

**UNC Workgroup 0705R Minutes
NTS Capacity Access Review
Tuesday 08 December 2020
via Microsoft Teams**

Attendees

Lorraine O'Shaughnessy (Chair)	(LOS)	Joint Office
Sonniya Fagan (Secretary)	(SF)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Nield	(AN)	Storengy Ltd
Angus Paxton	(APa)	AFRY
Anna Shrigley	(AS)	Eni Trading & Shipping
Anna Stankiewicz	(ASt)	National Grid
Bethan Winter	(BW)	Wales & West Utilities
Daniel Hisgett	(DHi)	National Grid
David Mitchell	(DM)	CIA
Emma Buckton	(EB)	Northern Gas Networks
India Koller	(IK)	SGN
Iwan Hughes	(IH)	VPI
Jeff Chandler	(JCh)	SSE
Jennifer Randall	(JR)	National Grid
Julie Cox	(JCx)	Energy UK
Kamila Nugumanova	(KN)	ESB
Leyon Joseph	(LJ)	SGN
Max Lambert	(ML)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Richard Fairholme	(RF)	Uniper UK
Richard Pomroy	(RP)	Wales and West Utilities
Rosanna East	(RE)	National Grid
Samantha Wilcock	(SW)	Mygreenstarency
Shiv Singh	(SS)	Cadent

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0705/081220>

The Workgroup Report is due to be presented at the UNC Modification Panel by 21 October 2021 (with an interim report in April 2021).

1. Introduction and Status Review

Lorraine O'Shaughnessy (LOS) welcomed all industry parties to the meeting and advised Workgroup that it had been agreed at Transmission workgroup to have this Review group has a standalone workgroup, LOS also requested if participants could confirm attendance with the Joint Office by sending a response to ensure that you are on the attendees list.

Post meeting update: LOS confirmed that in the event when a meeting acceptance is sent, the JO will only receive updates if the meeting response sends notification.

1.1. Approval of minutes (05 November 2020)

Following the amendments made and submitted on 03 December 2020 from Sinead Obeng, Gazprom, the minutes from the previous meeting were approved.

1.2. Approval of Late Papers

None submitted.

1.3. Review of outstanding actions

Action 0908: *Secondary Capacity Assignments – Existing Contracts – National Grid and Ofgem* to explore options.

Update: This topic was discussed as a pre-Modification discussion at the Transmission meeting on 3rd December. **Closed.**

Action 1101: Review of Exit Regime - National Grid to provide a clear definition of capacity to distinguish between capacity as a product and capacity as a concept.

Update: JR advised that Capacity as a product (the right to offtake gas); capacity as a concept (ability to flow gas from the NTS) this was Presented by Jennifer Randall (JR) in item 2.0. **Closed.**

Action 1102: *Exit User Commitment Progress* - National Grid (JR) to provide details of the indicative timeframe for the exit capacity release methodology statement consultation and to discuss the potential next steps with Ofgem in relation to the need for a derogation from the independent examination for Exit.

Update: Presented by Anna Stankiewicz (ASt) in item 6.1 and covered in the presentation slides on pages 29 and 30. **Closed.**

Action 1103: *Substitution Progress* – National Grid to explain the difference between geographical zones, analysis zones and LDZ zones and clarify which definition of zone is used in the exit substitution methodology statement.

Update: Presented by ASt in item 3.0 and slide 9 of the presentation. **Closed.**

Action 1104: Capacity Product Development - National Grid (JR) to provide more information about the maintenance window to explain why 2 hours are needed and to provide a) a view on whether the last allocation could be later in the Gas Day to meet industry requirements and b) to consider what the implications would be of having more frequent allocations throughout the day (including systems).

Update: Presented by ASt in item 4.0 Daily Firm Product Development Slide 18 or the Presentation. **Closed**

Action 1105: Secondary Capacity Assignments: National Grid (JR) to share their Legal Advice in relation to the treatment of existing contracts before the December meeting.

