

UNC Modification Panel

Minutes of Meeting 253 held on

Thursday 20 February 2020

at Elexon, 4th Floor, 350 Euston Road, London NW1 3AW

Attendees

Voting Members:

Shipper Representatives	Transporter Representatives	Consumer Representatives
M Bellman (MB), ScottishPower R Fairholme (RF), Uniper D Fittock (DF)*, Corona Energy A Green (AG), Total M Jones (MJ), SSE S Mulinganie (SM), Gazprom	H Chapman (HC), SGN G Dosanjh (GD), Cadent D Lond (DL), National Grid NTS R Pomroy (RP), Wales & West Utilities T Saunders (TS), Northern Gas Networks A Travell (AT), BU UK	N Bradbury, EIUG

Non-Voting Members:

Chairperson	Ofgem Representative	Independent Supplier Representative
W Goldwag (WG), Chair	D O'Neil* (DON)	(None)

Also in Attendance:

S Britton, Cornwall Insight;
P Garner (PG), Joint Office;
R Hailes (RH), Panel Secretary;
R Kealley (RK), Centrica;
A Raper (AR), Joint Office;
E Rogers (ER), Xoserve; and
A Stankiewicz (AS), (National Grid).

**by teleconference*

Record of Discussions

253.1. Introduction

WG welcomed all attendees and noted that J Atherton would no longer be able to

attend Panel, having moved on from Citizen's Advice. Neither of his standing Alternates are available for this meeting or the next. Following some introductory remarks about her keen efforts to encourage Citizen's Advice to pursue appointment of a new representative to the Panel in a timely manner, she then set out the order of business for the meeting.

WG noted that in earlier versions of the agenda, Modification 0680VS - *UNC Changes as a Consequence of 'no deal' United Kingdom Exit from the European Union* had appeared in the Final Modification Report (FMR) section, Item 253.13, however it has since been withdrawn by the Proposer, National Grid. In addition, Workgroup Report 0691S – *CDSP to convert Class 2, 3 or 4 meter points to Class 1 when G1.6.15 criteria are met*, was not due for consideration at this month's meeting as it was not due to report until next month. RH apologised for this oversight.

253.2. Note of any alternates attending meeting

None

253.3. Record of apologies for absence

None

253.4. Minutes from the Last Meeting(s)

Panel Members approved the minutes from the last meeting on 16 January 2020.

253.5. Consideration of Outstanding Actions

Action PAN 02/11: WG to liaise with Ofgem as to how documents, such as Final Modification Reports, sent to the Authority can be improved in future.

Update: WG confirmed that she had met with L Nugent and ascertained that there may have been a tendency to rush through certain aspects of the process with the result that the documentation sent to Ofgem could have been improved. She confirmed that Ofgem find the Panel's discussion, especially on Final Modification Reports, extremely helpful in providing input to their process. PG confirmed that work at the Joint Office is ongoing to improve the consistency of Workgroup Reports.

Closed.

Action PAN 04/11: Code Administrator (JO) to draft a straw person template/dashboard showing Management Information for Modifications in flight for Panel to consider in January 2020.

Update: PG confirmed a straw person is now available internally to the Joint Office, and that the Joint Office was working to try to get root causes identified, for example, for late papers, including which type of Party is causing this. Distribution Workgroup and PAC will have Management Information trialled from beginning March 2020 onwards. MB noted that some reports for PAC have been agreed by PAC to be accepted as delayed, due to very tight turnaround and in the interests of having the very latest up to date information available. PG confirmed these will still be noted as late. WG highlighted that papers must often be sent internally or to constituency colleagues and therefore the 5 Business Day reading time specified in Code is a requirement.

PG confirmed that at Workgroup 0676R, SM had requested consideration of provision of a consolidated set of minutes and provision of a pre-meeting briefing. Both these innovations are being trialled at Distribution Workgroup. She requested and Panel Members agreed to review this again in June.

Carried Forward – review expected June 2020.

