

UNC Workgroup 0605S Minutes

Amendments to TPD Section K - Amendments to TPD Section K - Additional Methods to Procure and Dispose of Operating Margins Gas

Thursday 05 January 2017

Elexon, 350 Euston Road, London NW1 3AW

Attendees

Chris Shanley (Chair)	(CS)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Aisling Jensen-Humphreys	(AJH)	ConocoPhillips
Andrew Blair	(AB)	Interconnector UK
Andrew Pearce	(AP)	BP Gas
Angharad Williams	(AW)	National Grid NTS
Anna Shrigley	(AS)	Eni Trading & Shipping
Charles Ruffell	(CR)	RWE
Colin Hamilton	(CH)	National Grid NTS
David Cox	(DC)	London Energy Consulting
David O'Donnell	(DO)	NMSP
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
Howard Miller	(HM)	CVSL
Jeff Chandler	(JCh)	SSE
John Costa	(JCo)	EDF Energy
Julie Cox*	(JCx)	Energy UK
Justin Goonsinghe	(JG)	National Grid NTS
Murray Kirkpatrick	(MK)	BP Gas
Nick Wye	(NW)	Waters Wye Associates
Phil Hobbins	(PH)	National Grid NTS
Richard Fairholme*	(RF)	Uniper
Sean Hayward	(SH)	Ofgem
Steve Nunnington	(SN)	Xoserve
Terry Burke	(TB)	Statoil
Tom Andrews*	(TA)	Cornwall-Insight

*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0605/050117>

The Workgroup Report is due to be presented at the UNC Modification Panel by 16 February 2017.

1.0 Outline of Modification

PH introduced the modification and explained the intent and purpose. Noting that the next OM Gas Refilling was planned for the week commencing 03 April 2017, the anticipated timeline to achieve implementation by 31 March 2017 was outlined. OM Gas requirements change year on year and usage had reduced, leading to recognition that the existing rules prescribing the use of tenders may no longer provide the most efficient or economical means of procurement/disposal. National Grid NTS licence directs that it operate in an efficient and economical way and it has identified other ways to deliver a more efficient and economical process, e.g. by using Over the Counter (OTC) or an exchange (OCM, etc.). PH observed that historic analysis has suggested a potential benefit to Shippers of approximately £30k to

£90k per annum, which feeds through into the Closing Margins Adjustment Charge (UNC TPD Section K 4.4.5).

Currently there is some discretion in respect of procurement, but not for disposal. This modification therefore proposes to provide National Grid NTS with the discretion to decide whether it is more efficient to run a tender or to trade on the OTC or exchange instead.

2.0 Initial Discussion

2.1. General

The proposed legal text was reviewed and PH explained the changes required. Following some discussion it was suggested that further clarity was required in respect of paragraph TPD K 3.7.2 regarding in or after Storage Year, i.e. prior to the start or as soon as reasonably practicable after. Clarity will also need to be added to the Solution to reflect any changes made.

It was observed that the Network Code (now Uniform Network Code) was originally predicated on preventing TransCo (now National Grid) taking a trading role and this appeared to indicate a change in that original intention. It was questioned whether National Grid NTS was able to trade gas within the current limitations and were there any restrictions, as there may be concerns regarding transparency of any trading that it might undertake. It was further questioned who would bear the consequences and be liable for the costs in the event that National Grid NTS made a trading error(s). Referring to National Grid's recovery through WACOG, PH believed that Shippers would pick up any benefit/loss in relation to a trading outcome. It was commented that there seemed to be very little benefit when considering the magnitude of the change.

It was then asked, was there currently a reporting mechanism and would that continue? Was there an independent audit on the current process and would that be continued? How would National Grid recognise that it was getting the optimum price if did not run a tender? DC believed it would be hard to demonstrate how much benefit there might be if not using tenders. NW observed that tenders were neither economic nor efficient, and that exchange was much better, but it did need clear reporting.

Noting that tenders had provided a significant degree of transparency, PH agreed to clarify publishing requirements – current and proposed.

Action 0101: PH to clarify the following:

- a) **With regard to Operating Margin related trading, what trading platforms can be used and what licence restrictions/limitations might apply to this activity;**
- b) **Publishing requirements with regard to NTS trades (current/proposed);**
- c) **Details of any related incentives and clarity on which party(ies) bears the costs in the event of a trading error made by National Grid NTS.**

The modification in its entirety was reviewed. CS suggested it would be beneficial to expand the Solution to make sure that whatever was proposed was clearly reflected and supported in the legal text and vice versa.

2.2. Issues and Questions from Panel

None raised.

2.3. Initial Representations

None received.

2.4. Terms of Reference

The standard UNC Workgroup Terms of Reference apply and are available at <http://www.gasgovernance.co.uk/mods>.

2.5 Workgroup Report

Development/completion deferred to next meeting.

3.0 Next Steps

Taking account of the discussions and suggestions, PH will revise the modification and the legal text and provide for review.

At its next meeting the Workgroup will consider the amended modification and revised legal text, and will aim to develop/complete the Workgroup Report.

4.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

Time/Date	Venue	Workgroup Programme
Thursday 02 February 2017	Elexon, 4 th Floor, 350 Euston Road, London NW1 3AW	<ul style="list-style-type: none"> • Amended Modification • Consideration of Legal Text • Development/completion of Workgroup Report

Action Table (as at 05 January 2017)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0101	05/01/17	2.1	PH to clarify the following: <ol style="list-style-type: none"> With regard to Operating Margin related trading, what trading platforms can be used and what licence restrictions/limitations might apply to this activity; Publishing requirements with regard to NTS trades (current/proposed); Details of any related incentives and clarity on which party(ies) bears the costs in the event of a trading error made by National Grid NTS. 	National Grid NTS (PH)	Pending