

UNC Transmission Workgroup

Thursday 07 June 2018

at Elexon, 4th Floor, 350 Euston Road, London NW1 3AW

Attendees

Rebecca Hailes (Chair)	(RH)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Andrew Blair	(AB)	IUK
Andrew Pearce	(AP)	BP
Anna Shrigley	(AS)	ENI
Charles Ruffell	(CR)	RWE
Colin Hamilton	(CH)	National Grid NTS
Gerry Hoggan	(GH)	ScottishPower
George McGregor*	(GMc)	Utilita
Graham Jack	(GJ)	Centrica
Jeff Chandler*	(JCh)	SSE
Jelle Krouwel	(JK)	BBLC
John Costa	(JCo)	EDF Energy
Jon Dutton*	(JD)	National Grid NTS
Julie Cox	(JCx)	Energy UK
Justin Goonesinghe	(JG)	National Grid NTS
Mark Rixon*	(MH)	Engie
Neville Henderson	(NH)	BBLC
Nicola Lond	(NL)	National Grid NTS
Nick King	(NK)	CNG Services
Nick Wye	(NW)	Waters Wye Associates Limited
Pavanjit Dhese	(PD)	Interconnector
Phil Hobbins	(PH)	National Grid NTS
Robin Dunne	(RD)	Ofgem
Richard Fairholme*	(RF)	Uniper
Shiv Singh*	(SS)	Cadent
Steven Britton*	(SB)	Cornwall
Steve Pownall	(SP)	Xoserve
Terry Burke	(TB)	Equinor UK Ltd

*via teleconference

Copies of all papers are available at: <https://www.gasgovernance.co.uk/tx/070618>

1. Introduction and Status Review

Opening the meeting, RH reminded all parties that materials should be provided at least 5 (clear) business days prior to the meeting (unless exceptional circumstances prevail). She went on to note that six items had been provided the day before.

When asked why the draft 0628S Workgroup Report was not available on the Joint Office web site, RH apologised for the omission and explained that the document had now been published before the meeting commenced.

1.1. Approval of Minutes (16 May 2018)

The minutes from the previous meeting were approved.

1.2. Ofgem Update

RD provided a brief overview of the Industry update, covering the following topics:

- Gas NIC Full Submission guidance and spreadsheet 2018;
- Approval of NGG's proposal for entry capacity substitution in respect of Cheshire NTS Entry Point;
- Informal consultation on RIIO-1 price control reopeners (May 2018). When it was noted that some parties believe that there are some timing concerns that could potentially limit stakeholders' ability to submit comments, RD agreed to double check the current status for this 'informal' consultation, and consider an extension.

New Action 0601: Reference RIIO-1 Price Control Reopeners Consultation – Ofgem (RD) to consider an extension to the consultation period.

- RIIO-2 Framework Review Workshops.

When asked, the Workgroup indicated that they are happy with the format and content level of the Ofgem updates.

1.3. Pre-Modification Discussions

1.3.1. Revenue Recovery at combined ASEPs

CH provided an overview of the proposed National Grid modification during which he confirmed that the expectation is to focus the modification around 2019 implementation requirements (i.e. unused and abandoned capacity etc.) and thereafter, look at future 2021 requirements at a later date.

Focusing attention on the '*Proposed Mod for Treatment at Combined ASEPs*' slide, CH advised that topics such as the status change at Rough are NOT being considered as part of this proposed modification – in short, the modification is effectively an interim (2 year) modification (depending on which of the 0621 suite of Modifications is implemented) that seeks to establish an important principle. It was suggested that consideration of whether or not the modification should / would provide an interim or enduring solution should be undertaken as part of the development of the modification going forwards.

CH noted that the proposed calculation might need tweaking in due course, but forms a sound starting point in its present form.

In considering the '*Possible solution for Treatment at Combined ASEPs*' slide, CH pointed out that this modification might well be withdrawn at some point, subject to which 0621 modification is approved. SP confirmed the subject matter has already been assessed during 0621 system development.

