

UNC Transmission Workgroup Minutes

Thursday 07 March 2019

At Elexon, 350 Euston Road, London, NW1 3AW

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Adam Bates	(AB)	South Hook Gas
Andrew Pearce	(AP)	BP
Angharad Williams	(AW)	National Grid NTS
Anna Shrigley	(ASh)	Eni Trading & Shipping
Bethan Winter	(BW)	Wales & West Utilities
Bill Reed	(BR)	RWE Supply & Trading GmbH
Chris Wright	(CR)	Exxon Mobil
Gareth Evans	(GE)	Waters Wye Associates
Graham Jack	(GJ)	Centrica
Jeff Chandler	(JC)	SSE
Julie Cox*	(JCx)	Energy UK
Kirsty Ingham*	(KI)	ESB
Lea Slokar	(LS)	Ofgem
Malcolm Montgomery	(MM)	National Grid NTS
Paul Orsler	(PO)	Xoserve
Phil Hobbins	(PH)	National Grid NTS
Phil Lucas	(PL)	National Grid NTS
Richard Fairholme*	(RF)	Uniper
Richard Pomroy	(RP)	Wales & West Utilities
Steve Britton	(SB)	Cornwall Insight
Terry Burke	(TB)	Equinor

*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/tx/070319>

1. Introduction

1.1. Approval of minutes (07 February 2019)

The minutes from the previous meeting were approved.

1.2. Modifications with Ofgem

None.

1.3. Pre Modification discussions

1.3.1. Amendment of the UNC term 'Gas Deficit Warning' to Gas Balancing Notification (PH)

Phil Hobbins provided an overview of the proposed Modification and said that National Grid NTS wanted to change the name of the UNC defined term 'Gas Deficit Warning' to 'Gas Balancing Notification'. He said that this proposed Modification had come out of the work undertaken within Workgroup 0669R.

He said that National Grid NTS may issue a Gas Deficit Warning (GDW) in the event of a national gas supply / demand differential that presents a material risk to the end of day balance on the NTS, as occurred on 01 March 2018.

He said the purpose of a GDW was to signal to gas market participants that they either needed to provide more gas or reduce demand. He said the Modification was needed to mitigate the above risk for Winter 2019/20. He added that if this Modification was not implemented, there was a risk of unwarranted market concern, inaccurate reporting and unnecessary public perception of crisis in the event that another GDW is triggered.

A brief general discussion took place in relation to the Relevant Objectives and Graham Jack (GJ) said he was not convinced that (d) was appropriate. Richard Pomroy (RP) also proposed if Ofgem were happy with this word changing, as it might require a Licence Change and Lea Slokar (LS) said that this would have to be discussed and investigated with National Grid NTS, PH agreed to discuss this area with Ofgem directly.

BF noted that as this Modification is changing a name, why was Authority Direction required, this Modification is not material in its impact. PH felt the signals would be beneficial to the market and avoid potentially material impacts due to the use of a misleading description.

New Action 0301: National Grid NTS (PH) and Ofgem (LS) to discuss the potential impact on Licence due to the proposed name change to Gas Balancing Notification.

It was then agreed that subject to confirmation of the licence changes, the Modification could be submitted to the March Panel and issued direct to consultation, as it was felt a Workgroup was not required for a name change.

1.3.2. Recovery of Shipper Losses incurred in Supplier of Last Resort events (GE)

Gareth Evans (GE) firstly apologised for the lateness of the pre Modification submission. He explained the proposed Modification was to allow Shippers that have incurred unrecoverable costs from shipping for sites subject to a Supplier of Last Resort event, to be able to share costs with the community via Balancing Neutrality Charges.

He said that currently, when a supplier was in financial failure, Ofgem would carry out various checks and look to appoint a Supplier of Last Resort (SoLR), who would be assign the affected customers. The SoLR supplier was able under the supplier Licence, to claim for the costs it had incurred from taking on these customers, including the outstanding credit balances.

He explained that in the period between the failure and the relevant meter points transferring to the new supplier under SoLR, the shipper registered for the supply points was still liable for all the costs of supplying them, including, but not limited to, the gas, transportation and settlement costs.

