

**UNC Transmission Workgroup Minutes**  
**Thursday 09 June 2022**  
**via Microsoft Teams**

**Attendees**

Rebecca Hailes (Chair)	(RHa)	Joint Office
Mike Berrisford (Secretary)	(MiB)	Joint Office
Adam Bates	(AB)	South Hook Gas
Andrew Sealey	(AS)	South Hook Gas
Anna Stankiewicz	(ASt)	National Grid
Ashley Adams	(AA)	National Grid
Ayan Bhattacharji	(AB)	Interconnector Ltd
Bethan Winter	(BW)	WWU
Carlos Aguirre	(CG)	Pavilion Energy
Chris Wright	(CW)	ExxonMobil
Claire Proctor	(CP)	PTUK
David Mitchell	(DM)	Scotia Gas Networks
Emma Buckton	(EB)	Northern Gas Networks
Hannah Reddy	(HR)	Correla
Hursley Moss	(HM)	Cornwall Insight
Iwan Hughes	(IW)	VPI
Jeff Chandler	(JCh)	SSE
Julie Cox	(JCx)	Energy UK
Lauren Jauss	(LJa)	RWE
Malcolm Montgomery	(MM)	National Grid
Marion Joste	(MJ)	ENI
Mark Field	(MF)	Sembcorp
Mathieu Malichecq	(MM)	Total
Matthew Newman	(MN)	National Grid
Matthew Newton	(MNe)	Vitol
Nick Wye	(NW)	Waters Wye Associates
Pavanjit Dhesi	(PD)	Interconnector Ltd
Phil Hobbins	(PH)	National Grid
Phil Lucas	(PL)	National Grid
Richard Fairholme	(RF)	Uniper
Shiv Singh	(SS)	Cadent
Sinead Obeng	(SO)	Gazprom
Steve Mulinganie	(SM)	Gazprom
Terry Burke	(TB)	Equinor

Copies of all papers are available at: <https://www.gasgovernance.co.uk/tx/090622>

**1. Introduction and Status Review**

Rebecca Hailes (RHa) welcomed all parties to the meeting.

### 1.1. Approval of minutes (05 May 2022)

The minutes from the previous meeting was approved.

### 1.2. Approval of Late Papers

None to consider.

### 1.3. Review of Outstanding Actions

**0401:** Overruns to be reviewed in August to consider the effectiveness and impact of industry changes to the regime.

**Update:** Deferred until August. **Carried Forward**

**0501:** National Grid (PH) to enquire with terminals if further Wobbe delivery information can be shared.

**Update:** Phil Hobbins (PH) provided an overview of the '*GS(M)R Review: CV Shrinkage Analysis*' presentation during which he provided summary assessments for Terminal A – Bacton Perenco and Terminal B – Grain LNG, concluding that if the lower Wobbe limit was breached National Grid Gas (NGG) would not expect the associated volumes to be sufficient to impact downstream offtakes.

When concerns were voiced that the two CCGTs that are adjacent to the Bacton site could potentially be impacted by 'slugs' of low CV gas entering the system (which can potentially trigger plant shutdowns), PH acknowledged the point and suggested that any requests to National Grid Gas to provide a report on low Wobbe gas would assist National Grid to instigate an assessment, which could then be utilised to form the 'groundwork' for any potential UNC Modifications to be raised in the future.

PH went on to also advise that he is continuing to monitor the matter as part of the build up to National Grid Gas raising a subsequent UNC (enabling) Modification (to consider amongst other things topics such as new baseline requirements, operator communication and engagement aspects and information provision) during the course of the next few months.

A discussion ensued around whether or not a 'blanket' or 'individual' Modification approach would be preferable with concerns being voiced that a blanket style Modification could involve potential downstream impacts.

Additional concerns were also raised around the current lack of a Terminal Operator (TO) view(s) when low CV is predicted to be flowed. Responding, PH advised that he has discussed options with the TOs including provision of a 5 year out view before he also observed that commingling is taking place offshore and that perhaps one solution could be to provide indicative volume related data going forward – it is expected that the TOs would be actively engaged during the development of any UNC Modification.

When asked, PH confirmed that it is National Grid Gas's intention to look to 'group' those Terminals who appear ready to accept a lower Wobbe by region during the analysis phase of the new Modification. Some parties in attendance indicated that they believe provision of a longer-term data report on gas quality would be beneficial, on the grounds that any proposed lowering of the Wobbe (number) needs detailed supporting data to accompany the change.

Noting the points being raised, PH went on to advise that he has been liaising with Continental Terminal Operators, on matters such as the low Wobbe at Bacton, volumes and timings, although it should also be noted that Interconnector – Continental Europe aspects could influence Bacton lead time and the potential Wobbe index reduction levels.

When it was noted that further consideration of these matters would be undertaken within the main '*GS(M)R Review*' item on the agenda at future meetings, parties in attendance agreed that this action could now be closed. **Closed**

#### 1.4. User Representative Appointment Process

RHa reminded delegates of the key stages and dates associated with the process:

Key Stages	Commencing:	Respond by:
Single Point of Contact (SPoC) to submit nominations for Membership	by 06 June 2022	by 24 June 2022
Membership Election ( <i>if nominations received exceed the required representative's positions</i> )	by 11 July 2022	by 29 July 2022
Notification of Membership	01 September 2022	
Membership Commences	01 October 2022	

#### 1.5. Industry Update from Ofgem

In the absence of an Ofgem representative, consideration was deferred until the July 2022 meeting.