Action PAN 05/11: Code Administrator (J O) to consider whether and under which circumstances Panel Member contact details can be made more widely available.

Update: PG confirmed she is to see the Joint Office's Data Protection barrister next week.

Carried Forward – update expected March 2020.

253.6. Consider Urgent Modifications

None

253.7. Consider New Non-Urgent Modifications

a) Modification 0715 – Amendment of the Data Permission Matrix to add Electricity System Operator (ESO) as a new User type

AS outlined why the change was required, noting when asked that this is similar to previous requests to add User types to the DPM. National Grid is a party in Code (listed currently as National Grid Gas), however the Electricity System Operator (ESO) was established last year as separate legal entity; it is this organisation which will now produce the Future Energy Scenarios (FES) and the Electricity Ten Year Statement (ETYS), as required by licence. There is only one route to add the ESO to the DPM. DI highlighted that the route of considering the ESO as a Research User (see Modification 0702S - *Introducing 'Research Body' as a new User type to the Data Permissions Matrix and UNC TPD Section V5*) had been considered and deemed inappropriate.

RP asked what was currently happening, in terms of the information sourcing for the FES.

<p>New Action PAN 01/02: CDSP (ER) and National Grid (DL/AS) to ascertain how the data for the latest FES was obtained.</p>

Panel Members noted that the mechanism for giving actual access to the data will require the DSC Change Committee to consider which data items will be required and approve these.

Some Panel discussion took place centred around whether this Modification would require a change to UNC TPD Section V5.

Workgroup Questions:

- Consider what data is already available and whether the ESO still needs to be progressed

Panel Members noted that an IGT Modification is likely to be required. The Joint Office will highlight this to the Chair of the IGT-UNC Panel.

Post Meeting note: An email was sent to the Chair of the IGT-UNC Panel on 21 February 2020.

For Modification 0715 Members determined:

- It is not related to the Significant Code Review, by unanimous vote (13 out of 13);
- The criteria for Self-Governance are met as this Modification is unlikely to have a material impact on gas consumers, competition, pipeline operations, security of supply, governance procedures and does not discriminate between code parties, by unanimous vote (13 out of 13);
- That Modification 0715 be issued to Workgroup 0715 with a report by the 21 May 2020 Panel, by unanimous vote (13 out of 13).

b) Modification 0716 – Revision of Overrun Charge Multiplier

AS outlined why the change was required, noting that the likely outcome of Modification 0678/A/B/C/D/E/F/G/H/I/J (Urgent) - *Amendments to Gas Transmission Charging Regime* will lead to a greater proportion of capacity charges. As part of Request Modification 0705R - NTS Capacity Access Review National Grid has noted an unintended consequence being a significant and unacceptable increase in the average Overrun Charge for both Entry and Exit using the current multiplier (x 8). A change to the multiplier to align with the implementation of Modification 0678A is needed. Of the three routes assessed, revising the multiplier is preferred as it maintains the incentive for Shippers to purchase capacity consistent with their flow requirement. The other two routes were considered by the Proposer and also by Workgroup through Pre-Modification engagement to be unlikely to be successful.

RF highlighted that in the Modification Proposal text itself it is not clear exactly what the proposal is until very late in the document. He suggested outlining the preferred solution much earlier in the text. ASs confirmed the preferred solution is to reduce the multiplier at Entry to x 4 and at Exit to x 6, both are currently x 8. RF also noted for Panel Members that at Workgroup there was not a consensus around this solution.

AS and DL both emphasised that the justification for the Modification is tied to Modification 0678A but the text is not contingent on Modification 0678A. If 0678A is not implemented this Modification 0716 could still be implemented but would not be needed. In addition, the analysis given in the Modification is calculated twice, once on the current baseline and again if based on 0678A.

SM questioned whether the Modification should rightfully be a Request to refine the proposal as some may not agree that x 4 is correct. DL stated that this is a short term fix, a longer term review would look at the issue in the round. RP asked whether the current level of overrun charges is considered to be optimal. DON stated that Ofgem agree with the principle that overrun charges should be minimised.

