

## UNC Transmission Workgroup Minutes

### Thursday 06 August 2020

#### via Microsoft Teams

#### Attendees

Rebecca Hailes (Chair)	(RH)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Nield	(AN)	Storengy Ltd
Alfonso De Rueda Garcia	(AG)	Iberdrola
Andrew Pearce	(AP)	BP
Angus Paxton	(AP)	AFRY
Anna Shrigley	(AS)	Eni Trading & Shipping (joined from 11am)
Anna Stankiewicz	(ASt)	National Grid
Bethan Winter	(BW)	Wales & West Utilities
Chris Wright	(CW)	Exon Mobil
Cristian Nitsch	(CN)	Pavilion Energy
Daniel Hisgett	(DH)	National Grid
Elena Murcia	(EM)	Pavilion Energy
Emma Buckton	(EB)	Northern Gas Networks
Ingrid Manso	(IM)	Pavilion Energy
Iwan Hughes	(IH)	VPI Immingham
Jeff Chandler	(JCh)	SSE
Jennifer Randall	(JR)	National Grid
Jonathan Baggott	(JB)	National Grid
Julie Cox	(JCx)	Energy UK
Kamila Nugumanova	(KN)	ESB
Kamla Rhodes	(KR)	Conoco Phillips
Leyon Joseph	(LJ)	SGN
Malcolm Montgomery	(MM)	National Grid (joined from 11am )
Marta Penaranda Gonzalez Robatto	(MP)	Iberdrola
Max Lambert	(ML)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Paul Bedford	(PB)	Drax
Phil Hobbins	(PH)	National Grid
Pavanjit Dhesi	(PD)	Interconnector UK
Ricky Hill	(RH)	Centrica
Shiv Singh	(SS)	Cadent
Sinead Obeng	(SO)	Gazprom
Steven Britton	(SB)	Cornwall Energy
Steve Pownall	(SP)	Xoserve

Copies of all papers are available at: [www.gasgovernance.co.uk/tx/060820](http://www.gasgovernance.co.uk/tx/060820)

#### 1. Introduction and Status Review

Rebecca Hailes (RH) welcomed all parties to the meeting and confirmed the order of the agenda.

##### 1.1. Approval of minutes (02 July 2020)

The minutes from the previous meeting were approved.

## 1.2. Approval of Late Papers

RH stated that the update paper provided by Ofgem was expected and agreed in advance. paper.

In addition to this an updated National Grid presentation along with a Cadent presentation for Request Workgroup 0705R had been provided after the paper deadline. Workgroup agreed to consider these late amendments.

## 1.3. Review of Outstanding Actions

**Action 0301:** *Ofgem Update - Decision to reject Uniform Network Code (UNC) 0667: Inclusion and Amendment of the Entry Incremental Capacity Release Net Present Value test in the Uniform Network Code:* Ofgem to provide further clarity on the progression of decarbonisation in order to better understand the decision to reject Modification 0667.

**Update:** Max Lambert (ML) reported that Ofgem are finalising Special Licence Condition 9B ('Methodology to determine the release of Entry Capacity and Exit Capacity volumes') proposing the three parameters of the NPV test move into the licence and are governed by the licence. Ofgem are planning to take this to the late August licence drafting Workgroup but invite views from Transmission Workgroup on this update. Ofgem will continue to work towards delivering decarbonisation and believe these parameters come under price control decisions. Please send comments directly to [max.lambert@ofgem.gov.uk](mailto:max.lambert@ofgem.gov.uk).

Julie Cox (JCx) expressed surprise that Ofgem had started licence drafting. She added that this approach where Ofgem is taking on a tighter role is different to the previous principle which was to give more control to industry.

In response, ML stated that the Ofgem decision letter dated 20 February 2020 does make reference to the parameters of Modification 0667 being within licence control. The decision letter is available here: <https://www.gasgovernance.co.uk/0667>.

Workgroup agreed to carry forward Actions 0301 and 0302 to allow Ofgem to provide further updates.

### Carried Forward

**Action 0302:** *Ofgem Update - Decision to reject Uniform Network Code (UNC) 667: Inclusion and Amendment of the Entry Incremental Capacity Release Net Present Value test in the Uniform Network Code:* With reference to the NPV Test to progress decarbonisation, Ofgem to provide clarity on the direction of travel.

**Update:** Updated as part of Action 0301 and to be carried forward to September.

### Carried Forward

**Action 0601:** Modification 0726 (Urgent): All Workgroup Participants to submit any questions to Jon Dixon, Ofgem. Joint Office will publish these alongside the Modification.

**Update:** ML reported that discussions had been held at Distribution Workgroup in relation to the COVID-19 related Urgent Modifications and Ofgem will share the lessons learned with Transmission Workgroup when they are available. Workgroup agreed to close this action.

### Closed

**Action 0701:** National Grid (JR) to arrange an offline meeting to consider and define the scope/requirements of a within day off-peak / interruptible capacity product.

**Update:** JR confirmed that this meeting had taken place, so this action was closed.

### Closed

**Action 0702:** National Grid (PH/JR) to consider further the concept of a within day off-peak / interruptible capacity product Modification with interested parties and provide an update at the next meeting.

**Update:** This action was discussed as part of Workgroup 0705R and closed.

### Closed

**Action 0703:** Joint Office (LOS) to circulate an email inviting interested parties to engage with National Grid in the development of a within day off-peak / interruptible capacity product.

**Update:** LOS confirmed that the invitation was issued so this action was closed.  
**Closed**

**Action 0704:** Joint Office (LOS) to circulate IGEM webinar for the 09 July 2020.

**Update:** The invitation to the IGEM Gas Goes Green Webinar was circulated on 02 July 2020 so this action was closed.

**Closed**

#### 1.4. Ofgem update

ML provided an overview of the *Ofgem Industry Update* document published on the [meeting page](#) for this meeting. The update covered the following areas:

- a. RIIO-2 Draft Determinations for Transmission, Gas Distribution and Electricity System Operator. - The consultation closes on 04 September 2020, responses to be sent to: [RIIO2@ofgem.gov.uk](mailto:RIIO2@ofgem.gov.uk).

