

UNC Transmission Workgroup Minutes

Thursday 07 February 2019

At Radcliffe House, at Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Adam Bates	(AB)	South Hook Gas
Anna Shrigley*	(ASh)	Eni Trading & Shipping
Bethan Winter	(BW)	Wales & West Utilities
Bill Reed	(BR)	RWE Supply & Trading GmbH
David Cox*	(DC)	London Energy Consulting
Debra Hawkin*	(DH)	TPA Solutions
Graham Jack*	(GJ)	Centrica
Jeff Chandler*	(JC)	SSE
John Costa*	(JC)	EDF Energy
Jonathan Baggott	(JB)	National Grid NTS
Julie Cox*	(JCx)	Energy UK
Kamila Nugumanova*	(KN)	ESB
Lea Slokar*	(LS)	Ofgem
Malcolm Montgomery	(MM)	National Grid
Nicky White*	(NW)	npower
Phil Hobbins	(PH)	National Grid
Phil Lucas	(PL)	National Grid NTS
Richard Fairholme*	(RF)	Uniper
Richard Pomroy	(RP)	Wales & West Utilities
Roddy Monroe	(RM)	WWA
Steve Britton*	(SB)	Cornwall Energy
Steve Pownall	(SP)	Xoserve
Sue Ellwood*	(SE)	TPA Solutions
Terry Burke*	(TB)	Equinor

*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/tx/070219>

1. Introduction

1.1. Approval of minutes (08 January 2019)

The minutes from the previous meeting were approved.

1.2. Modifications with Ofgem

None.

1.3. Pre Modification discussions

1.3.1. Pre Modification – *UNC Changes as a Consequence of ‘no deal’ United Kingdom Exit from the European Union (BREXIT)* (PL)

Phil Lucas (PL) introduced the pre Modification - *UNC Changes as a Consequence of 'no deal' United Kingdom Exit from the European Union*. PL explained the purpose of the modification was to make a number of minor changes to the UNC as a consequence of United Kingdom (UK) withdrawal from the European Union (EU) which becomes effective from 23:00hrs on 29 March 2019. In principle, these changes replace existing references to EU regulations with a reference to UK amendment regulations and where appropriate remove references to EU entities.

PL explained that this modification is proposed with a Self-Governance status and that the implementation date would be conditional regarding the introduction and approval of Statutory Instruments (SI's) through parliament.

Bill Reed (BR) enquired if National Grid NTS would be a member of ENTSOG if there was no deal and if there would be a replacement for ACER in relation to European Code binding decisions. In addition, would Transporter Relevant Objectives related to introducing European Code changes be appropriate in the post Brexit no deal scenario. He also wanted to know if there was a plan to transfer the decisions that ACER and ENTSOG would have made, to another UK body. He added that he wanted to know whether the SI's that would transpose the EU network codes into the UK law, included any reference to any such decisions. PL said that in essence this modification related to the changes at 29 March 2019 and not the enduring post BREXIT requirements as these were still to be established but the UK Government. However, he would investigate these areas in more depth and provide feedback at the next meeting Workgroup meeting.

A brief general discussion took place concerning the relevant objectives set out in the Transporters Licence and related to Code Modification changes and specifically relevant objective (g) *Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators*, regarding the impact of this objective after BREXIT. Bob Fletcher (BF) proposed that this area would be discussed at the next Workgroup.

New Action 0201: National Grid NTS (PL) to confirm if National Grid NTS would still be a member of ENTSOG following BREXIT.

Please see the Post Meeting Update in section 6.0 regarding both of these actions, which are still open presently, awaiting further discussion at the meeting in March.

New Action 0202: National Grid NTS (PL) to confirm which UK organisation would be replacing European referenced organisations to direct Code changes post BREXIT.

2. Workgroups

2.1. 0662 – Revenue Recovery at Combined ASEPs

(Report to Panel 18 April 2019)

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

2.2. 0667 – Inclusion and Amendment of Entry Capacity Release NPV test in UNC

(Report to Panel 21 March 2019)

<http://www.gasgovernance.co.uk/0677>

2.3. 0671 – New Capacity Exchange process at NTS exit points for capacity below baseline

(Report to Panel 18 April 2019)

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

3. European Updates

3.1 Ofgem Update – (LS)

LS provided a brief verbal overview of the Industry update which had been provided for the meeting, which can be accessed here: www.gasgovernance.co.uk/tx/070219

LS highlighted a number of key publications for the Workgroup to note, in relation to:

GB Gas Storage facilities

- Lea Slokar (LS) said that Ofgem had published information regarding the existing, operational gas storage facilities in GB, and those due to become operational in 2019. https://www.ofgem.gov.uk/system/files/docs/2019/01/181207_storage_update_website.pdf

Statutory consultation on licence modifications in the event the UK leaves the EU without a deal

