

**UNC Workgroup 0705R Minutes  
NTS Capacity Access Review  
Thursday 03 September 2020  
via Microsoft Teams**

**Attendees**

Lorraine O'Shaughnessy (Chair)	(LOS)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Nield	(AN)	Storengy Ltd
Andrew Pearce	(AP)	BP
Angus Paxton	(AP)	AFRY
Anna Shrigley	(AS)	Eni Trading & Shipping (joined from 11am)
Bethan Winter	(BW)	Wales & West Utilities
Bill Reed	(BR)	RWE
Chris Wright	(CW)	Exon Mobil
Daniel Hisgett	(DH)	National Grid
Debra Hawkins	(DHa)	TPA Solutions Ltd
Emma Buckton	(EB)	Northern Gas Networks
Jeff Chandler	(JCh)	SSE
Jennifer Randall	(JR)	National Grid
John Costa	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kamila Nugumanova	(KN)	ESB
Kamla Rhodes	(KR)	Conoco Phillips
Leyon Joseph	(LJ)	SGN
Max Lambert	(ML)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Paul Youngman	(PY)	Drax
Phil Hobbins	(PH)	National Grid
Phil Lucas	(PL)	National Grid
Pavanjit Dhesi	(PD)	Interconnector UK
Richard Hewitt	(RH)	BBLC
Richard Fairholme	(RF)	Uniper
Shiv Singh	(SS)	Cadent
Sinead Obeng	(SO)	Gazprom
Steven Britton	(SB)	Cornwall-Insight
Steve Pownall	(SP)	Xoserve
Terry Burke	(TB)	Equinor

Copies of all papers are available at: [www.gasgovernance.co.uk/0705/030920](http://www.gasgovernance.co.uk/0705/030920)

The Workgroup Report is due to be presented at the UNC Modification Panel by 15 October 2020.

## 1. Introduction and Status Review

Loraine O'Shaughnessy (LOS) welcomed all parties to the meeting, and advised the main focus of the meeting will be to receive an update from National Grid and development of the Workgroup Report in order to request an extension at UNC Panel in September.

### 1.1. Approval of minutes (06 August 2020)

The minutes from the previous meeting were approved.

Bethan Winter (BW) suggested a slight amendment to the wording of the minutes, the minutes have been amended and a change marked version showing the amendment has been published.

### 1.2. Approval of Late Papers

Workgroup agreed the late amendments to the Capacity Access Review presentation provided by National Grid.

### 1.3. Review of outstanding actions

**Action 0404:** National Grid (JR) to explore longer-term options for the exit capacity regime (including mirroring the entry regime on the exit side and zonal options and feed into consultation. Review Date: September 2020.

**Update:** Update expected in September. **Carried Forward**

**Action 0501:** Grid to develop consultation regarding the User Commitment options in September.

**Update:** Update expected in September. **Carried Forward**

**Action 0701: Entry User Commitment:** National Grid (JR) to provide a progress update on the changes to the User Commitment requirements in the ECR methodology.

**Update:** The update for this action is provided in agenda item 2.0. **Carried Forward**

**Action 0704: Substitution:** Ofgem to review the concerns raised about the availability of excess capacity and previously provided view that there is plenty of capacity available through the PARCA process.

**Update:** The update for this action is provided in agenda item 4.0. **Carried Forward**

**Action 0706: Substitution:** National Grid (JR) to consider transparency of projects and the use of Confidentiality statements and disclosure agreements.

**Update:** The update for this action is provided in agenda item 4.0. **Closed**

## 2. Entry User Commitment Methodology Update

**Action 0701:** Entry User Commitment: National Grid (JR) to provide a progress update on the changes to the User Commitment requirements in the ECR methodology.

Jennifer Randall (JR) provided an update which included the proposed Entry Capacity Release Methodology text change which is as follows:

<sup>54</sup> A PARCA (see chapter 5 for more details) can be used by Shipper Users and Reservation Parties to reserve existing **Obligated Entry Capacity** as well as **Incremental Obligated Entry Capacity**. Any capacity applied for through a PARCA will only be reserved ~~if a capacity amount is requested for at least x quarters in a 32 quarter period, where quarter 1 of the 32 quarter period is the first quarter capacity is requested for, and x is the PARCA minimum duration quantity. Where~~ ~~where~~ the capacity application can be satisfied:

- From any **Available NTS Entry Capacity** at the point in question then the **PARCA minimum duration quantity** shall be as per UNC Section B 1.17.7(c)(ii)<sup>28</sup>; ~~or-~~
- By entry capacity substitution then the **PARCA minimum duration quantity** shall be ~~the application amount signalled in 4 quarters of the 32-quarter period with those 4 quarters being in 4 different years; or as per the rule above for Available NTS Entry Capacity.~~ **the application amount signalled in 4 quarters**
- By the release of **Incremental Obligated Entry Capacity** then the **PARCA minimum duration quantity** shall be as per the rule above for substitution, [para 54 \(b\)](#).

