

UNC Workgroup 0847 Minutes
Introduction of a Minimum General Non-Transmission Services Charge
Tuesday 06 June 2023
via Microsoft Teams

| Attendees | | |
|-----------------------------|--------|--------------------------------|
| Eric Fowler (Chair) | (EF) | Joint Office |
| Mike Berrisford (Secretary) | (MiB) | Joint Office |
| Adam Bates | (AB) | SEFE Marketing & Trading |
| Alex Nield | (AN) | Storengy |
| Anthony Miller | (AM) | South Hook Gas |
| Andrew Pearce | (AP) | BP |
| Anna Shrigley | (ASh) | Eni |
| Carlos Aguirre | (CA) | Pavilion Energy |
| Christiane Sykes | (CS) | Shell Energy Europe Ltd (SEEL) |
| Chris Wright | (CWrr) | Exxon Mobil |
| Claire Caple | (CC) | E.ON |
| Colin Williams | (CWi) | National Gas Transmission |
| Daniel Hisgett | (DH) | National Gas Transmission |
| Daniel Wilkinson | (DW) | EDF Energy |
| David Bayliss | (DB) | National Gas Transmission |
| George Moran | (GM) | British Gas |
| Joseph Glews | (JG) | Ofgem |
| Julie Cox | (JCx) | Energy UK |
| Kirsty Appleby | (KA) | National Gas Transmission |
| Kieran McGoldrick | (KM) | National Gas Transmission |
| Lucy Manning | (LM) | BP |
| Marion Joste | (MJ) | Eni |
| Mariachiara Zennaro | (MZ) | Centrica |
| Nick Wye | (NW) | Waters Wye Associates |
| Oreoluwa Ogundipe | (OO) | Interconnector |
| Richard Fairholme | (RF) | Uniper |
| Ritchard Hewitt | (RHe) | Hewitt Home and Energy |
| Terry Burke | (TB) | Equinor |

The Workgroup Report is due to be presented at the UNC Modification Panel by 17 August 2023

Please note these minutes do not replicate/include detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of all papers are available at: <https://www.gasgovernance.co.uk/0847/060623>

1. Outline of Modification

Eric Fowler (EF) welcomed all parties to the inaugural Workgroup meeting and outlined that this relatively straightforward Modification, which is due to report back to the 17 August 2023 Panel, could always report back early.

Colin Williams (CWi) opened discussions by explaining that the Modification proposals would be independent of any further Non-Transmission charges reform work and that recent events had necessitated these proposed changes.

Moving on, CWi introduced the Modification explaining that under certain circumstances, the methodology used to calculate the General Non-Transmission Services (GNTS) charge can produce a negative value. At present, the UNC does not prohibit a negative GNTS Charge from being set. This proposal will provide certainty that negative charges are not able to materialise under any circumstances and will create alignment with the principal Transmission Services charges.

Introducing a minimum GNTS charge will also align them with the primary Transmission Services charges where there already exists minimum Entry and Exit Capacity Reserve Prices.

It is proposed that an additional paragraph is appended to UNC TPD Section Y to introduce a minimum General Non-Transmission Services Charge of 0.0001p/kWh.

Julie Cox (JCx) asked what would happen in instances where the collar price is applied and thereby generates over-recovery of allowed revenues. CWi acknowledged that whilst rare, due to the potential timings involved, over-recovery could take place. However, parties are asked to note that such occurrences would require explicit Authority consent with any monies ring fenced against the System Operator and would be considered in setting prices for the following year.

Nick Wye (NW) commented that he welcomed the proposal and asked about the potential for negative charges in 2024. CWi responded by explaining that he anticipates more clarification to be provided ahead of the release of the July 2023 pricing information and notification. In noting that costs have fallen recently and the potential for negative prices remains, CWi advised that National Gas Transmission are looking at a couple of potential options,

- an approach based on Modification 0796 solution and/or
- An adjustment to the timeliness of the recovery of costs, possibly through the frequency of updating Non-Transmission costs to pass through sooner.

When asked whether the October charges released in July suggests that we have in essence almost timed out, CWi responded by explaining that the information provided is aimed primarily for 2024 whilst National Gas Transmission (NGT) continues to consider the finer points of the 2023/24 price modelling – an update will follow shortly.

On the grounds that the previous weeks charges update did not appear to cover future years, NGT representatives were asked to provide an indication of where NGT believes charges are heading, at which point CWi confirmed that the modelling would provide an updated position and would also include shrinkage costs (and variance) for this year and subsequent years supported by elements of the latest thinking. When asked if more detail relating to this matter could be included within the Modification, CWi replied by stating that he would look to provide both a 'snapshot' illustration plus an updated presentation (or possibly an amended Modification) for consideration at the next Workgroup meeting to take into account the questions and concerns raised at this meeting.

EF pointed out that any additional information could always be appended (or included) within the Workgroup Report, as applicable.

R Hewitt (RHe), referred to the potential for over-recovery discussed earlier in the meeting, and enquired as to what would happen should Ofgem refuse to allow the over-recovery to take place, especially as this could result in a potential Code v's Licence conflict. Responding, CWi acknowledged that whilst a Licence consent might be needed, he remains confident that an 'impasse' such as this is unlikely to occur. EF noted this potential situation highlights 'primacy' related concerns (i.e. NGT would have to evaluate potential breach of Licence v's breach of Code).

Accepting the concerns being voiced, CWi suggested that should something akin to this occur NGT could potentially seek an urgent Code Modification .

In noting that an event such as this remains an unlikely occurrence, G Moran (GM) wondered whether in terms of governance, should the Modification be submitted to Ofgem ahead of any other potential mitigation work. Put another way, would Ofgem approve a Modification that (indirectly) places an obligation upon themselves to agree to an over-recovery. CWi indicated that he believes that the Modification would be potentially submitted to Ofgem (for subsequent implementation) ahead of any other mitigation elements. He also asked parties to note that this could in theory potentially happen under the current regime anyway.

A Shrigley (ASh) asked whether NGT had spoken to BBL after they (BBL) abandoned their Commodity Price set as zero aspirations. CWi responded that NGT had not spoken with BBL on this and EF suggested that perhaps NGT could approach BBL to gauge why they reversed their initial thinking.

2. Initial Discussion

2.1. Issues and Questions from Panel

None to consider.

2.2. Initial Representations

None received.

2.3. Terms of Reference

The standard UNC Workgroup Terms of Reference will apply and is available at:
<https://www.gasgovernance.co.uk/mods>

3. Next Steps

EF outlined the next steps as being:

- Consideration of updated presentation / information
- Consideration of amended Modification (if applicable)
- Consideration of Legal Text
- Development / Completion of Workgroup Report

4. Any Other Business

None raised.

5. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

| Time / Date | Paper Publication Deadline | Venue | Workgroup Programme |
|---------------------------------|----------------------------|---------------------|---------------------------|
| 10:00 Tuesday 04 July 2023 | 5pm Monday 26 June 2023 | Via Microsoft Teams | Standard Workgroup Agenda |
| 10:00 Tuesday 01 August 2023 | 5pm Monday 24 July 2023 | Via Microsoft Teams | Standard Workgroup Agenda |

Action Table (as of 06 June 2023)

| Action Ref | Meeting Date(s) | Minute Ref | Action | Reporting Month | Owner | Status Update |
|------------|-----------------|------------|--------|-----------------|-------|---------------|
| | | | None. | | | |