

UNC Transmission Workgroup Minutes
Thursday 05 May 2022
via Microsoft Teams

Attendees

Eric Fowler (Chair)	(EF)	Joint Office
Helen Cuin (Secretary)	(HB)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Neild	(AN)	Storengy
Andrew Blair	(AB)	Interconnector
Anna Shrigley	(ASh)	Eni
Anna Stankiewicz	(ASt)	National Grid
Bethan Winter	(BW)	WWU
Ashley Adams	(AA)	National Grid
Carlos Aguirre	(CG)	Pavilion Energy
Chris Wright	(CW)	Exxon Mobil
Emma Buckton	(EB)	Northern Gas Networks
Ellie Rogers	(ER)	Xoserve
Hannah Reddy	(HR)	Correla
Hursley Moss	(HM)	Cornwall Insight
Jeff Chandler	(JCh)	SSE
Joseph Glews	(JG)	Ofgem
Joshua Bates	(JB)	National Grid
Julie Cox	(JCx)	Energy UK
Lauren Jauss	(LJa)	RWE
Leon Joseph	(LJ)	SGN
Malcolm Montgomery	(MM)	National Grid
Marion Joste	(MJ)	ENI
Mark Barnes	(MB)	National Grid
Nick Wye	(NW)	Waters Wye Associates
Paul O'Toole	(POT)	Northern Gas Networks
Phil Hobbins	(PH)	National Grid
Phil Lucas	(PL)	National Grid
Richard Fairholme	(RF)	Uniper
Shiv Singh	(SS)	Cadent
Steve Blackler	(SB)	E (0806)
Steve Mulinganie	(SM)	Gazprom
Terry Burke	(TB)	Equinor

Copies of all papers are available at: <https://www.gasgovernance.co.uk/tx/050522>

1. Introduction and Status Review

Eric Fowler (EF) welcomed all parties to the meeting.

1.1. Approval of minutes (07 April 2022)

The minutes from the previous meeting was approved.

1.2. Approval of Late Papers

EF noted 1 late paper had been provided for information after the publication deadline.

1.3. Review of Outstanding Actions

0203: Joint Office to investigate how the process works and how to be able to move away from TBC implementation dates.

Update: Eric Fowler (EF) explained the Modification assessment process, the ability to consider implementation dates within the Workgroup Assessment and seek input from the CDSP to provide an indication of likely implementation dates. It was agreed going forward these options would be utilised for the Workgroup Report. The Workgroup agreed to close the action. **Closed.**

0401: Overruns to be reviewed in August to consider the effectiveness and impact of industry changes to the regime.

Update: Deferred until August. **Carried Forward.**

1.4. User Representative Appointment Process

EF reminded delegates of the key stages and dates associated with the process:

Key Stages	Commencing:	Respond by:
Registration of Single Point of Contact (SPoC)	by 09 May 2022	by 27 May 2022
Single Point of Contact (SPoC) to submit nominations for Membership	by 06 June 2022	by 24 June 2022
Membership Election (<i>if nominations received exceed the required representative's positions</i>)	by 11 July 2022	by 29 July 2022
Notification of Membership	01 September 2022	
Membership Commences	01 October 2022	

1.5. Industry Update from Ofgem

Joseph Glews (JG) provided the Ofgem update for the below listed items. For full details, please refer to the Industry Update from Ofgem published at:

<https://www.gasgovernance.co.uk/tx/050522>.

- Decision on the proposed Interconnection Agreements between BBL Company and National Grid Gas
- Decision and direction further to National Grid Gas Plc's request for Derogation under Special Condition 9.18 of its Gas Transporter Licence
- Statutory Consultation to modify the Price Control Financial Instruments and Licence conditions for Gas Transmission and Gas Distribution

Please see the April 2022 update of the Code Modification/Modification proposals with Ofgem for decision – Expected publication dates timetable at:

<https://www.ofgem.gov.uk/publications/code-modificationmodification-proposals-ofgemdecision-expected-publication-dates-timetable>

1.6. Pre-Modification discussions

None discussed.

2. Gas Safety (Management) Regulations - GS(M)R Review

Phil Hobbins (PH) provided an update on the GS(M)R review explaining the background to amending the lower Wobbe limit. Full details can be found on the published presentation: www.gasgovernance.co.uk/tx/050522.

