

UNC Transmission Workgroup Minutes

Thursday 03 October 2019

Via Teleconference

Attendees

| | | |
|---------------------------|-------|------------------------|
| Alan Raper Chair | (AR) | Joint Office |
| Helen Cuin (Secretary) | (HC) | Joint Office |
| Andrew Pearce | (AP) | BP |
| Anna Shrigley | (AS) | Eni Trading & Shipping |
| Bill Reed | (BR) | RWE |
| Debra Hawkin | (DH) | TPA Solutions |
| Emma Buckton | (EB) | Northern Gas Networks |
| Graham Jack | (GJ) | Centrica |
| John Costa | (JC) | EDF Energy |
| Kamila Nugumanova | (KN) | ESB |
| Lea Slokar | (LS) | Ofgem |
| Loraine O'Shaughnessy | (LOS) | Joint Office |
| Maitrayee Bhowmick-Jewkes | (MBJ) | Joint Office |
| Malcolm Montgomery | (MM) | National Grid |
| Nick Wye | (NW) | Waters Wye Associates |
| Paul Youngman | (PY) | Drax |
| Phil Hobbins | (PH) | National Grid |
| Shiv Singh | (SS) | Cadent |
| Steve Pownall | (SP) | Xoserve |
| Terry Burke | (TB) | Equinor |

Copies of all papers are available at: <http://www.gasgovernance.co.uk/tx/031019>

1. Introduction

1.1. Approval of minutes (05 September 2019)

The minutes from the previous meeting were approved.

1.2. Ofgem update

LS provided an overview of the Ofgem Industry Update document:

RIIO-GT1 Price Control Financial Model for the Annual Iteration Process November 2019

05 September 2019 Ofgem directed a modification of the GT1 Price Control Financial Model (PCFM). Ofgem also published the GT1 PCFM Annual Iteration Process (AIP) that will take place by the 30 November 2019. LS explained that under Part C of Licence Condition 4A of the Gas Transmission Licence, the Authority is required to publish the Financial Model, it will use the AIP in November of each regulatory year.

Engie Global Markets (EGM) fined £2.1 million for manipulating wholesale gas prices

05 September 2019 Ofgem fined Engie Global Markets (EGM) approximately £2.1 million after an investigation found that EGM had manipulated wholesale gas prices to increase trading profits and thus breached Article 5 of REMIT Regulation (EU) No 1227/2011.

New Data Exchange Service launched

12 September 2019 Ofgem had launched their new Data Exchange Service to provide secure uploading of data files in CSV format using a web browser interface. Further improvements are planned in the future and Ofgem invited feedback on the service via an online survey until 08 October 2019 at <https://www.surveymonkey.co.uk/r/OfgemDataExchange>.

Long term gas contracts information request 2019

13 September 2019 Ofgem published a request for information to all licenced gas shippers about their gas supply contracts to Great Britain. They need this information to monitor the wholesale market and encouraged responses to enable accurate information reporting. Responses were requested by no later than 5pm on 02 November 2019.

TB noted that the 02 November was a Saturday. LS confirmed that Ofgem would consider changing the date.

RIIO-2 Cyber Guidelines Draft Consultation

LS confirmed that network companies are due to submit their Business Plans for the RIIO-2 period on the 09 December 2019. To assist in developing Cyber Resilience plans, Ofgem published a set of draft Cyber Resilience guidance documents on 13 September 2019. Ofgem are seeking feedback on the draft guidelines by 11 October 2019 via email address: RIIO2Cyber@ofgem.gov.uk

Modernising Energy Data - Digitalisation Strategy

17 September 2019 Ofgem published a letter on the Data Digitalisation Strategy, asking network companies to include their Digitalisation Strategy as part of their business plan submission for the next network price control period (RIIO 2) due 09 December 2019. Views were welcomed via email address: OfgemDataServices@ofgem.gov.uk

RIIO-2 final data templates and associated instructions and guidance

20 September 2019 Ofgem published the final set of the Business Plan Data Templates (BPDTs), Cost Benefit Analysis (CBA) templates, Network Asset Risk Metric (NARM) templates, and all associated instructions and guidance for gas and electricity transmission and gas distribution network companies to use when submitting final RIIO2 business plans to Ofgem in December.

