

UNC Transmission Workgroup Minutes

Thursday 07 July 2022

via Microsoft Teams

Attendees

Eric Fowler (Chair)	(EF)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Neild	(AN)	Storengy
Anna Shrigley	(ASh)	ENI
Anna Stankiewicz	(ASt)	National Grid
Bethan Winter	(BW)	WWU
Carlos Aguirre	(CG)	Pavilion Energy
Chris Wright	(CW)	ExxonMobil
Claire Proctor	(CP)	PTUK
David Cox	(DC)	London Energy Consulting
David Mitchell	(DM)	Scotia Gas Networks
Emma Buckton	(EB)	Northern Gas Networks
Hannah Reddy	(HR)	Correla
Hursley Moss	(HM)	Cornwall Insight
Jeff Chandler	(JCh)	SSE
Joshua Bates	(JB)	National Grid
John Costa	(JCo)	EDF
Julie Cox	(JCx)	Energy UK
Lauren Jauss	(LJa)	RWE
Malcolm Montgomery	(MM)	National Grid
Leyon Joseph	(LJ)	SGN
Megan Bray	(MBr)	National Grid
Nick Wye	(NW)	Waters Wye Associates
Nicolas Webb	(NWe)	PTUK
Pavanjit Dhesi	(PD)	Interconnector Ltd
Phil Hobbins	(PH)	National Grid
Phil Lucas	(PL)	National Grid
Sam Hughes	(SH)	Citizens Advice
Shiv Singh	(SS)	Cadent
Sinead Obeng	(SO)	Gazprom
Stephen Parle	(SP)	PTUK
Steve Mulinganie	(SM)	Gazprom
Terry Burke	(TB)	Equinor <i>(2.0 Milford Haven Risk discussions only)</i>

Copies of all papers are available at: <https://www.gasgovernance.co.uk/tx/070722>

1. Introduction and Status Review

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

1.1. Approval of minutes (09 June 2022)

The minutes from the previous meeting was approved.

1.2. Approval of Late Papers

There were no late papers to consider.

1.3. Review of Outstanding Actions

0401: Overruns to be reviewed in August to consider the effectiveness and impact of industry changes to the regime.

Update: Deferred until August. **Carried Forward**

0601: *Reference Transmission Change Horizon Plan – Potential UNC Modification 0779/0779A Delivery – Correla (HR) and National Grid (ASt) to update Ofgem on a potential delivery approach.*

Update: Anna Stankiewicz (ASt) advised the relevant information has been passed to Ofgem. **Closed**

1.4. User Representative Appointment Process

EF reminded delegates of the key stages and dates associated with the process:

Key Stages	Commencing:	Respond by:
Single Point of Contact (SPoC) to submit nominations for Membership	by 06 June 2022	by 24 June 2022
Membership Election (<i>if nominations received exceed the required representative's positions</i>)	by 11 July 2022	by 29 July 2022
Notification of Membership	01 September 2022	
Membership Commences	01 October 2022	

It was confirmed that a Further Nomination Window is currently open for the following UNC Sub-Committees:

- Demand Estimation Sub-Committee
- Energy Balancing Credit Committee
- Performance Assurance Committee

It was noted that the Further nomination Window closes on Friday 08 July 2022.

1.5. Industry Update from Ofgem

In the absence of an Ofgem representative, EF noted the two Modifications that Transmission Workgroup would be interested in:

Modification 0761 - Arrangements for Interconnectors with additional Storage capability which has an Ofgem expected decision date of September and *Modification 0779/A – Introduction of Entry Capacity Assignments* which has an Ofgem expected decision date of towards the end of December 2022.

Please see the 22 June 2022 update of the Code Modification/Modification proposals with Ofgem for decision – Expected publication dates timetable at: <https://www.ofgem.gov.uk/publications/code-modificationmodification-proposals-ofgem-decision-expected-publication-dates-timetable>

1.6. Pre-Modification discussions

1.6.1. Enhanced pressure service at Bacton

An introduction to this Modification was presented to the June 2022 Transmission Workgroup. Following a recent discussion at the UNC Modification Panel, the view is that this may be progressed as an Urgent Modification as the service is required to be in place before the start of Winter.

Malcolm Montgomery (MM) advised Workgroup there is no further update at this stage, there is a dependency on having the contractual interconnector agreement finalised, then National Grid will raise the Modification once contract discussions are complete.

