

**UNC Workgroup 0765 Minutes
Tuesday 01 June 2021
via Microsoft Teams**

Attendees

Alan Raper (Chair)	(AR)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Adaeze Okafor	(AO)	Equinor
Adam Bates	(AB)	South Hook Gas
Alex Barnes	(ABa)	Waters Wye Associates
Andrew Pearce	(AP)	BP
Anna Shrigley	(ASh)	Eni Global Energy Markets SPA
Anna Stankiewicz	(ASt)	National Grid
Ashley Adams	(AA)	National Grid
Aurora Goudeau	(AG)	RWE
Basi Jag	(BJ)	ESB
Carlos Aguirre	(CA)	Pavilion Energy
Colin Williams	(CW)	National Grid
Daniel Hisgett	(DHi)	National Grid
Debra Hawkin	(DHa)	TPA Solutions
Eric Fowler	(EF)	Joint Office
Henk Kreuze	(HK)	Vermilion Energy
Jeff Chandler	(JCh)	SSE
Julie Cox	(JCx)	Energy UK
Kieran McGoldrick	(KM)	National Grid
Laura Johnson	(LJ)	National Grid
Nigel Sisman	(NS)	Sisman Energy Consulting
Neville Henderson	(NH)	BBL
Pavanjit Dhesi	(PD)	Interconnector UK
Richard Fairholme	(RF)	Uniper
Richard Hewitt	(RHe)	on behalf of BBLC
Rudi Streuper	(RS)	BBL
Terry Burke	(TBu)	Equinor
Thomas Bourke	(TBo)	Ofgem
Thomas Paul	(TP)	E.ON

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0765/010621>

1. Introduction and Status Review

Alan Raper (AR) welcomed everyone to the meeting.

1.1. Approval of Minutes (04 May 2021)

When Nigel Sisman (NS) voiced concerns that the minutes had only recently been published (25 May 2021), AR responded by advising that consideration would be deferred until the 06 July 2021 meeting in order to enable parties to have sufficient time to consider.

1.2. Approval of Late Papers

None to consider.

1.3. Review of Outstanding Actions

0501: National Grid (CW) to provide a breakdown of the analysis so far presented: Existing Contracts and other; Money total that goes through neutrality; What % of RRC will be returned through this process.

Update: When Laura Johnson (LJ) explained that whilst not fully understanding all of the separate elements of this action, she hopes that the National Grid presentation presented under agenda item 2.1 below would resolve the issue.

In response, parties in attendance agreed to close the action. **Closed**

0502: Workgroup to read the Relevant Objectives for the modification and the Initial Representation submitted by Energy UK before the next meeting.

Update: AR suggested, and those in attendance agreed, that on the assumption that everyone present had read and considered the Relevant Objectives and Energy UK's initial representation, the action could now be closed. **Closed**

2. Amend Modification

2.1. Updated Analysis

Laura Johnson (LJ) provided an overview of the 'Retrospective Capacity Neutrality Assessment' presentation during which the following key points were noted (by exception):

Examples – slide 3

LJ explained that as far as the REV charges are concerned approximately 90% of the [JCx requests confirmation if the 'charge' is referring to Capacity Neutrality? 'charge' is being returned to the User\(s\).](#)

When Julie Cox (JCx) noted that the information provided was extremely helpful she also requested that the table is enhanced further to include a 'Net Position' column and that regular updates are provided until a full data set, (for the range of February to September months), is available.

JCx also commented that the information provided [could suggest that each party ends up nearly neutral](#), which begs the question as to whether the Modification is necessary.

New Action 0601: Reference Capacity Neutrality (REV) Credit Received monitoring table – National Grid (LJ) to enhance the table to include a 'Net Position' column and thereafter provide regular updates.

Updated graph which includes February 21 to April 21 data – slide 6

LJ pointed out that the first Shipper had now received their credit payment. [JCx requires clarification on this sentence; She said she was not sure what this means thought all neutrality payments had already been made ?](#)

When asked, LJ confirmed that in her opinion monitoring would be needed up to the point at which the Workgroup Report is presented to Panel for consideration, which is currently scheduled for the 21 October 2021 Panel meeting.