Ofgem data: Upcoming release calendar

26 September 2019 Ofgem published an updated timetable, which outlines the upcoming publication dates for Ofgem performance indicators and data on retail and wholesale energy markets, customer service and energy networks. The timetable covered release dates for the period from 01 October to 31 December 2019.

No-deal EU exit REMIT contingency arrangements – September Update

27 September 2019 Ofgem published the updated No-deal EU exit REMIT arrangements, the purpose of which is to summarise the no-deal EU exit REMIT contingency arrangements set out in the March letter and, most importantly, to confirm to GB wholesale energy market participants that those contingency arrangements remain valid as the UK approaches 31 October 2019.

Panel Report - Stakeholder Engagement and Consumer Vulnerability Incentives

30 September 2019 Ofgem published the Panel Report on the Stakeholder Engagement and Consumer Vulnerability Incentives, which details the scores awarded and feedback from the independent Panel assessment of network companies' performance under the 2018-19 Stakeholder Engagement Incentive.

1.3. Pre-Modification discussions

PH introduced pre-modification: Correction to Modification 0698S - Improvements to Margins Notice Arrangements. He explained that the purpose of the Modification is to correct an error in the LNG methodology calculation introduced by Modification 0698 - Improvements to Margins Notice Arrangements.

This Modification is needed to correct an error in the methodology for determining the LNG contribution to the level of Expected Available Supply. If the change is not made, then the LNG

volume calculated from this part of the methodology would generate spurious outcomes that are inconsistent with the expectations of the 0669R Workgroup.

PH explained that the methodology calculation should provide a daily an LNG volume equal to the 95th percentile of LNG flows into the NTS over the past three Gas Years or an aggregate usable LNG stock for that Day, whichever is the lesser. This was designed such that the former would apply when LNG stocks are high and the latter when stocks are low.

Modification 0698S requires the calculation of usable stock at each LNG facility to be determined by subtracting a minimum inventory from the prevailing stock level. In turn, the minimum inventory is to be determined by subtracting an 18 day boil off estimate from the lowest stock level that has been observed at each LNG facility within the past three Gas Years.

The subtraction of the boil-off estimate is an error in the methodology that National Grid NTS has recently discovered. Modification 0698S should have stated that the boil off estimate should be added to this lowest stock level; the rationale being that the lowest stock level observed at each LNG facility in the last 3 Gas Years is regarded as the minimum operational reserve and that the facility would receive a cargo before it reached that level again.

PH explained that if this change is not made then National Grid NTS would be obliged, under the UNC, to implement a LNG calculation methodology that would operate differently to what the 0669R Workgroup were informed would be the case. It would have the effect of inflating the contribution of LNG to Expected Available Supply and thereby making it less likely that Margin Notices would be issued at times of system stress. He went on to explain that the current calculation would create two anomalies: (i) the calculation of minimum inventory for one of the LNG Importation Facilities would be negative, which is not physically possible; and (ii) the aggregate usable stock would exceed the total stock of LNG.

PL believed that the modification would satisfy the Fast Track Self-Governance criteria and that the intention would be present a Fast Track Modification to the 17 October UNC Panel.

AR asked the Workgroup if they had any questions or issues with the Modification and explained that the suggested Fast Track route would accelerate implementation. PY enquired about the boil off gas and if this is injectable into the system. PH confirmed it is usable. The Workgroup had no concerns with the Modification being submitted to Panel under Fast Track Governance.

2. Workgroups

2.1. 0662 – Revenue Recovery at Combined ASEPs

(Report to Panel 16 January 2020)

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

Deferred; awaiting OFGEM direction on Modification 0678

2.2. 0688 - Recovery of Shipper Losses incurred in Supplier of Last Resort events

(Report to Panel 19 December 2019)

<https://www.gasgovernance.co.uk/0688>

Modification withdrawn on 02 October 2019

3. European Codes Update

PH presented the EU Codes Update noting that Equinor had raised an interoperability issue regarding the number of EU capacity booking platforms (such as PRISMA, GazSystem, RBP) available, along with a number of TSOs using different interfaces and data exchange solutions for CAM/CMP capacity trading processes.

The current EU Code obligation is for 'interactive' data exchange (i.e. a web portal) for capacity trading processes. Equinor had recommend a change to a 'document based' solution using Edigas XML format. ENTSOG and ACER have assessed the issue as valid and held an initial stakeholder engagement meeting on 24 September 2019.

