

Workgroup 0678 Summary of Outcomes
Tuesday 05 February 2019
at Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW

Attendees		
Rebecca Hailes (Chair)	(RH)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Nield*	(AN)	Storengy UK
Andrew Pearce	(AP)	BP
Anna Shrigley	(AS)	ENI
Bill Reed	(BR)	RWE Supply & Trading
Chris Wright	(CWr)	Exxon Mobil
Colin Williams	(CWi)	National Grid
David O'Neill	(DON)	Ofgem
Debra Hawkin	(DH)	TPA Solutions
Graham Jack	(GJ)	Centrica
Henk Kreuze	(HK)	Vermilion Energy
James Gudge	(JG)	National Grid
James Thomson*	(JT)	Ofgem
John Costa	(JCo)	EDF Energy
Julie Cox*	(JCx)	Energy UK
Kamla Rhodes	(KR)	ConnocoPhillips
Kirsty Ingham	(KI)	ESB
Nick Wye	(NW)	Waters Wye
Nicky White	(NWWh)	nPower
Nitin Prajapati*	(NP)	Cadent
Paul Whitton*	(PW)	Scotia Gas Networks
Paul Youngman	(PY)	Drax Power
Pavanjit Dhesi*	(PD)	Interconnector UK
Penny Garner	(PG)	Joint Office
Rebecca Jones	(RSJ)	Mercuria UK LLP
Richard Fairholme*	(RF)	Uniper
Scott King	(SK)	Triton Power
Sinead Obeng	(SO)	Gazprom Marketing and Trading
Smitha Coughlan*	(SCo)	Wales & West Utilities
Steve Pownall	(SP)	Xoserve
Terry Burke	(TB)	Equinor

* via teleconference

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

Meeting material available at: <http://www.gasgovernance.co.uk/0678/050219>

Critical Actions Log is available at: <http://www.gasgovernance.co.uk/0678>

Next Meeting Monday 11 February 2019

Key Points/Decisions

1. The Workgroup approved the summary of Workgroup discussions held on Thursday 31 January 2019.
2. The Workgroup reviewed all current Actions providing appropriate updates. It was agreed going forward that each action would have a target meeting date to allow focus of actions at appropriate meetings.
3. GJ verbally introduced a draft Alternative Modification as a pre-mod explaining the key differences compared to Modification 0678. The key differences were:
 - Capacity Weighted Distance (CWD) will be used as the pricing methodology (not Postage Stamp) as in 0678A;
 - A new optional capacity charge is introduced to replace the existing optional commodity charge (Shorthaul replacement Option 1 from 0670R Workgroup);
 - Transmission Services Revenue Recovery charges ('top-up') will not apply to any Existing entry capacity contracts (Article 35). This means that a-as it removes the need for a separate solution for storage facilities (Modification 0662) is not required;
 - The forthcoming, new Forecasted Contracted Capacity methodology is to be included in the UNC
 - Implementation to ensure compliance with TAR NC as soon as possible; it is recommended that charges arising from the new methodology should first take effect from 01 October 2020
4. PG advised that the Modification is currently being processed with the intention of submitting it to an Extraordinary Panel on 12 February at 10am. Parties were encouraged to consider submitting any further Alternatives by 08 February to allow the UNC Panel to consider ahead of the meeting for good governance. The next scheduled, face to face UNC Panel will be held on 21 February.
5. PG reiterated the process that will be undertaken for considering Alternatives. The Panel will determine if Modifications are a true Alternative and therefore follow the same timeline as Urgent Modification 0678. If the UNC Panel determine that a Modification is not a true Alternative the Proposer can request for the Modification to be raised as an separate Modification with or without a request for Urgent Status. It was noted that the UNC Panel can question the timetable of any Alternatives.
6. Ofgem emphasised that any Alternative Modification should be submitted in a timely manner, with sufficient detail and analysis to allow it to progress within the existing timescales.
7. The provision and timing of Legal Text was considered. It was highlighted that it would be best practise to have Legal Text as part of the consultation process.
8. Concern was expressed about progressing Modifications without Legal Text and without appropriate analysis. For the industry to find the right solution, Modifications need to have a fully developed, workable solution with supporting analysis for it to be clear and to allow the industry to fully understand and assess the impacts.
9. It was clarified that the intention of Modification 0678A is to follow suit as an Alternative to 0678.
10. **Multipliers and Discounts**
11. The Workgroup discussed the multipliers and discounts principles, compliance with TAR NC and the remit with Interconnection Points (IPs). A single methodology for entry and exit points was proposed.

Essentially for entry and exit points, from the effective date, all multipliers will be set at 1 so all firm capacity will have the same price. The multiplier will be hard-coded into the UNC.

12. An extract from the 0621 Final Modification Report was kindly provided by RF ahead of the meeting and recommended for insertion to the Workgroup Report with regards to Article 13 of EU Tariff NC (level of multipliers and seasonal factors). Some points were agreed for consideration of Alternatives.
13. The Workgroup considered the Interruptible Discounts with the concept that the 10% discount would be hardcoded into the UNC for entry and exit, and subject to the UNC change process.
14. The Workgroup discussed Transmission Services and recovery of charges. The Workgroup briefly considered where the revenue recovery will reside, and whether this will go into K or charges for another year. The Workgroup reviewed how transmission revenue is derived from the reserve price. Workgroup discussed whether discounts to interruptible capacity where the likelihood of interruption is low is the right thing to do.

