

UNC Transmission Workgroup Minutes
Monday 29 November 2021
via Microsoft Teams

Attendees

Eric Fowler (Chair)	(EF)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
Andrew Pearce	(APe)	BP
Anna Shrigley	(ASh)	Eni
Anna Stankiewicz	(ASt)	National Grid
Ashley Adams	(AA)	National Grid
Carlos Aguirre	(CA)	Pavilion Energy
Chris Wright	(CW)	Exxon Mobil
Christiane Sykes	(CS)	Shell
Daniel Hisgett	(DH)	National Grid
David Mitchell	(DM)	SNG
Guv Dosanjh	(GD)	Cadent
Hannah Reddy	(HR)	Corella
Jeff Chandler	(JCh)	SSE
Jennifer Randall	(JR)	National Grid
Julie Cox	(JCx)	Energy UK
Lauren Jauss	(LJ)	RWE
Malcolm Montgomery	(MM)	National Grid
Marion Joste	(MJ)	ENI
Mark Jones	(MJ)	SSE
Max Lambert	(ML)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Nigel Sisman	(NS)	Sisman Energy Consultancy
Pavanjit Dhesi	(PD)	Interconnector
Phil Hobbins	(PH)	National Grid
Phil Lucas	(PL)	National Grid
Richard Fairholme	(RF)	Uniper
Ritchard Hewitt	(RH)	Hewitt Home and Energy Solutions
Rudi Streuper	(RS)	BBLC
Steven Britton	(SB)	Cornwall-Insight
Shiv Singh	(SS)	Cadent
Terry Burke	(TB)	Equinor

Copies of all papers are available at: <https://www.gasgovernance.co.uk/tx/291121>

1. Introduction and Status Review

Eric Fowler (EF) welcomed all parties to the meeting.

1.1. Approval of Late Papers

1 later paper was approved for item 2.1.

2. Pre-Modification Discussion

2.1. Contingency Gas Procurement Arrangements when a Supplier acts under a Deed of Undertaking

Phil Hobbins (PH) introduced the Modification and explained its purpose will be to introduce new arrangements to enable National Grid NTS to procure gas, following the termination of a Shipper User providing shipping services to one or more Gas Suppliers, where no new Shipper User has been appointed and one or more of the Suppliers acts in accordance with its deed of undertaking until such time a new Registered User is in place.

This Modification is seeking to deal with the situation where a supply meter point, where no gas is being delivered as the Shipper has been terminated and no new Shipper has been appointed under the deed of undertaking. This will compliment Modification 0788, recognising from industry workshops that not all Shippers will be geared up to obtain demand beyond their portfolios.

PH explained the Residual Balancing Role clarifying this Modification would introduce a different role to ensure the cost of trades undertaken do not feed into cash-out prices.

The Workgroup reviewed the timetable, PH noted that this Modification was seen to be an urgent issue and the timetable proposed was to allow sufficient time for industry discussion. PH highlighted that this Modification wouldn't be able to be implemented until Spring if not dealt with under urgent procedures.

The intention was to formally submit the Modification on 30 November 2021 and seek a decision on urgency by 08 December 2021, with a 12 day consultation period. The Final Modification Report would be available for 06 January.

PH explained the challenges relating to liquidity, the potential for increased cash out prices, and the cash flow impact for National Grid Gas (NGG). In addition to the residual balancer role, NGG would take on a new role, accessing National Balancing Point (NBP) trades to fulfil the requirement and ability to buy gas on a forward basis. As a result, the transactions would not feed into cash out prices. PH clarified in terms of the day ahead stage, if NGG over buy gas, they would have the ability to trade with an accelerated timescale to limit the impact on cash-flows. This should result in lower industry costs.

PH confirmed that consideration had been given on whether this should be a transitional Modification, however the intention is this will be a change to the main body of the Transportation Principal Document (TPD).

Nick Wye (NW) supported the flexibility and response to feedback, wishing to note that Nick Wye Associates have had input into the development of the Modification on behalf of Gazprom.

Lauren Jauss (LJ) asked for clarification on reducing the maximum exposure and how this will be achieved. PL explained that the accelerated cost recovery timescale, would flatten the effect. Trading in other markets helps with more relaxed timescales for settlement compared to the On-the-Day Commodity Market (OCM).

PH provided an explanation of the Solution in which a new role would be created for a 'Contingency Procurer of Supplier Demand'. PH explained how the daily volume would be calculated for the forwarding contracting and the day ahead stages and clarified that a new user account would need to be set up in Gemini.

PH explained the process for when a Shipper is terminated, what elements would continue as business as usual and the trigger (10,000,000 kWh) for the gas procurement being enacted. Once triggered the requirement would stay in place until the volume is less than 100,000 kWh.

Phil Lucas (PL) provided an illustration of the timeline for the cost assessment, reconciliation, and balancing neutrality invoices.

Nigel Sisman (NS) wanted more clarity on the mechanism, breaking the principles of neutrality and the redistribution of costs. PL recognised the solution was not perfect, however there was a need for a solution that did not require extensive system changes, that uses existing systems to allow for the apportionment of costs.