PH explained if the Lower limit for Wobbe amendment is approved it may result in some NTS entry points delivering gas with a lower Wobbe Index and consequently a lower Calorific Value (CV). PH confirmed that if there is a lower CV, there is a potential risk to CV Shrinkage as a consequence for the GS(M)R Review.

PH explained that a survey had been issued to NTS terminal operators with two questions, to understand the impacts, and committed to report on the results:

13 responses were received out of 18 surveys issued

- 8 responses indicated no change to the range of CV of gas expected to be delivered
- 3 responses indicated minor changes $<0.2\text{MJ/m}^3$ to the lowest CV they may deliver
- 2 responses indicated potential changes between 0.5 MJ/m^3 and 0.8 MJ/m^3 to the lowest CV they may deliver

PH went on to explain the analysis approach and the results for two terminals. In conclusion if the Wobbe Index lower limit is reduced National Grid Gas (NGG) consider it unlikely that a change to the CV range of gas delivered from the majority of NTS entry points would manifest. It was noted that some minor reductions in CV levels could be seen at a few terminals but it was unlikely to result in material increased CV shrinkage risk. Two terminals may deliver more materially lower CV supplies. However, NGG consider it unlikely that additional CV Shrinkage will arise as a consequence.

Jeff Chandler (JCh) asked if further data will be shared with Shippers operating in the locality. PH offered to share further information with Shippers.

Julie Cox (JCx) enquired about lower slugs of CV gas and any planned communications, relating to this. PH agreed to feedback comments to the liaison team.

Chris Wright (CW) challenged if the HSE had access to information on CO related deaths and how the HSE arrived at their conclusion without this.

JCx suggested the Workgroup needed to consider the rules and the reality of operators delivering right up to the higher Wobbe limit, the challenges for Combined Cycle Gas Turbine (CCGT) operators and the lead times. JCx expressed concern about efficiency, processes and the next challenges of Hydrogen Blend.

Steve Mulinganie (SM) expressed concern about there being a vested interest, but no joined up thinking, he was concerned that there is no overview to understanding the consequences of decisions.

New Action 0501: National Grid (PH) to enquire with terminals if further Wobbe delivery information can be shared.

3. Transmission Change Horizon Plan

Anna Stankiewicz (ASt) provided an update on the National Grid Change Horizon plan, reporting:

- Modification 0785: Part B implemented ahead of the April invoices process.
- Modifications: 0752S, 0755S and 0759S (XRN5393) implemented 24 April 2022.
- API Enhancements: back on track.
- Modification 0779/0779A: Ofgem decision TBC
- Controls and Batch processing: design complete

JCx expressed concern with the 0779/0779A Ofgem decision and working at risk. JCx also enquired about the potential implementation date. ASt believed this was being considered for the Autumn release due 01 October 2022. It was agreed to add some additional information on potential implementation dates to the Horizon Plan.

Lauren Jauss (LJ) confirmed there was a 7-month delivery lead time associated with Modification 0779/0779A and that some work had started at risk to prepare, with a focus on needing to achieve the October deadline.

SM enquired about the challenges for the DSC Change Management Committee. Malcolm Montgomery (MM) advised of resource constraints with a focus on the Spring release. Richard

Fairholme (RF) noted issues with the lack of feedback and transparency in relation to Gemini changes. The Workgroup considered the interactions with the Change Management Committee and the need to present views from the Transmission Workgroup. SM suggested the ultimate question is if the change can still be delivered for 01 October. JCx expressed concern that the recent DSC Change Management minutes do not provide the re-assurances that the Transmission Workgroup are looking for.

ASt explained the Horizon Plan includes the development at risk, analysis and post-delivery support, explaining why the plan appeared to expand into November. ASt agreed to consider how this could be better illustrated within the plan to provide more clarity.

LJ wished to understand the latest Ofgem could provide a decision to achieve implementation on 01 October 2022. Ofgem welcomed any additional information in relation to the need for a decision by a certain date.

4. Overrun Update

Deferred until August.

