

UNC Transmission Workgroup Minutes
Thursday 06 September 2018
at Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA

Attendees

Rebecca Hailes (Chair)	(RH)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Adam Bates	(AB)	South Hook Gas
Andrew Blair*	(ABI)	Interconnector
Andrew Pearce	(AP)	BP
Angharad Williams*	(AW)	National Grid NTS
Bill Read	(BR)	RWE Supply & Trading GmbH
Colin Hamilton	(CH)	National Grid NTS
Jeff Chandler*	(JCh)	SSE
John Costa*	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Malcolm Montgomery	(MM)	National Grid NTS
Nick King	(NK)	CNG Services
Nick Wye	(NW)	Waters Wye Associates
Penny Jackson*	(PJ)	Npower
Phil Hobbins	(PH)	National Grid NTS
Richard Fairholme*	(RF)	Uniper
Robin Dunne	(RD)	Ofgem
Shiv Singh*	(SS)	Cadent
Sinead Obeng	(SO)	Gazprom Marketing & Trading
Steven Britton*	(SB)	Cornwall
William Webster*	(WW)	Oil & Gas UK

*via teleconference

Copies of all papers are available at: <https://www.gasgovernance.co.uk/tx/060918>

1. Introduction and Status Review**1.1. Approval of Minutes (02 August 2018)**

The minutes from the previous meeting were approved.

1.2. Ofgem Update

Robin Dunne (RD) provided a brief verbal overview of the Industry update, promising to provide a hardcopy summary to the Joint Office for publication following the meeting.

The Ofgem update covered the following topics:

- Minutes and presentations from the 26th and 27th BEIS-Ofgem European Stakeholder Group meeting for Gas;
- Network Innovation Competition – Changes to Project Direction for Low Carbon Gas Preheating (LCGP);

- RIIO-GT1 Price Control Financial Model following the modifications to implement PARCA arrangements and the funding decision on the Fleetwood entry point;
- Consultation on RIIO-1 price control reopeners (May 2018);
- Direction to modify the GD1 Price Control Financial Model with respect to SGN's Voluntary Return, and
- Greenhouse Gas Emissions Incentive: Licence and Regulatory Instructions inconsistencies.

There were no adverse comments provided during the course of the discussions.¹

1.3. Pre-Modification Discussion

1.3.1. Net Present Value Test – Reservation of Incremental Capacity - (AB)

In introducing this item, RH advised that work remains ongoing between the Joint Office and the Proposer (South Hook Gas Company) in preparing this proposed Urgent Modification for submission to the Authority by close of play today, 06 September, for a view on whether or not it is suitable for Urgent status.

RH also pointed out that if needed, the extraordinary UNC Panel meeting already scheduled for Monday 10 September 2018 could consider the modification at short notice, as the timescales involved are extremely aggressive.

In support of his modification, AB then provided a brief overview of the South Hook Gas *'Inclusion and Amendment of Entry Incremental Capacity Release NPV test in UNC'* presentation, during which he justified the rationale behind the request for Urgent status, especially how users could be restricted from buying capacity at Milford Haven. It was noted that the problem essentially invokes 'an artificial closure of the market'. AB summarised that the NPV provisions are out dated.

When AB explained that experiencing 11 incremental signals over a 7 year period, suggests a sustained issue, JCx also noted that seasonal bookings have also compounded the problem. It was agreed that South Hook Gas having to signal four times their actual requirement, is not an efficient or effective process.

In reviewing the *'Background to the NPV Test'* slide, it was noted that originally the existing (potentially flawed) PARCA process was simply a rollover from previous industry processes. In explaining that the Methodology Statement is reviewed by National Grid every 2 years, AB suggested that there is a sound precedent for including its governance within the Uniform Network Code (hereafter referred to as Code) going forwards.

JCx reminded those in attendance that Energy UK has long campaigned for the various industry methodologies to be included within Code. JCx went on to advise that Energy UK had very recently been discussing the matter with Ofgem, and that in Energy UK's view, licence changes would also be needed once all the methodologies are included within Code. In summary, this is not the first time the industry has had to raise a modification to include a methodology within the Code. In noting that the proposed timetable includes three Workgroup meetings, RH suggested that the details required for the inclusion and modification of the NPV test would be assessed during these discussions to enable the production of legal text.