The consultation can be accessed here: <https://www.ofgem.gov.uk/publications-and-updates/riio-2-draft-determinations-transmission-gas-distribution-and-electricity-system-operator>

- b. Decision on National Grid Gas plc's proposal for Saltholme Power Station to be excluded from the Relevant Points. The decision letter can be accessed here:

<https://www.ofgem.gov.uk/publications-and-updates/decision-national-grid-gas-plcs-proposal-saltholme-power-station-be-excluded-relevant-points-definition>

- c. Modification of National Grid Gas plc (NTS) Gas Transporter Licence to add a new Zero Licence Baseline Capacity Exit Point "Saltholme Power Station" – the decision letter is available here:

<https://www.ofgem.gov.uk/publications-and-updates/modification-national-grid-gas-plc-nts-gas-transporter-licence-add-new-national-transmission-system-nts-exit-point>

- d. Uniform Network Code Modification 0730 'COVID-19 Capacity Retention Process': Urgency Application – Ofgem decision letter not to grant urgent status is available here:

<https://www.ofgem.gov.uk/publications-and-updates/unc730-decision-urgency>

- e. Decision to approve Rebased Network Replacement Outputs and to modify Special Condition 7E of the Gas Transporter Licence held by National Grid Gas plc – decision letter is available here:

<https://www.ofgem.gov.uk/publications-and-updates/decision-approve-rebased-network-replacement-outputs-and-modify-special-condition-7e-gas-transporter-licence-held-national-grid-gas-plc>

- f. Uniform Network Code Modifications 0728/A/B/C/D 'Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS': Urgency Application and Notice of IA. Ofgem decision letters granting urgent status for these Modifications and also notification of the Impact Assessment are available here:

<https://www.ofgem.gov.uk/publications-and-updates/unc728abcd-introduction-conditional-discount-avoiding-inefficient-bypass-nts-urgency-application>

<https://www.ofgem.gov.uk/publications-and-updates/uniform-network-code-728abcd-urgent-introduction-conditional-discount-avoiding-inefficient-bypass-nts>

JCx asked for an update in relation to:

- Modification 0714 - Amendment to Network Entry Provision at Perenco Bacton terminal and
- Modification 0716/A - Revision of Overrun Charge Multiplier.

ML was not able to provide an update in relation to Modification 0714. In relation to Modification 0716 he gave an indicative decision date of late August.

In relation to Modification 0714, Phil Hobbins (PH) provided an update from his discussions with Ofgem and the HSE stating that National Grid are still working on the contractual arrangements in relation to the monitoring solution which will need to be included in the HSE application to make changes to the safety case. The HSE decision would then be expected in September with Ofgem's subsequent decision unlikely to be before the end of October.

### **1.5. Pre-Modification discussions**

RH asked industry parties if there were any pre-modifications in addition to the two identified on the agenda. No further pre-modifications were identified.

#### **1.51. Within day off-peak / interruptible capacity**

Jennifer Randall (JR) provided an update under Action 0702 as part of the presentation provided for Workgroup 0705R under agenda item 6.0.

#### **1.52. Transfer of Entry Capacity to an ASEP where obligated entry capacity remains unsold (Waters Wye – NW)**

Nick Wye (NW) provided an outline of the proposal, highlighting that currently the Entry Capacity Trade and Transfer Methodology only allows for capacity to be moved from one ASEP to another ASEP where all obligated entry capacity (at the recipient ASEP) has been sold.

The Proposal is to permit, in specific circumstances, for capacity to be moved from one ASEP to another ASEP where all obligated entry capacity (at the recipient ASEP) has not been sold.

NW outlined some high level principles, stating that the proposal would be limited to a donor non-IP ASEP; transfers would only be allowed where the exchange rate is less than X:1 (to be specified) and the transfer volume would also be restricted to the volume of unsold obligated entry capacity at the recipient ASEP. In addition, where capacity at the donor ASEP is classified as Existing Contracted Capacity, this status would be maintained following transfer.

NW then outlined the justification for the proposal and also confirmed the implications for EU compliance in terms of EU CAM and EU TAR. He confirmed that this proposal for transferring capacity will not apply at Interconnection Points (IPs).

He also highlighted that as pricing of capacity products does not consider volumes, there is no impact on EU TAR but under Modification 0678A (Postage Stamp) the volumes will need to be amended to reflect transfer of Existing Capacity. In addition, in terms of the treatment of Existing Contracted Capacity, changes will need to be made to definition of Existing Registered Holdings in the UNC, to permit transfer of Existing Rights.

Alex Nield (AN) asked a question in relation to whether Existing Contracts would be subject to RRC when transferred? In response, NW stated that the intention is to change the definition of Existing Contracts. He added that it also continues to be classified as Existing Contracts. The transfer would be a stand-alone and one-off process.

Jeff Chandler (JC) asked if it could be considered to be discriminatory to have a proposal with an exemption from RRC, with respect to those who have to use the other trade and transfer process?

NW suggested that there may be some cost savings for some Users.

Jennifer Randall (JR) stated that National Grid has reviewed the proposal and are liaising with NW on a number of points relating to the practicalities of the proposal and how it might work.

NW summarised his presentation and thanked JR for the comments and observations and indicated that the intention was to develop the Modification in collaboration with National Grid.

RH reminded NW of the timescales for submission of new Modifications, confirming that Friday 04 September is the deadline for consideration at the September Panel meeting.

**2. European Codes Update**

**2.1. National Grid update (PH)**

No update provided.

