

## Workgroup 0678 Summary of Outcomes

Monday 11 February 2019

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

Attendees		
Rebecca Hailes (Chair)	(RH)	Joint Office
Helen Bennett / Cuin (Secretary)	(HBC)	Joint Office
Adam Bates	(AB)	South Hook Gas
Andrew Pearce	(AP)	BP
Anna Shrigley*	(AS)	ENI
Bill Reed	(BR)	RWE Supply & Trading
Colin Williams	(CWi)	National Grid
Debra Hawkin	(DH)	TPA Solutions
Emma Buckton*	(EB)	Northern Gas Networks
Graham Jack	(GJ)	Centrica
Henk Kreuze*	(HK)	Vermilion Energy
James Thomson	(JT)	Ofgem (until 2:40pm)
Jeff Chandler*	(JCh)	SSE
John Costa*	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kamla Rhodes	(KR)	ConocoPhillips
Kirsty Ingham	(KI)	ESB
Nitin Prajapati	(NP)	Cadent
Paul Whitton*	(PW)	Scotia Gas Networks
Paul Youngman	(PY)	Drax Power
Penny Garner	(PG)	Joint Office
Rebecca Jones*	(RSJ)	Mercuria
Richard Fairholme	(RF)	Uniper
Sinead Obeng	(SO)	Gazprom Marketing and Trading
Smitha Coughlan	(SCo)	Wales & West Utilities
Steve Pownall	(SP)	Xoserve
Terry Burke*	(TB)	Equinor
* via teleconference		
<p><b>Industry parties are strongly encouraged to review this document and the changes. Any comments should be sent to Joint Office at <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a></b></p>		
<p><b>Meeting material</b> available at: <a href="http://www.gasgovernance.co.uk/0678/110219">http://www.gasgovernance.co.uk/0678/110219</a></p>		
<p><b>Critical Actions Log</b> is available at: <a href="http://www.gasgovernance.co.uk/0678">http://www.gasgovernance.co.uk/0678</a></p>		
<p><b>Next Meeting</b> Thursday 14 February 2019</p>		

## Key Points/Decisions

1. The Workgroup approved the Summary of Workgroup discussions held on Tuesday 05 February 2019.

1.1 It was confirmed there are no pre-modification discussions required.

1.2 The Workgroup reviewed all current Actions providing appropriate updates.

## 2. Compliance

Discussions took place regarding Compliance, referring to the TAR Code.

Penny Garner (PG) introduced a template of the suggested Table to be used which could track the compliance against TAR NC that is required.

When asked, James Thomson (JT) advised that it should be up to the Proposer of the Modification to prove that their Modification meets compliance requirements and that Ofgem will highlight to the Workgroup any areas of non-compliance as and when they are identified throughout Workgroup discussions.

Workgroup confirmed they will use reasonable endeavours to assess compliance as no parties within the room have stated they are qualified lawyers.

PG advised that the urgency timeline currently dictates there is only one more session planned for Compliance discussions (04 March 2019). Joint Office will seek to add a further session where this can be discussed.

**Assumption:** It is assumed there may be several further Alternative Modifications to 0678.

CWi introduced the Workgroup to his Compliance Table explaining that highlighted on the left of the table is the EU Tariff Code Requirements and then on the right of the table a log would be updated of how the proposal addresses the requirement. CWi confirmed this would be included as part of the relevant objectives within the Modification 0678 itself as a means of providing the relevant articles of TAR to the specific aspect of the proposal. RH advised that the table provided by CWi is written from a Modification point of whereas the table from PG/RH starts from TAR NC.

Given the two approaches, Ofgem were asked which out of the two would they prefer to see. James Thomson (JT) advised that both proposals have benefits, Proposers can choose which they prefer.

Feedback was given that Compliance was not adequately addressed throughout Modification 0621 discussions and that it is most important that a Compliance Table is completed through Workgroup discussions for Modification 0678 and any of its Alternatives.

The Compliance Table will aim to address Ofgem's primary concern.

A lengthy discussion took place where Workgroup agreed on the following articles within TAR NC that are relevant and should be discussed within Workgroup.

