

## Workgroup 0678 Summary of Outcomes

Wednesday 20 February 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)	South Hook Gas
Alex Nield*	(AN)	Storengy UK
Andrew Pearce	(AP)	BP
Anna Shrigley	(AS)	ENI
Colin Williams	(CWi)	National Grid
Debra Hawkin	(DH)	TPA Solutions
Graham Jack	(GJ)	Centrica
James Thomson*	(JT)	Ofgem
Jeff Chandler*	(JCh)	SSE
John Costa*	(Jco)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kamila Nugumanoca	(KN)	ESB
Nitin Prajapati	(NP)	Cadent
Paul Whitton*	(PW)	Scotia Gas Networks
Paul Youngman*	(PY)	Drax Power
Richard Fairholme*	(RF)	Uniper
Scott Keen	(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		
<p><b>Industry parties are strongly encouraged to review this document and the changes. Any comments should be sent to Joint Office at <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a></b></p>		
<p><b>Meeting material</b> available at: <a href="http://www.gasgovernance.co.uk/0678/200219">http://www.gasgovernance.co.uk/0678/200219</a></p>		
<p><b>Critical Actions Log</b> is available at: <a href="http://www.gasgovernance.co.uk/0678">http://www.gasgovernance.co.uk/0678</a></p>		
<p><b>Next Meeting</b> Monday 25 February 2019</p>		

### Key Points/Decisions

1. The Workgroup reviewed the requested amendments to the previous meeting summary and discussed a number of post meeting updates before approving the summary of Workgroup discussions held on Monday 20 February 2019. A change marked version will be published to record the changes.

2. The Workgroup considered discussions previously held in relation to Article 6 and how the Reference Price Methodology (RPM) works and if this will include a fixed factor. It was believed that further clarity was required within the Modifications and there was a need to consider this in more detail within future meetings. It was anticipated that this would be possible week commencing 25 February 2019.
3. The Workgroup had a number of questions outstanding from Mondays meetings regarding:
  - Reference Price Methodology (RPM) Calculations
  - Multipliers and fixed factors
  - The complicated Optional Commodity Charge Calculation
  - Transparency
  - Revenue Recovery
  - Adjusting Reference Prices
  - Final Reserve Prices
4. CWi explained that all Modifications propose an adjustment within the RPM for the anticipated Shorthaul, which is calculated in the same manner however the impact for Capacity Weighted Distance (CWD) and Postage stamp is different, there is no locational diversity. It was understood that the concept of re-scaling already exists within Article 6.4.C.
5. AS enquired about the Optional Commodity Charge calculation under 0678B and if there is an opportunity for this to be undertaken in a more generic way. AS was concerned on how to achieve a balance between a complicated calculation and transparency. It was challenged how easily incremental the solution is, and the cost of administration. AS was keen to develop a generic solution that provides transparency, recognising there is a trade-off between cost liquidity and trying to find a transparent process.
6. JCx agreed about the complicated way of adjusting reference prices and this needs to be more transparent. It was questioned what the merits were for a complicated process and if there was a simpler way of doing this.
7. JCx understood there would be a two-stage process for adjusting reference prices. The second run of adjusting prices is to adjust reference prices for anticipated revenue recovery, preparing for storage and capacity discounts moving to the reference price. The Proposers were asked to consider the complications with the method and providing more clarity within the Modifications.
8. JCh explained that by smearing back reference prices you are applying a scaling factor to recover revenue. The postage stamp avoids this as it does not apply a scaling factor.
9. JCh expressed concern that the FCC is the most important part of the methodology, this was originally expected on the 14 February but now delayed until week commencing 25 February and this is impinging on the development of Modifications and the time to consider these and if it's feasible to obtain an extension to the timeline. The Workgroup considered the ability to extend the timeline. Ofgem expressed they had no intention of extending the timeline.
10. JCh, enquired about the Ofgem decision process, and if there was inadequate time, he enquired about Judicial Reviews and the potential for an appeal. If the Ofgem process comes under Judicial Review, parties wished to understand what would happen if the Ofgem decision is appealed. It was clarified that Legal Council could be sought.
11. The Workgroup reviewed the Actions Log. Updates to the Action Log were recorded.
12. JT explained that Ofgem intend to undertake an Article 26 Consultation. GJ asked when this is likely to begin and how long it will take. JT anticipated that an interim consultation will be launched in line with the UNC Consultation which is due between 08 March – 05 April 2019. The Workgroup noted that the cost allocation assessment results will not be available until after the Workgroup Report has been concluded and will prevent Workgroup analysis. TB expressed concern about the interim consultation assessment and ability for the Workgroup to consider the outcome. The Workgroup considered the Article 26 consultation and the information it requires to enable this to be done well.
13. RH provided an overview of the proposed structure for the Workgroup Report.