**3. Workgroups**

**3.1. 0705R – NTS Capacity Access Review 0671 – New Capacity Exchange process at**  
*(Report to Panel 15 October 2020)*  
[www.gasgovernance.co.uk/0705](http://www.gasgovernance.co.uk/0705)

**3.2. 0720S - Amendments to the Agreed Target Quantity at the Moffat Interconnection Point**  
*(Report to Panel 16 July 2020)*  
[www.gasgovernance.co.uk/0720](http://www.gasgovernance.co.uk/0720)

**4. Issues**

No issues were raised.

**5. Any Other Business**

None.

**6. Diary Planning**

Further details of planned meetings are available at: [www.gasgovernance.co.uk/events-calendar/month](http://www.gasgovernance.co.uk/events-calendar/month)

There is an assumption that all remaining meetings in 2020 will be via teleconference unless an update is given by the Joint Office.

<b>Time / Date</b>	<b>Venue</b>	<b>Workgroup Programme</b>
10:00 Thursday 03 September 2020	Teleconference	Standard Agenda
10:00 Thursday 01 October 2020	Teleconference	Standard Agenda
10:00 Thursday 05 November 2020	Teleconference	Standard Agenda
10:00 Thursday 03 December 2020	Teleconference	Standard Agenda

Action Table (as at 06 August 2020)					
Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0301	05/03/20	1.2	<p><i>Ofgem Update – Decision to reject Uniform Network Code (UNC) 667: Inclusion and Amendment of the Entry Incremental Capacity Release Net Present Value test in the Uniform Network Code:</i></p> <p>Ofgem to provide further clarity on the progression of decarbonisation in order to better understand the decision to reject Modification 0667.</p>	Ofgem	Carried Forward
0302	05/03/20	1.2	<p><i>Ofgem Update – Decision to reject Uniform Network Code (UNC) 667: Inclusion and Amendment of the Entry Incremental Capacity Release Net Present Value test in the Uniform Network Code:</i></p> <p>With reference to the NPV Test to progress decarbonisation, Ofgem to provide clarity on the direction of travel.</p>	Ofgem	Carried Forward
0601	04/06/20		<p><i>Modification 0726 (Urgent):</i></p> <p>All Workgroup Participants to submit any questions to Jon Dixon, Ofgem. Joint Office will publish these alongside the Modification.</p>	All	Closed
0701	02/07/20	1.4	National Grid (JR) to arrange an offline meeting to consider and define the scope/requirements of a within day off-peak / interruptible capacity product.	National Grid (JR)	Closed
0702	02/07/20	1.4	National Grid (PH/JR) to consider further the concept of a within day off-peak / interruptible capacity product Modification with interested parties and provide an update at the next meeting.	National Grid (PH/JR)	Closed
0703	02/07/20	1.4	Joint Office (LOS) to circulate an email inviting interested parties to engage with National Grid in the development of a within day off-peak / interruptible capacity product.	Joint Office (LOS)	Closed
0704	02/07/20	2.1	Joint Office (LOS) to circulate IGEM webinar for the 09 July 2020.	Joint Office (LOS)	Closed

**UNC Workgroup 0705R Minutes  
NTS Capacity Access Review**

**Thursday 06 August 2020**

**via Microsoft Teams**

**Attendees**

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The Workgroup Report is due to be presented at the UNC Modification Panel by 15 October 2020.

## 1. Introduction and Status Review

Rebecca Hailes (RH) welcomed all parties to the meeting.

### 1.1. Approval of minutes (02 July 2020)

The minutes from the previous meeting were approved.

### 1.2. Approval of Late Papers

Workgroup agreed the late amendments to the Capacity Access Review presentation provided by National Grid and also the additional supplementary Cadent presentation.

### 1.3. Review of outstanding actions

**Action 0404:** National Grid (JR) to explore longer-term options for the exit capacity regime (including mirroring the entry regime on the exit side and zonal options and feed into consultation. Review Date: September 2020.

**Update:** Update expected in September.

**Carried Forward**

**0501:** Grid to develop consultation regarding the User Commitment options in September.

**Update:** Update expected in September.

**Carried Forward**

**Action 0601:** Exit User Commitment: Ofgem (ML) to provide an update from NTSCMF which will be circulated to Workgroup.

**Update:** Max Lambert (ML) confirmed that on 09 July 2020, Ofgem published their RIIO-2 Draft Determinations. Ofgem set out their views regarding this question in the Gas Distribution Annex (Chapter 2)/Technical annex on Enhanced Obligations.

**Closed**

**Action 0701:** *Entry User Commitment:* National Grid (JR) to provide a progress update on the changes to the User Commitment requirements in the ECR methodology.

**Update:** JR provided an update as part of agenda item 2.0. It was agreed to carry this agenda item over so that a further update can be provided next month including the outcome of the derogation request to Ofgem and also to also consider the legal text changes.

**Carried Forward**

**Action 0702:** *Exit User Commitment:* National Grid (JR) to discuss the User Commitment Reduction analysis with DNs and provide an update on progress next month.

**Update:** ASt provided an update as part of agenda item 3.0.

**Closed**

**Action 0703:** *Exit User Commitment:* National Grid (JR) to confirm whether a change to the Exit User Commitment requirements for capacity within baseline would require a UNC or Methodology change.

**Update:** ASt confirmed that this a Methodology change to a UNC related document.

**Closed**

**Action 0704:** *Substitution:* Ofgem to review the concerns raised about the availability of excess capacity and previously provided view that there is plenty of capacity available through the PARCA process.

**Update:** Ofgem provided an update as part of Agenda item 4.0. Workgroup agreed that the longer-term review should also look at how to make best use of the available capacity in the network. This action was therefore carried forward to September.