- LS said that this statutory consultation set out the modifications Ofgem propose to make, in the event the UK leaves the EU without a deal, to ensure licences are fit for purpose. The proposed modifications set out in the accompanying documents would only be made in the event the UK leaves the EU without a deal. Alongside responses to this consultation, Ofgem would consider material developments in the terms on which the UK would exit the EU and the status of the legislative changes being put in place by the UK Government before issuing their final modification direction. Responses are due on or before 15 February 2019. <https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-licence-modifications-event-uk-leaves-eu-without-deal>

Authority decision to derogate BBL Company (BBL) from certain Articles of Commission Regulation (EU) 2017/460

- Commission Regulation (EU) 2017/460 establishing a network code on harmonised transmission tariff structures for gas (TAR) allows merchant interconnectors to seek derogation for articles that could jeopardise their efficient operation. On the 4 October 2018, BBL Company (BBL) submitted an application for derogation pursuant to Article 37 of TAR. This letter outlines Ofgem's decision granting BBL derogation from certain articles of TAR and our reasons for doing so in line with the criteria in Article 37. https://www.ofgem.gov.uk/system/files/docs/2019/01/190118_ofgem_bbl_derogation_decision.pdf

UNC Modification 0678 – Amendments to Gas Transmission Charging Regime – request for urgency (UNC 0678)

- Authority decision on urgency of UNC Modification 678 'Amendments to Gas Transmission Charging Regime'. The Authority issued this decision on 25 January 2019: <https://www.ofgem.gov.uk/publications-and-updates/unc0678-amendments-gas-transmission-charging-regime-request-urgency-unc678>

Publication of Baringa's Analytical Work

- LS said that Ofgem asked Baringa to provide analytical support to inform Ofgem's impact assessment of the UNC Modification 0621 (amendments to the gas charging regime) proposals. Ofgem rejected the UNC Modification 0621 proposals as they were not compliant with the Tariff Network Code. Ofgem concluded that the UNC Modification 0621 proposals were not compliant and should not be implemented, it was not necessary for Ofgem to carry out an impact assessment.
- Ofgem have published Baringa's analytical support work for information. The findings of the report do not necessarily reflect the views of the Authority. https://www.ofgem.gov.uk/system/files/docs/2019/01/ofgem_gas_charging_review_baringa_report_final.pdf

3.2 EU Code Update – (PH)

Phil Hobbins (PH) provided a walkthrough of the National Grid NTS 'EU Update' presentation for the meeting. The full presentation can be viewed via: www.gasgovernance.co.uk/tx/070219

The presentation covered the following areas:

End of Clock Change Update

PH explained that ENTSOG had met with the EC and European Parliament concerning the impact on EU gas stakeholders of discontinued seasonal time changes and that the implementation of the proposed Directive would have two types of potential impacts, as detailed below:

- Potential changes to text in EU gas legislation
 - Some EU codes make specific references to summer and winter time.
- Potential changes to IT systems, and text in contracts and connection agreements
 - IT systems which are used to provide time-stamped information.
 - Capacity contracts and connection agreements which reference summer and winter time.

Richard Pomroy (RP) enquired if the UK Government were likely to implement these changes and PH said that discussions were still taking place on this matter and that presently ENSTOG did not foresee any significant issues for the gas industry if this was agreed, except the specific timing of the proposed changes. He added that ENSTOG had proposed that sufficient time would be allowed to undertake the changes to the text of the EU Gas legislation and update the IT systems, contracts and interconnection agreements as required, in readiness for the implementation in October 2021. There were no significant concerns at this time, although this would need to be evaluated in terms of impacts should the UK not adopt the change.

EU Gas 2020 Package

PH explained that ENTSOG had initiated work in support of the EU Gas 2020 Package which included the following areas:

- Developing position on harmonisation of tariffs and revenue methodology
- Tailor-made regulation (i.e. identifying changes to regulations that address specific national or cross-border issues)
- Capacity/commodity release

FUNC 2.0 Planned Improvements

PH said that the intention was to make the Functionality Platform more public and user friendly to improve the direct contact with the Users of the system, together with the status change of posted issues and communications regarding consultations.

ACER analysis on the national tariff consultation.

TAR NC Consultation requirements

PH explained that Article 26 required the Industry consultation in relation to the proposed charging regime and the consultation process should be finalised by 31 May 2019 as per Article 27 (5). He added, that it required ACER to respond to each consultation, and to date, there had 20 consultations and ACER had responded to 9. More information can be sought via:

http://www.acer.europa.eu/en/Gas/Framework%20guidelines_and_network%20codes/Pages/Harmonised-transmission-tariff-structures.aspx

EU Data Exchange Update

PH provided the background to the ENTSOG Functionality Platform and highlighted the previous issues concerning its usage and the fact that in one country, the Market Area Managers were implementing the Common Data Exchange Solutions as specified in the EU Interoperability Code, due to this, Shippers had to use AS2 protocol in order to make nominations at storage points and trade nominations at virtual trading points (VTPs). Due to this, some Shippers had claimed they had been subject to extra costs to maintain AS2.

