UNC Workgroup 0705R Minutes
NTS Capacity Access Review
Wednesday 10 March 2021
via Microsoft Teams

Attendees		
Rebecca Hailes (Chair)	(RHa)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Angus Paxton	(AP)	Afry
Anna Shrigley	(ASh)	Eni Trading & Shipping
Anna Stankiewicz	(ASt)	National Grid
Bethan Winter	(BW)	Wales & West Utilities
Bill Reed	(BR)	RWE
Daniel Hisgett	(DHi)	National Grid
Emma Buckton	(EB)	NGN
Iona Penman	(IP)	Energy UK
Iwan Hughes	(IW)	Vitol
Jeff Chandler	(JCh)	SSE
Jennifer Randall	(JR)	National Grid
Julie Cox	(JCx)	Energy UK
Kamla Rhodes	(KR)	ConocoPhillips
Lauren Jauss	(LJ)	RWE
Lea Slokar	(LS)	Ofgem
Leyon Joseph	(LJo)	SGN
Malcolm Montgomery	(MM)	National Grid
Max Lambert	(ML)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Ritchard Hewitt	(RHe)	Hewitt Home and Energy Solutions
Rosannah East	(RE)	National Grid
Samantha Wilcox	(SW)	Shell
Samuel Dunn	(SD)	Interconnector UK
Shiv Singh	(SS)	Cadent
Sinead Obeng	(SO)	Gazprom
Tom Corcut	(TC)	Ofgem

Copies of all papers are available at: www.gasgovernance.co.uk/0705/100321

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

Rebecca Hailes (RH) welcomed all to the meeting.

1.1. Approval of minutes (13 January 2021)

The minutes from the 13 January 2021 meeting were approved.

1.2. Approval of Late Papers

RHa confirmed the Ofgem material was received very late and Workgroup agreed to accept it.

Julie cox (JCx) mentioned her disappointment that the meeting is scheduled until 3pm but the expectation is for the meeting to finish around 1pm. The agenda item for the Ofgem review of the GB Energy System Operation was not communicated very clearly. RHa agreed and said that the Transmission Workgroup currently has a very busy agenda, therefore the decision was made to place it in this meeting and Ofgem's availability was very tight.

Ritchard Hewitt (RHe) said there are a lot of industry colleagues that do not know this meeting is happening.

1.3. Review of outstanding actions

Action 1204: National Grid (ASt) to provide commentary from Xoserve about the potential compression of the maintenance window and other practices for improved allocations.
Update: Action to be closed as it has been superseded by Pre-mod discussion at Transmission Workgroup. **Closed**

Action 0102: *Problems and Possible Solutions for Development:* All Workgroup to consider and bring back to next meeting.
Update: Action to be closed as it has been superseded by Pre-mod discussion at Transmission Workgroup. **Closed**

Action 0201: All Shippers to consider the following questions and feedback to National Grid by week ending 12 February 2021:

- With regards to the increase of allocations on exit, does the need exist mainly for the hourly allocations to be introduced at the end of the day e.g. from 6 or 8pm onwards (rather than hourly throughout the day)
- Do you think that as an outcome of the change (hourly allocations on exit) Users physical behaviour will change i.e. are we likely to see more flows towards the end of the day, or is the behaviour likely to remain the same but the change will help in terms of commercial position only (i.e. in gaining better balancing position at the end of the Gas Day

Update: This is related to amendments to the firm product; feedback was received which was fed into the pre-modification discussions. Modification 0759 has now been raised. **Closed**

2. Review of Exit Regime

Exit Capacity Planning Guidance

JR explained a new licence condition is being introduced as part of RIIO T2. The Licence Condition 9.17.9 (a) states (paraphrased) the capacity-related objectives are ensuring that Exit Capacity Substitution is effected in a manner consistent with the licensee's duty to develop and maintain an efficient and economic pipeline system. Licence Condition 9.17.9 (b) states "in so far as is consistent with sub-paragraph (a)…Exit Capacity Substitution…[takes] into account the Exit Capacity that shippers and DN Operators have indicated that they will require in the future through making a financial commitment to the licensee".