**Carried Forward**



**Action 0705:** *Substitution:* National Grid (JR) provide a view of the 3-month PARCA process.  
**Update:** This action was covered within Action 0707 and was therefore closed.  
**Closed**

**Action 0706:** *Substitution:* National Grid (JR) to consider transparency of projects and the use of Confidentiality statements and disclosure agreements.  
**Update:** ASt provided an update under agenda item 4.0 and it was agreed to carry the action forward to enable National Grid to provide more information on why signals still need to be confidential.  
**Carried Forward**

**Action 0707:** *Substitution:* National Grid (JR) to look at reducing analysis timescales required post enduring application process if that process were to be limited to capacity within baseline and impact this may have on the PARCA process being unavailable.  
**Update:** ASt provided an update under agenda item 4.0.  
**Closed**

**Action 0708:** National Grid (JR) to provide a timeline of work under the CAR in preparation for Panel update in October 2020 and to provide better visibility of the options.  
**Update:** JR provided an update as part of agenda item 7.0 so this action was closed.  
**Closed**

## 2. Entry User Commitment Methodology Update

Jennifer Randall (JR) provided an update confirming that National Grid is progressing the Entry Capacity Release methodology change to amend the baseline User Commitment for capacity requests which signal substitution and obligated funded incremental capacity from 16 quarters to 4 quarters. The proposed revised text is currently with National Grid's legal team to review. In addition, National Grid has held initial discussions with Ofgem regarding a potential derogation from the requirement for an independent examination of the revised Entry Capacity Release (ECR) methodology statement.

In response to a question in relation to the grounds for the derogation, JR explained that the change is in relation to one paragraph in the methodology but which could be considered to be a substantial change. She indicated that she was not certain if the derogation will be submitted by National Grid to Ofgem nor whether it would be granted by Ofgem.

Julie Cox (JCx) asked if there was any overlap with the earlier discussion in relation to Modification 0667 (as part of Transmission Workgroup – Actions 0301 and 0302) to include some parameters (relating to the NPV test) as part of licence conditions.

JR indicated that as the parameters relate to the NPV test here shouldn't be any impact. The amended paragraph would remain in the ECR methodology.

JR also confirmed that the ECR methodology is a UNC related document and that the legal text would be shared at the next meeting.

## 3. Exit User Commitment Progress

Anna Stankiewicz (ASt) reminded Workgroup that this option considers whether User Commitment for exit capacity within baseline could be reduced, either to 1 year or to zero.

She provided an update on Action 0702, confirming that National Grid has worked closely with DNs following the last meeting. National Grid findings show that:

- Enduring capacity booking closely shadows Section H demand forecast submissions, and

- In the vast majority of the networks, the year on year demand forecast changes don't differ significantly, however, at some offtakes the demand increase is significant 15-30% (or up to 2mcm).

National Grid has therefore highlighted this as a potential risk, particularly if there are frequent changes to enduring bookings which could impact National Grid's ability to manage the network effectively and flow changes at NTS extremities might also have a significant impact on the ability to meet Offtake Capacity Statement (OCS) obligations. ASt provided an illustration showing User Commitment Reduction for the SE and SW regions (see slide 6).

JCx questioned the logic of this in terms of the linkage between gas flows and capacity bookings, suggesting that there is no requirement to flow close to capacity bookings. In addition, she indicated that there is a shared understanding that capacity bookings always exceed flows.

ASt responded to state that National Grid needs to manage this to understand if the flows actually happened. She added that the impacts are in relation to meeting pressure obligations, efficiency of the system and how the network is managed. She suggested inviting National Grid's network analysts to the next meeting with DNs to help explain the risks in more detail.

Bethan Winter (BW) suggested the issue could also be in relation to Direct Connects. She also confirmed that DN bookings are based on peak day forecasts.

Angus Paxton (AP) sought clarification of the charts shown on slide 6 in relation to the SW pressure drop, asking if LDZ demand is kept as whole? ASt suggested that she would need to seek further information from the analytical team.

AP also queried if the charts illustrate the worst-case scenario in terms of the worst offtake, the worst LDZ, the worst gas day, as he believed that in most of the historical cases the pressure drops are not likely to be as high as illustrated. AP was of the view that the charts were misleading and not realistic.

ASt agreed that the constrained network is in the SW and also that the majority of the cases are not as high. However, she also stated that the rules cannot discriminate and must be fit for purpose for all the different networks and scenarios so that they can be applied universally.

ASt added that concern had also been expressed at the DN meeting and some DNs had provided examples of historical behaviour. She invited Cadent to share their examples with the Workgroup.

Shiv Singh (SS) provided a brief presentation to illustrate Cadent's offtake capacity booking fluctuations for the 2017, 2018 and 2019 capacity booking windows. In all three years the net reduction of total capacity booked ranged from 1.1%, 0.8% and 0.7% respectively. The net increases for the three years were 0.2%, 0.2% and 0.8% respectively. SS, therefore, questioned why National Grid would consider these fluctuations to be significant.

ASt reiterated the need to seek clarification from the analytical team. She also pointed out that Modification 0678A will introduce a uniform price across all Offtakes. Ofgem's decision to remove the incentive from RII02 as well as enhanced obligations will result in a more transparent working relationship between National Grid and DNs.

A brief discussion took place on defining the customer benefit.

JCx asked what the impact will be on ECN charges and when they will be impacted. She raised a concern that the cost reduction to DNs might not be passed to the end customer. She also made a general comment that any Modification development should consider the benefits to DNs, customers and also Direct Connect users. The following comments were also made in discussion:

- a. AP suggested that as the allowed revenue does not change, there is no benefit to customers and therefore no economic impact. He added that allowing DNs to reduce

their bookings frees up capability in the system for other users of the NTS which then might remove future need for investment in the network.

