

UNC Offtake Arrangements Workgroup Minutes

Wednesday 29 September 2021

Via Teleconference

Attendees

Alan Raper (Chair)	(AR)	Joint Office
Maitrayee Bhowmick-Jewkes (Secretary)	(MBJ)	Joint Office
Ben Hanley	(BH)	NGN
Ben Oldham	(BO)	Cadent
Christopher Syrett	(CS)	E.ON
David Ransome	(DR)	Cadent
Fiona Cottam	(FC)	Correla
Guv Dosanjh	(GD)	Cadent
Kirsty Dudley	(KD)	E.ON
Mark Jones	(MJ)	SSE
Rachel Martin	(RM)	Correla
Shiv Singh	(SS)	Cadent
Simon Howard	(SH)	Cadent
Steve Mulinganie	(SM)	Gazprom

Copies of all papers are available at: <https://www.gasgovernance.co.uk/OA/290921>

1. Introduction and Status Review

Alan Raper (AR) welcomed all to the Workgroup.

1.1. Approval of Minutes (01 September 2021)

The minutes from the previous meeting were approved

1.2. Approval of Late Papers

AR noted the only late paper was an update on Action 0901/UNCC Action 0901 provided by Xoserve. The paper was approved by the Workgroup.

1.3. Review of Outstanding Actions

0706: Transporter Metering Forum to share knowledge of the SE007 – Isle of Grain Measurement Error to ensure awareness and consider mitigating actions.

Update: AR noted that this Action had been briefly reviewed previously, but further views from Transporters were expected and suggested it should be revisited at the next Workgroup.
Carried Forward

0708: Transporters and National Grid to consider how to ensure all Offtake Measurement Errors are captured and covered by a documented adjustment process.

Update: AR advised he had liaised with Transporters and had suggested that the Measurement Error Guidelines should be amended to capture or acknowledge errors arising from LDZs, noting that he was awaiting Transporters' views. **Carried Forward**

Action 0801: Cadent (BO) to provide more detailed information regarding the schedule for the replacement of the Orifice Plates.

Update: Ben Oldham (BO) advised that Cadent were currently in the design process of replacing the Orifice Plates and were using a risk-based approach. BO noted that a further update on the specific details could only be provided when the replacement schedule had progressed, estimating this would be in Quarter 2 of 2022.

Guv Dosanjh (GD) questioned why this Action was only for Cadent as he noted other Transporters also received funding for replacing Orifice Places and suggested that all Transporters should provide an update on all the Orifice Plates. AR agreed with GD and noted that this Action should cover a review of all the Orifice Plates and should be on all Transporters.

Kirsty Dudley (KD) advised that the Performance Assurance Committee (PAC) was also interested in the outcome of this review as this could potentially have an impact on settlements.

Steve Mulinganie (SM) suggested that the risk arising from replacing the Orifice Plates should determine where this review should belong, noting that an engineering risk should fall under the Offtake Arrangements Workgroup whilst a financial risk would be better placed under PAC. AR noted this review was likely to span both groups. BO agreed and noted this review could identify both engineering and financial risks and information disseminated to both groups.

AR suggested the information from the review of the Orifice Plates would be collated in the Offtake Workgroup and when this exercise had been concluded, it could be passed to PAC.

AR asked BO to provide an update in a couple of months on the design works to replace the Orifice Plates Cadent is undertaking.

New Action 0905: All Transporters to undertake a review for replacing the Orifice Plates.

New Action 0906: Joint Office (AR) to collate the information from the Orifice Plates review and transfer any conclusions to PAC.

Carried Forward.

Action 0901: Correlá (RM) to produce a new timeline showing the impacts to the reconciliation process by the appointment of a second ITE; and

UNCC Action 0901: Xoserve/CDSP (ER/FC) to produce slides to be presented at the Offtake Arrangement Workgroup on 29 September to cover the following:

- How is neutralisation dealt with?
- What is the invoicing / billing process, including expected timings?
- What happens if a User impacted by the SMER ceased trading and left the market.
- A revised timeline showing the impacts to the reconciliation process by the appointment of a second ITE.

Update: Fiona Cottam (FC) presented a paper to cover this Action, noting that it could be referred to in the future when a similar incident occurred.

Please see the published paper for a detailed view.