5. Workgroups

5.1. 0801 - Removal of capacity and balancing services from the role of CDSP

(Report to Panel 18 August 2022)

<https://www.gasgovernance.co.uk/0801>

5.2. 0805S - Introduction of Weekly NTS Exit Capacity Auctions

(Report to Panel 16 June 2022)

<https://www.gasgovernance.co.uk/0805>

5.3. 0806S - Change to Curtailment Trade Price Compensation in Section Q

(Report to Panel 21 July 2022)

<https://www.gasgovernance.co.uk/0806>

6. New Issues

No new issues raised.

7. Any Other Business

7.1. Energy Capacity Release Consultation (late item 04/05)

Anna Stankiewicz (ASt) confirmed that on 19 April 2022 National Grid Gas (NGG) launched a consultation on the proposed changes to the Entry Capacity Methodology Statement. NGG's response to the feedback received, as well as non-confidential responses to the consultation, have been published at: <https://www.nationalgrid.com/gas-transmission/capacity/capacity-methodology-statements> (Entry capacity release (ECR)/2022 annual review – consultation).

ASt confirmed that NGG have considered the responses received and were not proposing to change their original proposal, based on the feedback, and have submitted it for approval to the Authority. ASt confirmed that a capability assessment, a re-run of the analysis over 5 years, had been included in the response.

Julie Cox (JCx) enquired when NGG were aware of the issues and the publication of the Summer Outlook Report. ASt confirmed National Grid for some time an issue late March/early April, the timescales of notifying the industry was dictated by the monthly auction and wanting to avoid changing booking behaviours for the month of May, due to consequential risks to constraint management.

Chris Wright (CW) enquired in relation to Milford Haven when Ofgem will make a decision and what will happen if Ofgem make a decision on or after the auctions have taken place. ASt confirmed it was reasonable to assume there will be an Ofgem decision on 09 May 2022.

Joseph Grew (JG) was not in a position to provide assurances that a decision would be provided on 09 May but hoped to be in a position to make a decision in good time.

CW challenged what will happen if a decision is not provided before the auction questioning the validity of the process. ASt understood that NGG will have to make all the capacity available offered/secured before the Ofgem decision. If the Ofgem decision is after 11 May capacity will be subject to the provision of the decision going forward. Deals struck at the time will be honoured until subsequent auctions are conducted.

Adam Bates (AB) suggested if a decision is not provided by close of play 10 May it would not be appropriate to provide a decision during the auction. JG agreed to take the feedback away about the decision dates and appropriateness of providing a decision mid auction process.

Julie Cox (JCx) expressed concerned about the communication of the ECR Consultation and engagement with the industry, noting the subject heading of the 7-day consultation, did not alert parties to an exceptional situation. ASt acknowledged the timing of the issue especially around the Easter break was not ideal. Joshua Bates (JB) understood the communication concerns and agreed to take away the learning points. Adam Bates (AB) was unsure why the principles could not have been discussed at an industry level without the commercial sensitive details.

Chris Wright (CW) enquired whether this action complies with the System Management Principle Statement (SMPS) and if the SMPS will be updated. ASt confirmed if the decision is positive from Ofgem the SMPS will be updated with a consultation in May.

Jeff Chandler (JCh) asked about changes to the SMPS for more frequent auctions. ASt explained the ability to withdraw only in certain circumstances, and NGG were not planning to change the rules.

AB enquired about the maintenance plan, capabilities and if this will apply to all entry points not just Milford Haven. ASt did not believe there was a similar risk at the Isle of Grain.

JCx enquired about non-approval and what happens next in relation to base lines. ASt confirmed the solution put forward that can be implemented by the Summer.

Post Meeting Note:

Ofgem's decision on the 09 May 2022 approved the proposed ECR. On the 10 May 2022 the Energy Networks Association (ENA) released the following message:

Please note there will be an amendment made to the amount of capacity offered at Milford Haven in the Rolling Monthly Transfer & Trade System Entry Capacity (RMTNTSEC) auction which will run on 11th May, for capacity period June 2022. The potential for this change was described in the RMTNTSEC invitation letter (issued 4th May) and follows Ofgem's decision on 9th May to approve the proposed ECR revisions. The volume of Unsold NTS Obligated Firm Entry Capacity that will be made available at Milford Haven in the June RMTNTSEC will be 343,000,000kWh/d.