¹ A copy of the Ofgem update provided after the meeting is published alongside these minutes on the Joint Office web site at: <http://www.gasgovernance.co.uk/tx/060918>

When asked whether or not he had considered aligning the Exit / Entry PARCA arrangements as part of the modification, AB explained that the modification is looking to provide as simple a solution as possible in order to address **Entry** related NPV concerns. At the same time, it was noted that Exit only requires a four year commitment and as a consequence, involves a far simpler process than Entry.

During a brief review of the *'Problem with passing the current NPV test'* slide, MM pointed out that the proposed costs are not necessarily an accurate assessment of the potential investment costs. It was noted that regardless of the actual figures involved, it does demonstrate that there is any underlying weakness around the NPV test.

In pointing out the potential £1.2bn cost, AB suggested that this is wholly disproportionate to what South Hook Gas actually needs.

When BR enquired whether or not National Grid would need to undertake some (Incremental Investment related) building works, AB responded by indicating that they would, on the grounds that Wales already has a 'constrained' network and upgrade investment would be required. It was noted that it is extremely unlikely that National Grid would be able to complete any building works within the current climate timescales, should this (modification) solution be approved..

When asked, AB advised that South Hook Gas perceives the proposed solution as an enduring one which also incentivises further investment in the GB Gas Network. Supporting the proposed solution, NW outlined the rationale behind fixing validations earlier in the process and retaining them thereafter. AB then went on to outline the concerns around National Grid being able to close a PARCA (at a later date, such as four years down the line) and how this introduces a level of concern for impacted parties.

When asked, AB confirmed that the modification is NOT looking to change reserve prices.

During a quick review of the *'Appendix 1 – Incremental Capacity Premium Calculation Example'* slide, AB explained that as the existing termination provisions reside beyond the NPV test stage, the modification should not impact upon them, although he did acknowledge that PARCA security loss is a potential issue.

1.3.2. Review of the Gas Deficit Warning (GDW) and Margins Notice (MN) arrangements – (PH)

Opening discussions, PH explained that National Grid's plan is to review the Gas Deficit Warning (GDW) and Margins Notice (MN) arrangements via this UNC Request, whilst Demand Side Review (DSR) would be addressed separately, although in parallel.

It was noted that whilst the industry is still largely supportive, people do not necessarily fully understand what had happened on 01 March 2018. In summary, some thought it was an emergency as the emergency arrangements are the ones that have received the most focus in recent years. In actual fact National Grid was taking agreed and fully considered action to avoid an emergency. Sinead Obeng (SO) explained that she now had a better understanding of the 01 March 2018 events, largely in part, to the extremely helpful follow up Operational Forum guidance and review sessions. PH then explained how that work fits in with this new Request initiative. It was noted that what happens prior to an actual emergency situation being invoked and taking place (i.e. pre-emergency procedures), remains an educational need.

JCx suggested PH provides a summary of what was learnt from the 01 March event at the first Review Workgroup meeting. Several potential areas of focus were suggested, as follows:

- It was observed that the HSE are already interested in this area;
- The Review should include timeliness of notices within its scope;
- The deadline for submitting the new Request for consideration at the 20 September 2018 Panel meeting, is no later than close of play on Friday 07 September 2018 (i.e. tomorrow);
- DSR review needs to be done in parallel with the warning notices;
- Changes in the electricity market are also relevant
 - Where large NTS connected 50% efficiency power stations come off for gas DSR and 30% efficient stations stay on in DNs, they use more gas to generate the electricity.
 - 'Whole system' incentives therefore need looking at as part of the DSR review.

New Action 0901: Reference Future Demand Side Review Scope - National Grid NTS (PH) to provide a view on the proposed Request proposal scope, and how best to progress this matter going forwards.

In quickly reviewing the draft Request Proposal onscreen, RH advised that a Rough Order of Magnitude (ROM) is usually raised during development of a modification.