At the meeting Equinor presented the case for change, stating that more standardisation would:

- Reduce shipper operating costs due to greater automation
- Avoid logging into a web portal to book capacity
- Reduce the risk of manual errors
- Facilitate easier tracking of capacity bookings, reducing risk of nomination penalties
- Facilitate competition among platform operators

In response, some operators expressed concerns, including that:

- a mandated use of Edigas might constrain their own service offerings,
- Edigas could be used for CAM/ CMP process but would not meet all operator requirements
- AS4 is costly, has a slow time to market for new interfaces/features and finding the right people with skills to develop and maintain could be quite difficult.

PH confirmed that the next step will be to hold a public consultation later in 2019, probably December.

Referring back to slide 4, TB wished to note that regarding the 3rd point (“Possible to implement Edigas for the CAM/CMP...”) that downloading the auction results was already supported by Edigas. PH acknowledged that this point was made in the conference.

PH provided the Workgroup with a Market Area Update, noting that ENTSOG will be gathering information from TSOs shortly to enable the production of implementation monitoring reports for submission to ACER for the Balancing, Tariffs and CAM EU Codes.

It was mentioned that the Biennial Demand Assessment Reports are in the process of being prepared by the TSOs for submission to ENTSOG in accordance with CAM Code requirements. PH note that National Grid had issued a consultation on this matter but that no information regarding incremental capacity had been submitted. National Grid will produce and publish a report on their website in due course.

4. Issues

No new issues were raised.

5. Any Other Business

None to be considered.

6. Review of Outstanding Actions

0901: National Grid NTS (JR) to produce a draft Request for the October Workgroup meeting to encompass all areas of the Capacity Access Review to include the extended scope.

Update: MM confirmed that following a fairly in-depth discussion last month National Grid have drafted a Request to review the long-term ambition and short-term problems for the NTS capacity access regime.

The draft Request had been submitted for Workgroup consideration. He explained that the purpose of Request is to review the principles and establish a long-term strategy for the NTS capacity access regime. Ensuring the regime is appropriate for commercial behaviours, simplified and adaptable whilst being consistent with relevant obligations. National Grid were expecting to raise the Request formally in time for the 17 October UNC Panel.

The Workgroup considered the Terms of Reference and for the Scope of the review. MM acknowledged that the scope and nature of the regime is wide ranging. He wanted to consider all the elements and associated impacts before considering any de-scoping.

NW believed the Request reflected discussions held last month, and that combining long, and short-term considerations, was appropriate and added that this was the right way to take the review forward. NW suggested the Workgroup look at the EU gas directives and the CAM EU Codes to understand what limitations could be placed on the Workgroup when developing potential products.

EB made a number of comments relating to the Request, including a request to reference GDNs as an impacted party under Why Change section and that under the Impacts section this should include an requirement to ensure a more efficient use of NTS capacity.

JC welcomed the review noting the scope, in terms of impact on security supply, would have a positive impact on competition, with associated consumer benefits.

JC expressed a view that the Workgroup ought to consider having a timeline with a target date of May 2020 to focus the review and include a project plan to track progress. He also suggested that some prioritisation could to be considered.

MM confirmed he would consider all the points raised and provide a formal submission for October's UNC Panel. It was anticipated that further material will be presented at the November Transmission Workgroup. **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 07 November 2019 | Elexon, 350 Euston Road, London NW1 3AW | Transmission Workgroup standard Agenda plus any associated Modifications |
| 10.00, Thursday 05 December 2019 | Radcliffe House, Blenheim Court, Warwick Road, Solihull, B91 2AA | Transmission Workgroup standard Agenda plus any associated Modifications |
| 10.00, Thursday 09 January 2020 | Elexon, 350 Euston Road, London NW1 3AW | Transmission Workgroup standard Agenda plus any associated Modifications |

Action Table (as at 03 October 2019)

| Action Ref | Meeting Date | Minute Ref | Action | Owner | Status Update |
|------------|--------------|------------|---|------------------------|---------------|
| 0901 | 05/09/19 | 6.0 | National Grid NTS (JR) to produce a draft Request for the October Workgroup meeting to encompass all areas of the Capacity Access Review to include the extended scope. | National Grid NTS (JR) | Closed |