Please direct enquiries to the Capacity Auctions team: capacityauctions@nationalgrid.com.

2. Diary Planning

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

Time / Date	Paper Publication Deadline	Venue	Programme
10:00 Thursday 09 June 2022 (BH 2 nd June)	5pm Monday 30 May 2022	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 07 July 2022	5pm Wednesday 29 June 2022	Microsoft Teams	Standard Transmission Workgroup Agenda

10:00 Thursday 04 August 2022	5pm Wednesday 27 July 2022	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 01 September 2022	5pm Wednesday 24 August 2022	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 06 October 2022	5pm Wednesday 28 September 2022	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 03 November 2022	5pm Wednesday 26 October 2022	Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 01 December 2022	5pm Wednesday 23 November 2022	Microsoft Teams	Standard Transmission Workgroup Agenda

Action Table (as of 05 May 2022)						
Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0203	03/03/22	4.0	Joint Office to investigate how the process works and how to be able to move away from TBC implementation dates.	April 2022	Joint Office (secretary)	Closed
0401	07/04/22	4.0	Overruns to be reviewed in August to consider the effectiveness and impact of industry changes to the regime	August 2022	National Grid (ASt)	Carried Forward
0501	05/05/22	2.0	National Grid (PH) to enquire with terminals if further Wobbe delivery information can be shared.	June 2022	National Grid (ASt)	Pending

UNC Workgroup 0801 Minutes
Removal of capacity and balancing services from the role of CDSP
Thursday 05 May 2022
via Microsoft Teams

Attendees

Eric Fowler (Chair)	(EF)	Joint Office
Helen Cuin (Secretary)	(HB)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Neild	(AN)	Storengy
Andrew Blair	(AB)	Interconnector
Anna Shrigley	(ASh)	Eni
Anna Stankiewicz	(ASt)	National Grid
Bethan Winter	(BW)	WWU
Ashley Adams	(AA)	National Grid
Carlos Aguirre	(CG)	Pavilion Energy
Chris Wright	(CW)	Exxon Mobil
Emma Buckton	(EB)	Northern Gas Networks
Ellie Rogers	(ER)	Xoserve
Hannah Reddy	(HR)	Correla
Hursley Moss	(HM)	Cornwall Insight
Jeff Chandler	(JCh)	SSE
Joseph Glews	(JG)	Ofgem
Joshua Bates	(JB)	National Grid
Julie Cox	(JCx)	Energy UK
Lauren Jauss	(LJa)	RWE
Leon Joseph	(LJ)	SGN
Malcolm Montgomery	(MM)	National Grid
Marion Joste	(MJ)	ENI
Mark Barnes	(MB)	National Grid
Nick Wye	(NW)	Waters Wye Associates
Paul O'Toole	(POT)	Northern Gas Networks
Phil Hobbins	(PH)	National Grid
Phil Lucas	(PL)	National Grid
Richard Fairholme	(RF)	Uniper
Shiv Singh	(SS)	Cadent
Steve Mulinganie	(SM)	Gazprom
Terry Burke	(TB)	Equinor

Copies of all papers are available at: www.gasgovernance.co.uk/0801/050522

The Workgroup Report is due to be presented at the UNC Modification Panel by 18 August 2022.

1.0 Introduction and Status Review

Eric Fowler (EF) welcomed all parties to the meeting, confirming an updated draft Modification had been provided for consideration at today's meeting.

1.1. Approval of minutes (07 April 2022)

The minutes from the previous meeting were approved.

Ellie Rogers (ER), wished to add a Post Meeting update against last month's meeting in relation to Funding and cost implications for Gemini Users. ER confirmed that work is being undertaken with Xoserve to understand the impacts for Users, however Xoserve will not be able to provide cost estimates for using a different service provider, only a high-level view if Gemini moves from the CDSP estate.

1.2. Approval of Late Papers

1 late paper approved.

1.3. Review of Outstanding Actions

None to consider.

2.0 Amended Modification

Malcolm Montgomery (MM) confirmed an updated draft Modification had been provided for discussion, to help address some of the points raised, particularly on assurance, by adding additional information to the Modification. The Modification will be formally amended after the Workgroup to incorporate any further feedback.