PH advised that he would look to expand the various '*Impacts*' tables within Section 2 – Impacts and Costs before formally raising the Request after the meeting.

In thinking ahead to the subsequent UNC Modification, PH advised that National Grid would be looking to ask Panel to send such modification straight out to consultation, on the basis that work on the Request Proposal should have already 'teased out' any issues. RH suggested that having a 'view' on any legal text requirements would only help facilitate such an action.

2. European Update

2.1. EU Codes update

CH provided a brief overview of the National Grid NTS '*EU Update*' presentation, during which he advised that the information provided on the '*Some Issues Being Considered by EC*' slide, provides an early heads up and is not meant as an exhaustive list.

CH suggested that as far as the reference to Shippers being required to make 50% of their commodity available to the market of the Member State is concerned, this is not necessarily a GB market related issue.

It was also noted that the Biogas and H₂ in Gas Grids scopes remain unclear at this time.

In reviewing the '*Other EU matters*' slide, CH pointed out that the ACER workshop is scheduled to take place on 20 September 2018, the day after the next ENTSOG event. CH then explained that the FUNC platform for raising issues is very similar to our own UNC modifications processes and may in fact, ultimately trigger a UNC Modification being raised. As far as the current issues listing is concerned, these are just an example as there are circa eleven topics raised so far.

Moving on to consider the *'EU Data Exchange Update'* slide, PH provided a brief overview during which it was confirmed that the agenda and accompanying registration invitation had only just been issued whilst this meeting was reviewing the presentation, so any interested parties should look to respond, sooner rather than later.

3. Workgroups

3.1. 0662 – Revenue Recovery at Combined ASEPs

(Report to Panel 18 April 2019)

<https://www.gasgovernance.co.uk/0662>

4. Issues

Whilst it was noted that other than issue 066 (Decommissioned Sites) would be covered during consideration of outstanding actions 0706 and 0707 below, there was nothing new to consider at this meeting.

5. Any Other Business

5.1. Connection Charging Statement consultation (Project CLoCC)

In providing a verbal update, MM explained that this simply a roll forward from last months update, with nothing other than to state that the consultation period remains open at this time.

5.2. Upcoming Review of Capacity Methodology Statements

MM provided an overview of the *'Methodology Review'* presentation during which attention focused initially on the *'Capacity Conversion (IP)'* slide, whereupon MM explained that the proposals are looking to 'plug the gaps' within the Methodology Statement. Responding, JCx suggested that this reinforces industry parties desire to see methodologies being included within Code.

Moving on to consider the *'Charging related changes:'* slide, MM pointed out that this information links in to the previous discussions undertaken on item 1.3.1 above.

Focusing on the proposal to replace the project value with the IP method bullet, MM confirmed that the associated calculation would be undertaken on a project specific basis, subject to RIIO discussion outcomes. He also indicated that he recognises that we would need to include a legacy requirement to account for any 'in-flight' PARCAs. When asked, MM confirmed that the project value is a specific Entry related proposal, as he is not proposing to touch on Exit aspects at this time.

As far as the other charging related changes bullet is concerned, MM advised that whilst National Grid is considering the matter, it remains difficult to properly answer until a decision on 0621 is forthcoming.

Examining the *'Substitution'* slide, MM accepted that these aspect may need to be de-scoped, should the new urgent modification discussed under item 1.3.1 above, be approved for implementation.

In considering the *'PARCA Process'* slide, MM explained that the ad-hoc applications received during a PARCA window proposal is consistent with stakeholder feedback. When asked he confirmed that it is proposed that the process would commence when the PARCA window 'opens' and thereafter triggers the allowance of ad-hoc applications. MM advised that he would look to provide more detail at a future Workgroup meeting.

Moving on to consider the *'Miscellaneous'* slide, JCx enquired as to what transparency is available around when a constraint is predicted. Responding, MM advised that whilst he is not 100% certain he would double check and provide confirmation in due course – some parties felt that this is a concern that relates to transparency around governance of such matters.

Parties were requested to provide views on whether 'retainers' remain a relevant mechanism.

