

Workgroup 0678 Summary of Outcomes

Thursday 04 April 2019

at Radcliffe House, Blenheim Court, Warwick Road, Solihull, B91 2AA

Attendees		
Rebecca Hailes (Chair)	(RH)	Joint Office
Helen Bennett / Cuin (Secretary)	(HBC)	Joint Office
Adam Bates	(AB)	SouthHook Gas
Anna Shrigley	(AS)	ENI
Bill Reed	(BR)	RWE Supply & Trading
Charles Wood	(CWo)	Dentons
Colin Williams	(CWi)	National Grid
Debra Hawkin	(DH)	TPA Solutions
Elaine Calvert	(EC)	Waters Wye
Emma Buckton*	(EB)	Northern Gas Networks
Graham Jack	(GJ)	Centrica
James Thomson*	(JT)	Ofgem
Jeff Chandler*	(JCh)	SSE
John Costa*	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kamla Rhodes	(KR)	ConocoPhillips
Kirsty Ingham	(KI)	ESB
Nitin Prajapati*	(NP)	Cadent
Paul O'Toole*	(POT)	Northern Gas Networks
Penny Garner	(PG)	Joint Office
Phil Lucas	(PL)	National Grid
Sinead Obeng	(SO)	Gazprom Marketing and Trading
Steve Pownall	(SP)	Xoserve
* via teleconference		
<p>Industry parties are strongly encouraged to review this document and the changes. Any comments should be sent to Joint Office at enquiries@gasgovernance.co.uk</p>		
<p>Meeting material available at: http://www.gasgovernance.co.uk/0678/040419</p>		
<p>Critical Actions Log is available at: http://www.gasgovernance.co.uk/0678</p>		
<p>Next Meeting Monday 08 April 2019</p>		

Key Points/Decisions

1. RHa provided an overview of the planned topics for discussion for the meeting.
2. CWi provided an overview of the key steps taken to produce the Legal Text.

3. PL clarified that Proposers have not seen their legal text ahead of it being published for the Workgroup. However National Grid have sought to finalise the business rules to enable the provision of text. The first publication was late on 02 April with some significant amendments made and then publication on 03 April.
4. CWO suggested that initially the Workgroup consider the recent amendments made to the 0678 Legal Text. CWO explained in some instances whole sections will be removed and replaced with new text. He confirmed there were no changes in Annex A.
5. CWO provided an overview of changes made to Annex B. These were change marked.
6. Annex B 1.5.1 (b) - sequence of changes (allowed TO revenue) need to change these for the TAR concept.
7. Annex B 1.6.1 – JCx asked about the definition of 'F_{ry}' changes, and the average monthly, and text which referred to 'in a month'. Clarification was requested about whether this was an average in a month and if so which month. CWO noted if there is a confusion of a particular month this will be revisited to provide better clarity. The definition of 'F_{ry}' and a check of A & B are needed to ensure they are the right way around.

Action 01-0404: National Grid/Dentons to clarify the definition of 'F_{ry}' within Annex B 1.6.1 for the monthly average and check that A&B are the correct way around within the provided formula. (Target Date 10 April 2019)

8. Annex B 2.1.9 Reserve Prices can be rounded down to have a value of zero but will then be rounded up to the collar. For 2.2.2, (e) and (f) require clarification as to whether IP points or Intra-System Points.
9. Annex B 2.5 and 2.5.1 (a) LT will use Forecast not Forecasted. Workgroup discussed the need for consistency and concluded that the use of the term Forecast was considered grammatically correct.
10. Annex B 2.5.1 (a) GJ suggested referring to the term 'assessment' and this may be better amended to refer to a value rather than an assessment in B 2.5.1 (a). **Noted Change:** National Grid/Dentons to consider amending Annex B 2.5.1 (a)
11. Annex B 2.5.2 (b), it was questioned if this paragraph should refer to the effect of any change. **Noted Change:** National Grid/Dentons to consider amending Annex B 2.5.2 (b) to include the effect.
12. Annex B 2.8.3 this should be the initiation of that process. **Noted Change:** National Grid/Dentons to consider amending Annex B 2.8.3.
13. Annex C -The Workgroup considered the terms used for Modification Direction Date and wished to check the term utilised in the Workgroup Report.
14. The Workgroup considered the existing timelines for the publication of charges and the required notice period. Annex C 25.1.2 (g). No changes were deemed necessary. For Annex C 25.2.1 it was noted that the FCC Methodology will be attached to the Final Modification Report because it will be an appendix to Part II of 0678.
15. RHa enquired when the final Legal Text will be provided. National Grid agree to provide the Legal Text before the consultation starts. The intent will be to publish the final Legal Text at <http://www.gasgovernance.co.uk/0678/text>. It was noted that a previous version had been published in this location as it was believed to be final text however since further updates had been received it was clear it was not a final version, so this had been removed. National Grid confirmed when providing the final version of the Legal Text this will be made clear. It was also requested an email is issued to advise interested parties of its publication.
16. The Workgroup considered the best way to provide all the Legal Text and whether it should be all on the same page. It was agreed sub-folders would be created on the website for each Modification. GW asked for some high-level commentary to explain the differences between the text for each Modification. It was agreed this would be provided by National Grid and will be added to both the Workgroup Report and on the main page.
17. CWO provided a table noting all the differences between the Modification Alternatives.