PG asked for consideration of the timeline considering that there may be alternatives raised. DL confirmed that in the Modification there is some small amount of time for this and highlighted that the timeline enables the FMR to come back to Panel in June 2020 for a recommendation and that the Modification would then likely go to Ofgem for a final decision. DON noted that if Ofgem is to make a decision on the Modification in the timeframe required, it needs to be returned back to Panel quickly.

RP asked where overrun revenue went and DL replied that it is collected into SO incentive, which via constraint management then comes back as SO Commodity. AS further clarified, that at Entry the revenue is part of neutrality and at Exit it depends on the Transporter's allowed revenue. If the amount takes the Transporter over the Allowed Revenue it is shared back to Users as SO Commodity.

Workgroup Questions:

- Consider Consumer Impacts
- Consider materiality of the Proposal in terms of governance of the Modification.

TS, HC and RP confirmed they did not consider the Modification was likely to have a material impact and therefore should be self-governance, using information from the Proposal. MB stated that it appeared that charges could be passed through which could become material and therefore the Modification should follow Authority Direction.

Panel Members were not sure whether or not there may not be a cross code impact and the Joint Office will highlight this to the Chair of the IGT-UNC Panel.

Post Meeting note: An email was sent to the Chair of the IGT-UNC Panel on 21 February 2020.

For Modification 0716 Members determined:

- It is not related to the Significant Code Review, by unanimous vote (13 out of 13);
- The criteria for Self-Governance are not met as this Modification is unlikely to have a material impact on gas consumers, competition, pipeline operations, security of supply, governance procedures and

does not discriminate between code parties, by majority vote (10 out of 13);

- That Modification 0716 should not report back to panel in May 2020, by unanimous vote but rather that Modification 0716 be issued to Workgroup 0716 with a report by the 18 June 2020 Panel, by majority vote (10 out of 13).

253.8. Existing Modifications for Reconsideration

Regarding **Modification 0667** – *Inclusion and Amendment of Entry Incremental Capacity Release NPV test in UNC*, DON confirmed Ofgem would be publishing a decision today or tomorrow.

Regarding **Modification 0686** - *Removal of the NTS Optional Commodity Rate with adequate notice*, DON confirmed that Ofgem was still doing some analysis on this Modification and that he had spoken to the Proposer a week ago. The decision was still likely to take a few more weeks.

Regarding **Modification 0687** - *Creation of new charge to recover Last Resort Supply Payments*, DON confirmed that Ofgem is currently looking at this Modification and is working to come to a decision as soon as possible. AG requested clarification of what is holding up the decision, noting that the equivalent Modification for the Electricity regime has been approved. DON confirmed that analysis was still underway in particular as to whether a licence change was necessary. AG asked which licence was in question and DON was unsure. AG stated that the consideration of the licence was a separate issue and that there was no reason why they are linked.

New Action PAN 02/02: Ofgem (DON) to ascertain which licence was under consideration as part of the decision making on Modification 0687.

National Grid Update on consequential changes as a result of Modification 0678/A/B/C/D/E/F/G/H/I/J (Urgent) - Amendments to Gas Transmission Charging Regime

DL outlined National Grid's proposed approach for a forthcoming UNC proposal to incorporate a charging product for managing inefficient bypass. He stated that in its minded to position on UNC0678, published in December 2019, Ofgem expressed a preference for 0678A and for implementation on 01 October 2020. In Ofgem's decision letter the opportunity for a shorthaul proposal was briefly outlined and in response, as well as utilising work undertaken as part of Request 0670R, National Grid intends to raise a new Shorthaul proposal to be in place for 01 October 2020.

DL confirmed that in order to facilitate these changes to be decided upon at the same (or similar) time as Modification 0678/A/B/C/D/E/F/G/H/I/J (Urgent) - *Amendments to Gas Transmission Charging Regime* (but not before) National Grid is proposing an approach that could deliver this. The approach chosen recognises that a change must be raised soon, and that National Grid believed this was achievable under the current UNC process, providing reasonable time for both consultation and for Ofgem decision making.