### Next Steps:

JR advised the next step is for National Grid to write to Ofgem for a derogation for an independent examiner to review the change. Then proceed to consultation.

**New Action 0901:** *Entry User Commitment* - Workgroup participants to review the text provided to support Action 0701 and feedback to National Grid, Jenifer Randall (JR).

### Action 0701 Carried Forward.

## 3. Exit User Commitment Progress

**Action 0404:** National Grid (JR) to explore longer-term options for the exit capacity regime (including mirroring the entry regime on the exit side and zonal options and feed into consultation). Review Date: September 2020.

**Action 0501:** National Grid to develop consultation regarding the User Commitment options in September.

JR advised that National Grid are currently assessing the impact of the new charging regime on capacity bookings and the duration of User Commitment. National Grid will come to a decision on what they propose to do on User Commitment for capacity within baseline.

JR advised there have been ongoing discussions since the last meeting held in September between Networks and National Grid where the following areas were covered:

- graphs shown at the September meeting were reviewed;
- discussions on future capacity requirements;
- the capability of the network baselines;
- enhanced obligation;
- the option of capping User Commitment as a % of the booking.

JR said that National Grid would be looking at the new charging regime in 2020 enduring capacity applications and also the impact of the User Commitment duration (based on indicative prices rather than actual).

### Next steps:

JR advised that this topic has been discussed significantly over the last few months and that National Grid will now take all the feedback received, analysis carried out and evidence gathered to date through internal processes in order to take a decision on National Grid's position as to whether this is something they are prepared to take forward or not.

When LOS asked what the timescales would be, JR indicated that if National Grid decide to take this forward, they would be looking to implement this by next July 2021.

**New Action 0902:** *Exit User Commitment* - National Grid (JR) to advise Workgroup National Grid's decision on the proposed Exit User Commitment option forward by the November 2020 meeting, providing a progress update in October 2020.

Bethan Winter added that the GDNs and other parties will also have views. When *Modification 0671 New Capacity Exchange process at NTS exit points for capacity below baseline* was raised, Workgroup looked at making User Commitment part of the Modification process.

In response JR said that she recognises User Commitment sits as part of the Methodology Statement, if National Grid decide this is not something they can support, the next step will be how industry wish to progress and how National Grid will facilitate.

Dave Adlam (DA) agreed with BW and commented that User Commitment should be a modification process and raised the concern that next summer is the next booking window, if a change is not implemented, there will be a further User Commitment 4 year window.

JR explained that NTS Methodologies are required in the licence and require Ofgem approval, therefore, National Grid may not be able to amend the process.

JCx mentioned that from April 2021 (the start of the RIIO2 period) there will be no incentive on DN's to optimise their capacity bookings. Furthermore, it is unlikely that the Enhanced Obligation Framework will have been fully introduced by then. Therefore, there will be a period of time (including the 2021 July Enduring booking window) whereby neither of these two mechanisms exist. JC asked what protections do customers have in the intervening period.

ML clarified that would be covered in the enhanced obligations discussions that will be part of outstanding **Action 0404**. WG discussed **Action 0404** and **Action 0501** are Carried Forward and merged to form a new, clearer action.

**New action 0903:** National Grid (JR) to launch holistic review of the Exit regime.

When Paul Youngman (PY) asked if analysis is currently looking at anything other than DNs (as User Commitment affects all parties that acquire Exit Capacity), JR clarified that the entire exit regime will be considered as part of the wider holistic review. The emergence of the Enhanced Obligation Framework will play into that review, but will only form part of that review.

JCx requested a detailed view of what, when and how the review will take place.

**New action 0903a:** *Exit User Commitment Progress* – National Grid (JR) to provide a transparent scope of what the holistic review will look like including timelines.

This topic will be further reviewed at the next meeting in October 2020.

#### 4. Substitution Progress

**Action 0704:** Ofgem to review the concerns raised about the availability of excess capacity and previously provided view that there is plenty of capacity available through the PARCA process.

