

Workgroup 0678 Summary of Outcomes

Monday 04 March 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)	SouthHook Gas
Alex Nield*	(AN)	Storengy UK
Andrew Pearce	(AP)	BP
Anna Shrigley	(AS)	ENI
Bill Reed	(BR)	RWE Supply & Trading
Colin Williams	(CWi)	National Grid
Debra Hawkin	(DH)	TPA Solutions
Graham Jack	(GJ)	Centrica
Henk Kreuze*	(HK)	Vermilion Energy
James Thomson*	(JT)	Ofgem (<i>until 15:30</i>)
Jeff Chandler*	(JCh)	SSE
John Costa	(JCo)	EDF Energy
Jonathan Trapps*	(JTr)	Northern Gas Networks
Julie Cox	(JCx)	Energy UK
Kamla Rhodes	(KR)	ConocoPhillips
Kirsty Ingham	(KI)	ESB
Nick Wye	(NW)	Waters Wye
Paul Whitton*	(PW)	Scotia Gas Networks
Paul Youngman	(PY)	Drax Power
Penny Garner	(PG)	Joint Office (am only)
Richard Fairholme*	(RF)	Uniper
Shiv Singh*	(SS)	Cadent
Sinead Obeng*	(SO)	Gazprom
Smitha Coughlan*	(SCo)	Wales & West Utilities
Terry Burke	(TB)	Equinor
Will Webster*	(WW)	Oil & Gas UK
* via teleconference		
<p>Industry parties are strongly encouraged to review this document and the changes. Any comments should be sent to Joint Office at enquiries@gasgovernance.co.uk</p>		
<p>Meeting material available at: http://www.gasgovernance.co.uk/0678/040319</p>		
<p>Critical Actions Log is available at: http://www.gasgovernance.co.uk/0678</p>		
<p>Next Meeting Tuesday 05 March 2019</p>		

Key Points/Decisions

1. No comments or amendments have been requested on/to the Workgroup Summary for 27 February 2019. The Workgroup Summary from 27 February was approved.
2. PG confirmed that the Joint Office have not received a formal update from Ofgem on the recent communication requesting a Workgroup extension. Ofgem, the Joint Office and Independent Panel Chair are trying to convene a meeting to discuss.
3. PG highlighted that a formal complaint had been received against both the Joint Office and Workgroup. In summary, concern was being expressed that concerted efforts are being made to delay the completion of Workgroup Report, thus delaying compliance.
4. Concern was noted regarding the potential for late night meetings and the potential for diminishing input due to fatigue.
5. PG provided the Workgroup with a proposed Workgroup meeting schedule if a decision is provided to extend the deadline for the Workgroup Report. The proposed timetable provided a short period to allow Proposers of Modifications to complete and provide all the relevant documentation and provide a period of time to finalise the Modifications, analysis, compliance assessment and comparison table and enter into a discussion with National Grid for the provision of Legal Text. PG also summarised the expectation for Workgroup Participants. The proposal also included a suite of Workgroup Meeting dates to enable the completion of the Workgroup Report on 08 April 2019. This was all predicated on no further Alternatives, however it was acknowledged that extending the timeline also extended the ability to raise Alternatives unless Ofgem disallowed further Alternatives.
6. BR enquired about the ability to include analysis and Legal Text if driving to conclude the Workgroup for 08 March. CWi confirmed that the Legal Text would not be provided in time for review by Workgroup before the Workgroup Report deadline.
7. DH expressed concern about the potential delay of concluding the Workgroup Report which could result in further Alternatives, different Modifications and non-compliance.
8. The Workgroup believed that no one party was trying to frustrate the progression of Modifications. The Workgroup are trying to explore solutions that better facilitate the relevant objectives and are not focussing solely on compliance. NW noted that the National Grid Modification had focussed on achieving compliance as soon as possible, however the Workgroup are exploring the relevant objectives and customer impacts too. NW also noted BEIS are aware of Workgroup progress and he believed that BEIS understands the difficulties for the Workgroup and concerns around compliance.
9. PG believed that currently there was insufficient time to conclude the Workgroup Report with a sufficient assessment, to allow the report to be sent out for Consultation. BR stressed the importance of having a Workgroup Report that was fit for purpose, with all the appropriate material, including analysis, compliance assessments, legal text and an assessment against the relevant objectives. NW expressed concern about the amount of analysis that is required, and the challenges of critiquing the analysis and capturing the commentary. Without proper consideration of analysis, it was noted that parties will have the opportunity to consider and provide consultation responses during the Consultation Process. BR suggested that the Workgroup should concentrate on providing views on the relevant objectives and providing all the missing elements such as the Analysis and Legal Text ready for the consultation.
10. GJ recognised there will be a major shift in capacity charges and was concerned about the overload of analysis and parties being able to understand it. It was suggested more focus should be given to considering Workgroups assessment of the Relevant Objectives.
11. There was an expectation from the Workgroup that Proposers will need to provide supporting Analysis and compliance assessments. BR suggested where the Workgroup were not able to complete a piece of assessment this will need to be captured within the Workgroup Report.
12. JCx challenged if any of the Modifications could be implemented, based on their ability to meet compliance.
13. Noting all comments and concerns, JT confirmed Ofgem are considering the submitted request.