Not all in the Workgroup felt this was the most effective way to provide the relevant compliance points applicable to the proposals:

Article 4 – Transmission and non-transmission services and tariffs

Article 5 – Cost Allocation Assessment

Article 6 – Reference price methodology application

Article 7 – Choice of a reference price methodology

Article 8 – Capacity weighted distance reference price methodology

Article 9 - Adjustments of tariffs at entry points from and exit points to storage facilities and at entry points from LNG facilities and infrastructure ending isolation

Article 12 – General provisions

Article 13 – Level of multipliers and seasonal factors

Article 14 – Calculation of reserve prices for non-yearly standard capacity products for firm capacity in absence of seasonal factors

Article 15 – Calculation of reserve prices for non-yearly standard capacity products for firm capacity with seasonal factors

Article 16 – Calculation of reserve prices for standard capacity products for interruptible capacity

Article 17 – General provisions

Article 23 – Calculation of clearing price at interconnection points

Article 24 – Calculation of payable price at interconnection points

Article 25 – Conditions for offering payable price approaches

Article 26 – Periodic consultation

Article 27 – Periodic national regulatory authority decision-making

Article 28 – Consultation on discounts, multipliers and seasonal factors

Article 30 – Information to be published before the tariff period

Article 31 – Form of publication

Article 32 – Publication notice period

Article 35 – Existing contracts

**Action 01-1102:** Joint Office to formulate a TAR NC Compliance Table for Proposers and Workgroup to assess compliance for the Modification by Article.

**Action 02-1102:** Ofgem (NRA) to decide and confirm who should undertake the Cost Allocation Assessment under TAR NC Article 5.

**Action 03-1102:** Ofgem (NRA) to decide and confirm who should undertake the TAR NC Article 26 Consultation.

Ofgem agreed that Workgroup can include Compliance discussions as a topic at Workgroup on Monday 18 February, and on 25 February if needed, since this is a section of the Workgroup Report.

Workgroup began the process of adding comments to the TAR Compliance Table relating to 0678A and Article 4 (based on information made available by RWE).

RH clarified that for this group of Modifications, in the timetable supplied by Ofgem, there are no interim Panel considerations, as soon as the Workgroup Report is complete it will go straight out for consultation.

Ofgem confirmed that no date for timescales as to when a decision will be made as to whether a Regulatory Impact Assessment (RIA) will be completed. The Workgroup will be informed and kept up to date.

JCh requested that Ofgem provide confirmation in relation to whether a RIA is to be carried out. He stated that in his view, a RIA was a statutory undertaking and would be required for something as important as Modification 0678. He noted that in his view, if Ofgem were to take a decision, without carrying out a RIA, this may be a potential breach of process and could lead to some parties seeking a Judicial Review.

### 3. Forecasted Contracted Capacity (FCC)

CWi explained that within the model there is 5 years of Entry and Exit data. For any year modelled after 2023, the 2023 data will be used.

The model will allow capacity reserve prices, in line with 0678, to be reproduced and the sensitivities around the Modification.

Talking through the slides that complement the Sensitivity Tool, CWi explained the methodology that sits behind the model.

JCx advised that Existing Contracts information within the tool might not be accurate.

Discussions took place on the graph shown on slide 8 of the presentation, consolidated forecast (short term 5-year forecast), this is showing a peak expectation set of flows, seasonal normal temperature values are used to provide the data on slide 8, CWi will provide further clarification around the graphs highlighted and what they are representing.

Workgroup discussions continued on the Forecast trends shown, specifically BR suggested in the Electricity market, when using a 5-year set of data, the highest and lowest sets of data would be removed, and the remaining 3 years average would depict the forecast.

BR asked the Workgroup to consider the approach adopted in Electricity and whether this might be appropriate for consideration here.

Emma Buckton (EB) clarified that, as a DN, they are required to share their forecast with National Grid.

The relativity between Firm and Interruptible booking of capacity was discussed.

It was suggested that as a clear statement within the methodology to assume there is no interruptible capacity booked.

Workgroup listed in the Workgroup Report several assumptions that were suggested to be used within the FCC Methodology.

It was mentioned that, for Capacity bookings or actual flows, there is a need to make sure the values now being proposed meet the criteria stipulated in the Ofgem rejection letter.

BR mentioned that for new sites of a certain type, initially they tend to adopt a particular value, then as data becomes available, the actual data starts to be picked up.