JR advised that Ofgem have stated that these paragraphs should be read in conjunction and that it is economic and efficient to take into account information provided through the ECPG and National Grid propose to include this in the Exit Capacity Substitution Methodology Statement.

The issue identified is related to when National Grid are carrying out substitution analysis and looking at information that is financially backed.

JCx in terms of transparency and the guidance document not being published yet, it appears that when looking at substitution, National Grid will use information that is not yet publicly available.

JR advised the ECPG guidance from Ofgem will be published next week, as part of that guidance there are also engagement and reporting obligations which should improve the transparency.

It is proposed that this goes to consultation and then is approved by Ofgem.

JCx advised it is difficult to comment until the document can be seen, in order to see if questions have been answered.

JCx said that the issue of Substitution has been discussed at length in this Workgroup and currently there is information on capacity bookings that is published on a monthly basis, however, this sounds as though National Grid has some other information that is not publicly available.

When JCx expressed her concern that the information would be published in separate documents, ML confirmed the transitional arrangements will be part of the same document.

Workgroup agreed that this topic should be added to the agenda for the next Workgroup, which will be incorporated into the Transmission Workgroup from April 2021, Ofgem are to be invited attend for a Question and Answer session.

GDN Embedded Generation purchasing NTS capacity

JR explained that Workgroup asked for a clearer representation of what the issue is, with this in mind she advised that all parties connected to the Distribution Networks are charged for accessing the network, based on their supply offtake quantity (SOQ). The SOQ is assumed to be the quantity offtaken 365 days of the year; thereby meaning parties pay for that quantity every day of the year. Power Generation Users are flexible in their operation, requiring intermittent access to offtake from the Distribution , which results in;

- Flexible power generators being subject to higher network access costs their competitors who are connected to the NTS and therefore can purchase capacity on a more flexible basis.
- Forecasting flexible power generators load can be difficult for GDN's due to their intermittency; power generation sites also included in 1 in 20 volumes.
- Sterilises capacity known not to be used (although provides availability).

When Jeff Chandler (JCh) asked and JR clarified if a User purchases NTS capacity the User would pay as a Direct Connect would, though if they are utilising the DN network then there may be DN charges payable. This will need to be clarified.

JR added that National Grid have the option to withhold daily capacity if the NTS is in a constraint situation, and that she will include that scenario in the issue.

Workgroup agreed it should be made clear this is about firm sites not interruptible.

SS clarified that if a User wishes to secure capacity directly from the NTS but would need to use the DN pipelines there would need to be an assessment as to whether the network can handle that load on the day, it would need some analysis and currently there is no resource to do that.

In answer to Nick Wye (NW) asking what the current process is, Leyon Joseph (LJo) said the DN would look at demand amongst the rest of the work already being undertaken. Generally, this comes through several offtakes when connecting to the network and the DN could assign where they think those demands are going to come through.

LJ clarified the issue is not just about the booking of NTS capacity and making sure the DN can support the flow, it is more of a supply/demand match; if the DN does not know the User is flowing, the DN might not have booked the capacity which is more of a balancing issue.

When 1in20 peak day demand was mentioned, it was clarified that the DN would still need to understand what capacity is going to be booked. NW said that the 1in20 remains and asked what the process is now and how that would be undermined by shippers booking NTS capacity.

SS said that operational activities on the day might impact and cause an issue on a site they are unaware of and confirmed that there is usually local liaison to determine what load the User is taking on, if the DN is not aware of the load they cannot take it on at all.

DNs must be aware of a load that is connected to their network. SS expressed concern that it appears to be that under this proposal the shipper will book capacity directly with the NTS, however the DN needs to be informed that a User is going to flow gas.

RHe asked why the modification does not replicate the arrangement on the NTS, he said it seems more logical if there is a need for power stations to replicate the NTS. JR agreed that is an option and clarified when this issue was raised, it was to investigate whether or not DNs could purchase NTS capacity and if they could, how. There are other scenarios as well.