1.6.2. Additional VLRU and DPSD Availability

Phil Lucas PL was invited to provide Workgroup with an outline of the pre-Modification for Additional Virtual Last Resort User (VLRU) and Contingent Procurement of Supplier Demand (CPSD) Availability.

The presentation PL provided covered the following main topics. Where there was specific interaction regarding particular slides with the Workgroup, this has been captured within the minutes for each section of the presentation, full details can be found on the published presentation here:

<https://www.gasgovernance.co.uk/TX/070722>

Background – Slide 2

PL explained that this Modification is being introduced to enhance the arrangements introduced as part of the following implemented Modifications:

Modification 0788 – Minimising the market impacts of ‘Supplier Undertaking’ operation, which provided the ability for Shippers who are operating under a deed of Undertaking following the termination of the Shipper User, to utilise other existing Shipper User relationships to source additional supplies of gas and make trade nominations to the Terminated Shipper User account to balance that portfolio and mitigate increase costs, until a new ‘Registered User’ is appointed.

Modification 0791 (Urgent) - Contingency Gas Procurement Arrangements when a Supplier acts under a Deed of Undertaking, which introduced new arrangements to enable National Grid NTS to procure gas where, following the termination of a Shipper User providing shipping services to one or more Gas suppliers, no new Shipper User (a ‘Registered User’) is 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.

Potential Gap in the Arrangements – Slide 3

PL explained how recent events have necessitated consideration of the consequences of a User (shipper) being subject to sanctions by the UK Government and that Application of sanctions, in isolation, are not sufficient to constitute a User Default event (TPD Section

V4.3.1). With the Shipper unable to transact, supplies will not be delivered invoice to the Total System to meet the demand of associated Suppliers.

Proposed Solution – Slide 4

PL advised it is proposed that the triggers will be extended enabling utilisation of the VLRU and CPSD mechanisms to where a Shipper is subject to government sanctions and noted the application of sanctions to a Shipper will not constitute a User Default event.

Proposed Governance – slide 5

In conclusion, PL advised that the Modification Proposal will need to be raised in time for consideration by the UNC Modification Panel on 21 July 2022 and based on the materiality of the issue, will follow the Authority Direction route.

Questions:

When Julie Cox (JCx) asked how the arrangements that are already in place have worked, Phil Hobbins (PH) advised that a Post Implementation Review has been carried and can be found published here: <https://www.gasgovernance.co.uk/TX/030222>. PH noted that, generally, Modification 0788 had some take up and had a beneficial impact in some cases. Modification 0791 has not yet been triggered; however, National Grid are getting procedures ready for when that does happen.

2. Milford Haven Risk

Background

Taken from the material published for the 09 June 2022 Transmission Workgroup:

On 09 May Ofgem approved the proposed changes to NGG's Entry Capacity Release Methodology Statement. National Grid can now release less Firm entry capacity at Milford Haven between June and October 2022 in the monthly auctions, and subsequent weekly and daily auctions. Capability is then reassessed to determine the release of any additional capacity that can be supported in the weekly and daily auctions. In addition, on a weekly basis (aligned to the weekly auction periods) capability and capacity for release are being published at: (<https://www.nationalgrid.com/gas Monthtransmission/document/139651/download>)

ASt provided an update on the Milford Haven Risk issue. The presentation ASt provided covered the following main topics. Where there was specific interaction regarding particular slides with the Workgroup, this has been captured within the minutes for each section of the presentation, full details can be found on the published presentation here: <https://www.gasgovernance.co.uk/TX/070722>.

Capacity booked and flows – Slide 2

The graph on this slide shows a summary of recent flows at Milford Haven. – orange line recent flows. Since start of June not reached capability levels.

How do we manage a constraint – slide 3

ASt noted that National Grid have a range of operational and commercial tools that can be used to manage a constraint.

Commercial Tools/Current Rules and Revenue/Cost Distribution – slide 4 & 5

ASt advised of the Commercial Tools available and noted the current rules for each of the Commercial Tools:

- Scaleback interruptible/off-peak capacity
- Restrict sale of within-day firm capacity
 - When Adam Bates questioned if National Grid can only restrict within day, MM clarified if there is an ongoing constraint National Grid could potentially use day

ahead. Once withheld national Grid may continue to withhold until the issue is resolved.