MM provided an overview of the changes, incorporating material considered at previous Workgroups to provide additional clarity. It was noted that the Modification's timetable would need to be adjusted, when formally submitting the changes.

MM confirmed that there is no intention to change any DSC service areas and these shall continue to exist as they are for CDSP customers.

The Workgroup considered the assurance concerns expressed last month in relation to National Grid removing certain capacity, balancing and invoice services from the CDSP and the Gemini system. MM reassured parties a transitional layer will be put in place that will maintain compatibility with the existing file transfers and API protocols, which will allow users to continue with their existing set up and control when they wish to integrate to a new system.

Ellie Rogers (ER) enquired if Transitional Legal text will be required to account for the requirements. MM confirmed Transitional Text will be provided.

ER enquired about parties being able to use legacy systems and transitional systems in parallel. Mark Barnes (MB) confirmed that could be the case, the legacy system and new system will be offered to provide customer flexibility.

ER was concerned about the impact of having two systems, how this would operate in practise and the ability to provide cost estimates for doing this, if the Modification only manages the removal of the obligation. MB confirmed that National Grid want to provide a soft landing for the change, explaining that the new system will be cheaper to provide and give greater flexibility. MB clarified there will be an aspiration to switch off the old infrastructure when appropriate to do so.

Jeff Chandler (JCh) asked if National Grid could provide an indication of the customer-off date for closing down the old infrastructure. MM wanted to have some flexibility based on customer requirements, based on how many customers continue to use the legacy system. MM suggested a date of withdrawal could be considered in respect of the ability to transfer as an indication of timings.

The Workgroup had no further comments on the assurances sought last month.

3.0 Next Steps

The Workgroup agreed to consider finalising the Workgroup Report at the next meeting following formal amendment of the Modification and provision of Legal Text.

4.0 Any Other Business

None.

5.0 Diary Planning

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

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Thursday 09 June 2022 (BH 02 June)	5pm Monday 30 May 2022	Microsoft Teams	Conclusion of Workgroup Report
10:00 Thursday 07 July 2022	5pm Wednesday 29 June 2022	Microsoft Teams	Date on Hold
10:00 Thursday 04 August 2022	5pm Wednesday 27 July 2022	Microsoft Teams	Date on Hold

UNC Workgroup 0805S Minutes
Introduction of Weekly NTS Exit Capacity Auctions
Thursday 05 May 2022
via Microsoft Teams

Attendees

Eric Fowler (Chair)	(EF)	Joint Office
Helen Cuin (Secretary)	(HB)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Neild	(AN)	Storengy
Andrew Blair	(AB)	Interconnector
Anna Shrigley	(ASh)	Eni
Anna Stankiewicz	(ASt)	National Grid
Bethan Winter	(BW)	WWU
Ashley Adams	(AA)	National Grid
Carlos Aguirre	(CG)	Pavilion Energy
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Ellie Rogers	(ER)	Xoserve
Hannah Reddy	(HR)	Correla
Hursley Moss	(HM)	Cornwall Insight
Jeff Chandler	(JCh)	SSE
Joseph Glews	(JG)	Ofgem
Joshua Bates	(JB)	National Grid
Julie Cox	(JCx)	Energy UK
Lauren Jauss	(LJa)	RWE
Leon Joseph	(LJ)	SGN
Malcolm Montgomery	(MM)	National Grid
Marion Joste	(MJ)	ENI
Mark Barnes	(MB)	National Grid
Nick Wye	(NW)	Waters Wye Associates
Paul O'Toole	(POT)	Northern Gas Networks
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Phil Lucas	(PL)	National Grid
Richard Fairholme	(RF)	Uniper
Shiv Singh	(SS)	Cadent
Steve Blackler	(SB)	E (0806)
Steve Mulinganie	(SM)	Gazprom
Terry Burke	(TB)	Equinor

Copies of all papers are available at: www.gasgovernance.co.uk/0805/050522

The Workgroup Report is due to be presented at the UNC Modification Panel by 16 June 2022.

1.0 Introduction and Status Review

Eric Fowler (EF) welcomed all parties to the meeting.