18. SP challenged a reference to the Optional Commodity Charge and suggested this should refer to the Optional Capacity Charge in Y2.4.4 (iii).
19. CWO referred to the embedded FCC Methodology for Section Y.
20. JCx noted the reference to the 'Updated Forecast' in the Ten-Year Statement. She confirmed she had not been able to find this reference and believed there was an action on National Grid to provide the link to this term.

Action 02-0404: National Grid to provide confirmation to where the 'Updated Forecast' is defined/referenced. (Target Date **5pm 05 April 2019**)

21. The Workgroup briefly considered the rules under Section Y 2.5.4, and how the exceptions are going to be applied. It was noted there will be a facility for exceptions to be catered for. The Workgroup considered how the value will be carried through.
22. The Workgroup discussed the NTS Optional Charge and the how the methodology is changing within Section Y. The changes required to cater for the Wheeling Charge was briefly discussed. It was noted that the Wheeling Charge could in theory coexist with the NTS Optional Charge, and some tidying up was required with the text.
23. CWO provided a number of Definitions (within Section Y 8.3.1). GJ enquired about the rounding point within the definitions and if further clarity is required. It was noted this would be applicable to all the Shorthaul Modifications.
24. The Workgroup re-capped the definition Modification Direction Date and Modification Effective Date within sections 25.6.2 (a) & (b).
25. It was anticipated the square brackets [/] within 25.6.2 (b) would be 5 Business Days. The Workgroup considered the offer process. CWO acknowledged a small amendment may be required to the section in relation to the definition of an unconfirmed offer and the running period. The Workgroup considered what would happen if the running period is half way through the process. It was anticipated this could be reversed to allow offers half-way through the process to carry-on, but not yet confirmed, because changes won't take effect unless confirmed. It was clarified that up unto and before the effective date the old rules will apply. After the Modification Direction Date, offers should have two different prices until the Modification Effective date, this is to allow charges to be confirmed under the old process to allow the acceptance of current charges or accept the new rate from the effective date.
26. SP asked about the adjustments which maybe required. CWi adjustments under the old methodology will still be capable.
27. AS asked about the 2-month lead time and the roll-on of arrangements. CWi confirmed that if parties do not apply it will be deemed the party accepts the current arrangements. AS believed, it is deemed that the product will roll-on unless there is a re-nomination to take it off.
28. The Workgroup briefly considered Modification 0678I in relation to within-year changes and the 90-day running period. CWO confirmed that this had been addressed. It was suggested all Proposers should review the Modification solutions to ensure the legal text is aligned.

Action 03-0404: Proposers to consider the Modification solutions to ensure the solution and legal text align with regards to the running period (Target Date **5pm 05 April 2019**)

29. The Workgroup considered the Modification Effective Date for Modification 0678B which ~~was~~ is the only modification that ~~did~~ does not provide a ~~recommendation~~ constraint in terms of the date and ~~had~~ in essence give ~~s~~ n Ofgem total discretion. The Workgroup considered the ability to be able to implement any of the Modifications mid-month and that for system reasons, the Implementation date or Modification Effective Date would need to be first of the month. Ofgem confirmed that they are comfortable with the accepted customary practise that implementation of price changes would normally be on the first on the month. It was agreed that none of the Modifications would need to be amended for this point. CWO noted that the legal drafting would be over complicated to enable an implementation date other than the first as a weighted average would have to be applied for the days the new charges would apply.

30. JCh considered the safety net mechanism for 0678C and confirmed this would be incorporated into Modification 0678C. CWo confirmed that the Legal Text for this mechanism would be mirrored for 0678C to account for this change.
31. The Workgroup discussed the timings and publication / Revision of Revenue Recovery Charges. The Proposers agreed to consider this further and whether any amendment would be required.
32. The Workgroup considered the SSE 0678C rationale for the trigger of 'not less than 60 days' referring to attachment 8 and whether it would be better to refer to 'not less than 4 months after the effective date'. SO confirmed that 0678I would be the same.
33. The Workgroup challenged that the NTS OCC Methodology does not currently exist. It was confirmed that it will exist by the time and if any of the Modifications 0678DGHJI were implemented. It was understood that the formula is in code, but not how it was derived. CWi confirmed that currently a value is hardcoded into the UNC. The methodology determines the values. SP believed that an NTS OCC Methodology was published at: <http://www.gasgovernance.co.uk/0636> and this would form a basis for the methodology required.

Action 04-0404: National Grid to confirm how they intend to manage the NTS OCC Methodology and the NTS OWC Methodology (for wheeling 0678I) and whether these will be created and appended to the appropriate Modifications. (Target Date 5pm 05 April 2019)

Action 05-0404: National Grid and the Proposers (0678DGHJI) to agree and confirm which gas year and what figures should be used for the OCC Methodology calculations. (Target Date 5pm 05 April 2019)

Action 06-0404: Proposers to confirm if the Modifications should refer to RPI or CPI for indexation. (Target Date 5pm 05 April 2019)

34. Whilst considering Attachment 5, the Workgroup considered the opt-out rules and the mechanics of the invoicing process. CWi believed there was a need for a firmer understanding on how parties change or come off the Optional Rate. He understood that the annual fee would be like a standing charge for the year, based on making a commitment for the year, and the only time a party could come off this would be at 30 September.

