

Workgroup 0678 Summary of Outcomes

Wednesday 06 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
Andrew Pearce*	(AP)	BP
Anna Shrigley	(AS)	ENI (left at 14:45)
Bill Reed*	(BR)	RWE Supply & Trading
Colin Williams	(CWi)	National Grid
David O'Neill*	(DON)	Ofgem
Debra Hawkin	(DH)	TPA Solutions
Graham Jack	(GJ)	Centrica (left at 14:45)
Henk Kreuze	(HK)	Vermilion Energy
James Gudge	(JG)	National Grid
James Thomson*	(JT)	Ofgem
Jeff Chandler*	(JCh)	SSE
John Costa*	(JCo)	EDF Energy
Jonathan Trapps*	(JT)	Northern Gas Networks
Julie Cox	(JCx)	Energy UK (left at 15:00)
Kamla Rhodes	(KR)	ConocoPhillips
Kirsty Ingham*	(KI)	ESB
Nick Wye	(NW)	Waters Wye (left at 14:00)
Paul Youngman*	(PY)	Drax Power
Penny Garner	(PG)	Joint Office (left at 11:10)
Richard Fairholme	(RF)	Uniper (left at 14:30)
Shiv Singh	(SS)	Cadent
Sinead Obeng	(SO)	Gazprom Marketing and Trading
Smitha Coughlan*	(SCo)	Wales & West Utilities
Terry Burke*	(TB)	Equinor
* via teleconference		
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		
Meeting material available at: http://www.gasgovernance.co.uk/0678/050319		
Critical Actions Log is available at: http://www.gasgovernance.co.uk/0678		
Next Meeting To be confirmed		

Key Points/Decisions

1. The Workgroup briefly considered approving the Workgroup Summary for Monday 04 March and Tuesday 05 March 2019. It was agreed that any comments on the summary should be submitted by email for approval at the next Workgroup meeting if an extension is provided or the next NTSCMF if not.
2. The current Actions Log was reviewed. It was noted that National Grid have provided a draft Amended 0678 Modification, the draft FCC methodology would be provided in due course.
3. SS highlighted that for Cadent for all LDZs the numbers within the FCC Model spreadsheet appeared to be 9% lower than DN capacity bookings. CWi anticipated this could be a timing issue with updated values with Y-2, looking at historical sold values for 2017/2018, and LDZ forecasts. SS clarified that once bookings are in place these do not change. PY expressed that the Workgroup will need to understand the impact of this. CWi confirmed that conversations are ongoing with DNs with the potential for an updated Model. JCo expressed concern about drawing conclusions on an FCC Model that needs to be changed. JCo expressed concern that a 9% decrease will result in a higher price and will lead to over recovery. He stressed that this needs to be pinned down. CWi confirmed that this is being pursued with DNs, the importance of the model was acknowledged. It was noted that to assess the Modifications, Proposers would need an accurate FCC Model.

Action 01-0603: All DNs to undertake an assessment of the DN capacity bookings within the FCC Model to ascertain if the data is correct (Target Date TBC)
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4. The Workgroup briefly discussed the concept of gas passing through the NBP (or not) when it enters the DN Network. The Workgroup believed that this action could be closed based on the understanding that when gas enters the DN network it does not involve the NBP.
5. DON joined the Workgroup at 10:00am to provide an update on Ofgem's consideration for an extension to the Workgroup Report deadline. DON confirmed that Ofgem have thought about the points in the letter from the Independent Panel Chair Mark Shurmer, the need to consider compliance with the law, the way that the current gas regime charges which is undesirable, and the need for the regime to be urgently fixed. Holistically there is a need for National Grid to deliver items to make the process work properly, this includes the FCC Methodology statement, final Legal Text for 0678, full analysis, a final sensitivity tool, consideration of the issues to be addressed for existing contracts and price differentials between new and existing contracts, and how it can be resolved contractually. The length of extension for the Workgroup Report completion was expected to be no later than 10 April. There was a request for National Grid to commit to exact dates for the provision of information to allow the Workgroup to take into account the outputs and review them prior to the next Workgroup meeting. It was noted there was a need for a pause to allow work to be done and consideration before the next meeting. It was also observed that the large number of Workgroups was taking up time with no ability to undertake work and complete actions outside of meetings. It was anticipated that further Workgroup meetings would be planned after dates for the National Grid outputs were known. Ofgem expected 1 or 2 Workgroup Meetings per week, allowing the ability for parties to undertake assessments offline and bring back to Workgroup a capture of their analysis assessment and comments participants wished to be captured within the Workgroup Report.
6. NW welcomed the approach, the plan and the recognition there is a need for a pause to catch up. It was acknowledged that trying to draft a Workgroup Report by committee is difficult, and that it would be helpful for Proposers to ensure that key points are captured within the Modification to assist drafting the Workgroup Report. It was also suggested there was an opportunity for Proposers to meet with Joint Office to produce an initial draft Workgroup Report to assist the Workgroup critiquing the Report.
7. RF stressed the importance of considering the timeline to take into account UNC Panel meetings and equal consideration of all Modifications. He clarified that the timeline should not be solely driven by National Grid. DON noted the importance of the data required and will take into account the timeline suggested by the Panel Chair. RF stressed again that the Workgroup need to consider all Modifications and for National Grid to provide the required data as soon as possible to allow sufficient time for the Workgroup to consider.

