

**UNC Modification Panel
Minutes of Meeting 280 held on
Thursday 28 October 2021
via teleconference**

Attendees

Voting Panel Members:

Shipper Representatives	Transporter Representatives	Consumer Representatives
D Fittock (DF) Corona Energy and on behalf of S Mulinganie M Bellman (MB) ScottishPower Oorlagh Chapman (OC) Centrica R Fairholme (RF) Uniper	H Ward (HW) BU-UK D Lond (DL) National Grid NTS D Mitchell (DM) SGN S Singh (SS) Cadent R Pomroy (RP) Wales & West Utilities T Saunders (TS) Northern Gas Networks	S Hughes (SH) Citizens Advice E Proffitt (EP) Major Energy Users' Council

Non-Voting Panel Members:

Chairperson	Ofgem Representative	Independent Supplier Representative
W Goldwag (WG), Chair	H Higgins (HH)	(None)

Also, in Attendance:

- B Fletcher (BF), Joint Office
- E Rogers (ER), Xoserve - CDSP Representative
- J Randall (JR), National Grid NTS
- K Elleman (KE), Joint Office
- M Bhowmick-Jewkes (MBJ), Joint Office
- P Garner (PG), Joint Office
- R Hazell, (RH) Cornwall Insight

Record of Discussions

280.1 Introduction

The UNC Modification Panel Chair (WG) welcomed all attendees to the Extraordinary Panel meeting, explaining that the meeting has been arranged to discuss Modification 0788 (*Urgent*) - *Minimising the market impacts of 'Supplier Undertaking' operation*.

280.2 Note of any alternates attending the meeting

S Singh on behalf of G Dosanjh, Cadent

H Ward on behalf of A Travell, BU UK

D Fittock on behalf of S Mulinganie, Gazprom Energy

280.3 Record of apologies for absence

G Dosanjh, Cadent

A Travell, BU UK

S Mulinganie, Gazprom Energy

280.4 Consider Urgent Modifications

a) 0788 (Urgent) - Minimising the market impacts of 'Supplier Undertaking' operation

WG invited D Lond (DL) to provide an update on the development of this Modification.

DL introduced the Urgent Modification, explaining that the recent rise in wholesale gas prices has created unprecedented challenges for the gas market. The heightened risk of participants exiting the market because of this can result in increased costs to remaining Shippers and Suppliers. DL explained that the purpose of the Modification is to provide the ability for Suppliers who are operating under a Deed of Undertaking following the Termination of the Shipper User, to utilise other existing Shipper User relationships to source additional supplies of gas and make trade nominations to the Terminated Shipper User account to balance that portfolio and mitigate increased costs, until a new 'Registered User' is appointed.

DL advised that further to National Grid NTS and Xoserve discussing Modification 0788, they had agreed that it did not require any changes and the Solution remained valid and fully implementable. DL emphasised that if this Modification is not implemented urgently, there is a risk of a significant commercial impact on parties and if other parties were to cease trading in similar circumstances, there is an additional risk of a significant impact on the operation of the gas system and gas markets.

WG asked DL to confirm whether the Legal Text for the Modification needed to be amended. DL confirmed that the Legal Text would remain the same.

WG asked E Rogers (ER) to confirm whether Xoserve also felt that the implementation of Modification 0788 was achievable. ER confirmed that Xoserve, in their role as the CDSP (Central Data Service Provider) could confirm that the Modification Solution was implementable.

ER noted that the only element of the Solution the CDSP were reviewing for implementation was whether the Terminated Shippers Gemini accounts would be managed by the CDSP. However, DL clarified that most likely it would be managed by National Grid NTS.

R Fairholme (RF) noted that the consultation period for this Modification had been only one day, which had raised significant issues for the industry, whilst National Grid NTS and Xoserve had been reviewing the Modification for a longer period. RF was concerned that from a governance perspective this was not appropriate.

WG invited Ofgem to comment on the timescales granted to Modification 0788.

H Higgins (HH) explained that whilst Ofgem would not recommend the expediated timetable granted to this Modification under normal circumstances, it was believed to be the right course of action in this instance. HH acknowledged that it was understandable why the industry views were not supportive of the Urgency decision but reiterated that the decision had been appropriate when it had been made. HH noted future Urgency decisions would take these views into account.

WG noted that the industry views on the timescales were largely negative as there had been no opportunity for internal discussions or industry engagement in relation to this Modification. WG added that in the future as the UNC Modification Panel Chair, she would raise the questions around timescales for Urgent Modifications.

Panel Discussion: see the Final Modification Report published at:

<https://www.gasgovernance.co.uk/0788>

Panel Members considered the Representations made noting that of the 13 Representations received, nine supported implementation, three offered qualified support and one provided comments. No Representations had been received which opposed the Modification.

B Fletcher (BF) presented the main views from the Representations for Panel Members comments.

D Fittock (DF) noted the proposed arrangements should have a time limit. DL explained that there was a 'Last Resort' provision already in the UNC and the Modification is therefore an enduring solution. DL added that the industry would have the opportunity to amend the UNC in the future if required. DF accepted this explanation.

BF noted that some Representations had stated that the Legal Text to the Modification did not match the Solution. DL advised that in National Grid's view the Legal Text delivered the intent of the Solution.

WG invited S Hughes' (SH) views. SH noted that whilst this had not been his response, he did not feel that it had not been clearly demonstrated whether the Legal Text and Solution for the Modification matched. SH highlighted that in an ordinary Modification this would have been reviewed until Panel was satisfied.

