

UNC Transmission Workgroup Minutes
Thursday 05 March 2020
at Elexon, 350 Euston Road, London, NW1 3AW

Attendees

Alan Raper Chair	(AR)	Joint Office
Helen Bennett (Secretary)	(KV)	Joint Office
Lorraine O'Shaughnessy	(LOS)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Barnes	(ABa)	Waters Wye Associates
Andrew Pearce	(AP)	BP
Angus Paxton	(APa)	Afry
Anna Shrigley	(AS)	Eni Trading & Shipping
Anna Stankiewicz	(ASt)	National Grid
Ashley Adams	(AA)	National Grid
Bethan Winter	(BW)	Wales & West Utilities
Bill Reed*	(BR)	RWE
Chris Wright	(CW)	ExxonMobil
David Mitchell*	(DM)	SGN
David Adlam	(DA)	Cadent
Debra Hawkin	(DH)	TPA Solutions
Emma Buckton*	(EB)	Northern Gas Networks
Jeff Chandler*	(JCh)	SSE
Jennifer Randall	(JR)	National Grid
John Costa	(JC)	EDF Energy
Julie Cox	(JCx)	Energy UK
Justin Goonesinghe	(JG)	BEIS
Kamila Nugumanova	(KN)	ESB
Kamla Rhodes	(KR)	Conoco Phillips
Lea Slokar	(LS)	Ofgem
Leyon Joseph*	(LJ)	SGN
Malcolm Montgomery	(MM)	National Grid
Paul Youngman*	(PY)	Drax
Phil Hobbins	(PH)	National Grid
Richard Fairholme*	(RF)	Uniper
Richard Pomroy	(RP)	Wales & West Utilities
Steve Pownall	(SP)	Xoserve
Steven Britton	(SB)	Cornwall Energy
Terry Burke	(TB)	Equinor
Tracy Brogan*	(TB)	Neptune Energy
Will Webster	(WW)	Oil & Gas UK

*via teleconference

Copies of all papers are available at: www.gasgovernance.co.uk/tx/050320

1. Introduction and Status Review

1.1. Approval of minutes (06 February 2020)

The minutes from the previous meeting were approved.

1.2. Ofgem update

An overview was provided by Lea Slokar (LS) of the Industry Updates document which covered the following topics:

- RIIO Gas Transmission Annual Report 2018-19

On 7 February 2020 Ofgem published the RIIO1 Gas Transmission Annual Report for 2018-19 (together with other network companies' reports) which gives stakeholders information on the performance of National Grid Gas Transmission (NGGT) against its price control obligations and incentives during the sixth year of the RIIO-1 price control which runs from 2013 to 2021. It also provides information on NGGT's updated forecast for the remaining years of RIIO-1.

<https://www.ofgem.gov.uk/publications-and-updates/riio-1-gas-transmission-annual-report-2018-19>

- Ofgem Review of GB System Operation – Terms of Reference

On 13 February 2020 Ofgem published the Terms of Reference for the Review of GB System Operation. The aim of the review is to consider the current and future challenges facing GB System Operation and assess whether we have the right governance framework in place to deliver the UK's net zero emissions target at lowest cost to consumers. The review will provide the government with an objective and evidence-based assessment of GB System Operation, in the context of decarbonisation. We set out the context, scope, approach and expected timeline on our website.

<https://www.ofgem.gov.uk/publications-and-updates/ofgem-review-gb-system-operation-termsreference>

- SouthHook LNG Terminal Company LTD's application for exemption from regulated third party access for additional capacity - Our initial views and questions for consultation

On the 9 October 2018, South Hook LNG Terminal Company Ltd submitted to Ofgem an application for additional capacity of ~5.3 billion cubic meters per year to be exempted from regulated Third Party Access (rTPA) for at least 25 years. The application was consistent with section 19C(2) of the Gas Act 1986 (as amended). The rTPA provisions in relation to LNG import facilities are contained in section 19D of the Gas Act. On 14 February 2020 Ofgem published a consultation document setting out Ofgem's initial view that an exemption can be granted for the additional capacity. The consultation closes on 30 March 2020.