Julie Cox (JCx) also advised that at the 07 June 2022 NTSCMF meeting, Ofgem Representatives in attendance, committed to ensuring that an Ofgem representative would be present at the 07 July 2022 Transmission Workgroup meeting in order to provide an update.

*Please see the 24 May 2022 update of the Code Modification/Modification proposals with Ofgem for decision – Expected publication dates timetable at: <https://www.ofgem.gov.uk/publications/code-modificationmodification-proposals-ofgem-decision-expected-publication-dates-timetable>*

#### 1.6. Pre-Modification discussions

##### 1.6.1. Enhanced pressure service at Bacton

Matthew Newman (MN) introduced the 'BBL Enhanced Pressure Service. Pre-Mod Discussion' presentation, during which discussions centred around the following key points (by exception):

- UNC Modification 0786S 'Amendment of the framework for the Bacton exit pressure service to interconnectors' was (unanimously) approved by Panel at the 17 February 2022 meeting;
  - Whilst the associated Interconnector Agreements are expected to be signed 01 July 2022, BBL have requested access to the enhanced pressure service;
  - The 01 July 2022 date enables both parties to be in attendance at the signing;
- BBL have indicated that their request is not solely driven by commercial reasons and seeks to ensure reinforcement of the European markets during the current concerning geo-political landscape;
- It was recognised that BBL have historically benefitted (unofficially) from previous Interconnector Ltd enhanced pressure service provisions and are now seeking a more formal provision;
- Noting both the current and impending issues being experienced across Europe, some parties wondered whether addressing the issue via another

means whilst waiting for the related Modification to 'catch up' would provide a swifter solution;

- Noting the point, MN advised that this is one option that is currently being considered;
- It was suggested that there are also potential Gas and Electricity Security of Supply aspects that would need to be considered from both a European and GB market perspective;
- Consideration of the potential impacts upon Shippers of increases in pressure and associated reduction in flow rates would be needed along with consideration of any capacity changes (increases or decreases);

Concluding the presentation, MN thanked parties for their feedback and comments and indicated that he would take the points raised into consideration as part of the ongoing development of the new Modification.

## 2. Milford Haven Risk

Anna Stankiewicz (ASt) provided an overview of the '*Milford Haven Risk*' presentation, during which the following key points were noted (by exception):

### Historic v recent flows – slide 3

- The short purple line to the right of the '*Daily MH flows*' chart reflects revised capability;
  - May / June 2022 data has not yet fully closed out;
  - During winter months National Grid has higher levels of capability at their disposal;
  - The values provided are median values and therefore parties can expect to observe both higher and lower (actual) readings at various times;
- Concerns were voiced that in not having previous years historical data, National Grid's view would not necessarily be correct, especially as the April / May values (referred to as the 'shoulder months') are not necessarily a true indicator of summer requirements

– responding to the concerns, National Grid committed to providing a better comparison going forward, and

- Some parties questioned whether the data suggests that the Milford Haven baseline is potentially meaningless, to which ASt responded by acknowledging that there might be alternative options as outlined on the following slide.

#### Options Description Table – slide 4

Concerns were voiced that the late provision of the updated presentation did not allow Workgroup attendees sufficient time to consider, and provide views for the proposed options ahead of the meeting;

- Option 1
  - ‘do nothing’ is not viable;
- Option 2
  - could potentially involve a 3 – 6 month lead time for any licence changes;
  - concerns voiced that should a decision be made in October 2022 would the associated system changes be delivered in time;
  - some parties felt that the ‘perception of scarcity’ statement is believed to be a potentially dangerous route to adopt, especially when bearing in mind the UK Governments recent approval of the Jackdaw project;
  - concerns also voiced around potential ASEP Capacity Constraint Management impacts;
    - these are believed to be restricted to the summer period only as winter should not be an issue;
    - If requested (or deemed preferable), National Grid could also examine and adopt an all ASEP based approach (rather than simply focusing on Milford Haven) – to be considered / developed further;
      - In referencing historical capability restrictions at the Isle of Grain (as referenced within National Grid’s Capability Plans), some parties also believed that the focus should not be solely on Milford Haven – National Grid to consider providing additional Isle of Grain information for consideration at the July Workgroup meeting;
  - National Grid is looking to set a repeatable precedent for forthcoming years;
  - In noting the concerns being voiced, Nick Wye (NW) pointed out that these are exceptional times involving exceptional circumstances and as a consequence he feels unable to support consideration of baselines at this time and is of the opinion that National Grid should look to develop the proposed options for utilisation during summer 2023, rather than 2022;
  - Some parties noted that whilst industry is keen for improvements in transparency, the focus should not just be on ASEPs and should also include exit points etc.;
    - A better view of capability (and pressures) under various scenarios (inc. exceeding baselines) could be beneficial, preferably supported by provision of an Annual Capabilities Statement / Report, and
      - Whilst National Grid is trying to provide a clearer picture, parties are asked to note that there are many variables that potentially

effect capability, although they will endeavour to provide more information on those that have a direct impact upon capability.