- b. What are the implications for Peak Day forecast and how this is produced? SS suggested that Peak Day forecasts are not easy to determine. Leon Joseph (LJ) concurred from SGN's point of view. As information comes in demand forecasts are updated, they are not scenario based.
- c. If DNs have no choice in terms of where Offtake capacity is booked, would it be regarded as discriminatory?
- d. JCx asked how with the enhanced obligations to be introduced (and with the Exit Capacity incentive removed) will industry be assured the process is working in the best interests of the whole system?
- e. There was broad agreement amongst DNs in relation to concerns about the enhanced obligations and how DNs and NTS will work together to achieve greater co-ordination and a whole system approach to capacity bookings.
- f. JCx asked what oversight of July 2020 bookings was available to ensure more holistic thinking, given that the enhanced obligations do not come into effect until April 2021. She challenged if movement of capacity by DNs was in the best interest of the whole system or would DNs have moved capacity to meet commercial needs first.
- g. BW agreed that a whole system perspective to achieve the best overall position was an interesting approach and not having an incentive would help to pass on costs to customers. She suggested that making the overall system more efficient was important and requires consideration of where best to make changes that will have the necessary benefits.

PH provided a summary from National Grid's perspective suggesting that there was an assumption that the move to reduce the 4-year User Commitment for Capacity either entirely or to one year was welcomed by industry. He reiterated early points that there was some nervousness and concern at National Grid about the risks and ability to manage the network effectively. He acknowledged that there are issues at the NTS/DN interface that need to be worked through if the User Commitment is relaxed and which may lead to more bookings in future. He echoed that the enhanced obligations should help. He also acknowledged the issue in relation to Direct Connect. In terms of next steps, he regarded further discussions between National Grid and DNs to be critical in determining if National Grid concerns are valid. He was keen to ensure that any solution designed was fit for purpose for the future market.

ASt introduced a further option of having a cap to User Commitment. She took Workgroup through slide 7 of the presentation highlighting several ways in which the cap could work, which essentially would be a cap at a certain percentage. The example given was at 90% but she explained that no analysis had yet been undertaken to determine where the cap should be set.

Jeff Chandler (JCh) clarified that he would like to see consideration of Direct Connects as well as the interface with DNs to avoid any discrimination.

ASt concluded her presentation by highlighting the impact of Ofgem's proposal to remove the Exit Capacity incentive mechanism. She reiterated that the Enhanced Obligations framework will apply to GDNs and National Grid Gas Transmission (NGGT) with the aim of:

- Ensuring there is no loss of efficiency in the booking of NGGT capacity
- Ensuring all aspects of the booking process are managed in a way that is to the benefit of the gas system as a whole.

She explained the importance of transparency in the approach to booking capacity, both in terms of the methodologies used and the data that informs it and also the need to work collaboratively to deliver the most efficient outcome.

Finally, ASt provided clarification from the Enhanced Obligations document in relation to shorter-term bookings as follows:

“In relation to timing, shorter-term bookings allow for more flexibility and greater accuracy in demand forecasting, but risk not providing the necessary capacity requirement signals in time for NGGT to be able to respond to these. National Grid expects that the latest point in time at which products need to be booked will depend on the consequences of the booking, for example whether it triggers a requirement for investment in network reinforcement - in which case this is typically three to seven years in advance.”

#### 4. Substitution Progress

ASt reminded Workgroup that the potential change to the Substitution process had been discussed previously so she briefly took Workgroup through slide 10 which provided a timeline of the key processes.

##### Action 0707

ASt provided a response to Action 0707 in relation to National Grid considering reducing analysis timescales required post-enduring application process if that process were to be limited to capacity within baseline and the impact this may have on the PARCA process being unavailable.

ASt explained that the Offtake Capacity Statement/Offtake Pressure Statement (OCS/OPS) process is linked to the Enduring application process. In addition, enduring submissions are analysed between August and September. DNs with part of their applications rejected, can resubmit any or all of their Flat, Flex and Pressure requests. Currently the adjustment window is being opened until September with the substitution analysis starting on 01 October 2020.

ASt explained that, for these reasons, the PARCA window cannot be opened any earlier because of the amount of work that needs to be done.

JCx suggested revisiting the timescales once the Enhanced Obligations are in place.

Workgroup agreed to close Action 0707.

##### Action 0706

ASt provided an update on Action 0706 to consider transparency of projects and the use of Confidentiality statements and disclosure agreements.

ASt confirmed that in order to reveal the geographical location of a PARCA applicant National Grid would need to make a change to the Information Publishing section of the UNC and also amend the wording in the PARCA contract. Once changes are in place National Grid would not disclose the geographical location of the project only if it was specifically instructed not to do so.

In response to a question from RH, ASt confirmed that this change would need to be made through a new UNC Modification.

JCh asked if agreement would be needed from the applicant if the PARCA contract was changed? He highlighted a risk if the applicant had not given permission to disclose information.

JCx suggested that the wider benefits to industry should be balanced against the confidentiality of the party. She asked if NG has consulted industry parties to establish why at the end of Stage one, they would not want to be disclosed as the information on the location is known.

JR indicated that there could be commercial reasons why a party wants to retain confidentiality. She added that there has been no direct feedback from industry parties and that this was based on an historical premise.

Steve Pownall (SP) suggested that the confidentiality clause should be removed in the context of Enhanced Obligations.

Angus Paxton (AP) suggested that a PARCA applicant may not make an application if they knew their location was going to be made public and concluded that they probably would (and therefore no disadvantage to the consumer), whereas if confidentiality remained, could this result in an additional cost to consumers? Yes, it possibly could do if capacity is used from an exit point where it is subsequently needed.

Workgroup agreed to keep this action open to enable National Grid to provide more information on why signals still need to be confidential.

#### Action 0704

ASt provided an update on Action 0704 – Ofgem to review the concerns raised about the availability of excess capacity and previously provided view that there is plenty of capacity available through the PARCA process.

ML stated that Ofgem has held internal discussions and believe that Substitution is cost neutral. He acknowledged that as a result of the availability of excess capacity, some recipients have received more capacity than others. He suggested that the issue is reviewed as part of a longer-term holistic review.

JCx suggested that the PARCA process is expensive and time consuming given the excess capacity available in the network.

JR agreed that this issue could be included as part of the other actions around the longer-term Exit Review in September.

RH suggested that National Grid include an additional slide to their presentation to include a summary holding list of the topic areas to be discussed as part of the longer-term review. JR agreed that the longer-term review should look at how to make best use of the available capacity in the network.