Moving on to examine the '*Key questions*' slide, when asked CH confirmed that National Grid NTS expects to monitor (and manage) the secondary market traded capacity (inc. exempt capacity) aspects via monthly Gemini (fully adjusted

capacity) reports where capacity is either transferred in or out from abandoned capacity – an approach that Xoserve has already confirmed it is happy with.

CH added that whilst the expectation is for exempt capacity to reduce to zero at some point, he does recognise that further consideration would be undertaken during development of the modification. CH then went on to provide a brief explanation around how the entitlement and charging principles could possibly work before pointing out to those present, that National Grid would be testing the proposed formula using data (figures) in due course. NW suggested that a longer-term view around future trade elements would be beneficial.

When asked, CH advised that the intention is to formally raise the modification in time for consideration at the 21 June 2018 Panel meeting. RH confirmed that the deadline for submission of a new modification for consideration at the June Panel meeting would be close of play (17:00) on Friday 08 June 2018.

The Workgroup then undertook a brief discussion on whether or not the proposed requirements would potentially apply across the suite of 0621 modifications, especially how 0621B might not require this proposed solution.

It was suggested, and RD acknowledged that if Ofgem could provide a view around 'abandoned' storage principles / concepts, that would be helpful.

1.3.2. Reconciliation and Imbalance Cash Out Prices

Introducing this proposed UNC Request, GMc provided a brief explanation behind the rationale for raising it and outlined what Utilita believe are the three possible solutions. It was noted that Utilita have previously discussed this as a pre-modification at Distribution Workgroup.

During a brief debate, SP explained how the Gemini system works before reminding those in attendance that the respective electricity and gas market 'balancing / timing' aspects are different – GMc agreed to consider the point, especially in terms of solution B feasibility aspects.

When SP pointed out that Shippers do not have the capability to submit NDM nomination submissions as this is done automatically by the Gemini system, PH wondered why Shippers appear to feel that they could do a better job than Xoserve (Gemini) in this respect. Responding, NW suggested that Shippers feel that they are potentially (indirectly) contributing to National Grid's forecast performance, and more importantly should not be penalised for any potential errors in NG's forecast. NW did not fully support the proposed solution, but did believe that there was merit in raising a UNC Request to investigate the matter in more detail.

SP suggested that UIG aspects should also be included within the Request.

PH advised that National Grid believes that this could involve significant changes to the Gemini / UK Link (SAP) systems, and therefore potentially involves significant materiality aspects, that would need careful consideration.

GMc indicated that he would take on board the feedback provided by Workgroup participants before formally raising the request for consideration at the 21 June 2018 Panel meeting.

Once again, RH confirmed that the deadline for submission of a new modification for consideration at the June Panel meeting would be close of play (17:00) on Friday 08 June 2018.

2. European Update

PH provided an overview of the National Grid presentation pack, during which the key discussion points were captured (by exception), as follows:

EU update

Changes to EU Gas Network Codes

The European Commission (EC) said there should be no changes to the EU Gas Network Codes that have been highlighted at previous Workgroup meeting.

EU Data Exchange

In providing a brief overview of the potential alternative solution for the IX provisions, PH explained the history behind why we are currently utilising the IX, rather than Edigas-XML (AS2/AS4) based solutions.

PH suggested that the real question relates to what level of appetite the GB market participants have to opt for the 'Common Data Exchange Solutions', rather than sticking with the IX provisions, especially when considering that there are 'limited' options relating to how 'the GB market' might meet any obligations – in short, it is a 'balance' between the various investment and utilisation considerations.

PH pointed out that further information relating to this matter is available under the March and May 2018 Transmission Workgroup materials.

When asked whether the Workgroup would welcome an early view of National Grid's proposed response on this matter, the Workgroup indicated that it would.¹

Gas Regulatory Change Programme Update

EU/GB Charging Programme Update

CH provided a brief update on slides 15 through to 17 during which there were no adverse comments provided by Workgroup participants.

Gemini Sustain Programme Update

In providing a brief progress update, PH explained that the matter has been mostly considered within the Operational Forum discussions.

