

UNC Transmission Workgroup Minutes
Thursday 06 December 2018
at Elexon, 350 Euston Road, London, NW1 3AW

Attendees

Rebecca Hailes (Chair)	(RH)	Joint Office
Karen Visgarda (Secretary)	(KV)	Jont Office
Adam Bates	(AB)	South Hook Gas
Andrew Blair	(AB)	Interconnector
Andrew Pearce	(AP)	BP
Angharad Williams	(AW)	National Grid NTS
Anna Shrigley	(ASh)	Eni Trading & Shipping
Bethan Winter	(BW)	Wales & West Utilities
Bill Reed	(BR)	RWE Supply & Trading GmbH
Colin Hamilton	(CH)	National Grid NTS
David Adlam	(DA)	Cadent
David Cox*	(DC)	London Energy Consulting
Debra Hawkin*	(DH)	TPA Solutions
Edward Fyfe	(EF)	SGN
Emma Buckton*	(EB)	Northern Gas Networks
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
Jeff Chandler	(JCh)	SSE
Julie Cox*	(JCx)	Energy UK
Lea Slokar	(LS)	Ofgem
Malcolm Montgomery	(MM)	National Grid NTS
Mark Rixon*	(MR)	Engie
Nick Wye*	(NW)	Waters Wye Associates
Nicky White	(NW)	npower
Phil Hobbins	(PH)	National Grid NTS
Richard Fairholme*	(RF)	Uniper
Richard Pomroy	(RP)	Wales & West Utilities
Shiv Singh*	(SS)	Cadent
Steve Pownall	(SP)	Xoserve
Steven Britton*	(SB)	Cornwall Insight
Terry Burke	(TB)	Equinor

**via teleconference*

Copies of all papers are available at: <http://www.gasgovernance.co.uk/tx/061218>

1. Introduction and Status Review

1.1. Approval of Minutes (01 November 2018)

The minutes from the previous meeting were approved.

1.2. Ofgem Update

Lea Slokar (LS) provided a brief verbal overview of the Industry update which covered the topics as detailed below:

Please view this complete document via the link below:

<https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/2018-12/1.2%20Ofgem%20Industry%20Update.docx.pdf>

- Summary of recent modifications to the GT1 Price Control Financial Model 2018
<https://www.ofgem.gov.uk/publications-and-updates/summary-recent-modifications-gt1-price-control-financial-model-2018>
- Decision on the Stakeholder Engagement Incentive 2017-18: Transmission and Gas Distribution
https://www.ofgem.gov.uk/system/files/docs/2018/11/decision_letter_gdns_and_tos.pdf
- NIS Regulations 2018: Ofgem guidance for Operators of Essential Services (OES)
https://www.ofgem.gov.uk/system/files/docs/2018/11/ofgem_ca_guidance_for_dge_gb_v1.0_final.pdf
- RIIO-GT1 Financial Model following the Annual Iteration Process 2018
https://www.ofgem.gov.uk/system/files/docs/2018/11/gt1_pcfm_aip_november_2018_1.xlsm
https://www.ofgem.gov.uk/system/files/docs/2018/11/riio-gt1_aip_november_2018_directions_to_national_grid_gas_plc.pdf
- No-deal EU exit REMIT contingency arrangements
https://www.ofgem.gov.uk/system/files/docs/2018/12/no-deal_eu_exit_remit_contingency_arrangements.pdf

1.3. Pre-Modification Discussion

1.3.1. Exit Capacity at NTS (D -1 to D-7) EDF Energy (JC)

Update deferred to January meeting.

1.3.2. Enabling Changes to the BBL Interconnection Agreement to Facilitate Physical Reverse Flow – National Grid NTS (PH)

Phil Hobbins (PH) provided a walkthrough of the draft National Grid NTS modification highlighting its purpose, which is to enable changes to be made to the BBL Interconnection Agreement to facilitate physical reverse flow, alongside a small amendment to reference temperature conditions.

He explained that BBL had made an application to National Grid NTS for physical reverse flow (GB to the Netherlands) at the BBL Interconnection Point at the Bacton terminal with a start date of 01/10/2019. The current Interconnection Agreement between National Grid Gas Plc and BBL Company VOF includes provision for physical NTS entry flows and commercial reverse flow. Therefore, amendments to the Interconnection Agreement are required to specify provisions for physical reverse flow.