ASt then took Workgroup through the proposed change in relation to substitution including the pros and cons (see slide 12) of all Entry and Exit capacity signals to be met through substitution via the PARCA process.

ASt sought Workgroup views on this interim solution and whether it helps industry until a longer-term solution is identified.

She added that there is no alternative to the donor site issue and that the First Refusal option is unlikely to be supported by National Grid due to the potential need for repeated cycles of analysis and the extended capacity request fulfilment timeframes it potentially creates.

In response to a question from JCx, ASt confirmed that if substitution is triggered or required from the July process then the PARCA process would apply.

JCh explained that the First Refusal option had been mooted because the current solution doesn't provide reassurance as customers would still have to buy capacity which would be costly. He suggested that the preference would be to pay National Grid the PARCA fee.

ASt suggested that if this proposal does not have industry support then this issue would be addressed as part of the holistic review rather than continuing to find a quick fix.

JR stated that the First Refusal option would be challenged due to the constant cycle of continuous analysis and the timescale for undertaking the analysis for substitution requests if a donor site has to be found. Furthermore, one of the foundations of the capacity regime is that it is a competitive product, although this may not still be the case, she did not feel this was the appropriate way to address, and change such a fundamental principle of the capacity regime, rather it should be reviewed as a principle itself. She added that National Grid is also not in a position to explicitly say where donor points would be.

A protracted discussion around the National Grid proposal and what a holistic approach could offer led to a number of observations:

- a. JCh asked if it was possible to have a streamlined PARCA process. JR in response indicated that the analysis could take between 7 and 14 weeks to complete.
- b. BW suggested that one of the issues with substitution is that there are winners and losers and asked if smearing could be considered as an option? ASt indicated that this had been raised before and agreed to consider it.
- c. JCx suggested a change to the methodology to preferentially take capacity from 'closed' sites, suggesting LNG storage sites as an example. ASt agreed to discuss this with the analytical team. JCx suggested that a closed site could be a disconnected site, a dormant site or a decommissioned site. As well as LNG storage sites, she suggested that demolished power stations may also fall within the category of closed sites (e.g. Didcot A).

**New Action 08/01:** National Grid (ASt) to investigate the preferential substitution from 'closed sites' and to provide a definition of closed site.

Discussion on this topic was concluded with Workgroup agreeing that the current proposed option for all Entry and Exit capacity signals to be met through substitution channelled through the PARCA process is not the appropriate solution for industry. Workgroup suggested that substitution is considered as part of the longer-term review.

## 5. Secondary Capacity Assignments

Dan Hisgett (DH) introduced this agenda item, stating that Gazprom raised this issue at NTS Charging Methodology Forum during the development of Modification 0728. An NTSCMF informal group of interested parties have considered the issues raised by Gazprom with a focus on Entry. He added that due to the focus having a capacity emphasis, it has been agreed to transfer the topic for discussion to Transmission Workgroup and specifically as part of the Capacity Access Review.

DH provided an outline of the scope, which has been predominantly driven by Shipper requirements at this stage. The requirements include:

- Assignments on Entry and Exit – with the priority on Entry.
- Liabilities - Industry preference is that the recipient of the assignment pays no more to National Grid than the original holder. New party becomes liable for capacity on assignment, old party's liabilities cease.
- Frequency and denominations - Capacity can be assignable in any denomination, multiple times.
- Dormant Shippers and capacity assignments from their holdings - Assign capacity from legacy arrangements even if it's been subject to a transfer and management of intercompany arrangements.
- Storage third party auctions - Assignment of storage entry capacity from sites with mandated capacity auctions
- TAR NC Compliance - TAR NC and UNC compliance consideration needs to be part of the process (e.g. use of Existing Contracts).

DH clarified that Existing Contracts are those struck before 06 April 2017.

DH explained that the next steps are for Workgroup to consider and agree the scope and in the meantime National Grid would continue to facilitate discussions with interested parties.

In terms of a timeline, DH indicated that an assessment would need to be made on whether implementation for October 2021 is achievable. Interaction with other Modifications will also need to be considered, particularly the capacity related Modifications.

RH asked Workgroup to provide any comments to [Daniel.Hisgett@nationalgrid.com](mailto:Daniel.Hisgett@nationalgrid.com).

SP asked when Xoserve would be invited to the discussions to consider any system implications. JR suggested that this would be once the requirements from Users had been agreed and National Grid had considered how different parties would be impacted and the Terms of Reference developed.

A brief discussion took place on when a UNC Modification is likely. JR indicated that National Grid is looking at the wider implications in terms of what can be supported, either a Modification raised by National Grid or by another industry party.

RH reminded industry parties to consider the lessons learned from previous charging Modifications, suggesting caution as if there is the likelihood of multiple alternative industry Modifications, there could be a higher risk that the Modification will not be implemented or there will be a delay in implementation. She suggested Workgroup fully develop ideas as far as possible first.

## 6. Within Day Off-Peak/Interruptible Capacity Product

JR reminded Workgroup that John Costa, EDF Energy raised a request for a within day off-peak/interruptible product which National Grid has been considering, to assess if it can be supported.

JR briefly provided the context in terms of the current products and arrangements including auction and allocation timescales. She then confirmed the scope for Users which would allow an extension of the day ahead off-peak / interruptible product to within-day timescales, mirroring the within day allocation timescales. She then outlined the benefits identified by Users (see slide 19) before adding a further new benefit identified at a recent Workshop. The new benefit was greater availability of products through interaction with the electricity side, for example power station requests which could lead to increased generation.

In terms of a future product, National Grid has concluded that as Users have requested, given the level of historical scale back, this would effectively mean there would be a “firm” product at a discounted price. JR suggested that this would undermine the current ‘firm’ product. In addition, it is likely to create an under-recovery of revenue which would be smeared back to industry.