FC explained that the gas that had gone 'missing' because of this error was not Unidentified Gas (UIG) but rather 'unaccounted for gas'. FC clarified that unaccounted for gas occurred when units of gas went 'missing' from the National Transmission System (NTS), and National Grid were required to purchase the missing units on behalf of the Shippers. The cost of providing the missing gas was added to the cost of running NTS.

FC added that National Grid had a target level for NTS Shrinkage and unaccounted gas during the period of the error would need to be purchased, which could result in divergence from the target.

FC advised that when Shippers are billed for a Measurement Error, they effectively pay National Grid. (as NTS Shrinkage Provider), money back for the unaccounted gas that had been purchased on their behalf and the money reverts to the NTS as they have incurred the cost for it already.

SM noted that whilst he understood FC's explanation, he was not convinced that National Grid and the NTS had been exposed to this level of risk because of the error. SM also noted further clarity was required on how the money paid by the Shippers to National Grid was dealt with.

AR agreed with SM's views and noted he would liaise with National Grid and seek further clarification of the accounting process.

New Action 0907: Joint Office (AR) to clarify the accounting arrangements for monies paid by Shippers to National Grid as a result of a Measurement Error and add this information to the Measurement Error Guidelines for the future.

FC also explained the invoicing and neutralisation process under the Energy Balancing Credit Rules and presented a new timeline for the reconciliation process.

FC added that with the requirement to appoint a second ITE, the industry would no longer be invoiced for this error in November 2021.

The Workgroup discussed the amended timeline, noting that the two ITE reports would need to be reconciled and that the timeline would need to be amended to account for it.

BO added that the procurement process for Cadent to appoint the second ITE was likely to require some time as well, and this could extend the proposed timeline.

Simon Harris (SH) noted that Dr Michael Reader-Harris, the current ITE, had taken six months to present his report which was undertaken using TÜV SÜD in-house resources to provide the analysis for the report. Therefore, it was noted that the new ITE was likely to take as long, if not longer to complete their report.

The Workgroup noted that the new ITE's report should be completely independent and agreed that Cadent would need to tell them that they should not approach TÜV SÜD to provide their analysis.

KD and SM suggested that for the process to be effective, it was imperative that the error needed to be reviewed in full and a cross-check between the two reports was required. The Workgroup noted this would also result in the timeline being extended.

AR noted that the Guidelines had been followed in this instance which states that a second ITE would be appointed if an error is greater than 500 GWh, but in this case, this could only be determined after the first ITE had substantively completed their review.

AR added that if the magnitude of the error had been confirmed at the beginning, both ITEs would have been appointed at the same time and their reports would have been reconciled by now.

SM cautioned that it was essential that the process should not be truncated to ensure there were no further issues arising out of this in the future.

The Workgroup discussed the next steps of the process, and it was noted that it was likely that it could take longer than six months to produce the second report.

A Workgroup member questions whether the error might be truncated by 'line in the sand' if the timeline was extended. SM noted that the ITE should be able to produce their report without any time constraints.

However, FC noted that the error report would need to be finalised by 2023 in order for the 'line in the sand' to be effective.

The Workgroup also discussed neutralisation of unpaid settlement amounts and historic situations where Shippers and Suppliers have failed.

Closed

Action 0902: All Shipper Workgroup participants to make the decision regarding the appointment of the second Independent Technical Expert (ITE) if the error overall amount exceeds 500 GWh – a decision to be made on 29 September 2021.

Update: This Action will be covered under Agenda item 2.0. **Closed**

Action 0903: Joint Office (AR) to ensure a new agenda item is to be added to the September meetings of the UNCC, Distribution and Transmission Workgroups and the PAC, in relation to if the Measurement Error Report produced by TÜV SÜD if it exceeds 500 GWh, then a decision is to be made 29 September 2021 regarding the second ITE appointment.

Update: AR noted this Action had been completed. **Closed**

Action 0904: Offtake Arrangements Workgroup to review the Offtake guidelines to ensure they are fit for purpose, factoring in lessons learnt from EM009 Alrewas.