- Option 3
  - Is essentially where we are now.
- Options 4, 5, 6 and 7
  - As outlined within the presentation, options 5 and 7 are very similar and the industry could potentially end up in the same position next year, which would be unfavourable;
  - Some parties believe a return to the previous era Commercial Capacity Arrangements would be preferable supported by a review of the tools available to hand, in order to ensure the industry can continue through summer 2023;
    - Some parties believe that what has been put in place has not been needed and instead would prefer to focus ahead on next summer's requirements – to this end Option 4 is not necessarily a viable option;
    - Some parties are of the view that the UK Government would likely 'relax' their current position to ensure that a more pragmatic and workable set of proposals / solutions could be enacted for summer 2023;
    - It was noted that the more visibility parties have, the better they can plan;
    - It was suggested that National Grid, South Hook Gas and Dragon should consider an offline meeting to consider what requirements might be needed in order to resolve any potential summer 2023 issues;
  - National Grid are looking for a Workgroup consensus on the proposed options before approaching Ofgem on this matter, and
  - National Grid's focus in preparing the presentation centred around reserve price related aspects rather than gas commodity price aspects.

#### Future considerations – slide 6

- Subject to what occurs during summer 2022, it may be beneficial for the Workgroup to consider whether a 'do nothing' option is viable going forward, and
- National Grid to consider providing a Constraint Management Cost Flow Through update at the July 2022 Transmission Workgroup meeting.

For more details, please refer to the published presentation.

### **3. Gas Safety (Management) Regulations - GS(M)R Review**

When asked, PH confirmed that this item had been covered under consideration of outstanding Action update 0501 above.

### **4. Transmission Change Horizon Plan**

Anna Stankiewicz (ASt) provided an update on the National Grid Change Horizon plan (as updated since the May meeting), focusing attention on:

- The Indicative Ofgem Decision Dates (as starred) for Modifications 0779/0779A and 0761 which are awaiting a decision;
- In respect of 0779/0779A, 'Functionality Parameterised' an early Ofgem decision might potentially benefit customers, although there is always the 6 month system notice period to consider;
  - When asked, Hannah Reddy (HR) confirmed that where all parties concerned agree, the 6 month period can be waived;
  - Whilst there are invoice document impacts, there are minimal system (screen) changes involved with implementation of the Modification 0779/0779A – it is

more of a process related change, which as a consequence could benefit from a shortened deployment (i.e. this side of Christmas 2022) whereby the system changes are pre-loaded ahead of full deployment at a later time, and

- Ofgem indicated decision date is 23 December 2022, which coincides with the system freeze period, so actual delivery would be the second half of January 2023.

For more details, please refer to the published presentation.

**New Action 0601:** *Reference Transmission Change Horizon Plan – Potential UNC Modification 0779/0779A Delivery – Correla (HR) and National Grid (ASt) to update Ofgem on a potential delivery approach.*

## 5. Overrun Update

Deferred until August.

## 6. Workgroups

### 6.1. 0801 - Removal of capacity and balancing services from the role of CDSP

(Report to Panel 18 August 2022)

<https://www.gasgovernance.co.uk/0801>

### 6.2. 0805S - Introduction of Weekly NTS Exit Capacity Auctions

(Report to Panel 16 June 2022)

<https://www.gasgovernance.co.uk/0805>

### 6.3. 0806S - Change to Curtailment Trade Price Compensation in Section Q

(Report to Panel 21 July 2022)

<https://www.gasgovernance.co.uk/0806>

## 7. New Issues

No new issues raised.

## 8. Any Other Business

### 8.1. 7-day Margins Notice Forecast

Phil Hobbins (PH) provided a brief overview of the '7 Day Margins Notice Forecast' presentation during which the following key items were noted (by exception):

#### 7 – Day Margins Notice Forecast – slide 2

In the example graphical representation, the term '*Gas Day Executed on*' refers to the day the report was run, whilst the '*Reporting For*' provides a summary of dates for the week ahead view.

#### Industry Impact – slide 3

When asked, PH confirmed that the associated information would be published on the "prevailing view" portion of National Grid's web site (<https://mip-prd-web.azurewebsites.net/>). He then confirmed that National Grid is keen to develop the provision over the next few months.

When it was suggested that perhaps a Daily (look ahead report) view would be preferable to a Weekly one on the grounds that the Weekly could potentially go out of date very

quickly, PH responded by pointing out that the proposed provision would be supplementary to existing reporting provisions.

Methodology (Initial View) – slide 4

PH pointed out that the [30%] threshold figure is only a guide provided for example purposes and would be determined in due course.