When ML asked, for new customers wanting to book NTS capacity straight away, would they have to enter into a Planning and Advanced Reservation of Capacity Agreement (PARCA) as a new customer, as opposed to booking as a Direct Connect on the NTS, JR confirmed if a Power Station wanted to connect to a DN, a PARCA is triggered.

JR commented that the title of this topic presumes there is a solution, but there are probably other options to resolve this.

Scope

JR talked Workgroup through what is in scope and advised:

- Applicable for electricity generation only or include other a-typical loads?
    - CNG (0749R Workgroup); testing facilities
        - NW commented that CNG refill facilities will not operate on peak days.
- Limited to Daily Metered sites or all categories?

- JCx said it would be difficult to strip out a particular sector unless it is done by size, a different approach for different customers.
- There are different ways of being a-typical; A Daily Metered (DM) load is a load over a particular size (58.6 GW per annum) and DM is a class 1 site.

- Include NDM Loads on sensitive part of the network?
  - If only buying capacity for one day, DNs would need to know if they were flowing or not, this would need a daily reconciliation.
- Include loads connected to GDNs and IGTs.
- Voluntary or Mandatory? NW agreed this should be voluntary.

JR asked whether there were any other parameters to the scope that National Grid NTS needs to consider?

NW clarified that from the outset, this topic was more around how to set up the charges, and this Workgroup appeared to be the best place to start discussing it.

GMaP 2030 Access

JR advised the project aims to develop a roadmap / an outline of change to the current capacity access arrangements to ensure that rules and associated cost apportionment is appropriate to the scenario forecasted by 2030 and in the intervening period.

JR explained that anything further out than 2030, National Grid would not be able to be secure on any scenarios or forecasts and 2030 is a notional date.

The project is looking at physical and behavioural changes expected by 2030 and the resulting consequences to Users and National Grid. Looking at the development of options, at varying levels of change, for future rules around accessing and using the NTS according to the scenario identified.

2030 Scenario

JR provided an overview of the scenarios split into categories and explained the Future Energy Scenarios were used and adding what the physical impact will be and what behavioural changes might be seen. Then what does that translate into in terms of how people will use the network.

	Physical	**Behavioural**
Gas Demand Levels	• Decline in overall gas demand *(149TWh to 327TWh reduction in annual gas demand by 2030)* • Peak demand remaining stable or increasing • "Peak" at different time of the day • Greater demand overnight • Greater volatility in gas demand	• Different use of the gas network (times of day - overnight) • More rapid / real time commercial access to the NTS
Gas Supply	• UKCS gas supply halves by 2030 • Import dependency increases from 58% to 74%	• Reliance on imported sources of gas which have different market dynamics (e.g. ensuring UK is attractive to LNG)
Whole System Interaction	• Significant decrease in CCGT running hours due to switch from baseload to flexibility provision • Increased distribution connected peaking plant generation • Change of electricity generation patters due to electricity tariffs (overnight demand higher)	• Greater interaction with the electricity market • Volatility of renewable sources of electricity creating less foresight of access requirements • Gas providing security of supply for electricity system

Hydrogen Blend	• Up to 9TWh of hydrogen production by 2030 • NTS repurposed (gas transporters as hydrogen transporters or hydrogen RAV with impact on baselines) • Hydrogen blended off-grid before (re)-injection (at distribution level)	• NTS repurposed have an impact on network capability, resulting in more limited network access • DN networks becoming more "contained" (i.e. less interaction with NTS)
Access Rights	• Increased costs of securing access rights	• Secured in the shorter-term • Less forecasts of access requirements • Bookings and usage more closely aligned