When asked how National Grid proposes undertaking the review of this area, MM explained that he would expect to provide further information in due course. RH pointed out that as these provisions are not currently in Code, progression via another forum would probably be the preferred route - a point acknowledged by MM.

Moving on finally to consider the 'Backstop Timetable 2018/2019' slide, MM explained that it might be possible to have a derogation of examination, whilst PH confirmed that historically National Grid has conducted (and hosted) meetings after a Transmission Workgroup. MM requested that any feedback be provided direct to him via email.

5.3. MIPI and Data Provision

In providing a brief verbal update on behalf of his colleague Karen Thompson, PH explained that National Grid plan to engage with the industry on enhancements to operational data provided through MIPI that can be made during this regulatory period.

In essence, there are 3 topics that National Grid would like the industry to respond on with some options for each topic. The paper will be based on what National Grid has heard to date from customers and stakeholders within the following topic areas:

- Maintenance windows to MIPI – impacts to availability of operational data
- Data gaps in MIPI
- Additional operational data requirements

National Grid intend to circulate a discussion document (to be issued via the Operational Forum and ENA distribution listings) later in September to seek views across all customer and stakeholder categories such that they have a fully represented view to make the most effective and efficient decision for the industry such that short term enhancement can be made during this regulatory period.

6. Review of Outstanding Actions(s)

Action 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.

National Grid NTS to investigate what information is currently available, and what functionality is coming on the horizon, and as a consequence, what information might be able to be provided in future.

Update: MM provided a brief overview of the *'NG Actions'* presentation focusing attention on the outstanding action 0628 0102 update during which he explained that the non-obligated capacity release (current reports) information is already available on the National Grid web site.

As far as the 'greyed out' Report Explorer summary is concerned, this is presented in this way to recognise that there are some data issues within this report that are scheduled to be corrected in November 2018.

When asked, RH projected a selection of the National Grid web site reports onscreen whilst MM pointed out how to navigate successfully to the reports (i.e. the Long Term Entry Report and specifically the Easington figures etc.), especially those containing the non-obligated related information. MM also explained that this report goes out for a 15 year period and that there are similar reports for the Exit side as well.

When some parties indicated that they are more interested in the short-term reports, RH responded by displaying the Daily Revenue Report where it was noted that the initial baseline capacity is obligated. When it was suggested that this still does not clearly indicate what non-obligated capacity has been released, MM made reference to previous information that had been provided by National Grid at earlier Workgroup meetings.

During a quick review of the '*Non-obligated capacity release*' slide, MM advised that for IPs only, there is non-obligated information for the ENTSOG platform.

When JCx enquired whether there are any plans to enable access to more non-obligated related information as part of the Stakeholder Priority Initiative (associated with RIIO-T2), MM explained that whilst discussions around this area remain ongoing, he is unsure of any outcomes at present.

New Action 0902: Reference *Non-obligated capacity related information* – CNG Services (NK) to feedback the Stakeholder request for a National Grid provision of non-obligated information, especially rejected capacity aspects to Jenny Philips of National Grid.

Recognising that National Grid NTS has already provided all the information they can in support of this action and the National Grid Capacity Team will be asked to consider improvements to User Access in order to generate the capacity related reports, it was agreed that this action could now be closed. **Closed**

Action 0706: National Grid NTS (PH) to investigate the impact of the potential Theddlethorpe Terminal closure in regards to capacity and charging.

National Grid NTS (PH/MM) and Ofgem (RD) to undertake consideration of the concerns being put forward by the Workgroup (industry) relating to items such as potential licence wording changes; consideration of potential legal impacts and EU aspects; a new methodology for managing dormant sites/points going forwards.

Update: MM provided a brief overview of the '*NG Actions*' presentation focusing attention on the outstanding action 0706 update during which it was noted that whilst FCC is an enduring solution, it is the interim issues that are the real concern.