However, National Grid believes that a new product could differentiate between firm products and a new within day off-peak interruptible product where:

- Off-peak / Interruptible capacity only sold when firm capacity sold out
- Limited volume of off-peak / interruptible capacity released per day
- Roll forward the MNEPOR amount
- Longer allocation lead times (recognising the 4-hour scale-back time).

In addition, a one-off opportunity within-day, early on in the Gas Day could be considered.

JR stated that National Grid believes that greater benefit would be achieved by developing a short-term product that could also respond to electricity needs.

The next steps are for National Grid to consider these options and develop them in more detail, including the pros and cons.

JCh suggested that a proactive product was needed which did not necessarily need to be hourly booking and that a 4-hour window was not responsive enough to allow a quick interaction between gas and electricity markets.

JR suggested that different products could be developed that are both reactive to the electricity market drivers and also potentially an interruptible off-peak product.

In response to a question from Pavanjit Dhesi (PD), she confirmed that the products are for domestic points currently as there are limitations at IPs relating to the CAM code.

Malcolm Montgomery (MM) confirmed that within day interruptible capacity cannot be sold at auction through IPs.

JR concluded this agenda item by stating the next steps are further development of the options through discussion with the industry group with an update to be provided at the September meeting.

## 7. Timeline

JR provided a brief overview of the timeline, highlighting that in terms of governance the Request Workgroup Report is due to be presented to the October 2020 Panel meeting.

JR then invited Jonathan Baggott (JB) provided an update on the long-term capacity access review. JB reminded Workgroup that this was launched in January 2020 and that in the first phase National Grid have been working with the Gas Markets Plan Balancing Review team to identify the largest likely physical changes through consultation and engagement with industry. He stated that project proposals had been presented to the Future of Gas (FOG) Forum on 15 July 2020 and that the next step is to develop the external Workgroup.

In terms of the largest likely physical developments he suggested that these included:

- Storage and flexibility provision.
- Biogas on the network.
- Gas Blending and
- Regionality.

He indicated that a flexible regime was needed to meet future changes and that the aim of the review was to provide a broad review and that it was not a deep dive. One of the outputs would therefore be a straw man of a future capacity regime.

SP raised a point in relation to whether LDZ Calorific Value (CV) Billing (flow weighted average) would be considered in the review as there are a number of hydrogen products that impact how billing CV is calculated.

PH acknowledged that the current flow weighted average CV rules are outdated and need updating and that the Wobbe Index range may also need to be extended. He added that Biomethane producers currently have to add propane to gas to make it acceptable and that Cadent has a project which is considering the future billing methodology<sup>1</sup> and a more localised CV measurement.

He added that there are no plans to change the thermal regulations and that National Grid will be interested to see the outcomes of the Cadent project as it develops.

SS provided a brief update on the Cadent project, confirming that Lorna Millington is leading on the project and that Xoserve were holding an industry meeting on 10 August to cover the following areas:

- Future Billing Methodology (FBM).
- Feedback on FBM solutions and potential alternatives/quick fixes.
- Hydrogen Blending Update.
- Distributed Entry Gas Regime Review.

SP also raised a further point in relation to the consideration of exemptions for pilot projects such as Project H100<sup>2</sup> which involves an isolated part of a network which will be using 100%

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<sup>1</sup> <https://futurebillingmethodology.co.uk/faqs/>

<sup>2</sup> <https://www.sgn.co.uk/about-us/future-of-gas/hydrogen/hydrogen-100>



Hydrogen by mid-2024 (located on a new housing estate). He added that Gemini currently holds LDZ CV information and consideration of systems requirements in relation to small innovation projects is needed, especially in relation to billing.

RH thanked JB for his update and suggested that it would be helpful to receive regular updates moving forward.

## 8. Development of Request Workgroup Report

RH confirmed that an interim report had been presented to the March Panel meeting. For the October Panel meeting a Request Workgroup Report will need to be provided to give a brief update on each of the topic areas. She suggested that in advance of the September meeting National Grid provides some draft text to enable discussion of the draft Workgroup Report at the September meeting.

**New Action 0802:** National Grid (JR) to provide a brief update on each of the topic areas included in the Capacity Access Review for inclusion in the draft Workgroup Report to be circulated to Workgroup in advance of the next meeting on 03 September. The draft text to be provided by Wednesday 19 August 2020.

## 9. Next Steps

RH confirmed that the next steps are for the Workgroup to consider the draft Workgroup Report at the September meeting with a view to finalising it at the October meeting.

## 10. Any Other Business

None.

## 11. Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/events-calendar/month](http://www.gasgovernance.co.uk/events-calendar/month)

Time / Date	Venue	Workgroup Programme
10:00 Thursday 03 September 2020	Teleconference	Development of Request Workgroup Report
10:00 Thursday 01 October 2020	TBC	Completion of Request Workgroup Report

**Action Table (as at 06 August 2020)**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0404	02/04/20	2.1	<b>Amended:</b> National Grid (JR) to explore longer-term options for the exit capacity regime (including mirroring the entry regime on the exit side and zonal options and feed into consultation. Review Date: September 2020.	National Grid (JR)	Carried Forward until September
0501	07/05/20	2.1	National Grid to develop consultation regarding the User Commitment options in September.	National Grid (JR)	Carried Forward until September