PH said that the consultation had now been concluded and that ACER/ENTSOG had now proposed the solution as detailed below:

- Clarify that data exchange harmonisation is also applicable to VTPs from a common future date
- Clarify that parties carrying out data exchange on behalf of TSOs (such as Market Area Managers) are also bound by the Code in this respect
- Leave discretion to NRAs in application beyond the scope of the Code (IPs + VTPs) to other points (storage points, LNG terminals) and deciding on the implementation date
- Proposed text changes within the INT Code have been prepared and published at <http://www.gasncfunc.eu/> (NB. New users have to create an account to view the platform)

A Network Code amendment process was the next step. This will not happen quickly because of the EU parliament elections in 2019 and the on-going discussions on the EU Gas 2020 Package.

He said the GB impact in relation to this solution were as follows:

- At present National Grid's primary method of data exchange for nominations is the Information Exchange (IX), with Edigas as an option at the IPs
- In order to comply with the proposed EU Code amendment, National Grid would need to extend the Edigas option from IPs only to the submission of NBP trade notifications
- National Grid have heard from a number of GB shippers that more widespread use of Edigas within GB would be beneficial
- National Grid are also engaging with customers and stakeholders about the future of Gemini in the RIIO-T2 period
- National Grid will therefore be issuing a consultation to the industry in February 2019 on the future of data exchange in GB

4. Issues

None.

5. Any Other Business

5.1. System Management Principles Statement Annual Review (JB)

Jonathan Baggott (JB) provided an overview of the System Management Principles Statement (SMPS) Annual Review and explained that The System Management Principles Statement (SMPS) described the basis on which National Grid NTS would employ system management services.

He said a review was needed due to the Special Condition 8A of the National Grid NTS Gas Transporter Licence, that obligated National Grid NTS to conduct a review of the SMPS at least once a year.

This was undertaken in the areas as listed below:

House Keeping - Text that added no value was deleted, Wording change in several sections to improve

BREXIT Related - References to specific EU Laws were removed to allow for uncertainty around BREXIT

Functional - Hyperlinks to other documents and useful sources of information were added

Practical - Wording updated in several sections to better reflect the way National Grid NTS manages the system

JB said the consultation would open on 11 February 2019 and would close on 11 March 2019 and that the SMPS would then be published on the National Grid website on 01 April 2019

Consultation responses should be forwarded to the email as stated, and that any specific questions should be sent directly to Jonathan Baggott.

box.gas.market.devel@nationalgrid.com jonathan.baggott@nationalgrid.com

5.2. Gas Demand Site Response (DSR) (PH)

PH explained that National Grid NTS were required to conduct a consultation on the Gas DSR Methodology, as set out in the licence obligations. He said this would be circulated week commencing 11 February 2019 and would be in the format of a Survey Monkey.

6. Review of Outstanding Actions

Action 1101: Ofgem (MC) to provide information regarding the efficiency of the remit notifications.

Update: Lea Slokar (LS) suggested this action was moved to be encompassed within the 0669R Workgroup and would be considered on 07 March 2019 and agreed this action could now be removed from this this Workgroup. **Closed.**

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

Update: PH said that this information had been supplied and clarified and so this action could now be closed. He added that the link was as detailed below:

https://acer.europa.eu/en/Gas/Framework%20guidelines_and_network%20codes/Pages/Harmonised-transmission-tariff-structures.aspx

Closed

Action 0103: Reference Review of Capacity Methodology Statements - South Hook Gas (AB) & National Grid NTS (MM) to consider potential areas of overlap / duplication between the National Grid NTS preliminary consultation on the Capacity Methodology and Statements changes and UNC Modification 0667 and provide a comparison update at the February Transmission Workgroup meeting.

Update: Both Malcom Montgomery (MM) and Adam Bates (AB) agreed this action could now be closed, as this information had been produced and discussed. **Closed.**

Action 0104: *Reference Review of Capacity Methodology Statements* - Ofgem (LS) to also consider potential areas of overlap / duplication between the National Grid NTS preliminary consultation on the Capacity Methodology and Statements changes and UNC Modification 0667 and how this might impact upon its (Ofgem's) decision(s).

Update: LS said that this area was continuing to be reviewed and so this action could now be closed. **Closed**

Action 0105: *Reference the SMPS Review* – Joint Office (RH/MB) to ensure that an AOB item is added to the 07 February 2019 Transmission Workgroup agenda.