**Action 0706:** National Grid (JR) to consider transparency of projects and the use of Confidentiality statements and disclosure agreements.

**Action 0801:** National Grid (ASt) to investigate the preferential substitution from 'closed sites' and to provide a definition of closed site.

JR advised Workgroup that National Grid is unable to support industries preferred option of first refusal. This is for a couple of reasons, firstly the potential perpetual cycle of analysis that could result. Secondly, because National Grid's role is to facilitate a competitive gas market, although we appreciate that capacity is not the competitive product that it perhaps used to be, that is a question to be resolved in its own right, rather by "the back door" through this route.

JR took workgroup through the response to action 0801 as outlined in the slides and advised that a methodology change could be looked at but that would have wider consequences to consider (e.g. possibly a cost factor).

JCx raised the issue that because this is in the Methodology Statement, only National Grid can make changes, other parties cannot as it is not part of the modification process.

Bill Reed (BR) questioned if the baseline capacity at disconnected exit points is stranded capacity. JR advised this capacity could be allocated via this process.

BR responded and said that capacity at disconnected exit points cannot be utilised because it is on a disconnected site. JCx used the example of Theddlethorpe, which is a disconnected site and has capacity allocated. BR said this capacity should be utilised first before any substitution.

JCx expressed her frustration that the topic of baseline capacity at disconnected sites has been raised for 3-4 years now and there does not seem to be any acknowledgment from National Grid that this needs resolving.

### Action 0801 Closed

**New Action 0904:** *Substitution Progress* - National Grid (JR) to provide further information around the disconnection process and how physical and commercial disconnection interact.

**New Action 0905:** *Substitution Progress* - National Grid (JR) to further investigate whether capacity at disconnected sites could be prioritised in the substitution process.

JR advised that with regards to revealing the geographical location of a PARCA applicant she has contacted recent PARCA applicants to see if publication of the location would have an impact on their projects and confirmed that mixed views had been received varying from 'it would make no difference' to 'it could put deals at risk'.

ML suggested this is looked at as part of a wider long term review.

### Action 0704 Closed

JCx questioned the defined timescales for National Grid to complete the Phase 1 Analysis of the PARCA process and wondered if National Grid complete the analysis early on within the 6-month window, would they inform the applicant in order to progress to the next stage earlier? JR advised that the analysis phase requires significant work in the background and may not be a process that can be gone through ahead of time.

**New Action 0906:** *PARCA Process* – JR to provide an understanding of the obligation on the 6 months Phase 1 stage and what happens if the analysis can be delivered sooner; if the analysis is ready earlier do National Grid liaise with the applicant; what is the process when National Grid has completed the analysis?

### Action 0706 Closed

## 5. Secondary Capacity Assignments

Daniel Hisgett (DH) provided an update to Nations Grids work areas for this topic and reminded Workgroup of the Shipper requirement (from those in discussions) topics to date, which are:

- Assignments on Entry and Exit
- Liabilities
- Frequency and denominations
- Dormant Shippers and capacity assignments from their holdings
- Storage third party auctions
- TAR |NC Compliance

In order to focus on the requirements as above, DH updated Workgroup with the progress on the following work areas:

- Principle

Richard Fairholme (RF) provided some information in that during Shipper discussions with National Grid the direction was clear in that Entry should be priority. It was considered that if Exit capacity was to be considered too, the project would be too big and there was not much appetite for Exit to be considered.

RF confirmed that Entry should be the priority.

JR clarified that priority will be given to Entry rather than Exit and requested that if there is anybody else that would like to support this from Exit, please advise before next workgroup.

**New Action 0907:** *Secondary Capacity Assignment – Principle* - All Workgroup participants to advise National Grid (JR) if consideration should be given to Exit alongside Entry.

- Practicalities
- Systems
- Existing Contracts

DH highlighted that Legal input is required before any position is formulated.

When asked what National Grid are considering when there has already been direction from Ofgem, (Article 35 and the Ofgem 0678 decision regarding Existing Contracts), DH clarified that National Grid are making sure that everything possible is being considered.

JR advised that historic discussion and decisions on Existing Contracts are being looked at to see if any precedents have been set in order to get a steer for one route or another and recognising there is possibly room for looking at how Existing Contracts could work in the future.

RF requested that National Grid look at the right solution for the market as a whole.

NW commented that, with reference to European Law, National Grid highlighted to Ofgem that this topic will be being looked at .