Further Steps – slide 5

When PH confirmed that it is highly likely that the report title would be ‘7 Day Margins Notice Forecast’, JCx kindly provided a link to the National Grid reporting portal at:

<https://www.nationalgrid.com/gas-transmission/document/99811/download>

**8.2. Distribution Lists**

When Julie Cox (JCx) provided a verbal update on the rationale behind raising concerns around the various industry communication routes and whether or not the Joint Office could consider taking over responsibility for those communication being issued via the Energy Networks Association (ENA), Malcolm Montgomery (MM) provided an overview of the ‘TSO Markets Distribution Lists’ presentation.

When RHa explained that if requested by the Transporters, the Joint Office would consider whether it could assist further, JCx enquired whether as an alternative, National Grid could consider issuing the various communications instead, on the grounds that this is possibly a Code Manager related matter anyway. Whilst acknowledging the point, MM outlined the potential limitations of the current process whilst explaining that National Grid are looking for a pragmatic solution that benefits all parties.

**2. Diary Planning**

Further details of planned meetings are available at: [www.gasgovernance.co.uk/events-calendar/month](http://www.gasgovernance.co.uk/events-calendar/month)

Time / Date	Paper Publication Deadline	Venue	Programme
10:00 Thursday 07 July 2022	5pm Wednesday 29 June 2022	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 04 August 2022	5pm Wednesday 27 July 2022	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 01 September 2022	5pm Wednesday 24 August 2022	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 06 October 2022	5pm Wednesday 28 September 2022	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 03 November 2022	5pm Wednesday 26 October 2022	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 01 December 2022	5pm Wednesday 23 November 2022	Microsoft Teams	Standard Transmission Workgroup Agenda



**Action Table (as of 09 June 2022)**

<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Reporting Month</b>	<b>Owner</b>	<b>Status Update</b>
0401	07/04/22	4.0	Overruns to be reviewed in August to consider the effectiveness and impact of industry changes to the regime	August 2022	National Grid (ASt)	<b>Carried Forward</b>
0501	05/05/22	2.0	National Grid (PH) to enquire with terminals if further Wobbe delivery information can be shared.	June 2022	National Grid (ASt)	Update provided. <b>Closed</b>
0601	09/06/22	4.	<i>Reference Transmission Change Horizon Plan – Potential UNC Modification 0779/0779A Delivery</i> – Correla (HR) and National Grid (ASt) to update Ofgem on a potential delivery approach	July 2022	Correla (HR) & National Grid (ASt)	<b>Pending</b>

**UNC Workgroup 0801 Minutes**  
**Removal of capacity and balancing services from the role of CDSP**  
**Thursday 09 June 2022**  
**via Microsoft Teams**

**Attendees**

Rebecca Hailes (Chair)	(RHa)	Joint Office
Mike Berrisford (Secretary)	(MiB)	Joint Office
Andrew Sealey	(AS)	South Hook Gas
Anna Stankiewicz	(ASt)	National Grid
Ashley Adams	(AA)	National Grid
Bethan Winter	(BW)	WWU
Carlos Aguirre	(CG)	Pavilion Energy
Chris Wright	(CW)	ExxonMobil
Claire Proctor	(CP)	PTUK
David Mitchell	(DM)	Scotia Gas Networks
Emma Buckton	(EB)	Northern Gas Networks
Hannah Reddy	(HR)	Correla
Hursley Moss	(HM)	Cornwall Insight
Iwan Hughes	(IW)	VPI
Jeff Chandler	(JCh)	SSE
Julie Cox	(JCx)	Energy UK
Lauren Jauss	(LJa)	RWE
Malcolm Montgomery	(MM)	National Grid
Marion Joste	(MJ)	ENI
Mark Field	(MF)	Sembcorp
Mathieu Malichecq	(MM)	Total
Matthew Newman	(MN)	National Grid
Matthew Newton	(MNe)	Vitol
Pavanjit Dhesi	(PD)	Interconnector Ltd
Phil Hobbins	(PH)	National Grid
Phil Lucas	(PL)	National Grid
Richard Fairholme	(RF)	Uniper
Shiv Singh	(SS)	Cadent
Sinead Obeng	(SO)	Gazprom
Steve Mulinganie	(SM)	Gazprom

Copies of all papers are available at: [www.gasgovernance.co.uk/0801/090622](http://www.gasgovernance.co.uk/0801/090622)

The Workgroup Report is due to be presented at the UNC Modification Panel by 18 August 2022.

## 1.0 Introduction and Status Review

Rebecca Hailes (RHa) welcomed all parties to the meeting, at which point Malcolm Montgomery (MM) advised that National Grid's Strategic Review remains ongoing, although they are now closing in on a decision (which could move in various directions). However, in light of this fact,

he would like to recommend a ‘temporary pause’ on progressing the Modification until more clarity becomes available.

RHa advised that in that case she would recommend requesting a 2 month extension to the current Workgroup Panel reporting date – a view supported by Workgroup participants in attendance.

**1.1. Approval of minutes (05 May 2022)**

The minutes from the previous meeting were approved.

**1.2. Approval of Late Papers**

None to consider.

**1.3. Review of Outstanding Actions**

None to consider.

**2.0 Review of Legal Text**

Consideration deferred.

**3.0 Completion of Workgroup Report**

Consideration deferred.