DL advised that National Grid was comfortable that the Legal Text was adequate and applied to the scenarios highlighted in the Representations received. Panel Members accepted this explanation.

Panel Members discussed a Representation questioning the requirement that the Virtual Last Resort User should provide a notice to National Grid, with evidence that the Supplier has authorised the notice to be given. DL advised that this depended on the contract between Shipper and Supplier but noted that this would be subject to ongoing discussions. Panel Members agreed that confirmation of authority would not have to rely on contracts being in place between Suppliers and Shippers initially.

T Saunders (TS) asked about the use of the word 'notice' in the Legal Text and asked if it was a Defined term. DL clarified the term was meant to be used in its literal sense. BF suggested adopting a pragmatic view and Panel Members agreed with this view.

BF asked whether Panel Members supported the implementation timescales proposed in the Modification.

R Pomroy (RP) noted that as a DSC Change Proposal had not been issued yet it was difficult to comment on the implementation. ER advised that the implementation of this Modification would follow the DSC Governance route and the Change Proposal would be reviewed at the Extra-Ordinary DSC Change Management Committee on 01 November 2021. ER added that no system changes are expected as the existing CDSP functionality will be used to implement the change.

RP noted that the Modification was proposing the separation between the Shipper role for energy balancing and the role that would face Transportation charges. DL explained that this process would only apply to the energy balancing elements of the UNC and did not impact Distribution Network Operators (DNOs). RP accepted this explanation.

H Ward (HW) highlighted that whilst there was no need to raise an equivalent IGT Modification, Modification 0788 may impact the IGT Deed of Undertaking.

TS noted that the very short consultation period caused a rushed response, and a longer period would have resulted in a more considered and detailed response.

Panel Members considered the Relevant Objectives.

Most Panel Members agreed that this Modification supported Relevant Objectives a) *Efficient and economic operation of the pipe-line system.*

M Bellman (MB) disagreed that Relevant Objective a) was positively impacted by this Modification as he believed there was very little or no evidence to support this. DL explained that there was at least one party who wanted to take advantage of this proposal.

Some Panel Members agreed that this Modification supported Relevant Objectives d) *Securing of effective competition between relevant shippers.*

RP agreed that whilst this Modification would help to avoid disruption in the market, it would not necessarily support competition between Shippers. TS agreed with this view and noted she believed this Modification was neutral when impacting Relevant Objective d).

Panel Members then determined (13 Panel votes were available for the determinations):

- Recommendation to implement Urgent Modification 0788, by unanimous vote (13 out of 13).

280.5 AOB

a) 0789 - Energy Balancing Arrangements During the Operation of a Supplier Undertaking to Transporters

WG asked for update on UNC Modification 0789 - *Energy Balancing Arrangements During the Operation of a Supplier Undertaking to Transporters.*

DL advised that National Grid NTS have sent a schedule of workshops to discuss this Modification to the Joint Office which will allow industry engagement. DL emphasised that National Grid wanted to work with the industry to develop the best solution for Modification 0789.

P Garner (PG) noted that the Joint Office would only be providing a high level summary of the meeting minutes but would not be facilitating or administering these meetings otherwise.

K Elleman (KE) advised that the Ofgem letter for this Modification and National Grid's schedule of workshops were published at: <https://www.gasgovernance.co.uk/0789>

DF noted that whilst Ofgem had not yet granted Urgency for Modification 0789, the proposed schedule of meetings was still quite tight. DF asked if the timetable could be extended to allow industry engagement.

DL explained that the issues being addressed by Modification 0789 need to be resolved as soon as possible. DL suggested that if any industry stakeholder could not attend the workshops proposed, National Grid could engage with them bilaterally.

RF stated that Urgency being sought for this Modification was problematic. RF added that if Modification 0789 was granted Urgent status, there would be no formal route to raising alternative Modifications, which would result in having to raise a new Modification, which would also have to seek Urgent status from Ofgem. RF noted that this was concerning from a governance perspective and suggested Modification 0789 should not seek Urgency but should be progressed pragmatically.

SH noted that in the October Panel there had been a suggestion from a Panel Member that at least one alternative Modification was being raised for Modification 0789. SH asked if there were any updates in relation to this. PG explained that the Joint Office could not comment on this for confidentiality reasons until a Modification was formally raised.

MB asked if Modification 0789 could be applied retrospectively. DL advised if a trigger event occurred before Modification 0789 was implemented, the Modification could still be used in respect of the consequences of the trigger event but only once it had been implemented.

WG asked HH for any comments on Urgency for Modification 0789.

HH advised that Ofgem had issued a letter to the Joint Office stating that they had not yet decided on Urgency but asking the industry to review the Modification to resolve any issues and to also agree on whether Urgent procedures were still appropriate.

RF expressed his concern how the Urgent process would facilitate the delivery of this proposal, noting that the solution being proposed under this Modification could not be changed once Urgency was granted. RF suggested that this Modification should be withdrawn, allowing the proposed workshops to develop the proposal before a new Modification is raised.

WG acknowledged this point but noted that a longer timetable with a resolution by January 2022 would not address the issues this Modification was trying to resolve.

RF asked if Panel Members could agree to a quicker timetable. PG suggested that the industry parties discuss this with Ofgem and National Grid, adding that a normal Modification would allow for Alternates to be raised.

WG noted that whilst being cognizant that the Urgent nature of this Modification was not preferable, it was important to try and address the issues the industry was currently facing and which this proposal may be able to address.

280.6 Date of Next Meeting

10:00, Thursday 18 November 2021, by teleconference