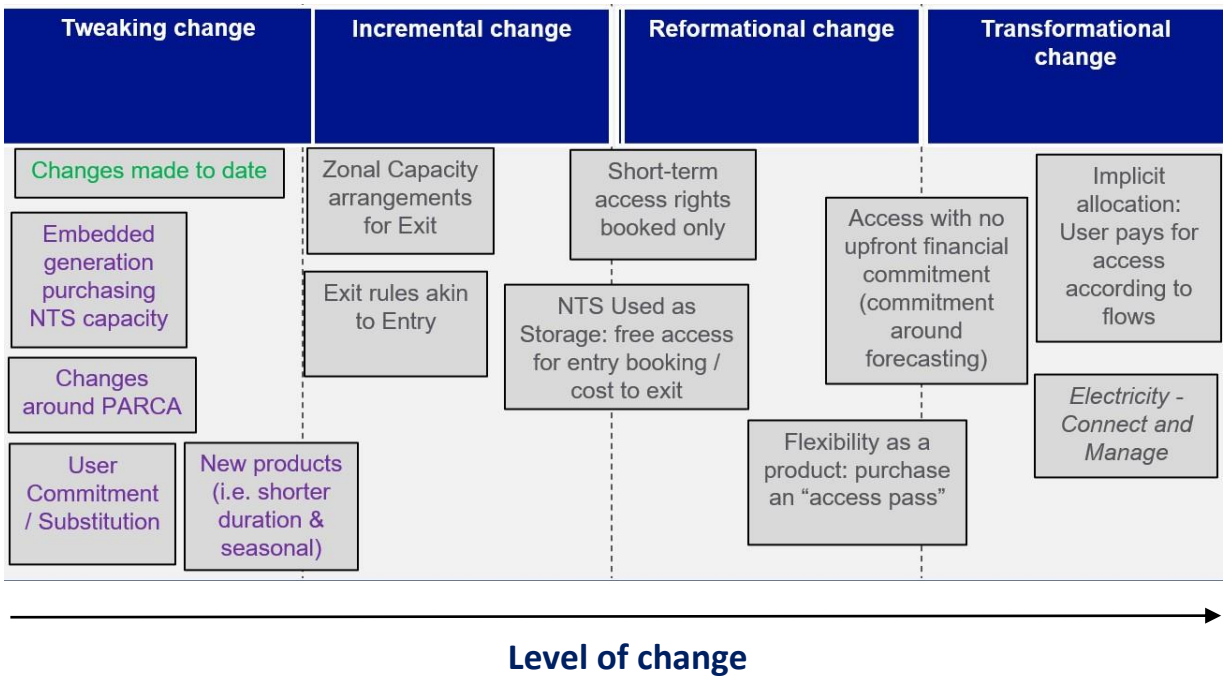
Options

JR provided an overview of the change and the options that are beginning to develop.

JR explained that currently a User has a capacity purchase upfront which has a financial commitment, this provides access and use of the network as and when the User wants it and it is recognised the network needs to be able to forecast and provide more around commitment around your forecast rather than around your booking.

JR clarified that National Grid are trying to come up with a better way to use the network in that context.

BR mentioned that Users have existing transmission access rights and this will change that. When JR agreed, BR advised that has significant impact and there needs to be protection of the existing rights.



3. Daily Firm Products Development

It was confirmed that this can now be removed from the 0705R agenda as this will now be developed with the progression of new Modification 0759 - Enhancements to NTS Within-Day Firm Entry and Exit Capacity Allocations https://www.gasgovernance.co.uk/0759 .

4. Ofgem Review of GB Energy System Operation

Lea Slokar (LS) and Tom Corcut (TC) from Ofgem joined the Workgroup to provide a pre-arranged overview of the conclusions from the Review of GB Energy System Operation that are relevant for gas. The presentation, which is published here:

https://www.gasgovernance.co.uk/0705/100321 covered the following:

- Summary
- Introduction

1. Energy system changes required to achieve net zero;
2. Roles and functions the GB electricity and gas SOs could be required to perform to facilitate net zero;
3. Suitability of the current arrangements for the future system operation requirements we have identified; and
4. Potential options for alternative system operation models.

Summary

LS explained that achieving the UK's legislated target of net zero emissions by 2050 represents an unprecedented challenge for the energy system and economy. She explained that systems are becoming increasingly integrated and a whole system / cross vector approach to energy system planning will be key; both the ESO and GSO will have to look beyond the electricity and gas systems and increasingly consider the energy system's interaction with wider heat, transport and potential future hydrogen networks to enable whole system optimisation and deliver the right outcomes for consumers. LS clarified that currently, SO arrangements in gas are different to those in electricity: the GSO and GTO are currently fully integrated in one entity (NGGT).