DL further clarified that the chosen approach will be via an Urgent Modification Proposal. If Ofgem accepts the urgent status, the Modification Proposal would be expressed as conditional on approval of a UNC0678 version (thereby changing the UNC baseline). Should a 0678 version not be approved, the Modification Proposal would cease to have effect. National Grid intends to present a fully worked, analysed Modification, with Legal Text, and will submit this to the Joint Office and thereby Ofgem for Urgent consideration to proceed directly to consultation. A full timeline will be included in the proposal which should be available following the NTSCMF Workgroup meeting on 03 March 2020. He further stated that the timeline would bring the Final Modification Report back to the April 2020 Panel.

PG stated that as Head of the Joint Office she believed that this approach represents an unknown and that in her view, based on her own interpretation of the Modification Rules, the rules don't allow conditional modifications, adding that this approach has not been tried before.

WG asked whether there was any other alternative way of approaching the issue.

RP clarified that the process is separate to the merit or otherwise of the Proposal. His concern was centred around the process and approach. His view was that whether or not National Grid believe the approach to be viable, raising a Modification in this way would set a precedent which he did not believe was helpful in the longer term. He urged National Grid to re-think their approach.

RP added that an alternative route would be for National Grid to raise an urgent Modification to change the Modification Rules.

DL countered that National Grid did not believe that raising an Urgent Modification to change the process was the right thing to do.

DON clarified, when asked that Ofgem had issues its minded to position on 24 December 2019, the consultation closes on 24 February 2020 and according to the rules Ofgem would make its decision by 22 July 2020. He added that in practice the decision would be required in May 2020 to allow for publication of prices in June by National Grid for the Interconnector auction in July.

TS stated that she believed that as the Modification Rules stand, this approach would not be possible, however she noted that an Urgent Modification opens up the potential for Ofgem to disapply the rules. She also offered an alternative solution that Ofgem could bring the 0678A implementation date in line with the regulatory timeline i.e. implementation in April 2021 which would allow changes to be brought through in a more satisfactory manner.

DL stated that it was National Grid's view that the approach outlined was working within the rules.

SM asked if any Panel Members had sought a legal view. Those Panel Members who offered an opinion, including TS, stated that it was their own interpretation of the rules, adding that they felt uncomfortable with the approach outlined by National Grid

RP suggested that National Grid would do Panel a service if the points on the 4th slide were substantiated in writing. DL clarified briefly that this related to Modifications 0636, 0653 and 0621 and those Modifications related to Project Nexus and offered to provide some more information.

WG asked Panel Members to consider that though this approach might be new, was it similar to other things that had been done before. SM noted that National Grid was stating it believed the approach was appropriate.

TS asked Panel to consider Modifications Rules 10.1.2 b):

10.1.2

If the Authority considers it appropriate that the Modification Proposal referred to in paragraph 10.1.1 should be treated as an Urgent Modification Proposal:

(a) the Secretary shall notify each Transporter, each User, each Independent Gas Transporter, each Member and each Non-Code Party (if any) and the CDSP;

(b) to the extent that the Authority agrees with the recommendation made in the procedure and timetable submitted by the Code Administrator, all or any of the Modification Rules (including, but without limitation, consulting with the Modification Panel and seeking representations from each Transporter, Users, Independent Gas Transporters and any Non-Code Party and the CDSP), may be deviated from or any other procedure accepted by the Authority may be followed;

RH clarified that the Authority can deviate from the rules, but her understanding of previous Urgent Modifications was that the Ofgem decision letters issued on first receipt of an Urgent Modification were decisions only on the Urgency request, not the merits or otherwise of the Modification or its approach.

RF clarified that under the approach outlined, Panel may not be involved again.

