

**UNC 0606S Workgroup Minutes  
National Grid Gas plc and National Grid Gas Distribution Limited  
transitional invoicing arrangement post Project Nexus  
implementation**

**Thursday 26 January 2017**

**at Consort House, 6 Homer Road, Solihull B91 3QQ**

**Attendees**

Bob Fletcher (Chair)	(BF)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Andrew Margan*	(AM)	British Gas
Angela Love*	(AL)	ScottishPower
Carl Whitehouse*	(CWa)	first utility
Chris Warner	(CW)	National Grid Gas Distribution
Colette Baldwin	(CB)	E.ON Energy
David Byrne	(DB)	National Grid Gas Distribution
Gavin Anderson*	(GA)	EDF Energy
Hilary Chapman	(HC)	Scotia Gas Networks
John Burke	(JB)	National Grid Gas Distribution
Jon Dixon*	(JD)	Ofgem
John Welch	(JW)	npower
Kathryn Turner*	(KT)	Good Energy
Kishan Nundloll*	(KN)	ES Pipelines
Lorna Lewin	(LL)	DONG Energy
Mark Jones	(MJ)	SSE
Rachel Hinsley	(RH)	Xoserve
Rebecca Hailes	(RH <sub>a</sub> )	Joint Office
Richard Pomroy*	(RP)	Wales & West Utilities
Sabrina Salazar	(SS)	National Grid Gas Distribution
Shanna Key	(SK)	Northern Gas Networks
Steve Mulinganie	(SM)	Gazprom
Steven Britton*	(SB)	Cornwall Energy

\* via teleconference

Copies of all UNC meeting papers are available at: <http://www.gasgovernance.co.uk/0606/260117>

The UNC Workgroup Report is due to be presented at the UNC Modification Panel by 16 March 2017.

**1.0 Introduction and Status Review**

**1.1. Approval of Minutes (22 December 2016)**

The minutes of the previous meeting were approved.

**2.0 Consideration of Amended Modification**

When asked, CW advised that National Grid Gas Distribution Limited are not proposing to amend the modification at this time.

### 3.0 Development of Workgroup Report

A short onscreen review of the draft Workgroup Report (version 0.1, dated 18 January 2017) was undertaken with the main focus being on the proposed legal text.

DB provided a brief explanation to the legal text during which SM suggested that the 'for avoidance of doubt' statement should reside under paragraph 2.2 provisions (as a more general indemnity statement that seeks to protect Shippers from the consequences associated with a failure of either NGGDL or National Grid NTS to do something correctly etc.), rather than the more narrow paragraph 5.1. Responding, DB agreed to consider the matter, although he asked participants to note that the risk for failing to provide invoices and credits was with NGGDL/National Grid NTS as the Shipper would be entitled to fall back on the Net position (*please see the update to action 1201 below*).

In light of the above brief discussion and the further discussions undertaken under item 4.0 below (and the outstanding actions), further consideration of this item was deferred until the next meeting with the aim being to submit the Workgroup Report to the March 2017 Panel meeting.

### 4.0 Review of Actions Outstanding

**1201:** NGGDL (CW) to clarify what and how, Value at Risk (VAR) would be calculated under the provisions of the modification.

**Update:** JB provided a brief overview of the 'Value at Risk' presentation during which several Shipper representatives in attendance voiced their concerns around the two identified risks outlined on the final slide.

Whilst the general consensus was that the second risk is limited in its impact, some parties suggested that it would be better if the modification sought to better protect Shippers from the exposure, as they are unable to manage this risk. It was suggested that NGGDL/National Grid NTS should look to 'carry the risk' as it was National Grid's commercial decision in the first instance that exposed Shippers. Responding, DB explained how the proposed legal text (i.e. paragraphs 2.2 and 5.1) offsets the risk to Shippers by looking to adopt a Net position. During further discussion, DB agreed to consider providing an additional 'For the Avoidance of Doubt' statement within the legal text to address Shipper consequential risk exposure. CW advised that in light of this proposed change, he would update the presentation ready for its second airing at the forthcoming Transmission Workgroup meeting.

**New Action 0102: NGGDL (DB and CW) to consider adding a 'For the Avoidance of Doubt' statement within the legal text to address Shipper consequential risk exposure.**

When asked, DB confirmed that in instances where a breach in Code is deemed to have taken place, it would be either NGGDL or National Grid NTS who were the parties in breach.

Focusing once again on the second risk, SM enquired whether or not post the Project Nexus Implementation Date (PNID), any erroneous monies could / would be moved to the correct account on the occasion that said Shipper grants permission to NGGDL/National Grid NTS for them to move the monies from the wrong account into the correct account. Responding, DB explained in detail how the NGGDL/National Grid NTS bank accounts would work, and how the relationships with individual Shippers (under these instances) would also be expected to work. JB then advised that to date, only one instance of a Shipper paying into the incorrect bank account had been experienced.