CWi confirmed the process for changing the methodology will be included in the UNC, but the methodology itself will sit outside the UNC.

An amended Modification 0678 is expected by Monday 18 February 2019.

**Action 04-1102:** Agenda item: National Grid to provide an update on the FCC methodology no later than 18 February 2019 and to consider using the past 5 Years historical gas flow data rather than DN forecasted capacity data for offtakes.

**Action 05-1102:** Agenda item: Northern Gas Networks (EB) to confirm if the DNs 1in20 Demand Forecast data can be made publicly available (as provided by DNs to National Grid under UNC OAD Section H NTS Long Term Demand Forecasting) subject to any confidentiality concerns associated with the data.

JCx raised concern that there is insufficient resource to support the Workgroup development and the analysis required to satisfy Ofgem's expected robust analysis on the Modifications and it was requested that this was fed back to UNC Panel.

This was a reflection of some of the views, National Grid (CW) said National Grid has the right resource to deliver analysis to support [Modification] 0678 in the timescales for [Modification] 0678.

**Action 06-1102:** Joint Office to feedback concerns to the UNC Panel, that National Grid do not have sufficient resource to support the Workgroup development and the analysis required to satisfy Ofgem's expected robust analysis on the FCC.

## The Critical Actions

The Actions recorded above will be available in the Action Log at:

<http://www.gasgovernance.co.uk/0678/110219>

### 4. Next Meeting

At the request of the Workgroup and with the agreement of the Proposers, in light of lack of material for discussion and in order to allow time for the required updates to the FCC Methodology, the meeting planned for Wednesday 13 February 2019 is being postponed.

Joint Office will work with and seek the permission of relevant parties to reschedule if this is deemed to be beneficial.

Therefore, the next meeting will now be held on Thursday 14 February 2019 at Radcliffe House, Blenheim Court, Warwick Road, Solihull, B91 2AA.

Please note meetings will start at 9:30am and finish at 4:00pm.

Agenda and papers: <http://www.gasgovernance.co.uk/0678/130219>

Details of planned meetings available at: <https://www.gasgovernance.co.uk/events-calendar/month>

Time / Date	Venue	Teleconference	Workgroup Programme
09:30 Tuesday 29 January 2019	St John's Hotel, Warwick Road, Solihull, B91 1AT	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG01 <ul style="list-style-type: none"> <li>• Approach</li> <li>• Compliance</li> </ul>
09:30 Thursday 31 January 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG02 <ul style="list-style-type: none"> <li>• Integration of RPM,</li> <li>• Forecast Contract Capacity (FCC),</li> <li>• Revenue Recovery</li> <li>• Existing Contracts</li> </ul>
10:00 Tuesday 05 February 2019	Elexon, 350 Euston Road, London NW1 3AW	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG03 <ul style="list-style-type: none"> <li>• Multipliers and Discounts</li> <li>• Shorthaul Approach</li> </ul>
09:30 Monday 11 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG04 <ul style="list-style-type: none"> <li>• Compliance</li> <li>• Forecast Contract Capacity (FCC)</li> </ul>
09:30 Wednesday 13 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701	WG05 <ul style="list-style-type: none"> <li>• Non-transmission charges.</li> <li>• Final overview</li> </ul>

		screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	
09:30 Thursday 14 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG06 <ul style="list-style-type: none"> <li>• Workgroup Report</li> </ul>
09:30 Monday 18 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 451-364-066 screen sharing <a href="https://join.me/bob.fletcher">https://join.me/bob.fletcher</a>	WG07 <ul style="list-style-type: none"> <li>• Workgroup Report</li> </ul>
Please note possible additional Workgroup meeting 20 February at Radcliffe House, to be confirmed shortly.			
09:30 Monday 25 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG08 <ul style="list-style-type: none"> <li>• Workgroup Report</li> </ul>
09:30 Wednesday 27 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG09 <ul style="list-style-type: none"> <li>• Workgroup Report</li> </ul>
09:30 Monday 04 March 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG10 <ul style="list-style-type: none"> <li>• Workgroup Report</li> <li>• Compliance</li> </ul>
09:30 Wednesday 06 March 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG11 <ul style="list-style-type: none"> <li>• Finalise Workgroup Report</li> </ul>