Update: JR noted that this action can be closed as it will be covered in the Draft Modification and discussed at the next Transmission Workgroup. **Closed.**

Action 1106: *Entry products suitability for LNG* - National Grid (JR) to understand whether maintenance and outage planning means that LNG cannot rely on the DSEC product and whether MSEC sales modify maintenance planning.

Update: Presented by JR in item 5.0 Entry Products suitability for LNG **Closed.**

2. Review of Exit Regime

JR presented the discussion points from an offline workshop which took place in November 2020. to discuss various principles which she outlined as follows:

I. Different rules for different market participants

JR shared that the first principle considered was whether there should be different rules for market participants and, if there should, the justification for the difference. As an example, JR

said that the most likely candidate for different rules are the distribution networks, as they have licence obligations to meet the 1in20 obligations, providing security of supply for domestic end consumers. JR outlined the view shared at the Workshop, that all parties are in the situation of needing capacity, but uncertain as to when / how much that will be in the future, the differentiating factor for DN's is the consequence of not meeting their demand levels.

JR explained that in the Workshop, the requirement for DN's to book long-term capacity was explored, and although there are no rules saying this needs to be booked through long-term enduring auction, DN's feel that will not be able to meet the requirements of Enhanced Obligation Framework without booking long-term. Richard Pomroy (RP) noted that DN's must make the commercial decision as to whether to have the certainty of long-term capacity bookings or the risk of booking in the nearer term. Additionally, he voiced the lack of certainty with differentiating different market participants.

Jeff Chandler (JF) mentioned that the situation affects parties other than DN's. There lies a substantial risk of incurring commercial cash-out penalties for incorrectly booking.

II. Access to the NTS

JR explained that National Grid currently requires financial commitment to long-term capacity bookings to ensure that network capability can be provided and for Users to secure their capacity requirements. JR explained that this had been discussed at previous meetings. The workgroup discussed whether there could be alternative ways of providing financial commitment to long term NTS capability? Could there be a financial sum which goes with a capacity commitment, but that financial sum can go towards securing any capacity (not just enduring).

III. Capacity as a concept vs product

Action 1101: Review of Exit Regime - National Grid to provide a clear definition of capacity to distinguish between capacity as a product and capacity as a concept, Action Closed.

JR provided clarification as follows:

Capacity as a concept: Ability to flow gas from the NTS

Capacity as a Product: the right to offtake gas

Discussions centred on whether the capacity (as a concept) should remain based on the right to offtake gas being competitive. In relation to this JR mentioned that NG is currently doing a piece of work to understand where on the network there is a scarcity of capacity. JR went on to say that at the Workshop, the feel was that in reality we still need the concept of capacity as it provides the commitment to that capacity from both sides. Furthermore, auctions may have a role going forwards as the NTS may be resized if demand reduces.

IV. Access to the NTS for non-NTS connected parties

JR explained that the question here is whether Distribution network connected power stations should be able to purchase capacity directly from the NTS so they have access to more flexible capacity products.

The workgroup recognised the lack of flexibility for non-NTS connect parties and seek to examine whether this could be rectified with changes to the regulations for capacity.

Nick Wye (NW) noted that there exist charges at DN level for offtake. He queried as to the presence of other charges within and outside the NTS that are in operation that may not be common knowledge.

3. Substitution Progress

Action 1103: Substitution Progress - National Grid to explain the difference between geographical zones, analysis zones and LDZ zones and clarify which definition of zone is used in the exit substitution methodology statement. Action Closed

ASt provided an explanation into each of the following zone definitions in response to the action raised. (Slide 9):

- Local Distribution Zone
- Linepack Zone
- NTS Exit Zone
- Exit Substitution Analysis Zones
- Entry Substitution Zones

Julie Cox (JCx) highlighted that the definition of an Exit Zone falls short regarding categorising Power stations, as they serve as an Exit Point and Zone.