Several parties had a subtly different view on how the process could / should work and cited the 'original' Blackwater agreements as a better basis on which to model any proposals.

**New Action 0103: Reference VAR risk two - NGGDL (JB) to consider adoption of a potential transferring mitigation strategy for erroneous payments (i.e. moving monies from the wrong bank account into the correct one).**

When asked, parties agreed that in light of the two new actions, the original action 1201 could now be closed. **Closed**

**0101: Reference Invoicing Solution requiring Shipper involvement** - NGGDL (CW) to provide a clear explanation of what other options have been considered and why they have been discounted, and why this current proposition requiring Shipper involvement is perceived to be the most appropriate. CW also to include these explanations in the Q and A document and republish.

**Update:** BF opened by explaining that this particular action had been transferred in from the Transmission Workgroup before handing over to DB who gave an overview of the short presentation.

DB explained that the presentation had been compiled with the assistance of Xoserve and seeks to provide evidence of how and why the decision around options had been undertaken.

Workgroup attention focused mainly on the final slide and option 4 in particular where some parties question the use of the term 'combined invoice'. Responding, DB explained how previously (under UNC Modification 0592S provisions) there was a single National Grid Gas invoice based on a single National Grid Company perspective (Distribution/NTS). When it was clear that several parties felt that the previous Blackwater (hivedown) transitional trust agreement approach was a better option, DB agreed to consider and provide an update at the next meeting. RP also explained that his colleague Sue Davies had advised him of how the previous Blackwater provisions had successfully worked from a Wales & West Utilities perspective.

**New Action 0104: Reference Invoicing Solution requiring Shipper involvement - NGGDL (DB) to consider adoption of a similar model to the previous Blackwater (hivedown) transitional trust agreement based approach for invoicing.**

When asked when these provisions could be expected to come into effect, CW advised that it would be circa 12 – 18 months delay, although the aim is to get them in as soon as practicably possible, which may or may not necessitate the raising of a UNC modification – in essence, it is up to the industry to prioritise requirements and delivery (subject to the change processes being implemented by FGO and the prioritisation of implementation matters and Project Nexus delivery impacts etc.).

When asked who would be expected to 'fund' the provisions, CW and DB confirmed that this would be National Grid plc, on the grounds that it is outside of the regulated arena (i.e. under parent / child provisions where National Grid plc will pay Xoserve directly) – a notice will be provided in due course outlining delivery and fall away provisions.

CW advised that the summary table had also been added to the Q&A paper.

When asked, those in attendance agreed that this action could now be closed from a Distribution Workgroup perspective. **Closed**

## 5.0 AOB

None.

## 6.0 Next Steps

BF proposed that at the next meeting the Workgroup would consider any amendments made to the modification with a view to continuing development of the Workgroup Report.

## 7.0 Diary Planning

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

Workgroup meetings will take place as follows:

Time/Date	Venue	Workgroup Programme
10:30 Thursday 23 February 2017	Elexon, 350 Euston Road, London NW1 3AW	Standard agenda plus • Completion of Workgroup Report

**Action Table (as at 26 January 2017)**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1201	22/12/16	1.0	To clarify what and how, Value at Risk (VAR) would be calculated under the provisions of the modification.	NGGDL (CW)	Update provided. <b>Closed</b>
0101	05/01/17 <i>(transferred in from TX WG)</i>	1.0	Invoicing Solution requiring Shipper involvement – CW to provide a clear explanation of what other options have been considered and why they have been discounted, and why this current proposition requiring Shipper involvement is perceived to be the most appropriate. CW also to include these explanations in the Q and A document and republish.	NGGDL (CW)	Update provided. <b>Closed</b>
0102	26/01/17	4.0	To consider adding a 'For the Avoidance of Doubt' statement within the legal text to address Shipper consequential risk exposure.	NGGDL (DB/CW)	<b>Pending</b>
0103	26/01/17	4.0	<i>Reference VAR risk two</i> - NGGDL (JB) to consider adoption of a potential transferring mitigation strategy for erroneous payments (i.e. moving monies from the wrong bank account into the correct one).	NGGDL (JB)	<b>Pending</b>
0104	26/01/17	4.0	<i>Reference Invoicing Solution requiring Shipper involvement</i> - NGGDL (DB) to consider adoption of a similar model to the previous Blackwater (hivedown) transitional trust agreement based approach for invoicing.	NGGDL (DB)	<b>Pending</b>