<https://www.ofgem.gov.uk/publications-and-updates/south-hook-lng-terminal-company-ltd-application-exemption-regulated-third-party-access-additional-capacity-our-initial-views-and-questionsconsultation>

- NTS Charging Methodology Forum (NTSCMF) session with CEPA on UNC678 quantitative analysis - 11 February 2020

On 11 February 2020, Ofgem invited CEPA to the February NTS Charging Methodology Forum (NTSCMF) meeting, organised by the Joint Office of Gas Transporters. CEPA delivered a presentation regarding the quantitative analysis it undertook for Ofgem which informed our recent Gas Transmission Charging Review minded to decision and draft impact assessment. After the meeting, CEPA provided written answers to questions raised by industry parties. On 14 February 2020 Ofgem published CEPA's presentation and written answers for information.

<https://www.ofgem.gov.uk/publications-and-updates/nts-charging-methodology-forum-ntscmfsession-cepa-unc678-quantitative-analysis-11-february-2020t>

- 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

On 20 February 2020 Ofgem rejected Uniform Network Code (UNC) 667: Inclusion and Amendment of the Entry Incremental Capacity Release Net Present Value test in the Uniform Network Code (UNC667).

<https://www.ofgem.gov.uk/publications-and-updates/decision-reject-uniform-network-code-unc-667-inclusion-and-amendment-entry-incremental-capacity-release-net-present-value-test-uniform-networkcode>

JCx asked Ofgem to further clarify on their decision to reject the implementation of Modification 0667. LS confirmed the Ofgem decision was based purely on what was being proposed, protecting consumers interest and the current status of UNC. The reasons for rejection are clearly set out in the Industry Letter of non implementation.

JCx also asked for clarity on the direction of travel on the NPV test and Decarbonisation, adding that this is time pressured now and that the December Plan that Ofgem published only marginally referred to this topic.

New Action 0301: Ofgem to provide further clarity on the progression of decarbonisation in order to better understand the decision to reject Modification 0667.

New Action 0302: With reference to the NPV Test to progress decarbonisation, Ofgem to provide clarity on the direction of travel.

1.3. Pre-Modification discussions

1.3.1. Offtake Profile Notification Amendments at Moffat Interconnection Point (MM)

The purpose of this Modification is to change definition of Agreed Target Quantity in the Interconnection Agreement between National Grid Gas plc and GNI (UK) Ltd.

MM provided presentation which included:

Background

MM advised the purpose of this Modification and explained GNI currently provide National Grid with notifications that contain an End of Day quantity based on the aggregation of the prevailing net shipper nominations. (and any OBA CSD correction). This is defined as the 'Agreed Target Quantity'.

Since the introduction of EU Network code and Corrib field coming online, GNI (UK) have been experiencing issues with Entry Nominations at Moffat IP being revised upwards by shippers throughout the day.

This is understood to be due chiefly to the 1/24 rule, INFR and lack of a within day balancing incentive.

Typically, between 8pm and 1am Shippers begin Nominating to match their Aggregate Exit Nominations.

Moffat Entry Nominations Vs. Aggregate Exit Demand

MM explained that the dark blue graphical lines represent the GB exit nominations at Moffat and are consistently quite low, as the day progresses, the chart shows what would be expected in terms of nominations.

Issues

MM advised that the methodology is quite restrictive, unreliable information provided to National Grid affects balancing arrangements, inefficient compressor usage and inaccuracies in the Predicted Closing Linepack (PCLP) figures published. PCLP is the only available linepack forecast made available by National Grid therefore can have significant impact on market prices and trading behaviour.

Proposal

The proposed change is to calculate the Agreed Target Quantity by instead using aggregate exit demands within GNI's system, with adjustments for virtual reverse flows and subtracting the anticipated entry quantities at other Entry Points on the island of Ireland.

Benefits

When asked how much the detriment on commercial balance is, MM explained it is more the accumulation of inaccurate data that could result in inefficient action. MM confirmed this is a contributing factor when decisions are made. PY added it is not clear what the benefits are for this proposal, whereas better MI is good, he would like to see more evidence and a robust justification for the proposed solution. MM concluded by saying that logic for the solution is that the better information received, the better the decisions made.

MM went on to explain that Shippers are reluctant to nominate earlier in the day, which is why the trend can be seen towards the end of the day.

GNI did look at introducing a within day balancing mechanism which was rejected and other solutions have not been accepted either.

APa said it would be helpful if it was clear what is causing the issues and if they are Irish or British issues, also, is this the right solution.

In terms of timing, MM will update the proposal with the suggested comments from this Workgroup. When asked, he advised that he is unsure if GNI are planning to raise a similar Modification.

MM proposed a 3 month timeline for this Modification as there is no change to the UNC and the solution can be implemented by the insertion of just one paragraph in the Interconnection Agreement.