- Locational Energy Actions
- Buy Back Firm Capacity
- Offtake Flow Reductions
- Constraint Management Agreements

Option/Pros/Cons – slide 6 & 7

ASt advised of the Options available and the pros and cons that accompany each option:

Option 1 Improve communication between NGG and Sub-Terminals/Shippers

AB noted that Option 1 would be useful and asked what National Grid needs from Shippers in order to make National Grid comfortable to not to do anything or, he asked, do National Grid trust their Commercial Tools. ASt advised she will cover this at the next meeting.

ASt advised that having a view of what is happening at the ASEP; the impact on next year; any assumptions would be useful for National Grid.

Steve Parle (SP) noted that he is not adverse to discussing Option 1 too and is happy to have discussions to improve communication at those terminals but does not like reference to “legally binding agreements” as these may be too difficult to put in place.

Option 2 Agree cargo delivery plan between NGG and Sub-Terminals/Shippers

Option 3 Put a cap on buybacks

When AB asked if National Grid are looking at Locational Sales as well, ASt advised that if there is a constraint for a long time, they will use the buyback tool.

AB advised that short-term tools work fine for LNG and that longer-term constraint allows them to manage it without getting tied into the operational constraints at the terminal.

Option 4 Seasonal baseline at Milford Haven ASEP only

Option 5 Turn-down contracts

Option 6 Increase overrun penalty in a constraint scenario

AB noted that a Terminal is just as likely to underrun as overrun and suggested there may be a need for a tolerance if the penalty overrun charge is going to increase. ASt advised this will be covered at the next meeting.

ASt advised a lot depends on **Option 1** and noted there was a request to take discussions outside of the Transmission Workgroup. National Grid will work up a position and know there is time for turn-down contracts and hope to have an internal position on this established by the end of August.

Nick Wye (NW) suggested that **Option 6** should not be considered, and that **Option 5** is the only realistic option to focus on.

Sinead Obeng (SO) echoed the comments already made with regards to Option 1 and noted that not all Users will have commercial arrangements that makes Option 1 viable.

Chris Wright (CWr) noted that he understands and supports the need to try to deal with this issue but is uncomfortable that UNC Code has a universal set of rules for incremental capacity and that it is no fault of Shippers that National Grid can now not deliver the capacity for the amount that is being sold.

ASt clarified that Option 6 and option 3 would be applicable across the network.

With regard to Option 4, AB noted that seasonal baselines potentially changes the incremental capacity for new investments too, for example, PARCA and asked what National Grid’s deadline

date to get something implemented is. ASt advised that a seasonal baseline change consultation will be launched by Ofgem September/October time and that analysis makes this option not viable for next summer.

CWr highlighted that Licence changes and UNC changes need to be done in parallel.

Steve Mulinganie (SM) echoed the concern that any solution should be holistic as whilst Milford haven is a case study of a problem the solution should apply across the whole UNC. ASt confirmed that Option 1 and 4 will be looked at in more detail.

Factors Impacting Capability - Slide 8

ASt highlighted the video link which is specific to Milford Haven capability.

In conclusion, ASt advised she is likely to send an invite to relevant parties to have a separate meeting on this and will present a shorter summary at the next Transmission Workgroup.

3. Gas Safety (Management) Regulations - GS(M)R Review

PH advised that the HSE are still considering the responses to their earlier consultation, this may be brought forward to GS(M)R later in the year.

If agreed, the reduction in lower limit in the Wobbe index will require an enabling Modification.

PH advised there will be discussions with the Terminals to understand who will want to change to the lower Wobbe index limit, once he has that that view will then inform the appropriate level of transparency and a wider discussion will be held as part of a separate project.

4. Transmission Change Horizon Plan

ASt advised there is no change since the update provided at the June 2022 Transmission Workgroup.

EF noted that *Modification 0779/0779A – Introduction of Entry Capacity Assignments*, is developing at risk pending the Ofgem decision.

5. Overrun Update

Deferred until August.

6. Workgroups

6.1. 0805S - Introduction of Weekly NTS Exit Capacity Auctions

(Report to Panel 16 June 2022)

<https://www.gasgovernance.co.uk/0805>

6.2. 0806 - Change to Curtailment Trade Price Compensation in Section Q

(Report to Panel 21 July 2022)

<https://www.gasgovernance.co.uk/0806>

7. New Issues

No new issues raised.

8. Any Other Business

8.1. Long Term Summary Report

ASt advised that an amendment to the exit Long Term Summary Report is being made.