**4.0 Next Steps**

RHa outlined the next steps as follows:

- 2 month extension request to be presented at the 16 June 2022 Panel meeting;
- Consideration of amended Modification (if required);
- Review of Legal Text, and
- Development / Completion of Workgroup Report.

**5.0 Any Other Business**

None.

**6.0 Diary Planning**

Further details of planned meetings are available at: [www.gasgovernance.co.uk/events-calendar/month](http://www.gasgovernance.co.uk/events-calendar/month)

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Thursday 07 July 2022	5pm Wednesday 29 June 2022	Microsoft Teams	<ul style="list-style-type: none"> <li>• Consideration of amended Modification (if required)</li> <li>• Review of Legal Text</li> <li>• Development / Completion of Workgroup Report</li> </ul>
10:00 Thursday 04 August 2022	5pm Wednesday 27 July 2022	Microsoft Teams	Date on Hold
10:00 Thursday 01 September 2022	5pm Wednesday 24 August 2022	Microsoft Teams	Date on Hold
10:00 Thursday 06 October 2022	5pm Wednesday 28 September 2022	Microsoft Teams	Date on Hold



**UNC Workgroup 0805S Minutes**  
**Introduction of Weekly NTS Exit Capacity Auctions**  
**Thursday 09 June 2022**  
**via Microsoft Teams**

**Attendees**

Rebecca Hailes (Chair)	(RHa)	Joint Office
Mike Berrisford (Secretary)	(MiB)	Joint Office
Andrew Sealey	(AS)	South Hook Gas
Anna Stankiewicz	(ASt)	National Grid
Ashley Adams	(AA)	National Grid
Bethan Winter	(BW)	WWU
Carlos Aguirre	(CG)	Pavilion Energy
Chris Wright	(CW)	ExxonMobil
Claire Proctor	(CP)	PTUK
David Mitchell	(DM)	Scotia Gas Networks
Emma Buckton	(EB)	Northern Gas Networks
Hannah Reddy	(HR)	Correla
Hursley Moss	(HM)	Cornwall Insight
Iwan Hughes	(IW)	VPI
Jeff Chandler	(JCh)	SSE
Julie Cox	(JCx)	Energy UK
Lauren Jauss	(LJa)	RWE
Malcolm Montgomery	(MM)	National Grid
Marion Joste	(MJ)	ENI
Mark Field	(MF)	Sembcorp
Mathieu Malichecq	(MM)	Total
Matthew Newman	(MN)	National Grid
Matthew Newton	(MNe)	Vitol
Pavanjit Dhesi	(PD)	Interconnector Ltd
Phil Hobbins	(PH)	National Grid
Phil Lucas	(PL)	National Grid
Richard Fairholme	(RF)	Uniper
Shiv Singh	(SS)	Cadent
Sinead Obeng	(SO)	Gazprom
Steve Mulinganie	(SM)	Gazprom

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0805/090622>

The Workgroup Report is due to be presented at the UNC Modification Panel by 16 June 2022.

**1.0 Introduction and Status Review**

Rebecca Hailes (RHa) welcomed all parties to the meeting.

**1.1. Approval of minutes (05 May 2022)**

The minutes from the previous meeting were approved.

### 1.2. Approval of Late Papers

When RHa observed that there was one (1) late paper to consider in the form of a draft amended version of the Modification, Workgroup participants agreed to consider the document at short notice.

### 1.3. Review of Outstanding Actions

**Action 0101:** National Grid (ASt) to provide some analysis on the potential impacts on Capacity Bookings.

**Update:** In referring to the additional information now provided within 'Section 11 Analysis' /Appendix 1 within the amended Modification (v2.0, dated 08 June 2022), ASt suggested, and Workgroup participants agreed this action could now be closed. **Closed**

## 2.0 Review of Amended Modification

During an onscreen review of the (draft) amended Modification (v2.0, dated 08 June 2022) Iwan Hughes (IH) provided an explanation of the rationale behind the proposed changes which are in part, based on previous feedback kindly provided by Workgroup participants.

When asked, IH confirmed that the supporting data had now been made available to the Workgroup, although parties are asked to note that it is his intention to submit a formal amended Modification following this meeting.

During a review of the proposed changes, the following items were noted (by exception):

### Section 1 – Summary

- It was noted that the late submission of the amended Modification ahead of the meeting has limited parties' ability to undertake a thorough review, especially in respect of the provision of supporting Legal Text and Rough Order of Magnitude (ROM) – a formal amended Modification would be needed before work on either item could commence;
- the changes take into account when some End Users (i.e. direct connects) choose to book weekly exit capacity at D-5;
- Wales & West Utilities believe that IH has potentially misunderstood the reference to '300 days' provided in their previous feedback, which they would like amending;
  - Bethan Winter (BW) to provide a written outline of WWU's concerns / points of clarification for inclusion within the WGR, and
- Concerns voiced around the potential exclusion of the DNs.

### Section 2 – Governance

- When asked, there were no adverse comments forthcoming from Workgroup Participants in attendance with regards to the proposed status change for the Modification from Self-Governance to Authority Direction.