14. The Workgroup considered the current outstanding actions, captured updates from the Workgroup and closed applicable actions.
15. JTr queried the values coming from the FCC methodology and outputs from the model expressing concern. NW enquired if these are significant enough to make a difference. JTr expressed concern about using the outputs for analysis to support and understand the impact on DN costs and potential changes to Consumer bills, JTr wished to have a clear understanding where costs will increase or decrease, but he was not comfortable with the booking data that drives the outputs from the FCC Methodology. JTr explained that the DNs will know what bookings by offtake are and expected to see this in the model, however some are significantly different, he didn't simply want to change the DN booking data in case this may change the entire mix. JCo asked about the real impact. JTr wanted to assess the total cost increase in aggregate.

Action 01-0403: DNs to liaise with National Grid to ensure the booking data within the Forecasted Contracts Capacity (FCC) Model is accurate. (Target Date 05 March 2019).

16. National Grid expect change the sensitivity tool to change the distance matrix to incorporate PARCAs but expect the impact of the change to be relatively minor.
17. The Workgroup briefly re-considered the non-compliance issue relating to Article 6 and mid-year changes and if there would need to be a Licence change requirement for this to be compliant or a derogation. It was suggested that Proposers would have to formally request a derogation. GJ confirmed that to allow flexibility that he had not requested a hard-coded date in Modification 0678B, he was not in a position to construct a solution for a mid-year change as this would be contingent on decisions the Proposers does not have control over, for example a Licence condition change or derogation.
18. The Workgroup briefly considered the complaint submitted to the Joint Office. The Workgroup did not wish to comment on the complaint.
19. The Workgroup considered the elements of the 0678G compliance assessment that differed to the assessments for the other Alternatives. The transportation charge (capacity booking) will be booking entry and exit capacity at normal rates, the derivation of charges is then established consistently with an adjustment being levied afterwards (top-up).
20. The Workgroup considered the levying of prices and the use of the K-Value and K-Factor. The Workgroup considered the difference between the two calculations and clarity within the Modifications. The K-Value is a year to year value (which does not cater for in-year changes) it is the anticipated Shortfall.
21. The Workgroup discussed the use of NBP and if gas has not entered the NBP parties do not pick up charges. The Workgroup considered the trading of gas, DNs flowing gas for onward delivery to a customer, and the use of the Transmission Network (point to point) at the point of DN offtake and booking entry capacity. DH believed the mechanism must apply to both entry and capacity and believed 0678G was therefore not compliant.
22. The Workgroup considered the booking of DN capacity independent of Shippers flowing gas and nominations to a point of consumption. The DNs book exit capacity at various exit points interfacing with the NTS. Shippers supplying gas to customers within this DN do not nominate gas flows against DN NTS offtake points. In the case of the OCC there is a linkage between the booking capacity and supply of gas to customer.
23. DH challenged the application of a discount. BR also challenged if this could be construed as a discount under Article 13. The Workgroup considered the justification for treating certain points (not all) differently and if this is permissible under the Article. The Workgroup briefly considered if Article 6.4 and Article 9 needed to be referred to.
24. DH believed if using Shorthaul the NBP is being bypassed and this is a point to point service which is not allowed under other legislation. DH believed the UNC may have to be changed for an optional capacity charge to be compliant. This is a matter of principle and should not be constrained by issues in the UNC.