ASt explained that the Exit Capacity Substitution Methodology Statement (July 2021), Para 22 currently says: *NTS Exit Capacity required as a result of demand forecasts provided via Exit*

Capacity Planning processes as per Standard Special Condition A57 and the Exit Capacity Planning Guidance, will not be Substitutable.

National Grid are inserting the following wording to the guidance page of the report to highlight that the level of Unsold capacity listed on the report might be impacted by GDN's demand forecast submissions:

Capacity required as a result of demand forecast provided by DNs, will not be Substitutable. The quantity of that capacity is not captured as Quantity Unsold in this report. Parties might be able to obtain this information by signing a confidentiality agreement with the relevant Distribution Network Operator.

8.2. Gas Demand Side Response (DSR)

PH provided a presentation which covered the following main topics. Where there was specific interaction regarding particular slides with the Workgroup, this has been captured within the minutes for each section of the presentation, full details can be found on the published presentation here: <https://www.gasgovernance.co.uk/TX/070722>.

Gas DSR – Slide 2

PH explained how gas DSR enables consumers to offer to reduce their demand via their Shipper/Supplier during the build-up to a gas emergency, in return for a payment which they define.

Winter Preparedness - Slide 3

PH advised, as part of National Grid's winter preparedness activities, they continually review the mix of tools and notifications available to them to manage the Network in the event of a tightening of the supply/demand balance.

Stakeholder Views - Slide 4

Potential DSR Volumes - Slide 5

PH advised that National Grid wish to explore what would be required to stimulate this market for this Winter, in particular the introduction of option payments which has been a consistent theme in feedback so far.

Stakeholder Engagement - Slide 6

PH advised that National Grid are approaching Consumers and Shippers/Suppliers as well as UNC parties.

Discussion with UNC parties will be held to discuss the issues associated with introduction of option payments and the potential development of a Modification which will require Urgent procedures to enable implementation this coming Winter.

UNC Stakeholder Engagement - Slide 7

PH advised National Grid are therefore seeking industry engagement on this topic via additional Transmission Workgroup meetings ahead of any Modification being raised. The immediate timetable will be as follows:

Thursday 14 July 2022, 10:00 – 13:00: Extra Transmission Workgroup 1

Monday 18 July 2022, 13:00 – 16:00: Extra Transmission Workgroup 2

Thursday 4th August 2022: Transmission Workgroup: Conclusions and proposed way forward

The Joint Office have issued meeting invitations for these extra sessions on 14 and 18 July.

Questions/Comments

When Jeff Chandler (JCh) asked, where the money for paying the option fee would come from, PH advised either Balancing Neutrality or a line item for generic transportation charges.

EF suggested as part of the additional Workgroups, National Grid should recap how the mechanism works.

JCx asked if there is a cap (hidden) that National Grid would not go beyond, or is it completely uncapped? PH advised this would be covered as part of the introduction to the Workgroups. PH advised that ultimately, they are offers that come on to the System to sell gas and that existing commercial strategy would be deployed.

Sam Hughes (SH) asked that, as part of development, Workgroup should look at the overall cost benefit. Also, to what extent does this work overlap with the work on basic security of supply issues with gas and electricity.

It was mentioned that a cost/benefit exercise has been completed some years before and it concluded against having an option payment so this was not pursued.

JCx provided a link to *Modification 0086 (Urgent) - Introduction of Gas Demand Management Reserve Arrangements*: <https://www.gasgovernance.co.uk/0086>

2. 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 04 August 2022	5pm Wednesday 27 July 2022	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 01 September 2022	5pm Wednesday 24 August 2022	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 06 October 2022	5pm Wednesday 28 September 2022	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 03 November 2022	5pm Wednesday 26 October 2022	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 01 December 2022	5pm Wednesday 23 November 2022	Microsoft Teams	Standard Transmission Workgroup Agenda

Action Table (as of 07 July 2022)

Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0401	07/04/22	4.0	Overruns to be reviewed in August to consider the effectiveness and impact of industry changes to the regime	August 2022	National Grid (ASt)	Carried Forward
0601	09/06/22	4.	<i>Reference Transmission Change Horizon Plan – Potential UNC Modification 0779/0779A Delivery</i> – Correla (HR) and National Grid (ASt) to update Ofgem on a potential delivery approach	July 2022	Correla (HR) & National Grid (ASt)	Closed