### Section 3 – Why Change?

- Inclusion of new 'Exclusion of Distribution Network Exit Points' justification statement on page 5 will need further detailed consideration and as a consequence it will be necessary to seek an extension to the current Panel reporting date;
- Wales & West Utilities are currently undertaking internal discussions around whether to raise an alternative to the Modification in order to ensure that they can continue to book capacity efficiently going forward;
  - WWU will liaise with the other DNs during consideration of the matter, as an alternative may not be required;

- The other DN Representatives in attendance (representing NGN, SGN and Cadent) indicated that they would need to review any supporting Legal Text before making an informed decision on whether an alternative Modification would be appropriate;
- It was noted that should the DNs be able to use the proposed product, the Workgroup would need to consider any potential ECN charge impacts, including process interactions and timelines;
- When asked, ASt confirmed that in respect of the NTS planning bullet point, she would need to discuss this with her National Grid operational and planning contacts in order to ascertain whether there are or whether there could be, any potential issues (i.e. booking flat capacity impacts and rules around substitution should a move to a weekly model take place), and
  - Some parties believe that the proposals would provide better information to National Grid.

#### Section 5 – Solution

- Typographical error noted whereby double use of the term 'of' pointed out.

#### Section 6 – Impacts & Other Considerations

- It was pointed out that the consumer costs and impacts statements need enhancing.

#### Section 7 – Relevant Objections

- Proposed changes noted and no adverse comments forthcoming.

#### Section 8 – Implementation

When asked whether there could be any potential ROM impacts associated with the proposed amendments to the Modification, Hannah Reddy (HR) advised that whilst she would need to take a closer look at any auction related aspects, she does not envisage any significant impact on the current ROM.

#### New Section 11 – Analysis

New section and statements noted with no adverse comments forthcoming.<sup>1</sup>

**New Action 0601:** *Reference Amended Modification 0805S* – all parties to consider the amended Modification and provide comments / feedback at the July 2022 Workgroup meeting.

### **3.0 Review of Legal Text**

ASt undertook a brief onscreen review of the (current) proposed amendments to the various impacted Code sections (relating to v1.0 of the Modification only), during which she confirmed that in respect of TPD Section B, paragraph 3.1.6(b)(ii) amendments (circa page 79), these 'mirror' current entry provisions.

### **4.0 Completion of Workgroup Report**

Consideration deferred.

### **5.0 Next Steps**

RHa outlined the next steps as follows:

- Vitol SA (IH) and Wales & West Utilities (BW) to liaise on tweaks to the amended Modification

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<sup>1</sup> Post meeting note: a formal amendment to the Modification (v2.0, as at 10 June 2022) was submitted by the Proposer and published on the Joint Office web site on 10 June 2022. This Section 11 may be renamed Appendix 1.

- National Grid to provide updated Legal Text
- Correla (HR) to provide an updated ROM
- Joint Office (RHa) to request a 1 or 2 month extension to the reporting deadline at the 16 June 2022 Panel meeting
- Development / Completion of Workgroup Report.

## 6.0 Any Other Business

None.

## 7.0 Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/events-calendar/month](http://www.gasgovernance.co.uk/events-calendar/month)

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10:00 Thursday 07 July 2022	5pm Wednesday 29 June 2022	Microsoft Teams	<ul style="list-style-type: none"> <li>• Consideration of amended Modification (if required)</li> <li>• Review of Legal Text</li> <li>• Review of the ROM</li> <li>• Development / Completion of Workgroup Report</li> </ul>
10:00 Thursday 04 August 2022	5pm Wednesday 27 July 2022	Microsoft Teams	Date on Hold

### Action Table (as of 09 June 2022)

Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0101	07/04/22	2.1.1	National Grid (ASt) to provide some analysis on the potential impacts on Capacity Bookings.	May 2022	National Grid (ASt)	Update provided. <b>Closed</b>
0601	09/06/22	2.0	<i>Reference Amended Modification 0805S</i> – all parties to consider the amended Modification and provide comments / feedback at the July 2022 Workgroup meeting.	July 2022	All	<b>Pending</b>



**UNC Workgroup 0806 Minutes**  
**Change to Curtailment Trade Price Compensation in Section Q**  
**Thursday 09 June 2022**  
**via Microsoft Teams**

**Attendees**

Rebecca Hailes (Chair)	(RHa)	Joint Office
Mike Berrisford (Secretary)	(MiB)	Joint Office
Alex Neild	(AN)	Storengy
Andrew Sealey	(AS)	South Hook Gas
Anna Stankiewicz	(ASt)	National Grid
Ashley Adams	(AA)	National Grid
Bethan Winter	(BW)	WWU
Carlos Aguirre	(CG)	Pavilion Energy
Chris Wright	(CW)	ExxonMobil
Claire Proctor	(CP)	PTUK
David Mitchell	(DM)	Scotia Gas Networks
Emma Buckton	(EB)	Northern Gas Networks
Hannah Reddy	(HR)	Correla
Hursley Moss	(HM)	Cornwall Insight
Iwan Hughes	(IW)	VPI
Jeff Chandler	(JCh)	SSE
Julie Cox	(JCx)	Energy UK
Lauren Jauss	(LJa)	RWE
Malcolm Montgomery	(MM)	National Grid
Marion Joste	(MJ)	ENI
Mark Field	(MF)	Sembcorp
Mathieu Malichecq	(MM)	Total
Matthew Newman	(MN)	National Grid
Matthew Newton	(MNe)	Vitol
Pavanjit Dhesi	(PD)	Interconnector Ltd
Phil Hobbins	(PH)	National Grid
Phil Lucas	(PL)	National Grid
Richard Fairholme	(RF)	Uniper
Shiv Singh	(SS)	Cadent
Sinead Obeng	(SO)	Gazprom
Steve Mulinganie	(SM)	Gazprom

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0806/090622>

The Workgroup Report is due to be presented at the UNC Modification Panel by 21 July 2022.