25. SO confirmed that point to point services exist within Europe (Germany, Netherlands and Belgium) so they must be compliant with EU legislation. JCx also noted that points exist in the UK market and have not been subject to infraction proceedings. HK believed the Netherlands service was a Wheeling service.
26. The Workgroup considered that all entry and exit points from shipper's point of view, and that all exit point nominations do not include DNs and questioned how this would apply. It was acknowledged there would need to be a change in the UNC to accommodate.

Action 02-0403: DNs to clarify when booking DN capacity if 'the gas hasn't left the NBP when it enters the DN network') (Target Date 05 March 2019)

27. The Workgroup briefly considered the potential amendments to the Alternative <odifications are likely to come after the Amendment of 0678 to v3.
28. PG provided an update from the Ofgem, Joint Office and Independent UNC Panel Chair meeting. The key points were:
 - Ofgem determination is still being considered.
 - It is imperative that all Proposers are able to demonstrate that their Modification Proposal is TAR NC complaint.
 - Ofgem are happy to receive any legal advice that a Proposer has received and wishes to share with Ofgem regarding compliance.
 - Ofgem's expectation is the Workgroup should not solely concentrate on the 3 elements of non-compliance identified in the Ofgem decision letter for Modification 0621. The Workgroup are asked to consider other issues.
29. The Workgroup considered the timing of the Ofgem decision and the necessity to continue concluding the Workgroup Report. It was anticipated that amendments to any Modifications must be submitted to allow timely publication with compliance assessments and analysis.
30. DH stressed concern with square brackets within the Modifications and noted Modifications need to be finalised with the analysis to accompany the Modification.
31. TB highlighted a concern with Modification 0678I Ireland security discount and consideration of 'infrastructure to end isolation'. It was confirmed that there were no plans for an equivalent security discount which implies Ireland don't consider the Moffat Interconnector to be infrastructure ending isolation.

Action 03-0403: Gazprom to provide an amendment to Modification 0678I with justification for 80% for the Ireland Security discount and any analysis with the Modification. (Target Date 05 March 2019).

32. JCh requested that the draft Workgroup Report is published. It was recognised that this is a working document at this stage and will be subject to further refinement.

Action 04-0403: Joint Office to publish the draft Workgroup Report for Workgroup Participants to review. (Target Date 04 March 2019).

33. The Workgroup considered the 0678A Postage Stamp impact analysis provided by BR and thanked BR for this.
34. The Workgroup considered the Analysis provided by Workgroup participant HK and thanked HK for this.
35. The Workgroup considered the observations provided by Energy UK. JCx talked the Workgroup through the paper provided.

JCx made the comment with regard to historical flows, it appears the Model published is not performing the action in conjunction with the proposed FCC Methodology.

It was discussed as to whether a special rule is need for sites that are known to be closed, (e.g Avonmouth, Deeside, Glenmavis etc). These sites are currently in the Licence. Currently the model uses a value for sites where it is known that there is no flow. CWi confirmed the FCC Methodology

worksand that it won't account for this example as the current year is not yet classed as a historical year.

When forecast flows are being looked at, the model looks at the last completed Gas Year, as this current Gas Year is not yet completed. The logic within the Model will keep on picking up closed sites. The Workgroup agreed that this would be better handled within the FCC Methodology.