PH then went on to advise that National Grid is hosting a workshop in London on Tuesday 12 June 2018, the invite for which, was issued by National Grid on 24 May 2018 – should any party wish to attend the workshop, please register by close of play today (17:00 Thursday 07 June 2018), as there are currently 15 places left.

3. Workgroups

3.1. **0628S - Standard Design Connections: PARCA process**

(Report to Panel 21 June 2018)

<https://www.gasgovernance.co.uk/0628>

3.2. **0629S - Standard Design Connections: A2O connection process modification**

(Report to Panel 21 June 2018)

<https://www.gasgovernance.co.uk/0629>

4. Industrial Emissions Directive Update

When RH confirmed that National Grid had not provided any materials relating to this item prior to the meeting, JCo pointed out that Ofgem had already published information and that she believes that a two week consultation (reopener for RIIO-1) is already under way.

JD (National Grid) dialed into the meeting and provided a brief update explaining that the conclusions stage has already been reached and that this is now the last chance for parties to provide feedback on the proposals. When JD confirmed that in essence it is now too late to consider the matter at the July Workgroup meeting, RH suggested that this item should now become part of the Ofgem update

¹ Post meeting note: a copy of the National Grid response to the EU Data Exchange Consultation has been published under the 07 June 2018 Transmission Workgroup papers at: <https://www.gasgovernance.co.uk/tx/070618>

5. Gas Industry Change Plan

JG provided an overview of the National Grid presentation during which attention initially focused on the 'stakeholder panel' aspects, especially composition and membership requirements.

When asked when National Grid expects to include other DNs and industry stakeholders in proceedings, JG explained that he would very much welcome views on the matter – it was noted that this may be heavily dependent upon the true potential scope of this initiative, especially as there are multiple initiatives going on throughout the industry at this time.²

Some parties suggested that care is needed around the use of the title "Gas Industry Change Plan", as it could be potentially misleading.

New Action 0602: Reference the Gas Industry Change Plan - National Grid NTS (PH) to clarify the role and constitution of the 'stakeholder panel' and provide a link to the relevant National Grid web site page.

Moving on to examine the 'Draft Gas Industry Change Plan Topics' slides, JG explained that currently these are provided as a good starting point which are expected to be refined further going forwards. Timeline clarification will be provided in due course including supporting narrative.

Looking at the items included already on the list, JCo observed that some of these would 'naturally' fall under either the UNC and/or Transmission Workgroup arena, and as a consequence, it is important to 'target' the correct audience. Responding, JG recognised that perhaps another forum looking at the wider strategic gas market future might be more appropriate. It was also suggested that in reality, it maybe an item that impacts multiple industry parties across a wide range of different forums.³

In briefly considering the 'Potential framework options for discussion' slide, RH suggested that consideration of Ofgem/Government engagement and participation (plus inclusion of trade associations etc.) would be beneficial.

New Action 0603: Reference the Gas Industry Change Plan - National Grid NTS (PH) to provide a link to the new National Grid 'Your Energy Future' web site.

6. BBL Physical Reverse Flow project

NH and JK provided a joint overview of the 'BBL Reverse Flow Project' presentation during which NH confirmed that BBL do not at this present time have Materially Affected Party (MAP) status confirmed by Ofgem.

There followed an excited debate relating to the main issue of whether or not all of the CAM standardised NTS exit capacity products are made available to shippers by October 2019. BBL argued that expiration of IUK long term contracts and the BBL reverse flow project mean it's no longer appropriate for all the NTS exit capacity at Bacton allocated to the Bacton IUK exit point to be solely allocated to IUK and this capacity should be shared with BBL.

PH advised that whilst he has not seen the National Grid feasibility report relating to these proposals, he would anticipate that there could be some potentially significant (National Grid) investment costs involved. When asked, BBL confirmed that they would not be prepared to underwrite this investment on the National Grid side, and as a consequence, had discarded it as an option.