8. PG enquired about the potential treatment of further Alternatives and if Ofgem will be providing a view. Ofgem confirmed this is being considered particularly the legal position for disapplying the rules.
9. GJ asked Ofgem what the specific concern was for existing contracts and price differentials as this was not clear. He enquired if Ofgem had a view on a potential solution. Ofgem stressed the importance of making sure the issues surrounding existing contracts and price differentials (capacity top up being removed) have been considered properly and discussed at Workgroup. DON confirmed there is no solution or policy in mind.
10. DH enquired if there was any view on the implementation timescales and when changes will take effect. DON explained that Ofgem are looking at the impact on the implementation timelines. It was again confirmed that a decision on the implementation would be taken upon the provision of the Final Modification Report.
11. JCo asked for clarity on raising further Alternatives. He stressed it was in the consumers' interest that further Alternatives are still allowed.
12. SO highlighted that some of the Modifications would need input from National Grid and asked for clarification on what the arrangement would be. It was also noted the list of suggested considerations may not be exhaustive. National Grid acknowledged the OCC will impact commercial positions and parties may need access to some commercially sensitive information. CWi reiterated that the responsibility is for the Proposer to ensure supporting analysis is available. Where information can only be provided by National Grid, CWi expects Proposers to liaise with National Grid. National Grid will provide the support required, however some sensitive information will not be made public. CWi highlighted that it may be necessary to provide a high-level overview of data to protect Shipper identification.
13. It was clarified to enable the provision of Legal Text, Proposers would need to include clear business rules in any amended Modifications.
14. RF stressed that within the timetable there needs to be explicit dates for the deliverables and not 'ASAP'. DON supported this approach. DH asked Ofgem to consider what actions can be taken for later delivery. DON confirmed Ofgem will deal with this within the powers they have.
15. DON confirmed an email will be provided to the Joint Office and UNC Panel chair followed by a public letter later this week.
16. JCo enquired about the possibility of a 2019 start date. DON reiterated that Ofgem will make a decision on the implementation date upon receipt of the Final Modification Report.
17. JCx asked Ofgem to be mindful that upon receipt of National Grid's data there could be substantial changes to Modifications or new Alternatives and the Workgroup needs to be given ample time to consider. Concern was expressed about compressing Workgroup consideration. GJ also asked that the plan reconsiders the consultation period and extended time to allow responses, especially if it falls over the Easter holiday. DON noted that the original plan was for a 20-day consultation, and he was aware of Easter and potential resource constraints. He confirmed a minimum period of 15 days would be provided. He reemphasised the need to strike the right balance.
18. The Workgroup briefly considered the timing of all required information and future Workgroup meetings being contingent on the provision of critical data items. RF requested that ALL Legal Text is provided in good time with at least 2 weeks for parties to consider.
19. Following discussions on the extended timeline, the Workgroup agreed to consider National Grid's draft amended Modification, the legal view provided by SSE and comments submitted for the Workgroup Report.
20. The Workgroup considered the current outstanding Actions and reviewed new target dates. CWi confirmed that National Grid will review the target dates in line with Ofgem's response to the extension request and new dates will be confirmed.
21. RH requested that SO provides some analysis to support Modification 06781. It was stressed that all Proposers will need to provide their analysis to support their Modifications and a formal action is taken to record this.

Action 02-0603: All Proposers to provide supporting analysis for Modifications

22. RH requested that all Proposers also review the comparison table and ensure the comparison table is updated in line with any Modification amendments. CWi explained there will be some clarification in terms of the business rules which National Grid advised the Proposers will need to consider to assist with the production of Legal Text.

Action 03-0603: All Proposers to review and update the Comparison Spreadsheet and ensure that it reflects any Modification amendments.