Bill Reed (BR) questioned the governance process and PH said that there would be no changes to the Legal Text in the UNC and that this modification would be formally raised as a Self Governance modification.

PH said that an amendment would be required the National Grid NTS and BBL Interconnection Agreement to remove the commercial reverse flow rules in the Network Exit Provisions and introduce new rules to facilitate physical reverse flow in the areas of Maintenance, Pressure, Flow Profiles, Notice Periods for Rate Changes, and Gas Quality. He added that this was viewed as an enabling modification and reiterated that no changes to the UNC text would be required.

2. European Update

2.1. EU Codes update

Colin Hamilton (CH) provided a walkthrough of the National Grid NTS 'EU Update' presentation for the meeting. The presentation covered the following areas with key messages:

Brexit

PH explained that the EU Council agreed to the withdrawal agreement on the 25 November 2018 and that this would now go for the vote in the UK parliament. He said if no-deal was reached then the current ENTSOG relationship would cease, however the UK would then enter a transition period up until the end of 2020, with all rules applying as they do now, but that the UK would be excluded from EU institutions and agencies, like ACER.

PH said the UK would keep the Single Electricity Market between Northern Ireland and Ireland, which would help maintain a stable energy supply and keep prices down in Northern Ireland.

He added that the BEIS technical notice and CACOP had both advised that for Interconnection Agreements and UNC, references would need to be 're-directed' to UK legislation (Statutory Instruments) which are anticipated later in 2018.

In January 2019 National Grid NTS will launch the code change process, as far as possible via self-governance modifications.

He then verbalised the Number 10 press release on the Brexit deal as detailed below:

- *On 26 November, Number 10 press release '40 reasons to back the Brexit deal' included reasons directly relating to energy:*
 - *21: Trade arrangements for gas and electricity will help to ease pressure on prices and keep supply secure.*
 - *35. We will keep the Single Electricity Market between Northern Ireland and Ireland, which will help maintain a stable energy supply and keep prices down in Northern Ireland*

Daylight Saving Issue

CH provided an overview of the current Daylight Saving Issue and explained that discussions were presently taking place behind the scenes in relation to the EU proposing to remove the seasonal time change in 2019. He explained that ENTSOG had set up a Task Force to investigate the potential changes that would be required in relation to the EU Codes and associated impacts. He said the main issue was the definition of the 'gas day' which had a reference to the summer and winter time, together with the CAM NC, Art. 3(16): 'gas day' means the period from 5.00 to 5.00 UTC the following day for winter time and from 4.00 to 4.00 UTC the following day when daylight saving is applied, which would require an amendment to the definition. CH said due to these potential changes that ENSTOG were conducting an Impact Assessment.

ACER Revenue Report

CH explained that ACER fully supported the findings of the Study and its final observations and that the ECA's Study jointly fulfilled requirements in Article 34. ACER considered the ECA's Study as '*valuable*' since it assessed the MS methodologies against criteria such as economic efficiency and risk allocation in an unprecedented way in the EU.

CH added that ACER also supported the further work on the 3 topics as defined below within the ACER Roadmap:

- Transparency: for ACER, lack of comparability on Art. 30(1)(b)(iii) topics. Need to amend topics to improve user-friendliness. Suggestion to amend ENTSOG's Template based on the ECA glossary, and to centralise overview on ACER's and ENTSOG's websites
- Tariff benchmark methodology: ACER suggests that the benchmarking of tariffs used in SK as an alternative to revenue-cap should be better understood and be part of Art. 30 publication
- Profit: ACER suggests that NRAs should give details on TSO profits (gap between revenues and costs). NRAs should also clarify the causes of TSO profits in incentive-based regimes (TSO's efficiency, NRA's weak forecasts, and/or high capacity bookings in price cap regimes)

ECA's Final Observations

- Revenue-Cap could be recommended as it is most consistent with efficiency: commonplace in EU on OPEX, could be extended to CAPEX as well
- More scrutiny on CAPEX and incentives required: Totex may be too complex, CAPEX to review ex post, OPEX and CAPEX should be treated evenly
- No prescriptive rules on WACC, but an EU guidance recommended: good practices to develop among NRAs

Func Issue : Article 29 reserve prices, update on discussion with EFET

CH explained that the publication platform is the internet and that in general there was a broad compliance throughout Europe and it is now more user friendly. He added that ACER recognised that this was the first year of publication and that they expected better compliance in 2019. ACER are going to discuss this further at the Func coordination meeting and it will be mentioned that the TSO's and NRA's are not currently consistently using the template.