Action 07-0404: National Grid and Proposers to clarify the Business Rules for the Commitment Charge / Opting-Out of the Optional Rate. (Target Date 5pm 05 April 2019)

35. The Workgroup believed there was a need for further clarification within Attachment 5.
36. The setting of charges was considered and the true-up and forecasting of charges.
37. CWo noted in relation to setting the scaling factors a further amendment would be required in the drafting.
38. The Workgroup considered Capacity Surrender, the term cancellation was used instead.

Action 08-0404: Clarification required with Storengy (Alex Neild) to the intent of the interest systems within Section B 2.18.1 (b). (Target Date 5pm 05 April 2019)

39. Section Y 2.1.0 holder of capacity has 10 days to confirm the surrender. The Workgroup considered the Exit reallocation process timing within Section Y 2.1.0. The Workgroup considered the 4 month and if 5 months was required for Processes which need to start earlier for 0678F.
40. It was noted for 0678J by AB that the Legal Text needs to be updated to account that for the FCC, values will be published a month before the charges.
41. The Workgroup considered the changes relating to the Wheeling Charge within Modification 0678I. SO clarified the timings at which changes can and cannot be changed. SO confirmed that this is outlined with examples within the Modification 0678I. The 1st Gas Year starts on the Modification Effective Date, and the charge cannot be changed within 4 Years, from the 1st Gas Year.

42. It was noted an update would be needed to add the entry flow into the equation (page 24) within Modification 0678I. It was agreed this would be managed offline.
43. CWi agreed to discuss any concerns with the provided Legal Text offline with all Proposers, to ensure the text provided captures the intent of the Modifications. It was agreed that Workgroup would close and that Proposers could meet with National Grid to clarify any business rules still outstanding.

The Critical Actions

The Actions recorded above will be available in the Action Log at:

<http://www.gasgovernance.co.uk/0678/040419>

Next Meeting

The next meeting will be held on Monday 08 April 2019 at St John's Hotel, Warwick Road, Solihull, B91 1AT.

Please note meetings will start at 9:30am and finish at 4:00pm.

Agenda and papers: <http://www.gasgovernance.co.uk/0678/080419>

Details of planned meetings available at: <http://www.gasgovernance.co.uk/events-calendar/month>

Workgroup 0678 Agenda Summary (28 March 2019 through to 10 April 2019)

Time / Date	Venue	Teleconference	Workgroup Programme	Purpose of the session (bold indicates finalisation)
09:30 Thursday 28 March 2019	St John's Hotel Warwick Road Solihull, B91 1AT	Teleconference 0203 582 4515 Conference ID 451-364-066 Screen sharing: https://join.me/bob.fletcher	WG 11	Review all Final Modifications Update WGR to include commentary on Modification features Review FCC Methodology and Existing Contracts Update WGR
10:00 Tuesday 2 April 2019 (Part of NTSCMF)	Elexon, 350 Euston Road London NW1 3AW	Teleconference 0203 582 4515 Conference ID 451-364-066 Screen sharing: https://join.me/bob.fletcher	WG12	Review and finalise Analysis
09:30 Wednesday 3 April 2019	Radcliffe House Blenheim Court Warwick Road Solihull B91 2AA	Teleconference 0203 582 4515 Conference ID 451-364-066 Screen sharing: https://join.me/bob.fletcher	WG13	Finalise Relevant Objectives
09:30 Thursday 4 April 2019	Radcliffe House Blenheim Court Warwick Road Solihull B91 2AA	Teleconference 0203 582 4515 Conference ID 451-364-066 Screen sharing: https://join.me/bob.fletcher	WG14	Finalise OCR Analysis (Workgroup Response) Finalise Legal Text
09:30 Monday 8 April 2019	St John's Hotel Warwick Road Solihull, B91 1AT	Teleconference 0203 582 4515 Conference ID 451-364-066 Screen sharing: https://join.me/bob.fletcher	WG15	Finalise OCR Analysis (Workgroup Response) Finalise DN Impact (Workgroup Response) Finalise Compliance

				and commentary integration.
09:30 Wednesday 10 April 2019 Late session until 6pm	Radcliffe House Blenheim Court Warwick Road Solihull B91 2AA	Teleconference 0203 582 4515 Conference ID 451-364-066 screen sharing: https://join.me/bob.fletcher	WG16	Finalise commentary integration. Finalise WGR
<i>Thursday</i> 11 April 2019	<i>Joint Office Administrative Finalisation of Workgroup Report.</i> Joint Office production of Draft Modification Report			
<i>Friday</i> 12 April 2019	Finalisation and Publication of Draft Modification Report 0678 for Consultation			
<i>Monday</i> 15 April 2019	Consultation commences			