- Dormant Shipper capacity assignments from their holdings
- Storage

**New Action 0908:** *Secondary Capacity Assignments – Existing Contracts – National Grid and Ofgem* to explore options.

## 6. Within Day Off-Peak/Interruptible Capacity Product

### Issue:

Users would like an extension of the day ahead off-peak / interruptible product to within-day timescales, mirroring the within day allocation timescales. Introducing a product as Users have requested, given the level of historical scale back, would effectively mean there would be a “firm” product at a discounted price. This is likely to create an under-recovery of revenue which would be smeared back to wider industry, either via the Revenue Recovery Charge or by an increase to the Reserve Prices.

### Options:

JR provided an overview of the 7 options that are being considered in order to reduce the volume of capacity being offered and explained that options 1 to 3 would offer limiting the volume of capacity released per day but that neither option presented here would result in effectively limiting volume.:

Option 4 would look at Firm Capacity sold out (Day Ahead) but this is not an option as firm capacity is very rarely sold out at day ahead stage; Option 5 would look at Firm Capacity sold out (Within Day) but this option would have difficulties with timings; Option 6 would look at longer allocation lead times to take into account the lead time for scale backs.

JR went on to advise that *Option 7 – limited availability and quantity* looks to be the most promising as this would look at limiting the number of times Users can bid for the product and could also limit the quantities by, for example, releasing a percentage of firm sold day ahead as within day off-peak / interruptible.

Anna Shrigley (AS) asked for clarification that the source of the data, (the amount for sale), is the amount offered not including the longer term auctions and added that in the past, Users would over-book Capacity when the prices was zero.

Nick Wye (NW) offered his support that option 7 is the best way forward as a concept.

LOS requested that Workgroup share their thinking around the different options and provide any feedback back as to where National Grid is best to focus its attention to JR.

**New Action 0909:** *Within Day Off-Peak/Interruptible Capacity Product Options:* All Workgroup participants to provide any feedback to JR as to where National Grid is best to focus its attention.

**New Action 0909a:** *Within Day Off-Peak/Interruptible Capacity Product Options:* National Grid (JR) to work up 'promising' options in further detail.

## 7. Development of Request Workgroup Report

LOS provided an overview of the Workgroup Report and proceeded to complete a Workgroup review and update. She explained the main purpose was to provide a recommendation to UNC Panel that the Request is taking a longer period to review.

The Workgroup Report was updated live within the Workgroup.

### Next Steps

The Workgroup Report will be published and presented to UNC Panel on 17 September 2020 where an extension of 12 months will be requested.

**New Action 0910:** *Development of Workgroup Report* – National Grid (JR) agreed to provide an update to the Impact on Central Systems and Process.

Steve Pownall (SP) confirmed that everything in connection with System Testing has been passed back to National Grid and there are no further considerations necessary. Testing is complete as far as system changes are concerned.

**New Action 0910a:** *Development of Workgroup Report* - National Grid (JR) to review next steps under each section of the Workgroup Report and consider how it is to progress.

**New Action 0910b:** *Development of Workgroup Report:* All Workgroup participants to review the Workgroup Report ahead of the next Workgroup.

**New Action 0910c:** *Development of Workgroup Report* - NGN (EB) and National Grid (JR) to provide further clarity on why Exit User Commitment is being removed.

LOS confirmed that once the Workgroup Report has been updated following the above actions, it will be published and submitted to UNC Panel for review.

## 8. Next Steps

LOS confirmed that the next steps are for the Workgroup to request an extension at the next UNC Panel meeting on 17 September 2020.

## 9. Any Other Business

None.

## 10. Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/events-calendar/month](http://www.gasgovernance.co.uk/events-calendar/month)

Time / Date	Venue	Workgroup Programme
10:00 Thursday 01 October 2020	TBC	Development of Request Workgroup Report

Action Table (as at 03 September 2020)					
Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0404	02/04/20	2.1	<b>Amended:</b> National Grid (JR) to explore longer-term options for the exit capacity regime (including mirroring the entry regime on the exit side and zonal options and feed into consultation. Review Date: September 2020.	National Grid (JR)	Carried Forward until October
0501	07/05/20	2.1	National Grid to develop consultation regarding the User Commitment options in September.	National Grid (JR)	Carried Forward until October
0701	02/07/20	2.1	<i>Entry User Commitment:</i> National Grid (JR) to provide a progress update on the changes to the User Commitment requirements in the ECR methodology.	National Grid (JR)	Carried Forward
0704	02/07/20	2.2	<i>Substitution:</i> Ofgem to review the concerns raised about the availability of excess capacity and previously provided view that there is plenty of capacity available through the PARCA process	Ofgem (ML)	Closed
0706	02/07/20	2.2	<i>Substitution:</i> National Grid (JR) to consider transparency of projects and the use of Confidentiality statements and disclosure agreements.	National Grid (JR)	Closed
0801	06/08/20	4.0	<i>Substitution:</i> National Grid (ASt) to investigate the preferential substitution from 'closed sites' and to provide a definition of closed site.	National Grid (ASt)	Closed
0802	06/08/20	8.0	National Grid (JR) to provide a brief update on each of the topic areas included in the Capacity Access Review for inclusion in the draft Workgroup Report to be circulated to Workgroup in advance of the next meeting on 03 September. The draft text to be provided by Wednesday 19 August 2020.	National Grid (JR)	Closed