Considerations

- If the Exit Flow Profile was miscalculated and there was significant deviation between the End of day nominations and the measurement, a non-OBA day may be called.
- What steps can be taken to ensure that there is no additional risk on the OBA.

2. Industry Engagement on the EU Future Trade Arrangements (FTA) Mandates

Justin Goonesinghe (JG) provided an overview of BEIS's approach to the EU/UK negotiations on future trading arrangements. The update is included in The Future Relationship with the EU the UK's Approach to Negotiations paper:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/868874/The_Future_Relationship_with_the_EU.pdf

JG advised that negotiations had started this week in Brussels and that it has been agreed by HMG that Gas and Electricity was an important trade area and would be included in the initial topics for discussion. It is recognised by both sides that there is potential to have an agreement in terms of Gas and Electricity that has mutual benefit.

When asked, JG stated that there is a legal obligation to domesticate the EU Law during the Withdrawal Agreement, (WA), phase and that the EU would be the arbiter in terms of ensuring that UK obligations under EU law are being adhered to.

Way forward

The UK negotiation is being led by Chief Negotiator David Frost. Discussions are taking place every 2-3 weeks alternating between London and Brussels.

Post meeting note: Please find attached a link to No 10' summary of the first round of negotiations: [blog post](#).

Questions:

JCh asked if it is likely that tariffs would be set on exports; JG advised, on the basis of the previous no deal planning, he would not expect tariffs to be set on Gas and Electricity. Even if the EU place tariffs on certain exports, they would need to be applied consistently to all third countries.

Going forward Workgroup agreed for this topic to be added to the agenda. The next key date is in June where a high-level conference is being held. JG advised that by May, he will have a better feel for whether Energy will have settled on a potential landing zone and reiterated that there has been a positive start to negotiations.

CW asked how BEIS are keeping themselves up to date; JG advised, throughout no deal planning, and subsequently moving into to the transition arrangements, they have a significant programme of industry engagement' and holding regular Industry engagement, adding that last year many Industry forums were held. Moving forwards, BEIS remains keen to hear from stakeholders and welcomes the opportunity to discuss important issues relating to energy trading.

3. European Code Update – PH

Phil Hobbins (PH) provided an update to the ENTSOG 2050 Roadmap for Gas Grids Workshops and advised that ENTSOG published its 2050 Roadmap document in December 2019. Workshops are now scheduled in Brussels to debate how best to combine a well-functioning, liquid EU Gas Market and maintain security of gas supply with the commitment to decarbonise:

- 10 March – Workshop 1: EU Gas Market for New Gases
- 17 March – Workshop 2: Innovative Regulatory Approach for the Energy Transition – Sector Coupling & Regulatory Sandbox
- 26 March – Workshop 3: Principles for EU Gas Qualities, handling of Hydrogen and CO2 Transportation

If parties are interested in attending any of the Workshops, PH recommended contacting ENTSOG. Participants were advised to contact PH to register to attend the Workshops, as the link provided on the presentation does not work.

4. Gas Quality Institution of Gas Engineers and Management (IGEM)

Ian McCluskey (IM) from IGEM provided a presentation on a New IGEM Gas Quality Standard for Net Zero Emissions which covered:

Background

IGEM are the professional engineering institution for gas, formed to support individuals and organisations connected with the Gas Industry.

Their core aim is to help all those involved with gas to achieve and maintain the highest standards of professional competence.

This is done by publishing technical standards, delivering high quality events and courses that contribute to professional development and by bringing people together through membership to share knowledge, expertise and best practice.

IGEM are licensed by Engineering Council to award Chartered Engineer, Incorporated Engineer and Engineering Technician status and assist individuals to become professionally registered engineers.

Working with stakeholders from across the industry we seek to represent the views of our members and the wider gas community and to inform and influence current and future gas and energy policy.

Gas Quality Working Group

IM explained that in 2016 they started to review the gas quality in the UK.

Gas Quality Standard – Aims

IM advised the aim is the facilitating the safe injection of a wider range of gases.

Gas Quality Standard – key gas network innovation projects

IM advised the problem with injecting biomethane is that it lowers the CV for end consumers, which means they would pay more to get the same amount of energy. The CV capping rules and future billing, will cause issues and will be a significant future challenge.