LS advised, for a successful transition to net zero, impartial advice across a broad range of decarbonisation issues will be key, this is particularly true for gas system planning.

LS said that a fully integrated TO/SO model would create significant potential for real or perceived asset ownership conflicts; may constrain the GSO's ability to drive forward net zero and provide impartial, technical advice on the future of the gas system and the decarbonisation of heat and has the potential to bear greater risk and cost than the current electricity model (where certain mitigations exist).

LS advised that change is needed and that modelling suggests that significant consumer benefit of changing the current arrangements and separating the GSO functions out of NGGT. Interviews and qualitative evidence indicate support for moving to a more independent SO with enhanced functions.

LS went on to clarify that there are complexities in untangling the current gas model, such as, safety risks, loss of operational efficiencies, implementation costs and uncertainty over the net benefits. These complexities mean that a two-phased approach of separating out strategic planning and market development functions of the gas system first and reconsidering separation of the short-term GSO functions at a later date, can create consumer benefits in the medium-term while minimising costs and risks to consumers.

The development of ESO roles over the last decade and insight from the decarbonisation challenges currently facing the ESO have aided Ofgem in identifying potential net zero ESO

roles. There is greater uncertainty over how the gas system will decarbonise, which is reflected in the gas net zero system roles and functions identified in the report.

Introduction

LS provided some context and advised that ESO became legally separated from National Grid Plc on 01 April 2019 and Ofgem intended to review legal separation over the course of 2020/21. The Review of SO ownership and governance arrangements accelerated because of concerns that the whole system is not being properly taken account of following the black out of 09 August 2019. Net Zero legislation is game changing for the energy system and is likely to place increased demands on System Operation in terms of planning, coordinating and managing the system to keep costs down and ensure security of supply. Consideration of gas incorporated into review scope was given due to the forward looking nature of the work.

The objective of the Ofgem review was to consider what is required to deliver a net zero energy system and the role of the System Operator in facilitating this.

The scope of the review covers the energy system changes required to achieve net zero; the roles and functions the GB electricity and gas SOs could be required to perform to facilitate net zero; the suitability of the current arrangements for the future system operation requirements Ofgem has identified and potential options for alternative system operation models.

The approach that will be taken will be to identify energy system changes and change requirements; identify roles and functions that Ofgem think the System Operator are well placed to perform and assess whether these roles and functions can be effectively performed under the current framework by qualitative evidence, quantitative evidence and assessment.

1. Energy System Changes Required to achieve Net Zero

Ofgem have identified nine consistent themes in terms of the likely energy system changes and technologies associated with the transition to net zero:

1. Increase in low carbon generation
2. Increase in flexible assets and services
3. Increase in local generation
4. Phasing out of highly emitting technologies
5. Scaling of carbon capture and storage
6. Increased use of electricity in heat and transport
7. Creation of sizeable hydrogen market
8. Increasingly integrated energy system, and
9. More effective use of data.

LS informed Workgroup that, in order to deliver the energy system changes required for net zero at least cost, a number of key actions and mechanisms (“system change requirements”) will be required to manage uncertainty and complexity throughout the transition, which are:

- System adequacy and operability
- Increased flexibility
- Adaptive testing
- Consumer engagement
- Coordination and collaboration across an
- increasingly integrated energy system
- Access to open and transparent data
- Early policy decision making and a supportive regulatory framework.

2. Future SO Roles and Functions

The following future roles and functions of the System Operators have been identified:

- A step change in whole system planning and operation, with increased coordination between the SO and DNOs/DSOs to enable whole system optimisation.
- The SOs to take on a greater role in system planning (across electricity and gas and onshore, offshore and cross border networks), including driving forward competition in the delivery of network and non network solutions.
- The creation of deep, liquid flexibility markets that incorporate all generation and make balancing services available to all parties.
- A continual evolution in short term system operation to manage increasing complexity including maximising the potential of digitalisation, developing strategies for co optimising across energies, and ensuring local approaches to heat and transport support whole system integrity.
- Mechanisms that allow for greater data sharing, collaborative thinking and knowledge transfer.
- The SO to embody a clear leadership position above the TOs and DNOs to keep the industry unified throughout the transition.
- Greater proactivity in updating industry codes (e.g. Grid Code).