<b>0901</b>	03/09/20	2.0	<i>Entry User Commitment</i> - Workgroup participants to review the text provided to support Action 0701 and feedback to National Grid, Jennifer Randall (JR).	All Workgroup	<b>Pending</b>
<b>0902</b>	03/09/20	3.0	<i>Exit User Commitment</i> - National Grid (JR) to advise Workgroup National Grid's decision on the proposed Exit User Commitment option forward by the November 2020 meeting, providing a progress update in October 2020.	National Grid (JR)	<b>Pending</b>
<b>0903</b>	03/09/20	3.0	<i>Exit User Commitment Progress</i> – National Grid (JR) to launch holistic review of the Exit Regime.	National Grid (JR)	<b>Pending</b>
<b>0903a</b>	03/09/20	3.0	<i>Exit User Commitment Progress</i> – National Grid (JR) to provide a transparent scope of what the holistic review will look like including timelines.	National Grid (JR)	<b>Pending</b>
<b>0904</b>	03/09/20	4.0	<i>Substitution Progress</i> - National Grid (JR) to provide further information around the disconnection process and how physical and commercial disconnection interact.	National Grid (JR)	<b>Pending</b>
<b>0905</b>	03/09/20	4.0	<i>Substitution Progress</i> - National Grid (JR) to further investigate whether capacity at disconnected sites could be prioritised in the substitution process.	National Grid (JR)	<b>Pending</b>
<b>0906</b>	03/09/20	4.0	<i>PARCA Process</i> – National Grid (JR) to provide an understanding of the obligation on the 6 months Phase 1 stage and what happens if the analysis can be delivered sooner; if the analysis is ready earlier do National Grid liaise with the applicant; what is the process when National Grid has completed the analysis?	National Grid (JR)	<b>Pending</b>
<b>0907</b>	03/09/20	5.0	<i>Secondary Capacity Assignment – Principle</i> - All Workgroup participants to advise National Grid (JR) if consideration should be given to Exit alongside Entry.	All Workgroup	<b>Pending</b>
<b>0908</b>	03/09/20	5.0	<i>Secondary Capacity Assignments</i> – Existing Contracts – National Grid and Ofgem to explore options.	National Grid (JR) and Ofgem (ML)	<b>Pending</b>
<b>0909</b>	03/09/20	5.0	<i>Within Day Off-Peak/Interruptible Capacity Product Options</i> : All Workgroup participants to provide any feedback to JR as to where National Grid is best to focus its attention to JR.	All Workgroup	<b>Pending</b>

<b>0909a</b>	03/09/20	5.0	<i>Within Day Off-Peak/Interruptible Capacity Product Options: Within Day Off-Peak/Interruptible Capacity Product Options:</i> National Grid (JR) to work up 'promising' options in further detail.	National Grid (JR)	<b>Pending</b>
<b>0910</b>	03/09/20	7.0	<i>Development of Workgroup Report –</i> National Grid (JR) agreed to provide an update to the Impact on Central Systems and Process.	National Grid (JR)	<b>Pending</b>
<b>0910a</b>	03/09/20	7.0	<i>Development of Workgroup Report -</i> National Grid (JR) to review next steps under each section of the Workgroup Report and consider how it is to progress.	National Grid (JR)	<b>Pending</b>
<b>0910b</b>	03/09/20	7.0	<i>Development of Workgroup Report:</i> All Workgroup participants to review the Workgroup Report ahead of the next Workgroup	All Workgroup	<b>Pending</b>
<b>0912</b>	03/09/20	7.0	<i>Development of Workgroup Report -</i> NGN (EB) and National Grid (JR) to provide further clarity on why Exit User Commitment is being removed.	NGN (EB) and National Grid (JR)	<b>Pending</b>