ASt noted the comment and indicated that she would provide a clear definition of NTS Exit Zones pertaining to power stations. She also noted that a list of all zones should be in future considered in the future when zonal arrangements are discussed but stated that most likely new definition of a zone will be needed as the zones will be serving a different purpose.

New Action 1201: National Grid (ASt) to provide view on the approach to be taken when zonal capacity arrangements are to be considered.

JCx mentioned that the tenuous statement zones were defined within the gas ten-year statement. She remarked that it was concerning that it appears zone definitions keep evolving without informing the affected parties.

ASt explained that the network capabilities team had discussed the issue and acknowledged that definitions of zones evolved historically for different purposes. It has also been noted that what was needed for the gas ten-year statement was not in the Exit capacity methodology.

JCx added that the industry requires better understanding of spare capacity, the foundation definition of a zone. Furthermore, all discussions and workgroups about these topics need to specify what they expect from the industry. Angus Paxon (AP) highlighted that there seem to be yet another definition being created for the purpose of network capability.

JR agreed with the comment and noted that in future, National Grid will need to develop their zone related definitions.

New Action 1202: National Grid (ASt) to produce definition of a zone in relation to Network Capability

ASt went on to explain what the Exit substitution Methodology states, that the purpose of analysis is to 'identify' the optimum non-incremental obligated Exit Capacity decreases to maximise the reduction in required investment (paragraph 21) as detailed in slide 10 of the presentation. ASt continued to explain that the desired outcome is finding the lowest exchange rate possible within the substitution process. This results in NTS exit points provided being a culmination of upstream and downstream donors.

Following this, ASt confirmed that the further downstream the donor, the lower the exchange rate. If below 1, this creates capacity, whilst the opposite results are garnered the higher the upstream donor. i.e., losing capacity.

JCx raised concerns about the consistency of this outcome when the cases of substitution are assessed individually by their distinct situations. ASt explained that when providing the best outcome, National Grid take into consideration several factors other than just the exchange rate e.g., these might include supply expectations, long term position of the compressor fleet

Leyon Joseph (LJ) raised issues concerning substitution allocations zones that are significantly distant to its intended destination. E.g., Southeast zones used to substitute for Northern or North Yorkshire zones. Secondly, he queried as to the protocol within instances where substitutions are cancelled.

ASt provided some examples of Substitution – at Grain Power Station, Rawcliffe and Saltholme where substitution had taken place and went on to explain that substitution geographical zones are chosen after thorough analysis and that location is a factor, but other factors like exchange rates, flow patterns and physical state of the network all contribute to the final decision about the donor site. There final outcomes are partially left up to National Grid discretion to choose the best efficient outcome for NTS. ASt acknowledged that instances of PARCA cancellations would need further time to be reviewed as a part of Capacity Access Review.

LJ commented that more transparency was needed in the process as users want to understand the factors that determine the donor site. JCx added this was paramount as there does not exist enough text about zones nor sub-zones for user to grasp the process and therefore confidently comply with the results given.

ASt reminded the Workgroup that the reason why zones are being spoken about is in relation to disconnected sites and queried whether these can serve as priorities donor sites within the analysis zone as per geographical area determined within the methodology.

Angus Paxon (APa) remarked that the process should allow for use of all available supplementary capacity to the benefit of those who:

- Do not wish to purchase extra capacity
- Require supplementary capacity in addition to their allocation

Following that comment, he queried as to whether the distance of the capacity substituted has a subsequent impact on cost.

ASt responded that for the substitution to be determined the most 'efficient', it must address several factors such as not increase level of risk on NTS, meet supply expectations, no increase in cost. However, as each substitution is considered individually, the priorities that dictate the outcome will vary accordingly.

RP commented that National Grid should provide an explanation as to the specific criteria that factored into every determination of a substitution' being 'the most efficient' allocation. Furthermore, he queried into the order of importance for the numerous priorities that factor into 'efficiency'.