The forecast FCC values for storage sites Interconnector UK and BBL are absent in the Sensitivity Tool, this does not seem to reflect that these have been exit points during the year.

Action 05-0403: National Grid to review the forecast elements of the FCC values for Storage Sites Interconnector UK and BBL. (Target Date 04 March 2019).

Action 06-0403: National Grid to review a) the treatment of closed sites and b) the effect on the FCC methodology and the potential for adaption in treatment of these sites in the FCC Methodology. (Target Date 04 March 2019).

CWi confirmed that all PARCAs will be incorporated in to the Distance Matrix from the relevant year they are added to the Licence.

- 36. The Workgroup captured Workgroup's considerations with the draft Workgroup Report.
- 37. The Workgroup considered the remaining scheduled meetings and the requirements of the Workgroup for the remainder of the Workgroup Meetings.

The Critical Actions

The Actions recorded above will be available in the Action Log at: <http://www.gasgovernance.co.uk/0678/040319>

Next Meeting

The next meeting will be held on Tuesday 05 March 2019 at Radcliffe House, Blenheim Court, Warwick Road, Solihull, B91 2AA as part of NTSCMF.

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

Agenda and papers: <http://www.gasgovernance.co.uk/0678/050319>

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	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG01 <ul style="list-style-type: none"> • Approach • Compliance
09:30 Thursday 31 January 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG02 <ul style="list-style-type: none"> • Integration of RPM, • Forecasted Contracted Capacity (FCC), • Revenue Recovery • Existing Contracts
10:00 Tuesday 05 February 2019	Elexon, 350 Euston Road,	Teleconference Number 0203 582 4515	WG03 <ul style="list-style-type: none"> • Multipliers and Discounts

	London NW1 3AW	Conference ID 401-706-701 screen sharing https://join.me/JointOffice	<ul style="list-style-type: none"> • Shorthaul Approach
09:30 Monday 11 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG04 <ul style="list-style-type: none"> • Compliance • Forecasted Contracted Capacity (FCC)
09:30 Wednesday 13 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG05 - Postponed
09:30 Thursday 14 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG06 <ul style="list-style-type: none"> • Non-Transmission Charges. • Workgroup Report Approach • Relevant Objectives
09:30 Monday 18 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 451-364-066 screen sharing https://join.me/bob.fletcher	WG07 <ul style="list-style-type: none"> • Compliance • Workgroup Report
09:30 Wednesday 20 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG07a (introduced as part of 0678B) <ul style="list-style-type: none"> • Assessment of Alternative solutions • Workgroup Report
09:30 Monday 25 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG08 <ul style="list-style-type: none"> • Assessment of Alternative solutions • Compliance • Workgroup Report
09:30 Tuesday 26 February 2019	St John's Hotel, Warwick Road, Solihull, B91 1AT	Teleconference Number 0203 582 4515 Conference ID 451-364-066 screen sharing https://join.me/bob.fletcher	<ul style="list-style-type: none"> • Assessment of 0678 Amended Modification (v2) • Compliance • Relevant Objectives • Impact (results) of model 0678 • Comparison table 0678/A/B/C/D/E/F
09:30 Wednesday 27 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG09 <ul style="list-style-type: none"> • Legal Text (AM) • Compliance • Relevant Objectives

09:30 Thursday 28 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG09a (Envisaged as part of 0678C) <ul style="list-style-type: none"> • Assessment of Alternative solutions • Workgroup Report • Comparison table review • Amended Mods
09:30 Monday 04 March 2019 (possible 8pm late finish)	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG10 <ul style="list-style-type: none"> • Workgroup Report • Compliance • Relevant Objectives
10:00 Tuesday 05 March 2019 (NTSCMF)	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG10a <ul style="list-style-type: none"> • Workgroup Report
09:30 Wednesday 06 March 2019 (possible 8pm late finish)	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG11 <ul style="list-style-type: none"> • Finalise Workgroup Report