1.1. Approval of minutes (07 April 2022)

Anna Stankiewicz (ASt) wished to correct the 4th paragraph, in last month's minutes to state:

Anna Shrigley (ASh) asked if [Interconnector Points \(IPs\)](#) ~~direct connects~~ would be included within the scope, NW explained as the product is not included in the CAM Code it wouldn't be appropriate to include these [as that wouldn't be compliant with CAM](#).

ASt also wished to challenge the recorded action to provide further analysis on the potential impacts advising a ROM was in the process of being prepared. ASt offered to work with Nick Wye and Bethan Winter on the likely impacts on capacity bookings.

The minutes from the previous meeting were considered approved.

1.2. Approval of Late Papers

None to approve.

1.3. Review of Outstanding Actions

0101: National Grid (ASt) and NW to provide some analysis on the potential impacts ~~of the Modification~~ on [GDNs making Weekly Capacity Bookings](#).

Update: See item 1.1 above. **Carried Forward.**

2.0 Review of Impacts and Costs

Bethan Winter (BW) confirmed that the Gas Distribution Networks (GDNs) have discussed the Exit Capacity Planning Guidance and changes for this year's process. BW noted that the Modification appears to be written on the basis of the GDNs not using the weekly product. However, having considered this the GDNs did not believe this should be assumed, suggesting that the implications of GDNs using the product needs to be considered in the Workgroup Report.

BW explained the obligations for GDNs relating to Capacity Planning and asked the Workgroup to consider the impacts of the GDNs having to use the weekly product and the impacts to the unit price.

Nick Wye (NW) understanding the drivers to allow modelling, asked what the reasonable expectation would be for DN bookings to change. BW suggested the DN capacity requirements could be provided to understand the worst-case scenario, for the purpose of the analysis.

BW explained that the DNs may need to use product for licence efficiency obligation reasons. BW suggested the Workgroup should therefore assess the likely impact on unit price and the benefit of doing this verses the cost, to ensure there are not any unintended consequences.

Steve Mulinganie (SM) concurred there could be an unintended consequence. As DNs are obligated to book efficiently they would be obliged to utilise the product. Expanding the scope would make this a material change, with potential increase of costs for DNs. It was noted that including DNs would result in the Modification not meeting the Self-Governance criteria.

NW explained that the Modification had been drafted with a specific type of customer in mind not necessarily for DNs. The Workgroup considered the appropriateness of targeting the service to limited parties. BW suggested some analysis on the potential use by GDNs would be beneficial to justify restricting the scope and to avoid an increase in unit costs for DNs.

It was considered worthwhile having some analysis to justify why the product would only be provided to certain parties and that the Modification would proceed carving out the DNs. If there were benefits identified for DNs to be included, a further Modification could be raised to expand the scope of the service.

Anna Stankiewicz (ASt) offered to work with Nick and Bethan on capacity bookings and likely impacts.

It was agreed that the Legal Text would be produced on the basis of excluding the GDNs.

3.0 Issues and Questions from Panel

3.1.1. Impact of this Modification on charges (for example on annual capacity)

It was anticipated there would be very little impact on charges dependent on behaviour.

3.1.2. Should the Modification remain Self Governance

See item 2.0. No further discussion.

4.0 Consideration of Legal Text

Anna Stankiewicz (ASt) confirmed with the carve out of DNs the legal text could be provided for consideration at the next meeting.

5.0 Development of Workgroup Report

Eric Fowler (EF) confirmed a draft Workgroup Report will be provided ahead of the next meeting to aid discussions, with the aim of concluding the report in June.

6.0 Next Steps

Eric Fowler (EF) requested the provision of Legal Text for the next meeting and confirmed that the intention will be to conclude the Workgroup Report.

7.0 Any Other Business

None.