Deleted:

Deleted: (100,000 kWh)

Deleted: NS wanted a better understanding on the nature of the service and if this would be inside the residual balancing role or not. It was suggested this should sit outside neutrality (considered similar to neutrality) but this would be an additional role in terms of compliance.[]

NS noted that the new service is envisaged to be outside of NG's residual balancing role. He questioned whether the costs and redistributions should be handled through neutrality given that the EU balancing code defines balancing neutrality in respect of balancing activities. Whilst it might be appropriate to use neutrality principles there might be merit from a compliance perspective having the new role's costs and redistribution sitting outside of balancing neutrality.

Formatted: Font: Not Italic

PH recognised the solution was not 100% perfect, but implementation of the proposed changes could be undertaken within a short duration.

Deleted: ¶
¶

Lauren Jauss (LJ) understood when undertaking trades, neutrality costs could be lower than the User pays, as neutrality could be positive or negative. LJ went on to explain that the share of neutrality is based on through-put on the day and asked what transparency there would be, as to what the levels are, if the trigger has been met, what trades have been done and at what price.

Deleted: NS challenged using the neutrality mechanism, and whether this was within the intent of the Balancing Code, he believed the approach could use the principles, but not sit within the Balancing Neutrality.

PH explained that this had been discussed at length in workshops, he advised notice would be given to the industry that the trigger has been met, and when it ceased, but nothing more than that at the moment. PH re-assured the Workgroup that there is a requirement for NGG to perform the role economically and efficiently.

Richard Hewitt (RH) also expressed concern of using the balancing pot and could not see how the use of balancing neutrality would be compliant with the Balancing Code. He believed this would need to be a separate activity.

Formatted: Font: Not Italic

It was noted that NG has pseudo-shipper roles e.g. shrinkage and operating margins roles under UNC. NS indicated that these are explicitly addressed in the Licence. PH recognised limitations on NG's procurement activities specified in the Licence and that those general principles would apply in respect of an implementation of the proposal. NS indicated cashflows should be carefully considered so that the UNC and Licence function without any unintended consequences associated with the badging of these cashflows as balancing neutrality.

PH provided the Workgroup with an overview of implementation and what would be required in terms of system changes. This would need a new automated tool to undertake the reconciliation and would cost in the region of £9,000 - £18,000, requiring 9 weeks to deliver.

Deleted: ¶
NGG had a different view that this could be discharged through the NGG licence. However, NS disagreed with this view. NS noted a number of issues, in relation to the procurement of gas, and urged caution. It was recognised there would need to be consent from Ofgem for the changes required. NS urged for further consideration of the changes, needing to be mindful of unintended consequences because of the treatment of cashflow and the badging these are neutrality cash flows.

PH confirmed that Legal Text has been provided and Text Commentary will follow shortly.

Deleted:

Deleted: an offline system

Deleted: 19,000

Deleted: ¶
¶
¶
¶
¶
¶
¶
¶
¶

2. Workgroups

3.1 Assignments

0779A - Introduction of Entry Capacity Assignments With Defined End Date
(Report to Panel 20 January 2022)

<https://www.gasgovernance.co.uk/0779>

3.2 0785 - Application of UNC processes to an aggregated Bacton (exit) Interconnection Point

(Report to Panel 16 December 2021)

<https://www.gasgovernance.co.uk/0785>

3. Issues

No new issues raised.

4. Any Other Business

During 0785 Workgroup discussions a number of new actions were raised which will transfer to the Transmission Workgroup:

New Action 1101: Ofgem (ML) to consider the concerns raised regarding the interim ability to implement Modification 0785 in light of the licence change.

New Action 1102: Xoserve (HR) to provide a view on the ability to re-prioritise system changes, particularly Modification 0785.

New Action 1103: National Grid Gas (MM) to provide a formal response to the industry regarding the available capacity.

5. **Diary Planning**

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

Time / Date	Paper Publication Deadline	Venue	Programme
10:00 Thursday 02 December 2021	5pm Wednesday 24 November 2021	Microsoft Teams	Standard Transmission Workgroup Agenda 0771S, 0786S and 0787S
10:00 Wednesday 05 January 2022	5pm Monday 27 December 2021	Microsoft Teams	Potential additional meeting
10:00 Thursday 06 January 2022	5pm Tuesday 28 December 2021	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 03 February 2022	5pm Wednesday 26 January 2022	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 03 March 2022	5pm Wednesday 23 February 2022	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 07 April 2022	5pm Wednesday 30 March 2022	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 05 May 2022	5pm Wednesday 27 April 2022	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 09 June 2022 (BH 2 nd June)	5pm Wednesday 31 May 2022	Microsoft Teams	Standard Transmission Workgroup Agenda

Action Table (as of 29 November 2021)

Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
1101	29/11/21	0785 3.0	Ofgem (ML) to consider the concerns raised regarding the interim ability to implement Modification 0785 in light of the licence change.	January 2022	Ofgem (ML)	Pending
1102	29/11/21	0785 3.0	Xoserve (HR) to provide a view on the ability to re-prioritise system changes, particularly Modification 0785.	January 2022	Xoserve (HR)	Pending
1103	29/11/21	0785 3.0	National Grid Gas (MM) to provide a formal response to the industry regarding the available capacity.	January 2022	National Grid Gas (MM)	Pending