NB stated he believed that the actual solution being proposed by National Grid is not relevant since it relates to the cost of building pipeline(s) for individual sites, whereas in reality sites would cluster together, In this way the shorthaul proposal would not help avoid inefficient bypass of the NTS and many large users would leave the NTS with the result that costs for all remaining Users would increase significantly.

PG highlighted that other Parties could raise an alternative and noted the Modification Rules relating to Materially Affected Parties (Modification Rules Paragraph 1.4).

WG thanked National Grid for bringing their plans to the attention of Panel.

253.9. Consider Workgroup Issues

None

253.10. Workgroup Reports for Consideration

a) Modification 0664 – Transfer of Sites with Low Read Submission Performance from Class 2 and 3 into Class 4

Panel Members noted the Workgroup Report recommendations.

For Modification 0664, Members determined:

- It should be issued to consultation with a close out date of 19 March (20 days consultation), by unanimous vote.
- To be considered at 16 April 2020 Panel, by unanimous vote.

Panel Members requested an additional question for the consultation response template:

- Consider whether proposal has an impact on Shippers who ship for other parties

b) Request Modification 0676R - Review of Gas Transporter Joint Office Arrangements

PG noted some of the innovations coming out of the Request Workgroup were proving extremely beneficial, SM was pleased with this outcome.

Panel Members noted the Workgroup Report recommendations.

For Request Modification 0676R, Members determined:

- That Modification 0676R should be referred back to Workgroup 0676R for further assessment, with a report by the 16 July 2020 Panel, by unanimous vote (13 out of 13).

c) Modification 0707S - Introducing ‘Performance Assurance Framework Administrator’ as a new User type to the Data Permissions Matrix

Panel Members noted the Workgroup Report recommendations.

For Modification 0707S, Members determined:

- It should be issued to consultation with a close out date of 12 March 2020,-by unanimous vote.
- To be considered at 19 March 2020 Panel at short notice, by unanimous vote.

d) Modification 0711S - Update of AUG Table to reflect new EUC bands

Panel Members noted the Workgroup Report recommendations.

For Modification 0711S, Members determined:

- It should be issued to consultation with a close out date of 12 March 2020,-by unanimous vote.
- To be considered at 19 March 2020 Panel at short notice, by unanimous vote.

e) Modification 0712S - Amending the oxygen content limit in the Network Entry Agreement (NEA) at the St Fergus SAGE plant

Panel Members noted the Workgroup Report recommendations.

For Modification 0712S, Members determined:

- It should be issued to consultation with a close out date of 19 March (20 days consultation), by unanimous vote.
- To be considered at 16 April 2020 Panel, by unanimous vote.

253.11. Consideration of Workgroup Reporting Dates and Legal Text Requests

Members determined unanimously to extend the following Workgroup reporting date(s), recorded here with some additional data:

Modification number and title	Original Panel reporting date	Current Panel reporting date	Requested Panel reporting date	Reason for request to change Panel reporting date/Comments
0697S - Alignment of the UNC TPD Section V5 and the Data Permissions Matrix	15/08/19	19/03/20	April 2020	Requested by Distribution Workgroup to allow for remaining Workgroup assessment as at 23/1/20.
0674 - Performance Assurance Techniques and Controls	19/9/19	19/03/20	June 20	Requested by Workgroup Chair AR in light of queries around text of modification in relation to Legal Text drafting, two associated documents still awaited as at 30/1/20
0693R - Treatment of kWh error arising from statutory volume-energy conversion	19/12/19	19/03/20	June 20	Requested by Workgroup Chair RH in light of lack of information around gas temperature as at 29/1/20.

Members determined unanimously to request Legal Text for the following modification(s):

Legal Text Requests for Modifications
0691S - CDSP to convert Class 2, 3 or 4 meter points to Class 1 when G1.6.15 criteria are met

253.12 Consider Variation Requests

None discussed.

253.13 Final Modification Reports

a) Modification 0690S - Reduce qualifying period for Class 1

Panel discussion: see the Final Modification Report published at:

<https://www.gasgovernance.co.uk/0690>

Panel Members then determined:

- That there were no new issues requiring a view from Workgroup, by unanimous vote;
- To implement Modification 0690S, by unanimous vote (13 out of possible 13).