8.0 Diary Planning

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

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Thursday 09 June 2022	5pm Monday 30 May 2022		Detail planned agenda items. <ul style="list-style-type: none"> • Consideration of Legal Text • Completion of Workgroup Report

Action Table (as at 05 May 2022)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Reporting Month	Status Update
0101	07/04/22	2.1.1	National Grid (ASt) to provide some analysis on the potential impacts on Capacity Bookings.	National Grid (ASt)	May 2022	Carried Forward

UNC Workgroup 0806 Minutes
Change to Curtailment Trade Price Compensation in Section Q
Thursday 05 May 2022
via Microsoft Teams

Attendees

Eric Fowler (Chair)	(EF)	Joint Office
Helen Cuin (Secretary)	(HB)	Joint Office
Adam Bates	(AB)	South Hook Gas
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Paul O'Toole	(POT)	Northern Gas Networks
Phil Hobbins	(PH)	National Grid
Phil Lucas	(PL)	National Grid
Richard Fairholme	(RF)	Uniper
Shiv Singh	(SS)	Cadent
Steve Blackler	(SB)	E
Steve Mulinganie	(SM)	Gazprom
Terry Burke	(TB)	Equinor

Copies of all papers are available at: www.gasgovernance.co.uk/0806/050522

The Workgroup Report is due to be presented at the UNC Modification Panel by 21 July 2022.

1.0 Outline of Modification

Jeff Chandler (JCh) introduced the Modification, presented last month as a pre-Modification explaining the Modification proposes to change the Emergency Curtailment Trade Price defined in UNC TPD Section 6.1.1 (c) from the arithmetic mean of the SAP of the 30 Days

preceding the Day to the SAP of the Day preceding the Day, to provide adequate incentive and compensation to help ensure gas is purchased in advance.

2.0 Initial Discussion

2.1. Issues and Questions from Panel

Eric Fowler (EF) referred to the Questions raised at Panel and provided JCh response to each of the these.

2.1.1. Which Parties will be able to benefit from this facility/service and who will pay for it?

JCh explained that all parties will benefit from this change as it will apply to all Shippers/Customers. Any Shipper/Customer who is interrupted will receive the SAP price preceding the Day, not the 30-day average price. The costs of the exercise of firm load shedding will be smeared. The market will then determine if any cost of firm load shedding is then passed on to customers or not.

JCh believed it was reasonable that Shippers/Customers pay for the cost of insurance to have their supply maintained and the party that is firm load shed has improved compensation.

The alternative to not implementing this Modification and keeping the status quo is that Combined Cycle Gas Turbine (CCGT) operators leave gas purchasing until the prompt to manage renewable intermittency and market price risk. This places greater risk to society of a gas emergency because signals to attract the required gas will be time limited. If a gas emergency results in insufficient electricity generation, through firm load shedding, Customers will have reduced electricity supply and other services that require electricity.

JCh provided an example based on the highest prices observed, assuming the emergency occurs on the day after the highest price, from which the change in compensation from the 30-day average SAP to the SAP price of the preceding day can be calculated. In both cases the increase in cost is circa £2.4 million for 1 million therms, the energy required by a 700 MW CCGT to operate at full load for 24 hours.

Phil Lucas (PL) enquired if the intention will be to also adjust the price for the Emergency Curtailment Trade (Q6.2). PL suggested that if so, the Modification may need further clarification to be added to the narrative to ensure it includes the rationale for revising the price for this trade as the current version of the Proposal only sets out the rationale for the change to the unit rate of the DSR Payment (Q6.4).

The Proposer responded that it's intention was to revise the Emergency Curtailment Trade Price for *all* its applications in Section Q. However, it stated that it did not intend to revise its Proposal to additionally set out the rationale for the change to the unit rate of the Emergency Curtailment Trade.

PL referred to the Gas Security of Supply Significant Code Review which set out the rationale for using a 30 day average System Average Price (SAP) for DSR Payments, suggesting the Workgroup may want to understand the rationale for moving away from the Ofgem SCR decision published in 2014, to explain why this change is appropriate now. Further information relating to the Gas Security of Supply Significant Code Review is available at:

<https://www.gasgovernance.co.uk/SCR> and
https://www.ofgem.gov.uk/sites/default/files/docs/2014/02/140212_gasscr_fpd_0.pdf).

It was agreed to consider the decision made in 2014, noting views may change with different market conditions, for example less coal substitution and interest in interruptible services.

Richard Fairholme (RF) welcomed a review of the arrangements and the Demand Side Response (DSR) methodology.

