

UNC Workgroup 0749R Minutes Increased DM SOQ Flexibility

Monday 29 March 2021

via Microsoft Teams

Attendees

Alan Raper (Chair)	(AR)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
Andy Clasper	(AC)	Cadent
Alessandra De Zottis	(ADZ)	SembCorp Utilities
Ashley Adams	(AA)	National Grid NTS
David Addison	(DA)	Xoserve
David Mitchell	(DM)	SGN
Ellie Rogers	(ER)	Xoserve
Guv Dosanjh	(GD)	Cadent
Jennifer Randall	(JR)	National Grid NTS
Richard Pomroy	(RP)	Wales & West Utilities
Shiv Singh	(SS)	Cadent
Tim Davis	(TD)	Barrow Shipping Company

Copies of all papers are available at: www.gasgovernance.co.uk/0749/290321

The Workgroup Report is due to be presented at the UNC Modification Panel by 15 July 2021.

1.0 Introduction and Status Review

Alan Raper (AR) welcomed all attendees to the meeting. Initially AR noted the meeting was not formally quorate. In the interest of moving the debate on, meeting delegates agreed it would be worthwhile continuing discussions with Transporters and Barrow Shipping Ltd. However, when Alessandra De Zottis (ADZ) from SembCorp Utilities joined the meeting became quorate.

1.1. Approval of Minutes (22 February 2021)

Minutes approved.

1.2. Approval of Late Papers

None to approve.

1.3. Review of Outstanding Actions

0201: AR and TD to discuss and plan how to move workgroup discussions forward.

Update: AR confirmed discussions have taken place. **Closed.**

2.0 Considerations

2.1. Examining the scope for an off-peak framework

Tim Davis (TD) provided a recap of the issue being faced and why the Review Modification had been raised.

TD explained that currently there is a problem for sites with loads which have occasional unpredicted demand peaks which occur at off-peak times. If these particular sites were daily metered and reached the peak flow this would result in poor signals being given for the need of system investment and the site in question could have to pay more than they should do, as capacity charges are based on peak use, and do not factor in coincidence with peak system use. The Request had been raised to explore options for allowing Daily Metered (DM) maximum peak flows (SOQs) to be adjusted more flexibly, better reflecting costs and avoiding DNs being given inappropriate investment signals.

AR asked if there were any particular areas where a relaxation could be achieved to reflect the nature of these particular sites and if the Distribution Networks (DNs) have had a chance to think about the SOQ setting regime that could be relaxed. For example, the capacity booking regime.

Shiv Singh (SS) referred to previous discussions around Shippers potentially going direct to National Grid NTS and using a daily product process, recognising there would need to be some additional steps required for interacting and informing a DN. SS explained that there is a current commercial regime available to Shippers to access daily products which could be utilised. SS further explained that the DNs book capacity for all downstream users, and a request to access a daily produce could be formed as a new on the day enquiry over and above the existing nomination process to buy an incremental amount of exit capacity direct from NTS. There would then need to be some tie-in with the DNs for a physical assessment to ensure the DN could supply the load on the day, possibly having a team to carry out the requests above and the standard connection enquiry. SS explained the benefit would be that users could avoid the dangers of over-running and could mitigate buying extra capacity at a premium and without amendment of the SOQ.

TD stressed for this process to be viable DNs would need to be able to turn around their assessment of the request in quickly.

TD suggested there could be another option of expanding the classification of Product 2 Class sites to make these mandatory, almost a hybrid Class somewhere between Class 1 and Class 2. RP challenged if these sites would still be subject to ratchet. The Workgroup briefly considered if expanding the Product Classes would be a step in the right direction and would be better than categorising these sites into Class 4. RP challenged if expanding Class 1, would add a layer of complexity and if this Product Class would need to stay daily read.

The Workgroup considered the current DN regime and how a new process would interact with the ratchet regime, daily metering and the settlement processes. The Workgroup also considered the need for daily metering for settlement and evidence of ratchets.

Jennifer Randall (JR) suggested with the option of allowing Shippers to book NTS capacity, thereby directly accessing NTS daily capacity products, if DNs could book this daily incremental capacity product as an alternative. She suggested this could utilise processes that already exists and therefore could be easier to implement. David Mitchell (DM) suggested DNs would need some mechanism for this to work to ensure DNs are receiving the right market signals.