ASt explained that with the individuality of each substitution request, the list of priorities and their importance could have no set standing. All decisions made are very situation specific thus, network analysis feedback although quite complex regarding this matter, would be required. ASt queried the relevance of such findings in the context of prioritising disconnected site and the methodology change being discussed.

LOS queried whether if it would be beneficial to have a list of efficiency priorities and how substitution is determined following the concerns raised by workgroup. JR shared her opinion that it would not prove that much beneficial to breakdown the Network analysis in examples due to their complexity and distinct natures.

RP stressed that regardless of intricacy, that some explanation was needed to better understand the determined allocation and improve understanding on zones, how the methodology works, how efficiency is determined.

ASt suggested amending wording in relation to disconnected sites and presenting the methodology update for review in the meeting.

New Action 1203: National Grid (ASt) to provide workgroup with the proposed wording in relation to prioritising substitution from disconnected sites within the methodology statement.

4. Daily Firm Products Development

Action 1104: Capacity Product Development - National Grid (JR) to provide more information about the maintenance window to explain why 2 hours are needed and to provide a) a view on whether the last allocation could be later in the Gas Day to meet industry requirements and b) to consider what the implications would be of having more frequent allocations throughout the day (including systems). Action Closed

ASt explained that the industry feedback is that the current WDDNEX product does not give enough flexibility to align capacity bookings to flows and that National Grid is assessing an impact of several possible product amendments based on the feedback received. These include: On entry (WDDSEC) - Addition of an allocation timeslot at the end of the Gas Day - Extension to the request window being open (i.e., window to remain available for requests up until the last allocation) On exit (WDDNEX) - More frequent/hourly allocations - Addition of an allocation timeslot at the end of the Gas Day - Extension to the request window being open (as on entry)

ASt updated on discussions with Xoserve about Within Day Daily NTS Exit (WDDNEX) amendment suggestions. Adding 2 am allocation on exit, extending bid window to 1min before hour and hourly allocation on exit all seem possible. She stated that impacts of the hourly allocations are being further assessed and specifically how the process will be amended when non obligated capacity is being requested. All progress made, will be brought before the Workgroup.

JCx welcomed the initiative of shifting the allocation window to 2 a.m. She queried as to whether the maintenance window could be compressed further as it presently is inactive 10% of everyday.

ASt explained its purpose is to safeguard against data corruptions, run system backups and avoid end-of-day jobs filtering into the next working day. However, she commented that she would further inquire with Xoserve. LOS commented if Xoserve could serve to provide more information regarding this.

New Action 1204: National Grid (ASt) to provide commentary from Xoserve about the potential compression of the maintenance window and other practices for improved allocations.

She further notified the Workgroup that following Xoserve interventions, the proposed amendments will need to go through the internal governance process. However, there does not exist a date for the pre-Modification.

LOS asked ASt, if this Modification when raised, would be likely to be Self-Governance, would it have a material impact. ASt felt that it would meet the Self-Governance criteria

JCx queried as to the timeframe of the system change and the particular jurisdiction that would oversee this change to realisation. ASt could only provide an estimation of twelve weeks for development but noted that that figure did not factor in implementation.

RP queried to the future scope of impact of the Modification on the Faster Switching Project 2022 and whether it would potentially delay it, LOS noted that any impacts are discussed in the development of any Modification raised and this should be considered.

5. Entry Products Suitability for LNG

JR briefly recounted the concerns raised by South Hook Gas and explained that the crux of which pertained to the purchasing of unused capacity due to fluctuating requirements or extenuating circumstances. Further, she explained that this has involuntary bound LNGs to rely on QSEC auctions.

Action 1106: Entry products suitability for LNG - National Grid (JR) to understand whether maintenance and outage planning means that LNG cannot rely on the DSEC product and whether MSEC sales modify maintenance planning, Action Closed

JR provided details of the LNG problems with SEC auctions as being.

