

UNC Workgroup 0669R Minutes

Review of the Gas Deficit Warning (GDW) and Margins Notice (MN) Arrangements

Monday 21 January 2019

at Elexon, 350 Euston Road, London NW1 3AW

Attendees

Rebecca Hailes (Chair)	(RH)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Nield*	(AN)	Storengy UK
Andrew Blair	(AB)	Interconnector UK
Andrew Pearce	(AP)	BP
Anna Shrigley	(ASh)	Eni Trading & Shipping S.p.A
Angharad Williams	(AW)	National Grid NTS
Bill Reed	(BR)	RWE Supply & Trading GmbH
Graham Jack	(GJ)	Centrica
Jennifer Randall	(JR)	National Grid NTS
John Costa*	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kamila Nugumanova	(KN)	ESB
Mark Carolan*	(MC)	Ofgem
Malcolm Montgomery	(MM)	National Grid NTS
Nick Wye	(NW)	Waters Wye Associates Ltd
Phil Hobbins	(PH)	National Grid NTS
Sinead Obeng	(SO)	Gazprom
Steve Britton*	(SB)	Cornwall Energy
Steve Pownall	(SP)	Xoserve
Terry Burke	(TB)	Equinor
William Webster	(WW)	Oil & Gas UK

*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/669/210119>

1. Introduction and Status Review

1.1. Approval of Minutes (06 December 2018)

RH apologised for the unforeseen circumstances that led to the late release and publication of the previous Workgroup meeting minutes.

Thereafter, the minutes of the previous meeting were approved.

2. Review of Outstanding Actions

Action 1104: All to provide confirmation of wording preference to National Grid NTS, Angharad Williams (AW) in relation to *Gas Deficit Warning* wording. Email angharad.williams@nationalgrid.com

Update: When RH suggested that this action had already been completed before the Christmas break, the Workgroup agreed the action could now be closed. **Closed**

Action 1201: National Grid NTS, Angharad Williams (AW) to supply further information regarding the balancing charges and neutrality position for that week and the day in question, including the specific NG trades on that day.

Update: AW advised that work remains ongoing with Xoserve and an update would now be provided at the 07 March 2019 Workgroup meeting. **Carried Forward**

3. Review of Amended Request Proposal

Whilst there was not a specific amendment to the Request Proposal to consider, AW provided an overview of the '0669R – Review of MN & GDW Arrangements' presentation provided by National Grid NTS, during which the key points of the discussions are summarised, as follows

Aim for Today's Workgroup (slide 3)

AW apologised for her colleague Glenn Bryn-Jacobsen's (GBJ) unforeseen absence before suggesting that she would look to invite GBJ to the 07 March 2019 Workgroup meeting, or at least get him to dial in, so that he can provide a more detailed explanation around the events leading up to the 01 March 2018 (GDW) event and corresponding National Grid NTS actions.

AW pointed out that regardless of the proposed Margins Notice changes, National Grid NTS believes that the unique circumstances surrounding the 01 March 2018 supply losses event, these changes would not necessarily have 'triggered' a MN.

UNC Timeline (slide 4)

AW outlined that National Grid NTS are looking for the Workgroup to identify and agree the (final UNC) aspects at the 07 March 2019 Workgroup meeting, and that the subsequent (new) UNC Modification could in theory be progressed without the need for any Workgroup meetings, on the grounds that the matters concerned (solely name change) have already been debated in great depth.

System Management (slide 6)

During a brief debate on whether there would be merit in GBJ attending the 07 March 2019 Workgroup meeting in order to provide an overview of the actions National Grid NTS's system management teams undertook with regards to the 01 March 2018 event, the Workgroup consensus was this would only be valuable if there was any new information to be provided over and above that provided at the Operational Forum.

When asked, AW confirmed that a System Management Principles Statement (SMPS) review is already underway within National Grid with the expectation that an industry consultation would follow in due course.

G.A.S Report (slide 8)

AW advised that the initial indications for adopting a more frequent G.A.S Reporting provision are positive, and she hopes to provide more information at the 07 March 2019 Workgroup meeting.

When asked, AW confirmed that a G.A.S report was requested on 01 March 2018 and enabled National Grid NTS to successfully update the Non-Storage Sources (NSS) figures. It was noted that the 'Gas Task Group' are also considering whether there is value in requesting these reports sooner (i.e. when a system stress event is developing potentially leading to a supply loss) going forwards. When asked, AW advised that technically a 10mcm supply reduction and/or an unexpected supply loss would be expected to 'trigger' a report request being undertaken. When it was suggested that some element of additional forward thinking / predicting might prove beneficial, AW responded by indicating that National Grid NTS would be engaging in discussions with the Terminal Operators (TOs) in order to address aspects such as these and improve management going forwards – focus will also be placed on assessing how any increases to the report request frequency would potentially impact on the TOs.