Update: Jonathan Baggott (JB) confirmed this action could now be closed as the information and update had been discussed within the meeting in form of a presentation. **Closed**

Post Meeting Update:

Action 0201: National Grid NTS (PL) to confirm if National Grid NTS would still be a member of ENTSOG following BREXIT.

Update: Phil Lucas provided a post meeting update and he said that from National Grid and ENTSOG's prospective relationship post no deal BREXIT remains the subject of discussion and debate between National Grid and ENTSOG. National Grid will confirm the position to its stakeholders as soon as it is able. He said this action could now be carried forward. **Carried forward.**

Action 0202: National Grid NTS (PL) to confirm which UK organisation would be replacing European referenced organisations to direct Code changes post BREXIT? Will there be any replacement body tasked with making binding decisions current made by the European Commission or ACER i.e. will there be a need for an additional relevant objective to account for decisions made by such a body?

Update: Phil Lucas provided a post meeting update and he said, in summary, there will be no additional UK decision body/ies in place of the European Commission or ACER. Consistent with this, the principle approach of the Statutory Instruments (SIs) is to amend the EU Networks Codes (to the extent they form part of Retained EU Law) to address any inoperabilities. Such inoperabilities include provisions in the Codes which refer to these EU decision making bodies, for example those which contemplate or require an ACER decision.

In this scenario, it is contemplated that this decision would be taken by the National Regulatory Authority (Ofgem for GB, or Utility Regulator for Northern Ireland). This approach is reflected in the following example from the EU Tariff Code (Regulation 2017/460):

Commission Regulation (EU) 2017/460 establishing a network code on harmonised transmission tariff structures for gas

Article 37 para 5.

"The national regulatory authorities may revoke a derogation if the circumstances or underlying reasons, or both, no longer apply or upon a reasoned recommendation of the Agency or the Commission to revoke a derogation due to a lack of justification."

Gas (Security of Supply and Network Codes) (Amendment) (EU Exit) Regulations 2019. SCHEDULE 5

Amendments to the Tariffs Code

17.—(1) Article 37 is amended as follows. (5) For paragraph 5, substitute—

"5. The national regulatory authority may revoke a derogation if the circumstances or underlying reasons, or both, no longer apply. The national regulatory authority must endeavour to cooperate with any non-UK regulatory authorities whose approval is required in reaching a decision on whether to revoke a derogation."

The approach of the SIs to other occurrences of ACER references in Regulation 2017/460 are to omit the relevant Article in its entirety, for example Articles 31(1) and 32(2) are omitted by Schedule 5 para 14 of the SI.

On the basis of the above principle, Ofgem has not proposed any additional UNC Relevant Objectives in the licence and therefore no further UNC changes (in this respect) are justified.

He then confirmed this action could be carried forward, **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, Thursday 07 March 2019	Elexon, 350 Euston Road, London NW1 3AW	Transmission Workgroup standard Agenda + Workgroups 0667, 0669R, 0671 and 0675S. <i>*Modification 0662 has been deferred awaiting the outcome of Modifications 0678.</i>

Action Table (as at 07 February 2019)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1101	01/11/18	2.0	Ofgem (MC) to provide information regarding the efficiency of the remit notifications.	Ofgem (MC)	Closed
1201	06/12/18	2.1	National Grid NTS (CH) to investigate where the NRA final decision details can be viewed.	National Grid NTS (CH)	Closed
0103	21/01/19	4.2	<i>Reference Review of Capacity Methodology Statements</i> - South Hook Gas (AB) & National Grid NTS (MM) to consider potential areas of overlap / duplication between the National Grid NTS preliminary consultation on the Capacity Methodology and Statements changes and UNC Modification 0667 and provide a comparison update at the February Transmission Workgroup meeting.	South Hook Gas (AB) & National Grid NTS (MM)	Closed
0104	21/01/19	4.2	<i>Reference Review of Capacity Methodology Statements</i> - Ofgem (LS) to also consider potential areas of overlap / duplication between the National Grid NTS preliminary consultation on the Capacity Methodology and Statements changes and UNC Modification 0667 and how this might impact upon its (Ofgem's) decision(s).	Ofgem (LS)	Closed
0105	21/01/19	4.4	<i>Reference the SMPS Review</i> – Joint Office (RH/MB) to ensure that an AOB	Joint Office (RH/MB)	Closed

			item is added to the 07 February 2019 Transmission Workgroup agenda.		
0201	07/02/19	1.3.1	National Grid NTS (PL) to confirm if National Grid NTS would still be a member of ENTSOG following BREXIT.	National Grid NTS (PL)	Carried forward (Post Meeting Update)
0202	07/02/19	1.3.1	National Gird NTS (PL) to confirm which UK organisation would be replacing European referenced organisations to direct Code changes post BREXIT.	National Grid NTS (PL)	Carried forward (Post Meeting Update)