LS advised that the electricity and gas SOs have a unique and vital role to play in facilitating net zero. Real time system balancing experience is crucial for effective energy system planning and there is a strong case for enhancing the roles and functions of the SOs to harness their position and build upon their expertise.

Ofgem's report considers how the roles and functions of the SOs could develop across the following broad categories:

1. Control centre operations,
2. Market development and transactions , including coordination of industry codes and standards, and
3. Whole system insight, network planning and coordination.

LS explained that the Gas Network Control Centre (GNCC) utilises line-pack to balance the system throughout the day, performs day to day operation and network control functions by utilising NGGT's assets. GNCC operates under a safety case of the HSE and acts as a residual balancer of the system.

In summarising market development and transactions, LS outlined the current role; future role enhanced functions and future role new functions.

Current Roles:

Gas:

- Management/co-ordination of Network Gas Supply Emergencies/National emergencies,
- Providing articulation of network investment needs or non-investment (commercial) needs,
- Providing information to enable investment and operational decisions,
- Providing the platform for gas shippers to buy and trade capacity to flow gas on the NTS, and
- Running capacity auctions and operating the energy balancing cash out arrangements, management of connection regime etc.

Future Roles - Enhanced Functions:

Market design changes could affect SOs' current functions in developing markets and transactions (e.g. pricing of carbon, optimal settlement times for energy trading etc).

Approaches to facilitating cost effective solutions to balancing a low carbon system will need to evolve:

Gas – there will be a need to consider new services/products for 'gases' to enhance the availability of system flexibility.

Both gas and electricity - Adopt a whole system mindset when assessing and enabling different technologies. The SOs should assess and proactively advise on the potential impacts of significant policy change, and enable improvement.

Future Roles - New Functions:

In terms of governance of industry codes and standards, potentially this is a greater role in the governance of the detailed technical rules of the system, the future SO could take on a data governance function.

Whole system insight, network planning and coordination

LS explained a more complex, whole system approach to energy system planning will be required which will involve enhancing the electricity and gas SOs' current roles to include greater responsibility for strategically planning and coordinating the development of the electricity and gas networks; facilitating whole system planning and assessment develop strategies that allow the SOs to identify and consider cross system opportunities that could provide new tools and approaches for system operation and planning.

3. Suitability of the current arrangements for the future system operation requirements

LS informed Workgroup that multiple stakeholders agreed that the current arrangements act as a barrier to the SOs taking on enhanced and new roles. The magnitude of the barriers are expected to increase as the SOs are required to:

- Coordinate and make trade-offs across a wider array of networks, technologies and vectors to enable effective whole system optimisation.
- Take on increasingly strategic and advisory roles, which do not lend themselves to efficiency targets and need to be undertaken in the public interest.
- Current SO performance and interview evidence indicates that barriers in the current SO framework can already influence performance in existing roles.

LS explained asset ownership bias is most relevant for gas, therefore the benefits from removing the asset ownership bias in gas is considerable, but significantly lower than in electricity. The estimated ranges indicate a potential £0.8 billion cost and a £0.4 billion benefit from separation of the GSO functions from NGGT from now until 2050 (scenarios on the basis of the assumed reduction in expenditure on the gas network due to lower demand for natural gas (which lowers the estimated benefits of separation)).

4. Potential options for alternative system operation models

LS advised that refining the status quo can improve consumer outcomes but is not enough. RIIO 2 will improve consumer outcomes but will not fully resolve the current structural constraints that can undermine the SOs' ability to perform new/enhanced functions and coordinate and adapt to system change. Potential significant system wide and consumer benefit from SOs taking a leading role in net zero means refining current arrangements is not a viable long term solution.

