

**UNC Workgroup 0823S Minutes  
Amendment to the Allocation of Entry Capacity and Flow Quantities  
to Qualifying CNCCD Routes**

**10:00 Tuesday 06 December 2022**

**via Microsoft Teams**

<b>Attendees</b>		
Eric Fowler (Chair)	(EF)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Adam Bates	(AB)	South Hook Gas
Ashley Adams	(AA)	National Grid NTS
Alex Nield	(AN)	Storengy
Alsarif Satti	(ASa)	Ofgem
Andrew Gowland	(AG)	ENI
Anna Shrigley	(ASh)	ENI
Anna Stankiewicz	(ASt)	National Grid NTS
Brian McGlinchey	(BG)	Vermilion Energy
Chris Wright	(CWr)	Exxon Mobil
Colin Williams	(CW)	National Grid NTS
Dan Hisgett	(DH)	National Grid NTS
Dan Wilkinson	(DW)	EDF
David A Bayliss	(DB)	National Grid NTS
Davide Rubini	(DR)	Vitol
Debra Hawkin	(DHa)	TPA Solutions
Jeff Chandler	(JCh)	SSE
Joseph Glews	(JG)	Ofgem
Julie Cox	(JCx)	Energy UK
Kieran McGoldrick	(KM)	National Grid
Kirsty Appleby	(KA)	National Grid
Lauren Jauss	(LJ)	RWE
Marion Joste	(MJ)	ENI
Nick Wye	(NW)	Waters Wye Associates
Oliver Weston	(OW)	Ofgem
Oreoluwa Ogundipe	(OO)	Interconnector
Ritchard Hewitt	(RH)	Hewitt Home and Energy
Terry Burk6y7e	(TB)	Equinor

Copies of all papers are available at: <https://www.gasgovernance.co.uk/ntscmf/061222>

The Workgroup Report is due to be presented at the UNC Modification Panel by 15 December 2022.

Please note these minutes do not replicate/include detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of all papers are available at: <https://www.gasgovernance.co.uk/0823/061222>

## 1.0 Introduction and Status Review

### 1.1. Approval of Minutes (01 November 2022)

The minutes from the previous meeting were approved.

### 1.2. Approval of Late Papers

EF noted there were no late papers for consideration, all material was submitted within the timeframe.

### 1.3. Review of Outstanding Actions

**Action 1101:** National Grid (DH) to confirm the calculations of the Entry and Exit Point Entitlements have been made.

**Update:** It was confirmed this action response is featured in the analysis provided for the meeting. **Closed**

**Action 1102:** RWE (LJ) to demonstrate how different charges for the same 'service' were being applied.

**Update:** It was confirmed this action response is featured in the analysis provided for the meeting. **Closed**

**Action 1103:** National Grid (DH) to undertake a re-run of the data analysis to investigate the deviation of these quantities and definition of the components that make them up.

**Update:** It was confirmed this action response is featured in the analysis provided for the meeting. **Closed**

## 2.0 Review of additional data analysis

Lauren Jauss (LJ) was invited to update Workgroup with the presentation material provided for the meeting and satisfies outstanding Action 1102.

*Please note these minutes do not replicate/include detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of all papers are available at: <https://www.gasgovernance.co.uk/0823/061222>*

LJ explained that her analysis as shown on Slide 2 of her presentation shows that Shippers operating one shorthaul route each with a common entry point can currently get a larger discount for their customers than a single Shipper operating two routes.

LJ advised that RWE did a costed pipeline feasibility study after the new postage stamp regime was implemented which concluded that 1km of pipe would cost circa £5m.

LJ noted that Users of the *Modification 0728 B (Urgent) – Introduction of Conditional Discount for Avoiding Inefficient Bypass of the NTS with 28km distance cap* arrangements would work for them, however, it has been identified that the more unused capacity you have the more your own pipeline looks the more attractive.

When asked, LJ clarified that, from a customer point of view, and their offtake perspective, for short haul, the User must hold Entry and Exit Capacity and have to flow.

Please refer to the published presentation for more detail.

Dan Hisgett (DH) was invited to share his presentation which covered:

- Entry Eligible Quantities can exceed Exit Eligible Quantities Slide 2 to 4

JCx requested it to be acknowledged that Modification 0728B where shorthaul was born, was not an ideal situation.

- The Question of Discrimination Slide 5 to 9

DH noted that the same opportunity is available to a Shipper whether or not they are running two routes, it is in their gift to maximise the opportunity and get the same benefit and there are a number of tools available to shippers to be able to maximise that opportunity. He highlighted there is no discrimination as the same opportunity is available to all Shippers.

When LJ asked, DH clarified the suggestion that shippers should not book more capacity than they are going to use.

DH noted, if a shipper wants to bypass the network, they need to build a pipeline for their peak otherwise they are not bypassing the network.

RHe suggested, seeing as a shipper can take actions to avoid the difference in charges, the 2 sides of the argument is not going to be resolved at this Workgroup as Ofgem need to decide if the current charges are discriminatory or not. He advised the discussions are captured in the Workgroup Report.

CWi said that it should not be discriminatory, RWE are proposing a different approach, the current design, Ofgem needs to decide what if this is better than what we have now.

LJ confirmed the basis of the Modification is that the treatment for a multi-route User is different to a User just operating one route. LJ also noted that none of the Modification 0728B examples illustrate this issue and thinks it was overlooked.