He said there was presently no avenue of protection through legislation and the Shipper had no control over the timescales involved in the process. Shippers must comply with any relevant directions given to them by Ofgem to facilitate the SoLR supplying gas or to make arrangements to convey gas to the premises regardless of the fact that the costs being incurred are unlikely to be recovered, hence the reason for raising this Modification.

GE then overviewed the proposed Business Rules as detailed in the Solution.

Graham Jack (GJ) felt that there was the potential of more Suppliers going into administration as this process effectively provided less checks and he felt this should be more driven by the Shippers. Chris Wright (CW) wanted to know what was the materiality regarding the value was, in relation to this area. GE said it was in the region of 1000s of KWh perhaps in the regions of £10,000 over a two week period.

Jeff Chandler (JC) said that more qualified analysis was required regarding the socialisation of these costs and he was interested to know which specific workgroup this Modification would be assigned to. GE said there were another two separate draft Modifications that were being developed regarding this topic and that these were going to be discussed within the DN Charging Methodology Forum (DNCFM) as potential alternatives to each other, although this Modification was a stand-a- lone. That said it might be beneficial to develop all three Modifications together.

Paul Orsler (PO) said he would need further discussion with GE in relation to the Business Rules in the way they were currently defined. GJ said that that from a future supplier failure that the Shippers needed some insurance and a cap on the materiality.

GE said that he proposed this was s Self-Governance Modification and that it would be presented to the April Panel.

2. Workgroups

2.1. 0662 – Revenue Recovery at Combined ASEPs

(Report to Panel 18 July 2019)

<https://www.gasgovernance.co.uk/0662>

2.2. 0667 – Inclusion and Amendment of Entry Capacity Release NPV test in UNC

(Report to Panel 18 April 2019)

<http://www.gasgovernance.co.uk/0677>

2.3. 0669R - Review of the Gas Deficit Warning (GDW) and Margins Notice (MN) Arrangements

(Report to Panel 16 May 2019)

<https://www.gasgovernance.co.uk/0669>

2.4. 0671 – New Capacity Exchange process at NTS exit points for capacity below baseline

(Report to Panel 18 April 2019)

<http://www.gasgovernance.co.uk/0671>

2.5. 0675S – Enabling changed to the BBL Interconnection Agreement to facilitated physical reverse flow

(Report to Panel 21 March 2019)

<http://www.gasgovernance.co.uk/0675>

2.6. 0680S – UNC Changes as a Consequence of ‘no deal’ United Kingdom Exit from the European Union

(Report to Panel 21 March 2019)

<http://www.gasgovernance.co.uk/0680>

3. European Updates

3.1 Ofgem Update – (LS)

LS provided a brief verbal overview of Ofgem events and considerations which had been provided for the meeting, which can be accessed here:

LS highlighted a number of key publications for the Workgroup to note, in relation to:

RiIO-GT2 Working Groups

LS said that on 06 February 2019 Ofgem had published the minutes from the Gas Transmission Policy Working Group held on 16 January 2019 here:

<https://www.ofgem.gov.uk/publications-and-updates/riio-gt2-working-groups>

RiIO-2 Consultation - Innovation Stakeholder Workshop

LS said that also on 06 February 2019 Ofgem had published Meeting materials from the RiIO-2 Innovation Stakeholder Workshop held in London on 5 February 2019 where we provided an overview of the RiIO-2 sector specific methodology proposals with regard to network innovation.

<https://www.ofgem.gov.uk/publications-and-updates/riio-2-consultation-innovation-stakeholder-workshop>

28th BEIS-Ofgem European Stakeholder Group meeting for Gas

LS explained that on 13 February 2019 Ofgem had published Minutes and presentations from the 28th BEIS-Ofgem European Stakeholder Group meeting for Gas, which took place on 3 December 2018

<https://www.ofgem.gov.uk/publications-and-updates/minutes-and-presentations-28th-beis-ofgem-european-stakeholder-group-meeting-gas>

NIC Initial Screening Process Pro Forma version 3.0

LS stated on 26 February 2019 Ofgem had published Version 3.0 of the Initial Screening Process pro forma for Electricity and Gas Network Innovation Competitions.