Agency Analysis the national tariff consultation

The consultation process should be finalised by 31 May 2019 as per Article 27(5). ACER reports are now available for The Netherlands, Sweden, Northern Ireland and Romania.

JCx asked where the NRA final decisions could be found. CH agreed to try and get links to these.

ACER's analysis TAR NC consultation document, Northern Ireland

CH provided an overview of the TAR NC consultation document as detailed below:

Compliance

- ACER: choice to disregard distance in the RPM is not adequately motivated in the consultation document and recommends the NRA elaborates in its final decision how the principle of cost-reflectivity and national circumstances are taken into account.
- ACER: as long as the NRA does not offer an adequate motivation for disregarding distance, RPM not compliant with the requirement to avoid undue cross-subsidisation

- ACER: proposed flow-based charge, reduced from 25% to 5%, meets criteria set out in Article 4(3). However, lower share of commodity charges is to the detriment of DSO level network - asks for a more detailed analysis for the benefit of transparency

'Other comments'

- ACER highlights and lists three charges that have been included in the NI tariff methodology but that are outside the scope of the TAR NC.
 - *Imbalance charges, Scheduling charges, Unauthorised flow charges*

Julie Cox (JC) said that she was experiencing difficulties in locating the NRA final decision details following on from the ACER comments and where could she find these. CH said he would investigate this area and contact ENTSOC.

New Action 1201: National Grid NTS (CH) to investigate where the NRA final decision details can be viewed.

EU Data Exchange Issue

PH explained that an issue had been raised in relation to the Functionality Platform, and that a wider scope of application of EU data exchange solutions was required and he said he was not sure this change would take place, regarding the EU Interoperability Code and GB system changes. He said this would clearly require a detailed whole industry debate and that it would not happen quickly due to the election of a new EU Parliament in 2019.

PH then provided an overview of the draft solution developed by ENTSOG and ACER:

And added that National Grid NTS would further engage with the industry on the future of data exchange in the GB market in January 2019

3. Workgroups

3.1. 0662 – Revenue Recovery at Combined ASEPs

(Report to Panel 18 April 2019)

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

3.2. 0667 – Inclusion and Amendment of Entry Incremental Capacity Release NPV test in UNC

(Report to Panel 17 January 2019)

<https://www.gasgovernance.co.uk/0667>

3.3. 0669R – Review of the Gas Deficit Warning (GDW) and Margins Notice (MN) Arrangements

(Report to Panel 21 March 2019)

<https://www.gasgovernance.co.uk/0669>

3.4. 0671 – Relief from User Commitment obligations when NTS exit capacity substitution is permitted

(Report to Panel 21 February 2019)

<https://www.gasgovernance.co.uk/0671>

4. Issues

No new issues were discussed at the meeting.

5. Any Other Business

5.1. Update Review of Capacity Methodology Statements (MM)

This item was covered alongside Modification 0667. (see item 3.2)

5.2. Adding new points to Licence – change proposal (NL)

Due to the extensive duration of the meeting, Nicola Lond (NL) was unable present the details of the Licence change proposal, due to a lack of time and she requested that Workgroup participants reviewed the material, which can be viewed via the link: <https://www.gasgovernance.co.uk/tx/061218>. NL informed the workgroup that the informal consultation referred to on page 5 was open until 07 January 2019.

6. Review of Outstanding Actions(s)

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.

Update: It was agreed this action be carried forward to the January meeting, as no time was available for further discussion. **Carried forward.**

Action 1101: Ofgem (LS) and National Grid NTS (MM) to produce a proposal for decommissioned sites.

Update: LS and MM highlighted that this was being worked on presently and requested that this action be carried forward to the January meeting. **Carried forward.**

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 – 3.00pm Tuesday 08 January 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Transmission Workgroup standard Agenda

Action Table (as at 06 December 2018)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
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)	Carried Forward
1101	01/11/18	6.0	Ofgem (LS) and National Grid NTS (MM) to produce a proposal for decommissioned sites.	Ofgem (LS) & National	Carried forward

				Grid NTS (MM)	
1201	06/12/12	2.1	National Grid NTS (CH) to investigate where the NRA final decision details can be viewed.	National Grid NTS (CH)	Pending
1202	06/12/12	4.0	National Grid NTS (CH) to provide further details on the User Commitment, including how it was originally instigated.	National Grid NTS (CH)	Pending