Completion of Workgroup Report

RHa shared onscreen the current version of the Workgroup Report, (v1.1 dated 04 February 2021) and advised the summary provided by National Grid has been inserted to the Workgroup Impact Assessment.

The following, (summarised), discussions took place in order to complete the Workgroup Report:

Anna Shrigley (ASh) commented that under the RIIO-1 Network Price Controls, there is an incentive for 44.36% (of the overrun cost) that National Grid are able to retain, and share back to the Industry in Y+2, which will mean the capacity prices in two years will be slightly lower.

Max Lambert (ML) advised that the incentive is subject to review and that overruns will be coming out of RIIO-T2.

MM confirmed National Grid Allowed Revenue for SO is £130million per year so 44.3% of this is just over £1million.

The Modification would help reduce the amount and frequency of revenue from errors, this will have a positive impact overall.

It should be noted that National Grid is blind to shipper intention with respect to bids placed, and cannot generally say with any certainty whether a bid error has occurred. These figures are therefore based on instances where shippers have informed National Grid that an error has occurred and so should only be considered as a lower bound on the extent of the issue. They also only include auction bid errors that could have been prevented by the parameters considered by UNC Modification proposal 0745 being in place, and so do not include all shippers errors National Grid becomes aware of e.g. relating to transfers or PRISMA. National Grid also does not monitor for errors or keep records on errors, and therefore for reasons of both practicality and confidence in the data, National Grid has provided data for only the most recent calendar year.

Over the course of 2020 there were 9 separate occasions where National Grid has been informed that auction bids have been placed incorrectly. 6 of these related to price, and 3 to location; the 9 errors are attributable to 8 different parties. The combined total of the error i.e. the difference between the bid placed and the (assumed) intended bid is £3.0m. These instances were spread across the year – 1 in March; 1 in August; 4 in October and 3 in November. National Grid believes that a

mandatory setting of a bid parameter for price would have prevented the majority if not all of the 6 price errors and while location errors are not directly addressed by the Modification proposal, National Grid believes it may be possible to set different parameters per location to help avoid these sorts of errors too. This latter point will be confirmed (or otherwise) during further system development discussions later in the year and communicated to shippers. Overall, National Grid is of the view that errors can and do occur for a variety of reasons, may occur at any time, and the value of the error is inherently unpredictable in its nature.

Generally any additional revenue from bid errors simply contributes further towards National Grid’s allowed revenue for the given year. So additional revenue from the shipper who made the error would result in less revenue collected from other shippers. There is no direct impact upon consumers in these cases, although there may be indirect impacts arising from any market inefficiencies caused by the error.

Some of the additional revenue feeds from the entry auctions (within day firm and day ahead interruptible), from overruns or from any non-obligated capacity go into neutrality and into the constraint management (CM) incentive. This additional CM incentive revenue can result in National Grid’s allowed revenue being slightly increased in year Y+2 following the error. This slight increase is paid by shippers but ultimately borne by consumers.

5.0 Next Steps

In conclusion, Workgroup agreed the Modification should be self-governance and the Workgroup supports implementation.

6.0 Any Other Business

None.

7.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Programme
No further meetings			

Action Table (as of 04 February 2021)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0201	04/02/21	3.0	MM to send a clean version of the Legal Text	National Grid (MM)	Closed