Update: The Workgroup agreed this topic would be revisited in the future. GD suggested a target date after October 2021. AR agreed and confirmed this Action would be carried forward to December 2021 at the earliest. AR suggested Transporters discuss this at the DN Forum and advised he would liaise with them directly. **Carried forward to December 2021**

2. Second ITE Selection

AR provided a brief background to the second ITE selection. AR noted that Dr Reader-Harris of TÜV SÜD had been selected as the first ITE by the Transporters in the March 2021. Once it was confirmed that a second ITE would need to be selected, the Joint Office had contacted all the ITEs on the ITE register to gauge their interest in this matter. AR added that three ITEs had confirmed their willingness to be included in this selection process.

AR reconfirmed that under the Measurement Error Guidelines, Shippers can now nominate a second ITE to review the error before it progresses any further.

AR advised the Shippers that they can vote for all three candidates by awarding points to them in order of preference.

The Workgroup broke up so Shippers could review the CVs of the participating ITEs and send their votes to AR.

The Workgroup reconvened.

AR noted that the Shippers had convincingly picked Mr P Daniel of i-Vigilant Technologies Ltd as the second ITE.

The Workgroup noted that Cadent should now proceed with the procurement and appointment process for the selected ITE.

AR highlighted that both ITEs need to be made aware that they would have to work with each other to reconcile their reports, adding he would discuss this separately with Cadent to agree how this would be managed.

KD noted that at the next Workgroup, Cadent should provide a view of the new expected timeline along with any conditional timings from the ITE.

AR confirmed that the process for appointing the first ITE would be replicated and the Workgroup agreed that it was unlikely there would be much progress on the settlement aspect until the second ITE report was finalised.

KD asked what would happen if both ITEs presented differing views. It was noted that the Measurement Error Guidelines state that the ITEs would need to reconcile their findings between themselves, and Transporters should not be involved in the process.

The Workgroup agreed the next meeting should be held in late October or early November.

3. Any Other Business

None.

4. Diary Planning

It was agreed that AR would propose new dates and these are as below:

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

Time / Date	Venue	Programme
10.00 am Thursday 11 November 2021	Microsoft Teams	<ul style="list-style-type: none"> Update on outstanding action Progress report on second ITE appointment

Action Table (as of 29 September 2021)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Target Date	Status Update
0706	08/07/21	3.0	Transporter Metering Forum to share knowledge of the SE007 – Isle of Grain Measurement Error to ensure awareness and consider mitigating actions.	All Transporters	October 2021	Carried forward
0708	08/07/21	3.0	Transporters and National Grid to consider how to ensure all Offtake Measurement Errors are captured and covered by a documented adjustment process.	All Transporters	October 2021	Carried forward
0801	04/08/21	1.0	Cadent (BO) to provide more detailed information regarding the schedule for the replacement of the Orifice Plates.	Cadent (BO)	Ongoing	Carried forward
0901	01/09/21	1.3	Correla (RM) to produce a new timeline showing the impacts to the reconciliation process by the appointment of a second ITE.	Correla (RM)	September 2021	Closed
0902	01/09/21	1.3	All Shipper Workgroup participants to make the decision regarding the appointment of the second Independent Technical Expert (ITE) if the error overall amount exceeds 500 GWh – a decision to be made on 29 September 2021.	All Shippers	29 September 2021	Closed
0903	01/09/21	1.3	Joint Office (AR) to ensure a new agenda item is to be added to the September meetings of the UNCC, Distribution and Transmission Workgroups and the PAC, in relation to if the Measurement Error Report produced by TÜV SÜD if it exceeds 500 GWh, then a decision is to be made 29 September 2021 regarding the second ITE appointment.	Joint Office (AR)	29 September 2021	Closed
0904	01/09/21	1.3	Offtake Arrangements Workgroup to review the Offtake guidelines to ensure they are fit for purpose.	All Transporters	December 2021	Carried Forward

Action Table (as of 29 September 2021)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Target Date	Status Update
0905	29/09/21	1.3	All Transporters to undertake a review for replacing the Orifice Plates.	All Transporters	Ongoing	Pending
0906	29/09/21	1.3	Joint Office (AR) to collate the information from the Orifice Plates review and transfer any conclusions to PAC.	Joint Office (AR)	Ongoing	Pending
0907	29/09/21	1.3	Joint Office (AR) to clarify the accounting arrangements for monies paid by Shippers to National Grid as a result of a Measurement Error and add this information to the Measurement Error Guidelines for the future	Joint Office (AR)	October 2021	Pending