New Action 0604: Reference the BBL Physical Reverse Flow proposals - National Grid NTS (PH) to discuss with his National Grid colleagues to ascertain, what if any,

² Post meeting update: National Grid have provided the following link to the establishment of the 'Stakeholder Group' (ref. slides 19-21) available to view and/or download from the National Grid web site at: https://consense.opendebate.co.uk/files/nationalgrid/transmission/TN_Building_our_business_plans_webinar.pdf

³ Post meeting update: National Grid have provided a link to the 'Your Future Energy' information available to view and/or download from the National Grid web site at: <http://youenergyfuture.nationalgrid.com/>

information from their discussions with BBL can, or cannot be provided (i.e. non commercially sensitive information).

When asked, NH explained that BBL believes competing auctions is the best method to address the issue, on the grounds that it is transparent, market driven and non-discriminatory, although he did recognise that it needs a UNC Modification and Licence change. PH asked for it to be recorded that National Grid had **NOT** advised BBL that the (only) way in which to address their concerns and requirements is through a competing auctions related UNC Modification, and that National Grid are not committed to the proposed competing auctions solution.

When GJ enquired whether ASeXP was the concept behind the proposals, NH suggested that the solution could look a bit like Moffat. A brief discussion around whether or not off-peak capacity or substitution of capacity would be a potential solution was also undertaken.

PD advised that IUK are surprised and seriously concerned by the (BBL) proposals. It was not just a Bacton IP issue as IUK believes the proposals have the potential to sterilise a quarter of IUK exit capacity with knock on effects to the Zeebrugge IP and bundling with the Fluxys network. IUK believed this proposal was jumping to a solution without going through established process and assessing market demand for Grid capacity.

Moving on IUK stated that:

- There are two separate Bacton Exit IPs. IUK's capacity with Grid is technically matched as wanted by European rules. BBL is a separate issue and what it is proposing is a mismatched solution, which IUK does not believe is in line with EU rules; these seek a coordinated approach to incremental where needed.
- IUK noted the EU CAM incremental rules, Security of Supply Regulations and the IP PARCA outlined clear and consistent rules for a coordinated approach to incremental capacity needs across IPs. It ensures a proper market demand assessment of need and options and opportunity to respond. IUK believed high demand in the summer of 2017 over the IUK pipeline gave a strong indication the technical capacity allocated to the IUK exit point was still needed.

However, one Workgroup participant argued that the proposals would not necessarily sterilise capacity, but rather would open it to competition. Responding, PD advised that he does not see a case to deviate from the (current) IP PARCA process.

NH explained that BBL believe that there is increased demand and have decided to increase their capacity which means increase on both sides of the flange. PD suggested that BBL are effectively proposing substituting capacity from IUK without due process being followed. PD also argued that whilst the IP PARCA approach is consistent with CAM and SoS Regulations that require a coordinated assessment of market demand, investment only when and if economically viable, the BBL proposals appear to circumvent these principle requirements.

PD thought that the proposals are lacking in detail and potentially set a dangerous precedent for other users that have capacity allocated to their entry or exit point in that the right and proper PARCA process can be bypassed – in short, **'due process'** has to be followed here. BBL replied that the CAM reference is designed such that TSOs do not strand capacity and they do not regard what they want as incremental. If this route is blocked then it could be regarded as anti-competitive.

In reminding those present that the IP PARCA is the current process, PH pointed out that it is open to any party to the UNC to propose a rule change. When NH advised that BBL would think about how it can be put into the process, some parties questioned how this would be achieved, as they (BBL) are not currently a UNC party. Responding, NH explained that BBL are currently exploring achieving MAP status.

When asked whether or not BBL had considered a non-obligated capacity based approach, NH responded by explaining that National Grid has indicated that this is extremely short notice capacity, and as a consequence was possibly not the best option.

Concluding discussions, NH indicated that he would consider the points and concerns voiced by the Workgroup before deciding on the best way to progress this matter.

7. Issues

ISS066 – Implications of decommissioned Exit/Entry points update

Consideration deferred.