1. Cargo might make a diversion and therefore not get delivered (shippers purchased capacity they do not need)
2. Cargo might arrive mid-month which would mean buying two monthly strips at MSEC (over purchase of capacity)
3. LNG send out profile is based on customers and flow might look different each day (flat monthly strips do not accommodate for this)

JR provided clarification to Workgroup, on the two types of maintenance planning that operate within the auction system, Planned/forecast – shippers will have notice of this in maintenance plan and unplanned/imminent – issues which need to be addressed at short notice. (slide 21). Consistent communication is taking place with customers to avoid times when flow is high and National Grid advised that the annual maintenance plan is published on 1st April, this includes data on capability at Milford Haven site in each month of the year and capability forecasts are based on 'worst case scenarios' which is not indicative of capability for the whole year. NG also works to avoid restricting the release of capacity due to maintenance, some shippers could still flow intended amounts on the reduced capability, and maintenance might last only part of the day. This is all to facilitate and minimise the maintenance period as much as possible. The Workgroup concluded this explanation closed action 1106.

JR presented the Options for products at SEC auctions being explored:

- Weekly auction – where user could bid for weekly quantities a week ahead, allowing for flexibility for in cargo diverting. Although it would have to be a flat rate of capacity requested, it would stand to support mid-month purchasing or bid for weekly quantities at AMSEC or a month ahead at RMTnTSEC.
- Daily quantities of capacity across a month – where flexible amounts could be purchased in AMSEC or RMTnTSEC. Whilst it does not cater to diverted cargo, it recognises the mid-month changes to requirements of users.
- Monthly Flexible Start – a booking Capacity to start midmonth running as an example from the 15th-15th and allows for mid-month flexible purchase at either at AMSEC or RMTnTSEC
- Purchased Capacity which can be flexed. Flexible SEC purchases – where capacity has a fixed quantity but can have flexibility in +/- 10% confirmed a day ahead. This stands to be the most complicated to realise as it stands to encounter overrun problems without accommodating a significant amount of flexibility. Eg: book aggregate amount of capacity at AMSEC or RMTnTSEC.

LOS welcomed Adam Bates (AB) to comment and he inquired to the review timeline of these options by the Capacity Access Review. He also raised concerns that the solutions did not appear granular and they did not appear to address the issue of capacity constraints due to network maintenance activities within auctions.

JR responded that all solutions were in initial stages of analysis. There was further investigation necessary to attain whether the concerns raised were an industry level matter. Furthermore, the solutions presented were for better understanding to preclude the needs that a final solution must reconcile.

NW highlighted his preference for the Weekly auction solution. He also reiterated that capacity and volume were the issue to address. He shared the opinion that there would be contention if

the solution presented did not promote the full release of obligated amounts requested, to which AB agreed.

JR explained that no final decision had been made and that time was still needed to ascertain which solution was best but also had to consider the solution which could be realistically supported as well.

Anna Shrigley (AS) queried as to whether the solution would apply to all connection points. JR explained that at this stage it is envisaged that any solution would be applicable to all entry connection points and would not be limited to LNG entry points.

Representatives within the Workgroup queried as to the timeframe of a solution being chosen as it stands to significantly impact LNG users. AB noted that that there exists considerable commercial impact to also result from the determined solution chosen.

JR highlighted that this issue is one of several that are addressed in the access review and presently has not merited an urgent Modification status. She shared that this auction matter did not have to solely remain within National Grid as she recognises its importance.

LOS asked if ML could provide a view based on

Lastly, she invited the Workgroup to review the extra slide summarising Discretionary NTS Entry Capacity Release in relation to Section 2.1.4UNC – Discretionary NTS Entry Capacity

6. Any Other Business

6.1. Methodology Statement Reviews

Action 1102: Exit User Commitment Progress - National Grid (JR) to provide details of the indicative timeframe for the exit capacity release methodology statement consultation and to discuss the potential next steps with Ofgem in relation to the need for a derogation from the independent examination for Exit – Action Closed

ASt explained that each statement must be consulted on at least once every 2 years. Current statements are effective as of 31st July 2019. ASt shared the current timeline for the methodology statement consultation (slide 30); with the aim to completing the review by the end of June 2021. She highlighted the next step was receiving feedback to prepare for the preliminary consultation in January 2021.