When it was suggested that it is potentially anomalous to have capacity allocated at a site that is already decommissioned in the licence, NW suggested that care is needed around where such capacity finally lands (i.e. a capacity release related issue). RD suggested that perhaps this is really an FCC consideration, but did acknowledge that the ACKS 5(f) and (g) tables are somewhat awkward which could possibly be part of a wider RIIO-T2 licence tidy up exercise, although it should be noted there are potential tensions with the proposed UNC Modification 0621 provisions around charging model aspects. It was noted that until a decision on Modification 0621 (or any of the alternatives) is forthcoming, it remains unclear how best to resolve these capacity related issues.

New Action 0903: Reference *Decommissioned Sites* – Ofgem (RD) to consider possible options for resolving decommissioned sites (capacity) related issues (i.e. RIIO-T2 or FCC etc.).

Discussions then centred around the possible FCC methodology aspects whereupon the general consensus was to leave ‘as-is’ as it was felt that the licence covers off the various release options. RD took the opportunity to point out that Ofgem are happy to listen to the National Grid proposals, but favour an approach that does not impact upon the licence. Some parties however, retain concerns around baseline capacity aspects and believe that a licence change is needed regardless of whether or not one of the suite of UNC 0621 modifications is approved. It was noted that should Modification 0621B be approved, there would be no need for the FCC - discussions with Ofgem remain ongoing. **Closed**

Action 0707: National Grid NTS (PH) to look into providing a list of sites that are in the licence with no baseline and those that have never had capacity booked against, and those which are known to be no longer be operational.

Update: Finally, MM provided a brief overview of the ‘NG Actions’ presentation focusing attention on the outstanding action 0707 update during which MM pointed out that half of this action was answered at last months Workgroup meeting and that the information provided today satisfies any outstanding elements.

In looking more closely at the ‘Site type’ information provided, MM advised that he would provide a post meeting presentation update to provide more clarity around the figures.

When asked, NK advised that he was happy with the information, as provided. **Closed**

7. Diary Planning

Further details of planned meetings are available at:

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

Time / Date	Venue	Workgroup Programme
10.00, Thursday 04 October 2018	Elexon, 350 Euston Road, London NW1 3AW	Transmission Workgroup standard Agenda
10.00, Thursday 01 November 2018	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Transmission Workgroup standard Agenda
10.00, Thursday 06 December 2018	Elexon, 350 Euston Road, London NW1 3AW	Transmission Workgroup standard Agenda

Action Table (as at 06 September 2018)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
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-	National Grid NTS (PH/MM)	Update provided. Closed

			obligated rejections for short term capacity. National Grid NTS to investigate what information is currently available, and what functionality is coming on the horizon, and as a consequence, what information might be able to be provided in future.		
0706	05/07/18	5.1	National Grid NTS (PH) to investigate the impact of the potential Theddlethorpe Terminal closure in regards to capacity and charging. National Grid NTS (PH/MM) and Ofgem (RD) to undertake consideration of the concerns being put forward by the Workgroup (industry) relating to items such as potential licence wording changes; consideration of potential legal impacts and EU aspects; a new methodology for managing dormant sites/points going forwards.	National Grid NTS (PH/MM) & Ofgem (RD)	Update provided. Closed
0707	05/07/18	5.1	National Grid NTS (PH) to look into providing a list of sites that are in the licence with no baseline and those that have never had capacity booked against, and those which are known to be no longer be operational.	National Grid NTS (PH)	Update provided. Closed
0901	06/09/18	1.3.2	<i>Reference Future Demand Side Review Scope</i> - National Grid NTS (PH) to provide a view on the proposed Request proposal scope, and how best to progress this matter going forwards.	National Grid NTS (PH)	Pending
0902	06/09/18	6.	<i>Reference Non-obligated capacity related information</i> – CNG Services (NK) to feedback the Stakeholder request for a National Grid provision of non-obligated information, especially rejected capacity aspects to Jenny Philips of National Grid.	CNG Services (NK)	Pending
0903	06/09/18	6.	<i>Reference Decommissioned Sites</i> – Ofgem (RD) to consider possible options for resolving decommissioned sites (capacity) related issues (i.e. RIIO-T2 or FCC etc.).	Ofgem (RD)	Pending