A fully Independent System Operator (ISO) can enable and coordinate an integrated, flexible energy system, although potentially greater benefits could be realised, there are complexities in untangling the current gas model and the future of the gas networks is much less certain. Ofgem therefore recommend key strategic planning functions are made independent of NGGT (and combined in an ISO). Combing key electricity and gas functions would allow an 'energy SO' to establish a genuine whole system approach and drive forward innovative cross system solutions to minimise costs. As the system will undergo further dramatic change, Ofgem

believes the question of gas control centre operation functions should be considered once there is greater certainty over the future of the gas system and heat decarbonisation.

Conclusions and Next Steps

In conclusion, LS advised:

- Net zero and decarbonisation already create significant challenges for our energy system and wider economy.
- System Operation should be a vital tool in overcoming these challenges by enabling the optimisation of the energy system.
- This requires the System Operator to take on new and evolving functions and lead a whole system approach to decarbonising the energy system.
- However, the existing ownership structure inhibits the ability to give the System Operator new and enhanced functions and impedes its ability to effectively deliver some existing roles vital for the transition.
- Modelling suggests significant consumer benefit in changing the current arrangements, however complexities in untangling the current gas model mean that separation of control centre operations should be reconsidered later. Only strategic planning and market development functions for the gas system should be separated out of NGGT and combined with an ISO.

Next steps

- Ofgem will work with the Government to consider the appropriate roles, functions and responsibilities for a future SO, including whether it should include short term GSO functions.
- Further work is required to set out the underlying legal and governance models/trade-offs.
- Government will be consulting on the institutional arrangements governing the energy system in 2021 , including system operation.

Workgroup then entered into a question and answer session where the following was captured:

JCx thanked for Ofgem for providing the review of the GB Energy System Operation document and asked Ofgem to note her initial observations that what has been mentioned in the review seems to be different to what is in the document, for example the significant market development point, the document does not mention this being included with planning, also the phased approach to things is not clear in the document and asked what triggers the next phase?

RHe agreed with the comments made on phased approach and echoed that is not clear in the document that is the actual preferred recommendation.

TC noted the comments and noted that, at a high level, these are recommendations to BEIS and the Government which they will take into consideration for their decision to progress and this would require legislation, which would be a very large part of the process and will take a long time to develop and implement. He added there is a strong case for pulling out of electricity and there is a definite go ahead for electricity, whereas the go ahead for gas is only on a planning level at the moment.

JCx reiterated that was not made clear in the document and advised she agrees with the analysis and most of the conclusions.

TC clarified it is now over to BEIS to take forward and that Ofgem wanted to provide them with the best options possible to aid their decision. It is likely BEIS would need to enter into negotiations with National Grid.

RHe provided the following questions and statements:

- With only a third of stakeholders, that were approached, had any views on gas, RHe suggested Ofgem should extend their stakeholder distribution list.
- Will this be a combined system or whole system approach, electricity is more pervasive and has a different reach than gas. LPG is now being mentioned and off-grid gas must be considered too, there is a potential for cross subsidy customers.
- He asked if Ofgem see the gas industry solutions competing with electricity solutions with consumers having a choice between the two fuels or customers having little choice? Are consumers going to be given a choice or will there be a centralised solution?
- TC advised that the gas industry, whatever combination, will be providing a competitive heat service with the gas industry competing with electricity for heat going forward.

  Tom C suggested an independent operator would need to assess; undertake some pilots and provide a recommendation on the way forward.
- Workgroup Participants noted that if the Independent System Operator is to be unbiased, it would not be feasible to be manned by National Grid staff.

  TC noted this and advised that the vision is being set for what a new System Operator would look like, this requires a change in mind set and a different focus, building on expertise and developing alternative solutions.
- RHe commented that if only a third of stakeholders have provided a view it is not surprising the document is electricity biased.

  Lauren Jauss (LJ) advised that she agrees with the report and recognises the challenges of the gas system moving away from the TO. She commented that there is an increased risk of premature decommissioning and asked if it is included in the downside cost.

  TC advised this requires a more objective, unbiased opinion, if there is no 'skin in the game' in how much network there is, an SO will unlikely have a less biased opinion.