JCx noted, reflecting back on the shorthaul arrangements, Modification 0728 was raised with Urgent status, there were no workgroups, therefore things being missed is to be expected. She said that is the challenge faced that will never capture when things are being progressed in short timescales.

ASh noted her recollection of the original Modification 0728 and the expectation of how shorthaul should work, her understanding is that the treatment for two routes should be same as a User using just one shorthaul route.

- Principles of the Conditional NTS Capacity Charge Discount (CNCCD) Slides 10 to 12
- Potential Impacts – Slides 13 to 19
- Legal Text – Slide 20 to 22
- ROM Details Slide 23 to 24

### 3.0 Self-Governance Status

EF referred to the Workgroup comments captured in the Workgroup Report and invited comments. He advised he will insert the November and December 2022 Workgroup discussions regarding the further analysis.

LJ noted, the conclusion of analysis has shown it would impact charges to the extent of £1.6m, which is the materiality threshold for Self-Governance status.

JG requested that the following paragraph from the Ofgem Implementation decision for *Modification 0779/A - Introduction of Entry Capacity Assignments*, is inserted in the Workgroup Report:

**UNC779/A Ofgem decision (page 7):**

*Finally, the Alternative Proposer argues that there is currently a risk of Users bypassing the NTS and that their proposed modification would discourage this. They claim that an ‘increased incidence of inefficient bypass’ would result in higher Entry Capacity Reserve Prices than the increased accessibility to discounts available through the implementation of UNC779A. We are not convinced by this argument. First, we note that no at-risk routes have been identified by the Alternative Proposer. Secondly, as stated in our UNC678A and UNC728B decisions, the principle of a short-haul discount should be to “reduce the number of routes which continue to present a credible bypass risk, while minimising the amount of discount that is provided to achieve this”. When we approved UNC728B, we found that the CNCCD would be effective in disincentivising bypass for the vast majority of routes that we considered to be at risk of bypass without a short-haul discount.*

### 4.0 Relevant Objectives

It is proposed that this Modification is positive for Relevant Objective a) *Efficient and economic operation of the pipe-line system* and d) *Securing of effective competition: (i) between relevant*

*shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.*

JCx commented that Relevant Objective a) is neutral unless and until a bypass is built.

EF captured Workgroup comments in support or oppose of the comments made by the Proposer.

## **5.0 Benefits**

### **Consumer Benefits Table:**

EF noted October and November Workgroups and summarised the discussions previously held and captured within the Workgroup Report. It was further noted that Workgroup had agreed that none of the debate for or against this Proposal sets out to challenge the underlying principles of shorthaul. EF captured further comments from Workgroup participants in the Workgroup Report.

CWi clarified that the 'Customer' in this case is the Shipper and the National Grid relationship is with the Shipper, not the Direct Connects.

LJ mentioned an important comment made by Anna Shrigley to note in the Workgroup Report:

A lot of the contracts between Shipper and End Consumer will be closely related to the UNC. A lot of the I&C End Consumers are very well informed, and an I&C End Consumer would be looking for a Shipper that does not already have a Short haul route at their location, mainly because they would not want to become part of a multi route.

Workgroup had a lengthy debate regarding transparency and EF captured participants comments in the Workgroup Report as necessary.

DHi confirmed, for the Workgroup Report, that the level of discount is fixed, it is the Eligible Quantity (EQ) that will change.

## **6.0 Funding Costs (RoM)**

From the Workgroup Report:

Analysis presented by National Grid suggests a cost of approximately £102,000 – £132,000 to implement the change.

No expected ongoing costs.

Delivery time approximately 13-15 weeks including Post Implementation Support. Project stand up time will be dependent on whether this is a stand-alone project or if it is incorporated into ongoing system enhancements (Gemini Sustain Plus).

## **7.0 Legal Text**

DH advised the amendment to UNC would be a simple change and shared a view of the changes that will be required.

The Proposer confirmed their support that the Legal Text meets the intent of the solution.

## **8.0 Next Steps**

EF asked Workgroup for a positive comment that the Workgroup Report can be submitted to the UNC Modification Panel on 15 December 2022.

It was noted that the Self-Governance point is not unanimous.

No participants disagreed when asked that the recommendation to UNC Modification Panel is that it goes to consultation.

EF confirmed he will tidy the Workgroup Report to insert material from the presentations and it will then be published and submitted to UNC Modification Panel on 15 December 2022.

**9.0 Any Other Business**

None.

**10.0 Diary Planning**

Further details of planned meetings are available at: [www.gasgovernance.co.uk/events-calendar/month](http://www.gasgovernance.co.uk/events-calendar/month)

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
No further meetings			

**Action Table (as of 06 December 2022)**

Action Ref	Meeting Date(s)	Minute Ref	Action	Reporting Month	Owner	Status Update
1101	01/11/22	2.0	National Grid (DH) to confirm the calculations of the Entry and Exit Point Entitlements have been made.	December 2022	National Grid (DH)	<b>Closed</b>
1102	01/11/22	2.0	RWE (LJ) to demonstrate how different charges for the same 'service' were being applied.	December 2022	RWE (LJ)	<b>Closed</b>
1103	01/11/22	2.0	National Grid (DH) to undertake a re-run of the data analysis to investigate the deviation of these quantities and definition of the components that make them up.	December 2022	National Grid (DH)	<b>Closed</b>