14. JCh enquired about the provision of the estimated system costs for the Modifications. It was anticipated that the Rough Order of Magnitude (ROM) request would be managed by the Xoserve National Grid project team. It was confirmed that any alternatives will automatically be included within the project team’s considerations. The team will liaise with Proposers where clarification is required. It was stressed that there should be no ambiguity within the solution to aid the process.
15. GJ reminded parties of the common features of Modification 0678 with 0678B:
- RPM based on a Capacity Weighted Distance (CWD) approach.
  - Transmission Services Revenue Recovery Charges are capacity-based.
  - The treatment of Existing Contracts Reference Prices is the same.
  - Multipliers for firm capacity products are at a value of “1” and a discount of 10% for interruptible capacity.
  - Storage discount of 50%.
  - Categorisation of costs to Transmission Services and Non-Transmission Services is the same.
16. The Workgroup discussed the key difference for 0678B against 0678, these were:
- An Optional Capacity Charge will replace the current Optional Commodity Charge.
  - The Transmission Services Revenue Recovery Charge will not apply to any Existing Capacity.
  - The Forecasted Contracted Capacity (FCC) Methodology will be incorporated in the UNC.
  - Rules for Capacity Trades are included.
  - Charges will take effect from 1 October 2020.
17. The Workgroup considered the Workgroup Report and recorded the views of the Workgroup. The updated Draft Workgroup Report will be published to allow Workgroup participants to consider the comments captured to date. Parties were encouraged to review the Workgroup Report to date. Considerations included:
- the implementation dates, the timing of Ofgem’s decision to enable implementation, achieving the 01 October 2019 effective date and the ability to provide the required notice periods.
  - the Relevant Objectives for each of the current live Modifications.
18. RH explained that with further alternatives expected Panel will be considering on 21 February 2019 how to best process consideration of these bearing in mind the remaining dates in the timetable.
19. The Workgroup reviewed the remaining scheduled meetings and the planned agenda items for Monday 25 February 2019.

## The Critical Actions

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

<http://www.gasgovernance.co.uk/0678/200219>

## Next Meeting

The next meeting will be held on Monday 25 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/0678/250219>

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	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701	WG01 <ul style="list-style-type: none"> <li>• Approach</li> <li>• Compliance</li> </ul>

		screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	
09:30 Thursday 31 January 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG02 <ul style="list-style-type: none"> <li>• Integration of RPM,</li> <li>• Forecasted Contracted Capacity (FCC),</li> <li>• Revenue Recovery</li> <li>• Existing Contracts</li> </ul>
10:00 Tuesday 05 February 2019	Elexon, 350 Euston Road, London NW1 3AW	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG03 <ul style="list-style-type: none"> <li>• Multipliers and Discounts</li> <li>• Shorthaul Approach</li> </ul>
09:30 Monday 11 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG04 <ul style="list-style-type: none"> <li>• Compliance</li> <li>• Forecasted Contracted Capacity (FCC)</li> </ul>
09:30 Wednesday 13 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG05 - <b>Postponed</b>
09:30 Thursday 14 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG06 <ul style="list-style-type: none"> <li>• Non-Transmission Charges.</li> <li>• Workgroup Report Approach</li> <li>• Relevant Objectives</li> </ul>
09:30 Monday 18 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 451-364-066 screen sharing <a href="https://join.me/bob.fletcher">https://join.me/bob.fletcher</a>	WG07 <ul style="list-style-type: none"> <li>• Compliance</li> <li>• Workgroup Report</li> </ul>
09:30 Wednesday 20 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG07a (introduced as part of 0678B) <ul style="list-style-type: none"> <li>• Assessment of Alternative solutions</li> <li>• Workgroup Report</li> </ul>
09:30 Monday 25 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701	WG08 <ul style="list-style-type: none"> <li>• Assessment of Alternative solutions</li> <li>• Compliance</li> <li>• Workgroup Report</li> </ul>

		screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	
09:30 Wednesday 27 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG09 <ul style="list-style-type: none"> <li>• Legal Text (AM)</li> <li>• Compliance</li> <li>• Workgroup Report</li> </ul>
09:30 Thursday 28 February 2019 (Provisional)	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG09a (Envisaged as part of 0678C) <ul style="list-style-type: none"> <li>• Assessment of Alternative solutions</li> </ul>
09:30 Monday 04 March 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG10 <ul style="list-style-type: none"> <li>• Workgroup Report</li> <li>• Compliance</li> </ul>
10:00 Tuesday 05 March 2019 (NTSCMF)	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG10a <ul style="list-style-type: none"> <li>• Workgroup Report</li> </ul>
09:30 Wednesday 06 March 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<b>Teleconference Number</b> 0203 582 4515 <b>Conference ID</b> 401-706-701 screen sharing <a href="https://join.me/JointOffice">https://join.me/JointOffice</a>	WG11 <ul style="list-style-type: none"> <li>• Finalise Workgroup Report</li> </ul>