RP queried as to the necessity/purpose of preliminary consultation within timeframe? ASt explained that it allows sufficient time to address a larger percentage of feedback received in comparison to the fourteen-day fixed window within a final stage consultation.

7. Next Steps

LOS confirmed that National Grid are to consider the new actions from the meeting and present an update of timeline progression.

8. Diary Planning

The Workgroup agreed that it would be beneficial to continue to conduct these meetings separate from the Transmission Workgroup. LOS to share potential dates after date approval received from pivotal National Grid representatives.

Post Meeting Update

The following dates were proposed and await further confirmation.

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 – 13:00	5pm – 06	Teleconference	Standard items

Tuesday 13 January 2021	January 2021		
10:00 – 13:00 10 February 2021	5pm – 03 February 2021	Teleconference	Standard items
10:00 – 13:00 10 March 2021	5pm – 03 March 2021	Teleconference	Standard items
10:00 – 13:00 14 April 2021	5pm – 07 April 2021	Teleconference	Standard items

Action Table (as at 08 December 2020)					
Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0908	03/09/20	5.0	<i>Secondary Capacity Assignments – Existing Contracts – National Grid and Ofgem to explore options.</i>	National Grid (JR) and Ofgem (ML)	Closed
1101	05/11/20	3.0	<i>Review of Exit Regime - National Grid to provide a clear definition of capacity to distinguish between capacity as a product and capacity as a concept.</i>	National Grid (JR)	Closed
1102	05/11/20	4.0	<i>Exit User Commitment Progress - National Grid (JR) to provide details of the indicative timeframe for the exit capacity release methodology statement consultation and to discuss the potential next steps with Ofgem in relation to the need for a derogation from the independent examination for Exit.</i>	National Grid (JR)	Closed
1103	05/11/20	5.0	<i>Substitution Progress - National Grid to explain the difference between geographical zones, analysis zones and LDZ zones and clarify which definition of zone is used in the exit substitution methodology statement.</i>	National Grid (JR)	Closed
1104	05/11/20	6.0	<i>Capacity Product Development - National Grid (JR) to provide more information about the maintenance window to explain why 2 hours are needed and to provide a) a view on whether the last allocation could be later in the Gas Day to meet industry requirements and b) to consider what the implications would be of having more frequent allocations throughout the day (including systems).</i>	National Grid (JR)	Closed
1105	05/11/20	7.0	<i>Secondary Capacity Assignments: National Grid (JR) to share their Legal Advice in relation to the treatment of existing contracts</i>	National Grid (JR)	Closed

			<i>before the December meeting.</i>		
1106	05/11/20	9.0	<i>Entry products suitability for LNG - National Grid (JR) to understand whether maintenance and outage planning means that LNG cannot rely on the DSEC product and whether MSEC sales modify maintenance planning.</i>	<i>National Grid (JR)</i>	Closed
1201	08/12/20	3.0	<i>Substitution progress - National Grid (ASt) to provide view on the approach to be taken when zonal capacity arrangements are to be considered.</i>	<i>National Grid (ASt)</i>	Pending
1202	08/12/20	3.0	<i>Substitution progress - National Grid (ASt) to produce definition of a zone in relation to Network Capability.</i>	<i>National Grid (ASt)</i>	Pending
1203	08/12/20	3.0	<i>Substitution progress - National Grid (ASt) to provide workgroup with the proposed wording in relation to prioritising substitution from disconnected sites within the methodology statement.</i>	<i>National Grid (ASt)</i>	Pending
1204	08/12/20	4.0	<i>Daily Firm Products Development - National Grid (ASt) to provide commentary from Xoserve about the potential compression of the maintenance window and other practices for improved allocations.</i>	<i>National Grid (ASt)</i>	Pending