253.14 AOB

a) BEIS amendment to TPD V5.17

RP and other Panel Members confirmed that consultation on this proposed change to UNC had now closed and the next step is that secondary legislation will be required, preferably in this parliamentary period

b) Responses to Ofgem Switching SCR and Retail Code Consolidation SCR

PG highlighted that the response to the letter from Ofgem had been sent on 19 February 2020. JD thanked the Chair and the GTs for their separate responses to Rachel Clark's letter of 03 February 2020; a version of which had been sent to each of the industry codes that will be impacted by the forthcoming Switching and Retail Code Consolidation SCRs. The letter was seeking assurance from the relevant code bodies that red-line text showing the consequential changes to each of the affected codes would be ready to submit to Ofgem by the end of March 2020. This assurance was provided in the GT response, noting that the GTs had complied with the original Ofgem request for text to be produced by March 2019.

WG's response highlighted the ongoing support of the Joint Office and the UNC Modification Panel for the aims of the Ofgem SCRs. In response to the proposed SCR timelines, it was noted that the scheduled UNC Panel for January 2021 falls on the 21st, which seems too late to produce a quality Final Modification report in support of an Ofgem decision on the SCRs by the end of that month. JD acknowledged this was the case but emphasised the importance of that decision being made by the end of January in order that the code and licence modifications could be decided upon as a package, and for them to have effect by 01 April 2021. JD noted the suggestion that the UNC Panel recommendation should instead be given at the December 2020 meeting. He added that whilst Ofgem aims to progress the SCR modifications using the normal modification procedures of each of the impacted codes, this may not be practicable and it may be necessary to ask one or more panels to hold an extraordinary meeting in order that the overall timetable can be met.

WG noted that the size of the various Panels varied hugely and she hoped that the impact on the number of people's diary would be taken into account in any decision.

JD also welcomed the agreement in principle to progress the consultation and production of reports on the SCR proposals in collaboration with the other code administrators, allowing Parties to respond to a single consultation and for Ofgem to get all of the necessary information in a single report. However, it was also acknowledged that the report would have to clearly set out the recommendation of each Panel against the separate relevant objectives applicable to each code. JD welcomed the suggestion that such a joint report could suitably be produced by the chair of the CACoP (this is currently Gemserv) but added that Ofgem was also open to alternative approaches, such as procuring support from a third party.

Finally, JD confirmed that Ofgem would be speaking to each of the relevant code administrators in the coming weeks to further develop the planning for the latter stages of the SCR process, and that he should be in a position to give a more detailed update to the UNC Panel at its March meeting. WG welcomed this suggestion.

RP confirmed that the DNs would give an update to Distribution Workgroup in March 2020.

250.15 Date of Next Meeting

- 10.30, Thursday 19 March 2020, at Elexon.

Action Table (20 February 2020)						
Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update	Date of Expected update
PAN 02/11	21/11/19	250.13a	WG to liaise with Ofgem as to how documents, such as Final Modification Reports, sent to the Authority can be improved in future.	WG	Closed	-
PAN 04/11	21/11/19	250.11	Code Administrator (J O) to draft a straw man template/dashboard showing Management Information for Modifications in flight for Panel to consider in January 2020.	Joint Office (PG)	Carried Forward	June
PAN 05/11	21/11/19	250.14b	Code Administrator (J O) to consider whether and under which circumstances Panel Member contact details can be made more widely available.	Joint Office (PG)	Carried Forward	March
PAN 01/02	20/02/20	253.7b	CDSP (ER) and National Grid (DL/AS) to ascertain how the data for the latest FES was obtained.	CDSP (ER) and National Grid (DL/AS)	Pending	March
PAN 02/02	20/02/20	253.8	Ofgem (DON) to ascertain which licence was under consideration as part of the decision making on Modification 0687.	Ofgem (DON)	Pending	March