When asked where the % of RRC data resides as it is not apparent in the presentation, Colin Williams (CW) advised that, whilst he suspects the percentage returned (via the Modification) would be somewhere in the 30% (of RRC) range, he would undertake an action to investigate further and provide an update at the 06 July 2021 meeting.

At this point Nigel Sisman (NS) suggested that he believes the actual question related more to the RRC under / over-shoots – in short, the overall outcome and whether it is 'neutralised' in full.

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New Action 0602: *Reference % of RRC Analysis* – National Grid (CW) to consider providing confirmation of the actual RRC percentage value and breakdown and whether the RRC under / over recovery results in a fully neutralised position.

Concluding discussion, CW explained that National Grid are currently working towards providing the information requested in correspondence with Energy UK (JCx).

2.2. Rough Order of Magnitude

A brief onscreen overview of the Rough Order of Magnitude (ROM) document was provided by LJ during which attention was drawn to the *'Impacts to Gemini System'* aspects along with the *'Timescales'*.

Focusing on the timescale statements, LJ pointed out that when all delivery factors are taken into account, it could take up to 6 months before the full system changes are implemented.

When JCx enquired whether or not there could be a financial impact associated with the 6-month delivery delay allied to any Ofgem decision related delays, LJ responded by advising that this could be the case.

It was noted that Ofgem might well look to undertake an Impact Assessment (IA) which could further delay delivery.

2.3. Proposed Solution

LJ provided an overview of the latest change marked iteration of the Modification (based on a change marked v1.0 of the Modification as published on the Joint Office meetings page), during which the following key points were noted (by exception):

Impacts of Capacity Neutrality Arrangements in place between October and December 2020

LJ drew attention to the amended text and additional graph provided at the bottom of page 7.

Solution section 5

LJ explained that the two definitions for *'FAEC_v'* and *'AFAEC'* have been updated to include the term *'Available'* for clarity and better alignment with the legal text.

Implementation section 8

LJ explained that the changes ensure better alignment with the ROM.

3. Retrospectivity

The Workgroup participants undertook a detailed and lengthy debate on the retrospective aspect of the Modification during which the following key points were noted:

- Consumers have been affected and some parties believe that the implementation of the proposals will do nothing to address that problem.
- The Modification would have no effect on NBP prices already experienced.
- Some parties believe that the market has settled out the positions that occurred during this period and that there is no mechanism for the market to reopen and pass money on to consumers. [JCx asks for clarification with regards to 'some parties' as she was not sure this is a some parties point it is simply a fact](#)
- Some parties wondered if the effect might have been greater than reported because notification of the revised prices in November indicated a higher RRC – in short, the modification may have merit in as far as it is addressing that effect. [JCx asks for clarification with regards to 'some parties' as she was not sure this is a some parties point it is simply a fact](#)

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- In support of the proposal, it was pointed out that a failure to implement the Modification and address what had occurred would potentially allow a distortion (between Shippers) to perpetuate. [JCx proposed that this needs rewording 0748 addressed the ongoing issue](#)
- Some parties believe that the Modification will not affect the marginal price of gas and given the likely implementation date may have effect across financial years, further diluting the effect.
- A counter to the Ofgem point was offered stating that not all affected Shippers will be supplying the domestic market and some may not supply to consumers at all.
- On the more general academic context of retrospectivity, under any legal or regulatory regime, retrospectivity is considered to be a negative for a market on the grounds that it only introduces an uncertainty that any previous settlement may be re-opened.
- Some parties expressed a view that the situation that occurred was the result of an error by National Grid – it would be useful to have the Ofgem view on why the situation would justify retrospectivity.

Please also refer to the discussions undertaken during consideration of agenda item 5 below for further details.

4. Legal Text Review

When LJ pointed out that this latest version of the Legal Text and supporting Commentary 'matches' the latest version of the Modification solution, an action was placed on parties to consider the legal text and commentary and provide views at the 06 July 2021 Workgroup meeting.

New Action 0603: *Reference Legal Text and Supporting Explanatory Table* – All parties to consider the legal text and explanatory table and provide views at the 06 July 2021 Workgroup meeting.