8. Any Other Business

8.1. Impact of Decommissioned Sites

Consideration deferred.

8.2. Charles Ruffell Retirement

It was noted that this would be Charles Ruffell's last Transmission Workgroup meeting prior to his retirement from RWE.

RH thanked Charles for his support and contribution to the industry as a whole, and the Transmission Workgroup in particular, over the years.

9. Review of Outstanding Actions(s)

0401: National Grid (NL) to confirm if this issue is being considered as part of RIIO-T2. Issue to be considered at June 2018 meeting.

Update: It was agreed that this action had been completed within the main National Grid presentation and could therefore be closed. **Closed**

0402: National Grid (PH) to clarify how GTYS gas limits are set, who controls them and how they change over time.

Update: It was agreed that this action had been completed within the main National Grid presentation and could therefore be closed. **Closed**

0628 0102: National Grid NTS (PH) to provide information on how often National Grid NTS had accepted or declined non-obligated capacity requests in the past.

National Grid NTS to provide some constraint reasons for rejection of non-obligated capacity going back to Exit Reform 2012.

National Grid NTS to provide the same level of information given for long term non-obligated rejections for short term capacity.

Update: PH advised that this is related to the CLoCC modifications and should remain outstanding for the time being. **Carried Forward**

10. Diary Planning

Further details of planned meetings are available at:

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

Time / Date	Venue	Workgroup Programme
14:00 Monday 11 June 2018	Teleconference only meeting	Transmission Workgroup abridged Agenda + sign off of Workgroup Reports 0628S and 0629S
10:00 Thursday 05 July 2018	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Transmission Workgroup standard Agenda

10.00 Thursday 02 August 2018	Elexon, 350 Euston Road, London NW1 3AW	Transmission Workgroup standard Agenda
10.00 Thursday 06 September 2018	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Transmission Workgroup standard Agenda
10.00, Thursday 04 October 2018	Elexon, 350 Euston Road, London NW1 3AW	Transmission Workgroup standard Agenda
10.00, Thursday 01 November 2018	Elexon, 350 Euston Road, London NW1 3AW	Transmission Workgroup standard Agenda
10.00, Thursday 06 December 2018	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Transmission Workgroup standard Agenda

Action Table (as at 07 June 2018)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0401	05/04/18	4.0	National Grid (NL) to confirm if this issue is being considered as part of RIIO-T2. Issue to be considered at June 2018 meeting.	National Grid NTS (NL)	Update provided. Closed
0402	05/04/18	6.0	National Grid (PH) to clarify how GTYS gas limits are set, who controls them and how they change over time.	National Grid NTS (PH)	Update provided. Closed
0628 0102	04/01/18	2.0	National Grid NTS (PH) to provide information on how often National Grid NTS had accepted or declined non-obligated capacity requests in the past. National Grid NTS to provide some constraint reasons for rejection of non-obligated capacity going back to Exit Reform 2012. National Grid NTS to provide the same level of information given for long term non-obligated rejections for short term capacity.	National Grid NTS (PH)	Carried Forward
0601	07/06/18	1.2	<i>Reference RIIO-1 Price Control Reopeners Consultation</i> – Ofgem (RD) to consider an extension to the consultation period.	Ofgem (RD)	Pending
0602	07/06/18	5.	<i>Reference the Gas Industry Change Plan</i> - National Grid NTS (PH) to clarify the role and constitution of the 'stakeholder panel' and provide a link to the relevant National Grid web site page.	National Grid NTS (PH)	Pending

0603	07/06/18	5.	<i>Reference the Gas Industry Change Plan - National Grid NTS (PH) to provide a link to the new National Grid 'Your Energy Future' web site.</i>	National Grid NTS (PH)	Pending
0604	07/06/18	6.	<i>Reference the BBLC Physical Reverse Flow proposals - National Grid NTS (PH) to discuss with his National Grid colleagues to ascertain, what if any, information from their discussions with BBL can, or cannot be provided (i.e. non commercially sensitive information).</i>	National Grid NTS (PH)	Pending