Post Meeting Note: PL believes this is out of scope of Workgroup 0806. Please note that the DSR Methodology is subject to a periodic review process in accordance with Special Condition

9.22 of National Grid's Transporter Licence (last review published in March 2021
<https://www.nationalgrid.com/gas-transmission/document/134976/download>)

2.1.2. How does this new service interact with the DSR product and does utilisation of DSR mitigate/reduce the need for this proposal? (Modification 0504)

JCh explained that the market has changed materially since Modification 0504 - Demand Side Response (DSR) Methodology Implementation (<https://www.gasgovernance.co.uk/0504>).

At that time coal fired generation could substitute for gas fired generation and DSR was possible. However, with coal now largely removed that option is no longer available at material scale. Additionally, the electricity market arrangements both in the energy and capacity markets make voluntary load shedding commercially unviable in a tight market. It was noted that DSR auctions had attracted very little interest in past years, suggesting the potential for voluntary demand side reduction is limited and in practice a gas supply deficit is highly likely to result in firm load shedding.

Julie Cox (JCx) wished to note that the industry do not know how much commercial interruption there could be, expressing concern about evidence of customers prepared to self-interrupt on commercial terms. It was suggested evidence of contracts could be provided to Ofgem to assist understanding the potential magnitude. It was recommended that there should be a Consultation Question/request to ask parties to provide evidence of contracts.

Richard Fairholme (RF) referring the bid acceptance process, the current industry climate and industrial views on interruption, whether high bids for load shedding would be accepted. It was noted that the DSR concept does not apply to generation and 30-day SAP effectively creates head room to allow deals.

2.1.3. What is the likelihood of this Modification being required?

JCh explained without this Modification there is a commercial risk incentive not to buy gas in advance which increases reliance on the prompt market. With less long-term contractual supply, there is an increased exposure to prompt events and given the escalation of war in Ukraine the risk of supply loss to Europe from Russia either by accident or design have increased.

Although the likelihood of emergency arrangements being exercised is unknown, it was noted this Modification would make the likelihood of an emergency less because a barrier to purchasing gas for CCGTs in advance will be removed from the gas market and thus better enable gas supply to match demand.

2.1.4. Should additional electricity prices be used in scenario analysis?

JCh explained that challenges with predicting commodity prices that will arise in the event of an emergency.

It was agreed to include the responses to the Panel Questions within the Workgroup Report.

Following consideration of the Panel Questions the Workgroup briefly considered if there were any alternative means in which to achieve the same objectives of this Modification. JCh explained he had considered the voluntary interruption regime, but this was more complex.

PL asked if creating commercial conditions that do prove to encourage forward purchase of gas *would* help avoid a Gas Deficit Emergency (GDE). It was the view of the proposer that forward contracting could reduce the risk of supply loss and could avoid a scramble demand for gas. It was noted that a 'wait and see approach' could result in increased commercial pressures which would impact price.

In terms of the impact on any other codes PL suggested it would be worth checking whether the iGT UNC was impacted as DSR Payments may also be payable to consumers on IGT Networks, and therefore the iGT UNC may also define the Emergency Curtailment Trade Price.

Costs of making the change needed to be considered and the need to request a ROM from Xoserve.

It was agreed it would be worth revisiting Modification 0044 - Revised Emergency Cash-out & Curtailment Arrangements (<https://www.gasgovernance.co.uk/0044>), to understand the rationale for revised cash-out calculations.

2.2. Initial Representations

None received.

2.3. Terms of Reference

As matters have been referred from Panel a specific Terms of Reference will be published alongside the Modification at www.gasgovernance.co.uk/0806

3.0 Next Steps

EF confirmed that further consideration will take place at the next meeting.

4.0 Any Other Business

None.

5.0 Diary Planning

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

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Thursday 09 June 2022 (BH 02 June)	5pm Monday 30 May 2022	Microsoft Teams	Review of Impacts and Costs <ul style="list-style-type: none"> Emergency Curtailment Price Wider Industry Impacts Rationale for using a System Average Price (SAP) Rationale for revised cash-out calculations Development of Workgroup Report
10:00 Thursday 07 July 2022	5pm Wednesday 29 June 2022	Microsoft Teams	Conclusion of Workgroup Report