When it was suggested that linepack degradation is also an important factor (PCLPs) that needs consideration, some parties advocated a cautious approach on the grounds that whatever changes are made, these should avoid making the process more rigid.

When WW reiterated that the TOs and National Grid NTS would be looking at what might be the most appropriate factors to identify the various 'trigger' points and elements, it was suggested that there might be benefit in taking a closer look at how the OC2 reports are utilised on the electricity side of the energy market.

When asked how long it takes for the reports to be provided once National Grid NTS have made the initial request, AW advised that this is circa two (2) hours normally (once initiated, a work request is opened with the report being refreshed continually thereafter). Furthermore, National Grid NTS are exploring what the potential reporting frequency and criteria might be, with possibly a more 'regularised' (i.e. without criteria and potentially only applying over the winter months) report requesting mechanism being adopted.

It was suggested that there are potential market aspects that also need careful consideration (i.e. when National Grid requests a report, should interested/impacted market participants be notified at the same time? Potentially something tied in with the supply loss threshold triggers might be appropriate?) It was acknowledged that this is not necessarily a part of the main GDW process, as it is a more subtle mechanism and more akin to a 'heads up' for the NSS stage. It was noted that transparency around the processes is also of paramount importance.

When asked if the additional notice would potentially cause issues for National Grid NTS, PH responded by suggesting that industry should either opt for a 'criteria' or 'regularised' reporting based approach – he expects to discuss this matter in more detail with the TOs and provide feedback at the 07 March 2019 Workgroup meeting.

New Action 0101: Reference G.A.S Reporting Enhancements - National Grid NTS (AW/PH) to discuss the various points put forward by the Workgroup with the Terminal Operators and provide feedback at the 07 March 2019 Workgroup meeting.

In considering the various sources of information that go into the G.A.S Report, parties wondered whether these could be extended to also include storage, outages etc at which point AW explained that whilst National Grid NTS are considering these matters, it would not be part of this Request Proposal development.

Market Information for LNG & Interconnectors (slide 9)

The information as provided was accepted with no adverse comments put forward.

Non-Storage Supply Review Process (slide 10)

It was felt that this process links into both the prevailing view and (daily) Margins Notice aspects and timings (i.e. the need to undertake the NSS figures changes ahead of issuing the Margins Notice).

In noting that in instances where a change in the NSS figure is required, there will be a supporting News item on the 'Prevailing View / Operational News Section' (<https://www.nationalgridgas.com/data-and-operations/operational-news>) of the National Grid website. When asked how industry parties would know the information has been provided and / or updated, AW agreed to consider adoption of suitable notification mechanisms and the associated 'trigger' items where changes to the NSS figures are required.

New Action 0102: Reference Non-Storage Supply Review Process Enhancements - National Grid NTS (AW) to consider the development and introduction of suitable notification mechanisms and the associated 'trigger' items where changes to the NSS figures are required.

At this stage National Grid NTS intend that these changes would sit outside of the UNC but can be referenced within the (new) Modification. National Grid NTS will confirm if this is still their intention at the March Workgroup.

Once again Workgroup participants noted how the equivalent electricity market communications and associated timings operate.

Transparency on National Grid Website (slide 12)

AW explained that National Grid are currently considering how to best publish operational information on their website and the outputs (including improvements to the prevailing view aspects) from this Request Workgroup discussions would be fed into that process.

In pointing out that National Grid are also establishing a collaborative website (access to the site will be via a login with feedback mechanism) – an invite is to be issued to the Gas Operations data community in due course). AW also advised that she would provide a link for inclusion within the minutes after the meeting.¹

New Action 0103: Reference Transparency on the National Grid Website - National Grid NTS (AW) to provide feedback on the development and rollout of the collaborative web site facility at the 07 March 2019 Workgroup meeting.