There followed some comments being made on this topic, particularly on the subject of Declared CV and billed consumption, as follows:

SP clarified that the scale is where the problems will materialise which will cause large issues for consumers. While these projects are in pilot phase, the consequences could be managed but the tactical solution would not be sustainable for a large-scale roll-out and considerable system changes would be required to mitigate the effect of wide-scale CV variations.

JCx said this has not gone too much into the domestic side of things, flow rated average and capping rules would apply, although it was noted that if the measured volume of gas was at a CV below the capped value, the energy consumed would be less than that billed.

Summary of changes

IM talked through the summary of proposed changes to the Gas Quality Standard summarised on slides 15-17.

IM advised IGEM are not proposing any changes on hydrogen content at this stage.

Industry peer review

IM advised a revised draft of the supporting document will be provided to the Transmission Workgroup, expected next week, after that there will be an Industry wide consultation on the standard.

Questions

JCx challenged the Governance of the standard, once it sits with IGEM, the engagement and transparency of the process and role of TCC. TCC only looks at process and not content and that there is no transparency of consultation process.

New Action 0303: *Gas Quality Institution of Gas Engineers and Management (IGEM):* IM (IGEM) to feedback to Workgroup in terms of transparency. Industry cannot support a change like this without knowing how it is going to be governed going forward. Clarity is required before it goes out to Government consultation.

When asked, IM confirmed that the GSMR and UNC / Network Entry Agreement interface has not been elaborated on as part of this process.

EB highlighted there is a Workshop being held on 20 March 2020, Future of Gas Steering Group at The Strand, London.

New Action 0304: *Gas Quality Institution of Gas Engineers and Management (IGEM):* Joint Office to publish the IGEM presentation.

Post meeting update: *This has been published and can be found here:*
www.gasgovernance.co.uk/tx/050320

5. Workgroups

5.1. 0705R – NTS Capacity Access Review 0671 – New Capacity Exchange process at
(Report to Panel 15 October 2020)
www.gasgovernance.co.uk/0705

5.2. 0713S – Amendments to TPD V3.1.7 Independent Assessment table

(Report to Panel 16 April 2020)

www.gasgovernance.co.uk/0713

5.3. 0714 – Amendment to Network Entry Provision at Perenco Bacton terminal

(Report to Panel 21 May 2020)

www.gasgovernance.co.uk/0714

5.4. 0716 - Revision of Overrun Charge Multiplier

(Report to Panel 18 June 2020)

www.gasgovernance.co.uk/0716

6. Any Other Business

None.

7. Review of Outstanding Actions

Action 1203: ~~Neptune Energy/Centrica (TB) to contact Ofgem (LS) to contact the HSE to ascertain if there was a requirement for them to undertake an Impact Assessment.~~

Update: AR proposed this action was carried forward and moved to the 0714 Workgroup. It was agreed this action should be on Ofgem to contact the HSE in relation to an Impact Assessment requirement. **Carried forward**

8. Diary Planning

Further details of planned meetings are available at:

<https://www.gasgovernance.co.uk/events-calendar/month>

Time / Date	Venue	Workgroup Programme
10:00 Friday 02 April 2020	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Transmission Workgroup standard Agenda plus any associated Modifications
10:00 Friday 07 May 2020	Elexon - Orange room 350 Euston Road London NW1 3AW	Transmission Workgroup standard Agenda plus any associated Modifications
10:00 Friday 04 June 2020	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Transmission Workgroup standard Agenda plus any associated Modifications

Action Table (as at 05 March 2020)					
Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1203	05/12/19	1.3.4	Neptune Energy/Centrica (TB) to contact Ofgem to ascertain if there was a requirement for them to undertake an Impact Assessment.	Neptune Energy/Centrica (TB)	Carried forward (Transferred to the 0714 Workgroup)
0301	05/03/20	1.2	Ofgem to provide further clarity on the progression of decarbonisation in order to better understand the decision to reject Modification 0667.	Ofgem	Pending
0302	05/03/20	1.2	With reference to the NPV Test to progress decarbonisation, Ofgem to provide clarity on the direction of travel	Ofgem	Pending
0303	05/03/20	4.0	<i>Gas Quality Institution of Gas Engineers and Management (IGEM):</i> IM (IGEM) to feedback to Workgroup in terms of transparency. Industry cannot support a change like this without knowing how it is going to be governed going forward. Clarity is required before it goes out to Government consultation.	IGEM (IM)	Pending
0304	05/03/20	4.0	<i>Gas Quality Institution of Gas Engineers and Management (IGEM):</i> Joint Office to publish the IGEM presentation	Joint Office (AR)	Closed