<p>Action 01-0502: Multipliers and Discounts: National Grid (CW) to provide an illustration of revenue alignment for Interruptible Capacity, including the resulting effect on revenue recovery and top-up charges for existing capacity holders. (Target date 13/14 February)</p>

15. The Workgroup considered if there could be a licence change to make interruptible revenue, in effect transmission services revenue (rather than non-transmission services revenue).
16. A workgroup participant suggested that it was not clear whether a licence change is necessary. The Workgroup will therefore need to review what elements need to be considered and what goes where, ie. transmission and non-transmission services. It was suggested that the Workgroup should look carefully at the definition of transmission and non-transmission services in regards to revenue, and that this is not the same as TO and SO revenue streams.
17. It was noted that if interruptible capacity is not a transmission service revenue, it is not subject to the FCC methodology, and the methodology needs to take this into account in the tariffs.
18. The Workgroup considered TAR NC Article 9 – Infrastructure ending isolation and National Grid stated it does not recognise any GB assets falling under the Article 9 definition.
19. **Shorthaul Approach**
20. The Workgroup discussed the Shorthaul Approach principles and the compliance approach for managing inefficient by-pass as part of the methodology. It was suggested that the industry might want to consider this as part of 0670R and managing this through subsequent Modifications.
21. SP highlighted that the process can be switched off but there will still be retrospective adjustments for the billable period.
22. It was suggested that some form of a Shorthaul charge was appropriate but in terms of meeting compliance, the Proposers of Modification 0678 chose not to include it. The ultimate objectives were challenged, and it was suggested this made the 0678 Modification incomplete. National Grid noted the concerns and explained that they were looking for a longer-term solution for managing inefficient bypass. The Workgroup considered whether Modifications 0678 and 0678A should include Shorthaul.
23. It was acknowledged that the Workgroup will need to thoroughly consider and document its views on compliance with EU regulation and consideration should be given to all the appropriate relevant objectives and the wider market impacts. It was clarified that 0678 and 0678A were both deemed compliant with TAR NC by their respective proposals.
24. The Workgroup considered the current Shorthaul and annual total cost. It was suggested some analysis is undertaken to look at revenue over a period of time to understand the flow and whether this would have stayed the same, to better understand the annual aggregate view. Ofgem emphasised that compliance with EU regulation is essential.

Action 02-0502: Shorthaul: National Grid to provide some analysis on Shorthaul and the effect of cessation of Shorthaul on existing users and customers currently using Shorthaul services. (Target Date 14th February)

Action 03-0502: Workgroup Report: Workgroup to ensure that the Relevant Objectives are appropriately assessed when completing the Workgroup Report (14 February - 6^h March)

The Critical Actions

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

<http://www.gasgovernance.co.uk/0678/050219>

Next Meeting

The next meeting will be held on Monday 11 February 2019 at Radcliffe House, Blenheim Court, Warwick Road, Solihull, B91 2AA.

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

Agenda and papers: <http://www.gasgovernance.co.uk/0678/110219>

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

Time / Date	Venue	Teleconference	Workgroup Programme
09:30 Tuesday 29 January 2019	St John's Hotel, Warwick Road, Solihull, B91 1AT	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG01 <ul style="list-style-type: none"> • Approach • Compliance
09:30 Thursday 31 January 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG02 <ul style="list-style-type: none"> • Integration of RPM, • Forecast Contract Capacity (FCC), • Revenue Recovery • Existing Contracts
10:00 Tuesday 05 February 2019	Elexon, 350 Euston Road, London NW1 3AW	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG03 <ul style="list-style-type: none"> • Multipliers and Discounts • Shorthaul Approach
09:30 Monday 11 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG04 <ul style="list-style-type: none"> • Compliance • Forecast Contract Capacity (FCC)
09:30 Wednesday 13 February 2019	Radcliffe House, Blenheim Court	Teleconference Number 0203 582 4515	WG05

	Warwick Road Solihull B91 2AA	Conference ID 401-706-701 screen sharing https://join.me/JointOffice	<ul style="list-style-type: none"> • Non-transmission charges. • Final overview
09:30 Thursday 14 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG06 <ul style="list-style-type: none"> • Workgroup Report
09:30 Monday 18 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 451-364-066 screen sharing https://join.me/bob.fletcher	WG07 <ul style="list-style-type: none"> • Workgroup Report
Please note possible additional Workgroup meeting 20 February at Radcliffe House, to be confirmed shortly.			
09:30 Monday 25 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG08 <ul style="list-style-type: none"> • Workgroup Report
09:30 Wednesday 27 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG09 <ul style="list-style-type: none"> • Workgroup Report
09:30 Monday 04 March 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG10 <ul style="list-style-type: none"> • Workgroup Report • Compliance
09:30 Wednesday 06 March 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Teleconference Number 0203 582 4515 Conference ID 401-706-701 screen sharing https://join.me/JointOffice	WG11 <ul style="list-style-type: none"> • Finalise Workgroup Report