<https://www.ofgem.gov.uk/publications-and-updates/nic-initial-screening-process-pro-forma-version-30>

No-deal EU exit REMIT contingency arrangements – Update

LS explained on 01 March 2019 Ofgem had published an update to the No-deal EU exit REMIT contingency arrangements ie the Letter we published in December 2018. If a Withdrawal Agreement is implemented, the EU exit implementation period will run until 31 December 2020, unless otherwise agreed by the UK Government and the EU. During this time their working assumption is that current REMIT registration and data reporting channels will remain unchanged. Please refer to the document attached for more information.

https://www.ofgem.gov.uk/system/files/docs/2019/03/ofgem_remit_communications_notice_update.pdf

3.2 EU Code Update – (PH)

Phil Hobbins (PH) provided the overview of the EU Update and drew attention to specific areas of interest as detailed below:

Amendment to Gas Directive

PH said in relation to the extended application of the EU's gas market rules for pipelines to and from third countries, the objective was to ensure EU internal gas market rules apply to gas transmission pipelines between a member state and a third country, up to the border of the member state's territory and territorial sea. He said on 12 February 2019 that the final trilogue and provisional agreement had been reached and that overall agreement might be reached in May – June 2019 with 9 months to transpose the overall process, he added that there would be no impact to GB post Brexit. He said that the assessment process was presently underway within ENTSOG on the consequences for TSOs in terms of interoperability, transparency and application of EU Codes. Further information can be obtained via the link: https://ec.europa.eu/info/law/better-regulation/initiatives/com-2017-660_en

FUNC Platform allows notification of issues concerning Gas Network Codes

PH said that in relation to Article 29 reserve prices, that EFET had some concerns over inconsistencies over publication of reserve prices and that ACER saw no significant problems with Article 29 other than the language and user-friendliness and that the consultation process would resolve any further publication issues. More detailed can be found via the link: <http://www.gasncfunc.eu/>

ENTSOG'S TYNDP Presentation day for draft Ten Year Network Development Plan (TYNDP) 2018

PH explained that ENTSOG had launched the public consultation of the draft TYNDP 2018 which assesses the European supply adequacy and the resilience of the gas system over the next twenty years. He said the public consultation on the document would close on 29 March 2019, with the TYNDP presentation day to be held on 21 March 2019. The link provides the detail to this topic: <https://www.entsog.eu/entsogs-tyndp-presentation-day-draft-ten-year-network-development-plan-tyndp-2018#>

Agency Analysis on the national tariff consultation documents

TAR NC Consultation Requirements

PH explained that Article 26 required industry consultant on the proposed charging regime and that the consultation process should be finalised by 31 May 2019 as per Article 27(5) and that it required ACER to respond to each consultation, as per the link:

http://www.acer.europa.eu/en/Gas/Framework%20guidelines_and_network%20codes/Pages/Harmonised-transmission-tariff-structures.aspx

He said to date there had been 21 consultations and the GB process had been included in this list and that ACER had responded to 13 of these with the NRA delivering their final motivated decisions on 3 consultations. PH said that in general, ACER had been critical of all consultations for the lack of justification in certain proposals, and some proposals had been deemed to be non-compliant

Update on Wobbe Index Harmonisation

PH provided an overview of the potential proposal for the EU Gas Quality standard, as defined below:

EU-wide system entry range based on measured data

Classification of exit points:

- Class A: points where WI range is always between e.g. 49 to 52.7 MJ/m³ and WI varies not more than 0.5MJ/m³/min.
- Class B: points where range width is limited to e.g. 3.7 MJ/m³
- Class C: points where range width is limited to e.g. 5.7 MJ/m³
- Class D: points that could receive a wider range still

Additional measures

- For class C and D points, the presence of sensitive users should be assessed. End user adaptation, gas grid management or gas treatments could be considered as potential solutions under NRA approval

CEN is also investigating the influence of hydrogen on Wobbe Index

- A narrow WI range limits the ability to inject hydrogen

PH explained that how the standard would be applied and enforced was still under discussion.