  When LJ asked how Ofgem are making sure the long term view is there, TC advised they are looking at creating longer term incentives and consider performance over a more significant time period.

  NW commented that a new combined SO will become powerful and have a strong influence, potentially picking winners and losers in terms of how it chooses its system. He added it will need to ensure the customer gets the most cost effective, efficient and environmentally friendly options.

  In terms of how it works now, TC advised the integrated SO has a massive influence over the network, in terms of how gas is delivered, it will have a greater influence but will be unbiased, the profits will not be driven by shareholder return.

  RHe said that the vast majority of change is likely to be regarding how gas is rolled out and asked if Ofgem consider an independent controller in gas would also control the DN network operations.

  TC advised, from a high level perspective, the same conflicts would be with distribution as with gas and electricity and the preference would be one body controlling it all, which would be the FSO.

  RHa thanked Ofgem for attending and providing the review. She advised Workgroup to feed any further questions or comments through the Joint Office if they wished, and this will be placed on the agenda for the next Transmission Workgroup on 01 April 2021.

  RHe said he is concerned that this has a massive impact on DNOs as well as Transmission and it may need to be aired at Distribution Workgroup also.

It was confirmed that DNs can ask Ofgem to attend Distribution Workgroup if they wish.

TC concluded and clarified that Ofgem are not the decision maker it is BEIS; BEIS will be consulting over the summer and he encouraged everyone to take part in the consultation and asked if Workgroup agree with the fundamental conclusion that the GB market needs to have independence for the SO from the TO?

RHe commented it is a reasonable idea but not combined gas with electricity, as he believes that provides a new form of bias. He would rather see two energy industries so they can compete to the benefit of end consumers.

JCx said there is probably a need to bring everything together in terms of the FSO in order to get to net zero and agrees there is a need to be unbiased, having all the same staff will be challenging on a personal level and organisational level.

RHe expressed his concern that the report is based on views from a number of preferred stakeholders; 60% stakeholders had no comments on gas whatsoever and that Ofgem are not liaising with the stakeholders they should be, when seeking views on gas.

Angus Paxton (AP) said that consumers will still have the choice of cheaper electricity and expensive gas or vice versa.

5. Next Steps

RHa confirmed the following:

An interim report is due to be presented to UNC Panel in April; JR confirmed she will provide a draft for input to the Workgroup Report for the April Workgroup to review.

New Action 0301: RHa to setup the Workgroup Report for Workgroup to review at next meeting on 01 April 2021.

This Workgroup will be covered in the Transmission Workgroup going forward.

JR confirmed the content of the April Workgroup will be:

- Exit Capacity planning guidance and methodology change
- A-typical DN connected loads having the ability to purchase NTS capacity
- GMaP update.

6. Any Other Business

No items required discussion.

7. Diary Planning

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 to 3:00 01 April 2021	5pm 23 March 2021	Teleconference	Standard items

Action Table (as at 10 March 2021)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1204	08/12/20	4.0	*Daily Firm Products Development* - National Grid (ASt) to provide commentary from	*National Grid*	**Closed**

			Xoserve about the potential compression of the maintenance window and other practices for improved allocations.	*(ASt)*	
0102	13/01/21	2.0	*Problems and Possible Solutions for Development:* All Workgroup to consider and bring back to next meeting.	*All Workgroup*	**Closed**
0201	04/02/21	3.0	All Shippers to consider the following questions and feedback to National Grid by week ending 12 February 2021: • With regards to the increase of allocations on exit, does the need exist mainly for the hourly allocations to be introduced at the end of the day e.g. from 6 or 8pm onwards (rather than hourly throughout the day) • Do you think that as an outcome of the change (hourly allocations on exit) Users physical behaviour will change i.e. are we likely to see more flows towards the end of the day, or is the behaviour likely to remain the same but the change will help in terms of commercial position only (i.e. in gaining better balancing position at the end of the Gas Day.	All Shippers	**Closed**
0301	10/03/21		RHa to setup the Workgroup Report for Workgroup to review at next meeting on 01 April 2021	Joint Office (RHa)	**Pending**