5. Development of Workgroup Report

In undertaking an onscreen review of the draft Workgroup Report (v0.1, dated 16 April 2021), the Workgroup participants undertook an extensive and diverse range of debate, with the most notable points captured below (by exception):

Governance section 2

During consideration of the retrospective charge statement, TBo provided a link to the '*Ofgem Guidance on Code Modification Urgency Criteria*' document, which also contained criteria for the inclusion in proposals of retrospective provisions and the subsequent discussion focused on the '*Can and urgent modification proposal contain retrospective elements?*' statements. The following comments by Workgroup participants were noted:

- Parties noted that this was not a central arrangements system error so the first bullet is essentially dismissed. The likelihood of higher prices was foreseen and identified but the implemented arrangement chose not to factor in representations made, thereby essentially dismissing the second bullet.
- In respect of bullet point 3, the problem was not flagged by National Grid before October 2020. The notes of the November 2020 meetings are not clear so National Grid would need to be more specific in pointing to the date that it provided notification.
- Parties enquired as to what would potentially happen if Ofgem's criteria were not fully met until say November and would the proposal be amended so the correction would apply only from that date forwards?
- [JCx seeks clarification as to whether the bullets established an action on National Grid?](#)

- Ofgem were asked if there are any other criteria for considering whether retrospectivity is justified. Responding, TBo commented that the Ofgem document is for guidance and Ofgem would look closely at that guidance and would also be interested to hear other views.
- Some parties believe that there is a challenge for National Grid to better explain how the redistribution of money between Shippers would have a positive benefit for consumers.
- It was noted that the threat of retrospectivity could in fact drive the NBP price up. There is no guarantee that this modification proposal would prevent that happening.
- It was also noted that parties that have in effect some shippers may have paid twice would be concerned but that the discussion did not expand on this point.
- It was noted that parties who may be positively affected by implementation, may still not support the proposal because the materiality is relatively small and would not justify the uncertainty of retrospectivity in the future.
- The concern is that the risks of instability are felt by participants in the market and that Ofgem and National Grid are removed from the day-to-day operation of the market. The efficient operation and confidence in the market may be of more importance to Shippers.
- The debate concluded that it is up to the Modification Proposer to better explain why this proposal is of benefit because there was not widespread support at the Workgroup for the modification.

When JCx requested clarification of what role the Energy UK initial representation would play in development of the Workgroup Report, AR responded by advising that all parties would have an opportunity to consider the points raised within the representation during the subsequent and ongoing development of the (draft) Workgroup Report.

6. Next Steps

AR advised that he would now look to incorporate the points raised within an updated iteration of the draft Workgroup Report (v0.2) which would be presented for consideration at the 06 July 2021 Workgroup meeting.

AR also suggested that, should the Workgroup complete their work ahead of the proposed October 2021 Panel reporting deadline, an earlier submission could always be considered.

7. Any Other Business

None.

8. 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	Venue	Workgroup Programme
10:00 Tuesday 06 July 2021	Via Microsoft Teams	Detailed planned agenda items
10:00 Tuesday 03 August 2021	Via Microsoft Teams	Detailed planned agenda items
10:00 Tuesday	Via Microsoft Teams	Detailed planned agenda items

07 September 2021		
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Action Table (as of 01 June 2021)

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0501	04/05/2021	1.0	National Grid (CW) to provide a breakdown of the analysis so far presented: Existing Contracts and other; Money total that goes through neutrality; What % of RRC will be returned through this process.	National Grid (CW)	Update provided. Closed
0501	04/05/2021	1.0	Workgroup to read the Relevant Objectives for the modification and the Initial Representation submitted by Energy UK before the next meeting.	Workgroup	Update provided. Closed
0601	01/06/2021	2.1	<i>Reference Capacity Neutrality (REV) Credit Received monitoring table</i> – National Grid (LJ) to enhance the table to include a 'Net Position' column and thereafter provide regular updates.	National Grid (LJ)	Pending
0602	01/06/2021	2.1	<i>Reference % of RRC Analysis</i> – National Grid (CW) to consider providing confirmation of the actual RRC percentage value and breakdown and whether the RRC under / over recovery results in a fully neutralised position.	National Grid (CW)	Pending
0603	01/06/2021	4.	<i>Reference Legal Text and Supporting Explanatory Table</i> – All parties to consider the legal text and explanatory table and provide views at the 06 July 2021 Workgroup meeting.	All	Pending