## **1.0 Introduction and Status Review**

Rebecca Hailes (RHa) welcomed all parties to the meeting.

### **1.1. Approval of minutes (05 May 2022)**

The minutes from the previous meeting were approved.

### 1.2. Approval of Late Papers

None to consider.

### 1.3. Review of Outstanding Actions

None to consider.

## 2.0 Review of Impacts and Costs

Prior to providing an overview of the *'Mod 0806: Change to Curtailment Trade Price Compensation in Section Q'* presentation, Phil Lucas (PL) responded to an enquiry as to why there was no (draft) Legal Text for consideration at the meeting, by advising that normally he would only prepare and provide the text in response to either an informal Workgroup (or Proposer) request, or a formal UNC Panel request to provide the text which involves a 15BD timescale.

When asked, PL committed to providing (draft) Legal Text as soon as practicable possible following the meeting.

The following key points discussed during a review of the presentation are noted (by exception), as follows:

#### Source and Rationale – slide 4

When asked PL committed to providing a written statement for inclusion within the minutes and (draft) Workgroup Report going forward. This can then be used to stimulate further Workgroup responses at the next meeting.

#### 'Commercially Interruptible' Arrangements Incentive – slide 5

In noting the reference to the 'day preceding', Workgroup participants remain of the opinion that the industry is facing unprecedented times and therefore it is hard to know exactly what would constitute a 'best fit' – in essence, it is a sliding scale working towards closing the gap between the two dotted lines in the diagram whilst also trying to avoid invoking an emergency.

When PL pointed out that National Grid is not currently supportive of the Modification, Julie Cox (JCx) observed that National Grid has made some interesting challenges which serve to highlight the question of whether the existing (commercial) arrangements are actually working – it remains difficult to truly identify as the matter relates to commercially sensitive information that remains preserve of the parties concerned (and Ofgem where appropriate).

Steve Mulinganie (SM) suggested that there are tensions between gas and the (electric) generation markets resulting in a question around who is really paying – in short, is it right that gas picks up the bill for keeping generation running. Responding, PL advised that the arrangements are funded through balancing and neutrality mechanisms. SM remained concerned that in some cases the beneficiary is not the party who might be paying. At this point, RHa captured the comments within the (draft) Workgroup Report under the 'Workgroup Discussions' section.

When attendees then went on to discuss trading strategies, risk assessment and management approaches utilised for 'hedging risk' purposes, Nick Wye (NW) suggested that 'hedging' is in essence a paper rather than physical exercise, and as a consequence there could be an argument for LNG parties to consider.

The Workgroup considered whether the matter could relate to hedging risk from either electricity to gas and/or gas to electricity markets, as there is potentially a unique back-to-back trade for power generators whereby there could be price mismatches involved (including generating and witnessing skewed views of the market).

Whilst noting that it is the balance between power and generation, SM pointed out that the non-CCGT element is not presently covered by the Modification, and in his opinion, it would be preferable for the benefits to be applied across the whole sector, as he stated at the previous Workgroup meeting. Responding to the points being raised, Jeff Chandler (JC) advised that the primary aim of the Modification is to seek to benefit the whole industry ahead of the forthcoming winter – some parties suggested that perhaps JC (as Proposer) should consider splitting out the CCGTs, or at least clearly defining what constitutes a CCGT (a power generator perhaps, especially bearing in mind there are parties within the market that also generate for another market).

In noting that the challenge would be getting something in place ahead of the requirement whilst also securing supply across different markets, JCx proposed that Ofgem are better placed to take a more (holistic) view around Security of Supply across multiple markets, as the Workgroup has limited focus on the gas market side of the equation. When asked, JC indicated that during development of the Modification, he had engaged with Ofgem on a wide range of aspects relating to the Modification. Acknowledging the points being raised, JC advised that he would push forward with the Modification as drafted but would like to recommend that a consultation question around CCGT (and I&C) concerns is tabled for industry to consider and provide views within their respective consultation responses.

### **2.1. Emergency Curtailment Price**

Please refer to the discussion under item 2. above for more details.

### **2.2. Wider Industry Impacts**

Please refer to the discussion under item 2. above for more details.

### **2.3. Rationale for using a System Average Price (SAP)**

Please refer to the discussion under item 2. above for more details.

### **2.4. Rationale for revised cash-out calculations**

Please refer to the discussion under item 2. above for more details.