JR explained how unsold capacity auctions are managed to allow the booking of extra capacity through the daily capacity booking regime. SS further explained that DNs would need to know what capacity would be available ahead of the day.

Richard Pomroy (RP) confirmed that Class 1 sites, cannot have an informal process around capacity, if the site will be going above the peak day capacity, otherwise there would be an

impact on ratchets. He emphasised for this process to work there would need to be some sort of carve-out. RP suggested it would be worthwhile having an outline of the key features of the potential process to better analyse the solution. RP suggested that the proposer should outline what elements would need to be flexed and what the business rules would be.

TD recognised there were a number of plausible solutions including the option of expanding the Class 2 regime further, which needed to be assessed against the requirements of DNs.

The Workgroup considered the rules derived for Class 1 and Class 2 sites, the capacity reduction window and how ratchets are managed.

RP suggested for a Class expansion the industry would need to address the settlement accuracy issues and peak flexibility. RP suggested if the industry made changes to Class 1 sites and made Class 2 mandatory this would impact settlement. It was suggested there could be an additional class, in addition to capacity booking, with an attribution of capacity charges for sites above a certain threshold.

AR asked if there is scope to outline a new class. David Addison (DA) confirmed a formal creation of a new product Class, on system terms, would be invasive. The Workgroup would need to work out what the characteristics would be and to scope out what the new service could look like.

TD clarified that none of the sites are daily metered, he noted that one site had crossed-over the threshold, due to filling tankers, to service neighbouring gas and this had pushed up the AQ. It was noted that the issue was as a result of temporary network problems. DA suggested examining this site details further to ascertain if the circumstances of this threshold crosser should be moved to Class 1 or not. DA acknowledged that it is not in anybody's interest making a site a DN site, for a temporary problem, especially if by the time DN equipment would be installed the site would no longer be consuming gas above the Class 1 threshold. DA expressed the need to consider circumstances of the consumption and the criteria for forced Class 1 threshold crossers.

AR questioned if it was possible following today's discussions to capture a high-level scope the options with 6-8 characteristics. The high-level options were briefly described as:

- Option 1: Change the threshold for Class 1.
- Option 2: Introduce a new Class - a hybrid Class in between Class 1 and 2, i.e. mandatory energy (similar to Class 1), with a relaxation for capacity charging (similar to Class 2).
- Option 3: Daily Regime – access to an on-the-day booking arrangement for SOQ, with an after-the-day correction of charges.

AR suggested that an offline meeting could be held to support outlining the options in more detail with support from the proposer, National Grid and a DN, with a view to assessing the merits of each option at the next Workgroup meeting late April.

TD supported finding a solution that would satisfy the DNs requirements and avoiding inappropriate investment signals.

Before concluding the meeting AR reviewed the remaining agenda items to sense-check which topics had been covered or required further discussion. These were:

- Capacity swapping arrangements between sites
- Operational flexibility via NExAs
- DM arrangements as they stand with particular reference to the 58.6m kWh threshold
- Charging implications
- Balancing & UIG Implications
- Ensuring any proposals are not unduly discriminatory.

No further discussion was deemed necessary on these agenda items for this meeting. However, it was recognised that some topics may need to be considered again once the high-level options have been outlined in more detail.

3.0 Development of Workgroup Report

Deferred.

4.0 Next Steps

AR confirmed the next steps will be for a small group to scope out the high-level options for further consideration at the next scheduled meeting.

5.0 Any Other Business

None raised.

6.0 Diary Planning

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

Workgroup meetings are planned to take place as follows:

Time / Date	Paper Publication Deadline	Venue	Programme
10:00 Friday 30 April 2021	5pm 22 April 2021	Microsoft Teams	Review of potential solutions/options
10:00 Wednesday 26 May 2021	5pm 18 May 2021	Microsoft Teams	Development of Workgroup Report
10:00 Wednesday 23 June 2021	5pm 15 June 2021	Microsoft Teams	TBC

Action Table (as at 29 March 2021)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0201	22/02/21	1.0	AR and TD to discuss and plan how to move workgroup discussions forward.	Joint Office (AR) Proposer (TD)	Closed