GDW Name Change (slide 14)

The Workgroup participants debated whether the proposed 'GDW Name Change' would actually make any real difference, as changing the name would not necessarily change the magnitude of the impact and that care would be needed to avoid de-valuing the process. It was acknowledged that the aim of the notice is to get more gas onto the system and simply changing the name does not affect that goal. It was also suggested that changing the name could needlessly confuse market participants. PH pointed out that one of the main drivers for the proposed name change is to avoid the market being panicked when potential supply loss events start to unfold, as the adoption of more suitable descriptions ensures that the whole gas market better understands what lies behind any of the various notices.

Impact vs Effort of Proposals (slide 17)

In considering the content of this slide, AW explained that 'Impact' in this case relates the Margins Notice effectiveness whilst 'Effort' is in relation to UNC change requirements and that the information provided is a high-level assessment only, at this point in time.

When AW questioned whether that utilising the '*Electricity Loss of Load Probability method for the gas*' (which requires a potential change to the calculations and Margin Notice processes) would provide the best solution, other Workgroup participants disagreed, believing that it could improve the gas market information provisions. Responding, AW explained that she is already engaged in discussions with National Grid colleagues on this matter and whilst it is feasible, it is also very resource intensive – due to resource and data requirements, National Grid NTS stated this was not within scope for the (new) Modification. Furthermore, National Grid NTS will confirm whether this is still their position at the March Workgroup.

RH noted that there is nothing stopping another Code party from raising a new Request Proposal to address these matters, should they wish to do so further down the line.

When asked, AW advised that National Grid NTS remains of the view that utilising the electricity model method would not necessarily change the Margins Notice timings for the 01 March 2018 event – in essence, it potentially 'boils down' to how the view of 'known unknowns' is refined ahead of any potential (supply loss) incidents.

Conclusions (slide 18)

AW suggested that hopefully both the UNC and Non-UNC related elements would make the Margins Notice process more robust in future, although she did ask parties to note that looking to increase the frequency of the current G.A.S Reports and / or creation of an

¹ Post meeting note: National Grid NTS (AW) provided a link to the new collaborative industry engagement website page, as follows: <https://gasoperationaldatacommunity.spin-up.io/>

equivalent report (that would provide the data more frequently) could involve complex changes.

In recognising the valuable number of changes identified that could potentially refine the Margins Notice processes going forwards, AW reiterated the fact that National Grid NTS remains of the view that none of these would have made it more possible to issue a Margins Notice (ahead of the GDW) prior to the 01 March 2018 incident, as this matter was largely due to 3rd party asset related issues, that were invisible to National Grid NTS at that time.

When asked where the arrangements associated to the NSS provisions reside, AW advised that she believes that these reside within Code, although not specifically defined within either the MN or GDW.

Several Workgroup participants remained of the opinion that based on the discussions so far, and the questions and concerns being raised, the work of the Request Workgroup is not yet complete – reference was made to the EU Regulation requirements alongside the fact that the progress made so far would not necessarily avoid a repeat of a 01 March 2018 style event.

In summary, the Request Workgroup is of the view that:

- Linepack seepage / decline, storage and temperature related aspects need further consideration (possibly as part of a learning exercise);
- The general consensus amongst Workgroup participants was that the industry observed a certain set of market conditions which necessitate improvements to communications and transparency mechanisms and associated processes going forwards;
- Some parties believe that whilst the Gas Deficit Warning (GDW) did exactly what it was meant to do, it was the elements leading up to the 01 March 2018 GDW that need better clarification, and could be addressed by;
 - advanced NSS reporting request;
 - a view on how much less gas capacity would be available during such occasions;
 - an holistic whole energy market view on potential impacts, and
 - de-rating of offshore supplies where appropriate.

Moving discussions to a conclusion, reference was made to the previous Gas Operational Forum presentation provided by National Grid within which it highlighted the approach National Grid undertook for the 01 March 2018 event and especially the supply and demand and linepack prevailing views – it was felt that maybe a graphical representation of the current linepack position might prove beneficial. Responding, AW advised that this is already something that National Grid NTS are considering.

In noting the Workgroup participants disappointment around the fact that the 'only' UNC changes being proposed relate to a name change and the non-UNC aspects make little difference to the factors surrounding 01 March 2018 event, RH requested that National Grid NTS look to provide assurance that any proposed name change satisfies EU regulatory requirements.

New Action 0104: Reference Potential Gas Deficit Warning Name Change - National Grid NTS (AW) to provide assurance that any proposed name change satisfies EU regulatory requirements.

4. Development of Request Workgroup Report

During a brief discussion RH recorded the following information for subsequent inclusion within a (draft) request Workgroup Report for consideration at the 07 March 2019 meeting.