## **3.0 Development of Workgroup Report**

During an onscreen review of the (draft) Workgroup Report (v0.2, dated 30 May 2022), RHa undertook changes to the document inline with the discussion points from item 2. above and the more focused comments in response to the highlighted statement within the report.

When asked, PL agreed to provide a high-level narrative in support of the National Grid presentation provided for item 2. above and also for inclusion within these minutes and the (draft) Workgroup Report ahead of the July 2022 Workgroup meeting.

*Post meeting note as kindly provided by National Grid (PL) during the course of the Workgroup discussions:*

*"This wording is extracted from the Solution section of the Proposal and changes the basis on which the Emergency Curtailment Trade Price (ECTP) is determined. This therefore impacts anywhere within the UNC arrangements that this definition is utilised.*

*The ECTP itself is used for two distinct and separate processes within Section Q the TPD:*

- *the Emergency Curtailment Trade recognises that a Shipper who is short going into an emergency may have its daily imbalance liability reduced because of the curtailment of demand in an emergency. This would limit the targeting of costs to Shippers contributing to an emergency and weaken the incentive to contact for adequate supplies and demand response. This trade therefore effectively increases the Shippers 'demand' position by the curtailed quantity to maintain effective cost targeting and retain the incentive to contract for adequate supplies.*
- *the DSR Payment is paid to consumers (via Shipper/Suppliers) in recognition of the involuntary curtailment of their gas supply in an Emergency. In broad terms, Daily Metered Points ('DR System Exit Points') receive the curtailed volume multiplied by the ECTP.*

*Each of the distinct processes mentioned were introduced at separate points:*

- *the Emergency Curtailment Trade by UNC Modification 0044 implemented in October 2005; and*

- the DSR Payment by the Ofgem Security of Supply Significant Code Review implemented in October 2015

In both cases, the unit rate was intentionally set at such a level as to maintain an incentive for the establishment of voluntary curtailment arrangements for consumers to reduce offtake ahead of an emergency. To this extent, the intention was not to 'compensate' consumers for consequential losses arising from the curtailment nor specifically reflect the price of gas at the point of curtailment (or indeed immediately prior).

Looking at the incentive specifically, short Shippers on the day an emergency is declared will be cashed out at the System Marginal Price (buy) (SMP(b)). As this price is expected to be an escalating heading towards and into an emergency, this is expected to be higher relative to the average of the System Average Price (SAP) for the 30 days preceding this point, this being the rate at which payments are made to consumers for involuntary curtailment (i.e. the ECTP).

Given this, there is an incentive for Shippers and Consumers to agree (where practical) mutually beneficial voluntary curtailment arrangements. The mutual benefits are:

- for the Shipper: 'short' imbalance is effectively settled at a lower rate than the SMP(b) (i.e. the contract price the Shipper pays the consumer to voluntarily curtail offtake)
- for the Consumer: the payment it receives for voluntary curtailment (i.e. the contract price) is higher than the payment it would receive for involuntary curtailment (i.e. the ECTP)

The impact of the proposed change, which is expected to increase the rate of the ECTP, therefore pushes that lower dashed line up towards the SMP(b) level to the extent that the incentive to agree any such arrangements for voluntary curtailment is reduced or potentially eliminated.

The Proposer suggests that the rationale expressed in 2014 for the existing payment level is no longer valid as CCGTs are unlikely to agree to voluntary curtailment arrangements.

Whilst this may be the case for some or all CCGTs, we note that this change would apply to all relevant points and therefore this adversely impact the incentive to strike voluntary curtailment contracts at all relevant points, not just CCGTs.

We continue to believe that voluntary curtailment is an important tool to avoid the need to declare a Gas Deficit Emergency. Therefore, although voluntary curtailments arrangements appear to not be widespread, a change that results in the removal or severe limitation of any incentive to establish such arrangements at all points is not something that we can support.

We would urge the industry (and specifically those consumers that are in a position to voluntarily curtail in an Emergency) to reconsider the benefits that such arrangements may offer.

The Proposer also notes that the costs it incurs in the electricity market for non-generation far outweigh any payments received via the gas arrangements for curtailment.

It is important to re-state that the intention of the ECTP was not to 'compensate' consumers for any losses arising from the curtailment, nor specifically to reflect the price of gas at the point of curtailment or immediately prior to the declaration of an emergency. The purpose was to establish an incentive for the striking of contracts for voluntary curtailment which we believe will adversely impacted by implementation of this Proposal."

#### 4.0 Next Steps

RHa outlined the next steps as follows:

- Joint Office (RHa) to request a 2 month extension to the reporting deadline at the 16 June 2022 Panel meeting
- Consideration of Legal Text
- Development / Completion of Workgroup Report.

#### 5.0 Any Other Business

None.

#### 6.0 Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/events-calendar/month](http://www.gasgovernance.co.uk/events-calendar/month)

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Thursday 07 July 2022	5pm Wednesday 29 June 2022	Microsoft Teams	<ul style="list-style-type: none"> <li>• Consideration of Legal Text</li> <li>• Development / Completion of Workgroup Report</li> </ul>
10:00 Thursday 04 August 2022	5pm Wednesday 27 July 2022	Microsoft Teams	Date on Hold