<b>0601</b>	04/06/20	2.2	<i>Exit User Commitment:</i> Ofgem (ML) to provide an update from NTSCMF which will be circulated to Workgroup	Ofgem (ML)	<b>Closed</b>
<b>0701</b>	02/07/20	2.1	<i>Entry User Commitment:</i> National Grid (JR) to provide a progress update on the changes to the User Commitment requirements in the ECR methodology.	National Grid (JR)	<b>Carried Forward</b>
<b>0702</b>	02/07/20	2.2	<i>Exit User Commitment:</i> National Grid (JR) to discuss the User Commitment Reduction analysis with DNs and provide an update on progress next month	National Grid (JR)	<b>Closed</b>
<b>0703</b>	02/07/20	2.2	<i>Exit User Commitment:</i> National Grid (JR) to confirm whether a change to the Exit User Commitment requirements for capacity within baseline would require a UNC or Methodology change.	National Grid (JR)	<b>Closed</b>
<b>0704</b>	02/07/20	2.2	<i>Substitution:</i> Ofgem to review the concerns raised about the availability of excess capacity and previously provided view that there is plenty of capacity available through the PARCA process	Ofgem (ML)	<b>Carried Forward</b>
<b>0705</b>	02/07/20	2.2	<i>Substitution:</i> National Grid (JR) provide a view of the 3-month PARCA process	National Grid (JR)	<b>Closed</b>
<b>0706</b>	02/07/20	2.2	<i>Substitution:</i> National Grid (JR) to consider transparency of projects and the use of Confidentiality statements and disclosure agreements.	National Grid (JR)	<b>Carried Forward</b>
<b>0707</b>	02/07/20	2.2	<i>Substitution:</i> National Grid (JR) to look at reducing analysis timescales required post enduring application process if that process were to be limited to capacity within baseline and impact this may have on the PARCA process being unavailable.	National Grid (JR)	<b>Closed</b>
<b>0708</b>	02/07/20	2.2	National Grid (JR) to provide a timeline of work under the CAR in preparation for Panel update in October 2020 and to provide better visibility of the options.	National Grid (JR)	<b>Closed</b>
<b>0801</b>	06/08/20	4.0	<i>Substitution:</i> National Grid (ASt) to investigate the preferential substitution from 'closed sites' and to provide a definition of closed site.	National Grid (ASt)	<b>Pending</b>
<b>0802</b>	06/08/20	8.0	National Grid (JR) to provide a brief update on each of the topic areas included in the Capacity Access Review for inclusion in the	National Grid (JR)	<b>Pending</b>

			draft Workgroup Report to be circulated to Workgroup in advance of the next meeting on 03 September. The draft text to be provided by Wednesday 19 August 202.		
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**UNC Workgroup 0720S Minutes**  
**Amendments to the Agreed Target Quantity at the Moffat**  
**Interconnection Point**  
**Thursday 06 August 2020**  
**via Microsoft Teams**

**Attendees**

Rebecca Hailes (Chair)	(RH)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Nield	(AN)	Storengy Ltd
Alfonso De Rueda Garcia	(AG)	Iberdrola
Andrew Pearce	(AP)	BP
Angus Paxton	(AP)	AFRY
Anna Shrigley	(AS)	Eni Trading & Shipping (joined late)
Anna Stankiewicz	(ASt)	National Grid
Bethan Winter	(BW)	Wales & West Utilities
Chris Wright	(CW)	Exon Mobil
Cristian Nitsch	(CN)	Pavilion Energy
Daniel Hisgett	(DH)	National Grid
Elena Murcia	(EM)	Pavilion Energy
Emma Buckton	(EB)	Northern Gas Networks
Ingrid Manso	(IM)	Pavilion Energy
Iwan Hughes	(IH)	VPI Immingham
Jeff Chandler	(JCh)	SSE
Jennifer Randall	(JR)	National Grid
Jonathan Baggott	(JB)	National Grid
Julie Cox	(JCx)	Energy UK
Kamila Nugumanova	(KN)	ESB
Kamla Rhodes	(KR)	Conoco Phillips
Leyon Joseph	(LJ)	SGN
Malcolm Montgomery	(MM)	National Grid (joined late)
Marta Penaranda Gonzalez	(MP)	Iberdrola
Robatto		
Max Lambert	(ML)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Paul Bedford	(PB)	Drax
Phil Hobbins	(PH)	National Grid
Pavanjit Dhesi	(PD)	Interconnector
Ricky Hill	(RH)	Centrica
Shiv Singh	(SS)	Cadent
Sinead Obeng	(SO)	Gazprom
Steven Britton	(SB)	Cornwall Energy
Steve Pownall	(SP)	Xoserve

Copies of all papers are available at: [www.gasgovernance.co.uk/0720/060820](http://www.gasgovernance.co.uk/0720/060820)

## **1.0 Introduction and Status Review**

Rebecca Hailes (RH) welcomed all parties to the meeting.

### **1.1. Approval of minutes (02 July 2020)**

The minutes from the previous meeting were approved.

### **1.2. Approval of Late Papers**

None to approve.

### **1.3. Review of outstanding actions**

None to consider.

## **2.0 Review Amended Modification**

MM provided a brief update on the amended Modification version 3.0 to also include Premier Transmission Limited (PTL) in the new proposed flow arrangements at Moffat.

## **3.0 Completion of Workgroup Report**

RH stated that changes relating to the amended Modification had been translated to the Workgroup Report and took Workgroup through these changes as part of the consideration and completion of the Workgroup Report.

It was noted that:

- The impact section had been amended to include GNI and PTL.
- The timetable was updated to reflect that the Workgroup Report would be considered at the August Panel meeting (reporting back early).
- Relevant Objective b) impact had been amended from *positive* to *none* by National Grid following Workgroup's previous feedback.
- The proposed amendments to the Interconnection Agreement and the Tripartite agreements had been updated and submitted as separate documents.
- A Workgroup participant pointed out that the GNI's consultation (for Ireland) closes on 05 October 2020. It was noted that the Final Modification Report will be discussed by the UNC Modification Panel before the GNI consultation closes. PH indicated that implementation of this Modification could be sixteen days after the Modification Panel decision, subject to no appeal being raised as it would only be the contractual arrangements that are impacted in relation to the other TSOs involved.

## **4.0 Next Steps**

The Workgroup Report will be submitted to the 20 August 2020 Modification Panel with a recommendation to proceed to consultation.

## **5.0 Any Other Business**

None.

## **6.0 Diary Planning**

There are no further Workgroup meetings planned as the Workgroup will have been closed.

**Action Table (as at 06 August 2020)**

<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
			None		