23. The Workgroup considered the draft amended Modification provided by National Grid.
24. The Workgroup considered that the FCC Methodology which will be provided under 0678 and how this will be governed as a UNC related document. It was acknowledged there are a number of current UNC Related Documents referenced in various sections of the UNC (published at: <http://www.gasgovernance.co.uk/reldocs>). The Workgroup considered the approval of the FCC Methodology document and whether this approval route/mechanism should be developed as part of the Modification.
25. Some Workgroup participants expressed that it would be better to create the FCC Methodology as part of the Modification to allow the Workgroup to consider this. It was considered that the FCC Methodology would need to be clearly understood and for it be available as part of the consultation. Some concern was expressed about the governance and future consultation to change the FCC Methodology and that changes could by-pass industry consideration.

Action 04-0603: National Grid to consider drafting the FCC Methodology as part of the Modification, and whether this will be a UNC Related Document or have some other form of Governance.

26. The Workgroup wished to understand the impacts within the first gas year and how the Long-Term Revenue Forecast will work. The Workgroup wanted to ensure the compliance of the profiling factor and the ability for implementation. The current transparency was considered with regards to having a target revenue and the methods employed to provide better transparency than currently. NW did not believe this was a compliance issue. The Workgroup wanted to understand how this will work in practice and the impacts this would have and expressed the need for better clarity. GJ expressed concern for transition in the first year with notice periods and providing appropriate lead times.

Action 05-0603: National Grid to consider providing more clarity on the profiling factor within the Modification.

27. The Workgroup considered the notice periods, if 2 months was sufficient and if there was justification for 2 months. The Workgroup discussed and captured the key concerns within the draft Workgroup Report. DON encouraged parties to capture the concerns within the Workgroup Report and noted if there was commercially sensitive information, parties can provide confidential information directly to Ofgem and through confidential consultation responses directly to Ofgem.
28. The Workgroup considered whether documentation provided by the Joint Office should make it clear that commercially sensitive information and/or confidential representations can be provided directly to Ofgem. RF noted that for transparency parties should provide as much information in their representation as possible and if elements of supporting data are commercially sensitive the data which supports the representation is provided to Ofgem but respondents should ideally avoid making the entire representation confidential for transparency.
29. The Workgroup suggested that the Joint Office make it clear within the consultation communication that parties can provide commercially sensitive information directly to Ofgem.

Action 06-0603: Joint Office to consider providing clarity on the ability for parties to provide confidential information directly to Ofgem.

30. The Workgroup considered the [Article 35 Legal Advice \(provided by SSE\)](#).
31. The Workgroup discussed the provision of supporting information for the Modifications and how best to ensure visibility of the information for the consultation process and Ofgem. To ensure supporting

information is not overlooked, it was recommended that Proposer's compliance assessments, any provided legal advice, and analysis should be appended to the Proposer's Modification. This will ensure this information filters into the Workgroup Report and Modification Reports.

Action 07-0603: All Proposers to append the compliance assessment, any legal advice and analysis to Modifications.

32. The Workgroup considered Energy UK's submitted comments for the Workgroup Report.
33. The Workgroup considered Gazprom's amendment to the Wheeling charge concept at Bacton, and whether it should apply to other points (virtual or reverse products). It was suggested Gazprom should provide a list of where the Wheeling Charge should apply. SO explained that there are conditions for specific points where the entry and exit points are at the same location, which needs to be defined. SO agreed to consider whether listing the locations or defining the conditions to be met would be the best approach. BR enquired if the Great Yarmouth pipeline (an onshore point) will be considered as meeting the conditions. SO anticipated that all exit points at Bacton would meet the conditions. DH enquired if the pipe size would be taken into account. BR noted that where entry and exit points are close, parties may wish to build a connecting pipeline to enable the point to meet the conditions. SO confirmed that advice would need to be sought on how best this could be articulated in legal text. SO was conscious that the definition may have to take into account a zero distance. Other options that could be considered within a definition could be that the gas is not to be consumed within the UK. SO confirmed Gazprom will be considering the impact on the forthcoming BBL reverse flow project. SO clarified at this stage the Wheeling product is available on firm supplies.
34. The Workgroup utilised the remainder of the meeting to consider and capture Workgroup comments on the Relevant Objectives for the current Modifications before concluding discussions.

The Critical Actions

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

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

Next Meeting

The next meeting is to be confirmed.

Agenda and papers will be published at: <http://www.gasgovernance.co.uk/0678>

Details of planned meetings will be 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	Elaxon, 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	Teleconference Number 0203 582 4515 Conference ID	WG09 <ul style="list-style-type: none"> Legal Text (AM)

	Solihull B91 2AA	401-706-701 screen sharing https://join.me/JointOffice	<ul style="list-style-type: none"> • 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