It is noted that the Workgroup is disappointed that the measures and conclusions presented by National Grid NTS do not appear to be likely to have a change on whether the Margins Notice was issued on 01 March 2018. Additionally, the Workgroup is not convinced that the 'Gas Deficit Warning' name needs to be changed and expressed concern about potential effects where referenced in contracts.

Responding, AW clarified that even if National Grid NTS had requested the 'G.A.S report earlier in the week preceding the 01 March 2018 event, it would only have provided a view of the 'known, knowns' and not the 'unknown' aspects which drove the emergency event in the first instance.

The Workgroup then discussed why there has been no reference to declining linepack as part of this review so far, whilst provision of PCLP figures could also be useful – GBJ to provide an update at 07 March 2019 Workgroup meeting.

New Action 0105: Reference (draft) Request Workgroup Report development - National Grid NTS (AW) to invite Glenn Bryn-Jacobsen of National Grid to provide an update at the 07 March 2019 Workgroup meeting.

Additional areas which Workgroup would like to explore further include:

- Weather/Temperature – projected effect on demand forecast
- Linepack
- Probability/risk of failure (de-rating?) e.g. recognising effects of field/asset life - UKCS
- Demand
- Supply
- Forecasts of demand as proportion of supply (compare with interruptible capacity)
- Price differentials (reference interconnectors)
- Potential change to UNC 'Expected Available Supply' - defined term
- Potential for examination via Monte Carlo type analysis (probability distribution functions).

It would be noted that the Workgroup would like an update at 07 March 2019 Workgroup around whether or not, any of the above items might have improved the situation that befell the industry in the run up to 01 March 2018 event.

It was also recognised that National Grid NTS (as Proposer) are under no obligation to include any of the above items within the (new) UNC Modification.

New Action 0106: Reference (draft) Request Workgroup Report development - National Grid NTS (AW) to provide a view as to whether or not the additional areas requested by the Workgroup would have made a difference to the 01 March 2018 emergency event approach.

5. Next Steps

The following key points are noted, as follows:

- Consider outstanding action updates, and
- Complete the Request Workgroup Report.

6. Any Other Business

None.

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 07 March 2019	Elexon, 350 Euston Road, London NW1 3AW	Standard Agenda plus <ul style="list-style-type: none"> • Consideration of amended request • Development / Completion of Workgroup Report

Action Table (as at 21 January 2018)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1104	01/11/18	4.0	All to provide confirmation of wording preference to National Grid NTS, Angharad Williams (AW) in relation to <i>Gas Deficit Warning</i> wording. Email angharad.williams@nationalgrid.com	All	Update provided. Closed
1201	06/12/18	2.0	National Grid NTS, Angharad Williams (AW) to supply further information regarding the balancing charges and neutrality position for that week and the day in question, including the specific NG trades on that day.	National Grid NTS (AW)	Carried Forward
0101	21/01/19	3.	<i>Reference G.A.S Reporting Enhancements</i> - National Grid NTS (AW/PH) to discuss the various points put forward by the Workgroup with the Terminal Operators and provide feedback at the 07 March 2019 Workgroup meeting.	National Grid NTS (AW/PH)	Pending
0102	21/01/19	3.	<i>Reference Non-Storage Supply Review Process Enhancements</i> - National Grid NTS (AW) to consider the development and introduction of suitable notification mechanisms and the associated 'trigger' items where changes to the NSS figures are required.	National Grid NTS (AW)	Pending
0103	21/01/19	3.	<i>Reference Transparency on the National Grid Website</i> - National Grid NTS (AW) to provide feedback on the development and rollout of the collaborative web site	National Grid NTS (AW)	Pending

			facility at the 07 March 2019 Workgroup meeting.		
0104	21/01/19	3.	<i>Reference Potential Gas Deficit Warning Name Change</i> - National Grid NTS (AW) to provide assurance that any proposed name change satisfies EU regulatory requirements.	National Grid NTS (AW)	Pending
0105	21/01/19	4.	<i>Reference (draft) Request Workgroup Report development</i> - National Grid NTS (AW) to invite Glenn Bryn-Jacobsen of National Grid to provide an update at the 07 March 2019 Workgroup meeting.	National Grid NTS (AW)	Pending
0106	21/01/19	4.	<i>Reference (draft) Request Workgroup Report development</i> - National Grid NTS (AW) to provide a view as to whether or not the additional areas requested by the Workgroup would have made a difference to the 01 March 2018 emergency event approach.	National Grid NTS (AW)	Pending