4. Issues

None.

5. Any Other Business

5.1. None.

6. Review of Outstanding Actions

Post Meeting Update following 20 February 2019:

Action 0201: National Grid NTS (PL) to confirm if National Grid NTS would still be a member of ENTSOG following BREXIT.

Update: Phil Lucas provided a post meeting update and he said that from National Grid and ENTSOG's prospective relationship post no deal BREXIT remains the subject of discussion and debate between National Grid and ENTSOG. National Grid will confirm the position to its stakeholders as soon as it is able. He said this action could now be carried forward.
*07 March 2019 it was agreed this action could now be closed. **Closed.***

Action 0202: National Grid NTS (PL) to confirm which UK organisation would be replacing European referenced organisations to direct Code changes post BREXIT? Will there be any replacement body tasked with making binding decisions current made by the European Commission or ACER i.e. will there be a need for an additional relevant objective to account for decisions made by such a body?

Update: Phil Lucas provided a post meeting update and he said, in summary, there will be no additional UK decision body/ies in place of the European Commission or ACER. Consistent with this, the principle approach of the Statutory Instruments (SIs) is to amend the EU Networks Codes (to the extent they form part of Retained EU Law) to address any inoperabilities. Such inoperabilities include provisions in the Codes which refer to these EU decision making bodies, for example those which contemplate or require an ACER decision.

In this scenario, it is contemplated that this decision would be taken by the National Regulatory Authority (Ofgem for GB, or Utility Regulator for Northern Ireland). This approach is reflected in the following example from the EU Tariff Code (Regulation 2017/460):

Commission Regulation (EU) 2017/460 establishing a network code on harmonised transmission tariff structures for gas

Article 37 para 5.

"The national regulatory authorities may revoke a derogation if the circumstances or underlying reasons, or both, no longer apply or upon a reasoned recommendation of the Agency or the Commission to revoke a derogation due to a lack of justification."

Gas (Security of Supply and Network Codes) (Amendment) (EU Exit) Regulations 2019. SCHEDULE 5

Amendments to the Tariffs Code

17.—(1) Article 37 is amended as follows. (5) For paragraph 5, substitute—

"5. The national regulatory authority may revoke a derogation if the circumstances or underlying reasons, or both, no longer apply. The national regulatory authority must endeavour to cooperate with any non-UK regulatory authorities whose approval is required in reaching a decision on whether to revoke a derogation."

The approach of the SIs to other occurrences of ACER references in Regulation 2017/460 are to omit the relevant Article in its entirety, for example Articles 31(1) and 32(2) are omitted by Schedule 5 para 14 of the SI.

On the basis of the above principle, Ofgem has not proposed any additional UNC Relevant Objectives in the licence and therefore no further UNC changes (in this respect) are justified.

*07 March 2019 it was agreed this action could now be closed. **Closed.***

7. **Diary Planning**

Further details of planned meetings are available at:

<https://www.gasgovernance.co.uk/events-calendar/month>

Time / Date	Venue	Workgroup Programme
10.00, Thursday 04 April 2019	Elexon, 350 Euston Road, London NW1 3AW	Transmission Workgroup standard Agenda + Workgroups 0667, 0669R, 0671 and 0675S. <i>*Modification 0662 has been deferred awaiting the outcome of Modifications 0678.</i>

Action Table (as at 07 March 2019)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0201	07/02/19	1.3.1	National Grid NTS (PL) to confirm if National Grid NTS would still be a member of ENTSOG following BREXIT.	National Grid NTS (PL)	Closed
0202	07/02/19	1.3.1	National Grid NTS (PL) to confirm which UK organisation would be replacing European referenced organisations to direct Code changes post BREXIT.	National Grid NTS (PL)	Closed
0301	07/03/19	1.3.1	National Grid NTS (PH) and Ofgem (LS) to discuss the potential impact on Licence due to the proposed name change to Gas Balancing Notification.	National Grid NTS (PH) and Ofgem (LS)	Pending