

UNC Workgroup 0669R Minutes

Review of the Gas Deficit Warning (GDW) and Margins Notice (MN) Arrangements

Thursday 06 June 2019

At Radcliffe House, Blenheim Court, Warwick Road, Solihull

B91 2AA

Attendees

Rebecca Hailes (Chair)	(RH)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Adam Bates*	(AB)	South Hook Gas
Andrew Pearce	(AP)	BP
Anna Shrigley*	(AS)	Eni Trading & Shipping
Chris Wright	(CR)	Exxon Mobil
Daniel Hisgett	(DH)	National Grid NTS
David Cox*	(DC)	London Energy Consulting
Edd Fyfe	(EF)	SGN
Gareth Evans	(GE)	Waters Wye Associates
Graham Jack*	(GJ)	Centrica
Jeff Chandler*	(JF)	SSE
Jennifer Randall	(JR)	National Grid NTS
John Costa*	(JC)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kamila Nugumanova*	(KN)	ESB
Kamla Rhodes	(KR)	Conoco Phillips
Lea Slokar*	(LS)	Ofgem
Lee Millard	(LM)	Interconnector UK
Neville Henderson	(NH)	BBLC
Pavanjit Dhesi*	(PD)	Interconnector UK
Phil Hobbins	(PH)	National Grid NTS
Richard Fairholme*	(RF)	Uniper
Ritchard Hewitt	(RH)	Hewitt Home and Energy Solutions
Shiv Singh*	(SS)	Cadent
Sinead Obeng	(SO)	Gazprom
Steve Britton*	(SB)	Cornwall Insight
Steve Pownall	(SP)	Xoserve
Terry Burke*	(TB)	Equinor

*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0669/060619>

1. Introduction and Status Review

1.1. Approval of Minutes (02 May 2019)

The minutes from the previous meeting were approved.

2. Review of Outstanding Actions

Action 0106: *Reference (draft) Request Workgroup Report development* - National Grid NTS (AW) to provide a view as to whether or not the additional areas requested by the Workgroup would have made a difference to the 01 March 2018 emergency event approach.

Update: Phil Hobbins (PH) overviewed the presentation which provided details of the trigger frequency and the new methodology (see Section 3,0 below) and he said the action could now be closed. **Closed.**

Action 0301: South Hook Gas (AB) to discuss the LNG stocks in the tanks with the operations team in relation to D-1 nominations process and how this would work.

Update: Adam Bates (AB) agreed that this area had now be discussed and the action could be closed. **Closed.**

Action 0501: Ofgem (MC) to report on the investigations being undertaken by the Remit Team in relation to 01 March 2018 if possible, including outcomes and next steps.

Update: John Costa (JC) said that he understood that MC had spoken to the Remit Team and that they were not at liberty to comment on the investigation. It was agreed this action should be carried forward awaiting the appropriate update to be provided by Ofgem. **Carried forward**

3. Consideration of Amended Request

The Request had not been amended. Phil Hobbins (PH) provided an overview of the 'Review of the MN and GDW Arrangements' document and presented National Grid NTS's latest analysis which showed the potential new daily interconnector and LNG methodologies, to make the MN calculation more dynamic.

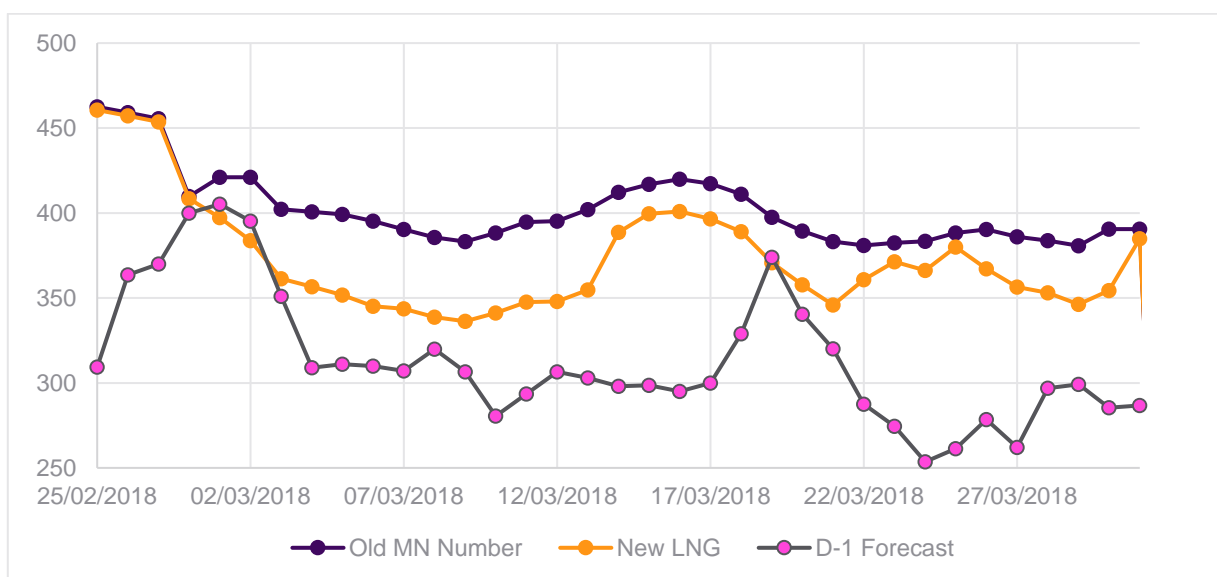
PH drew attention to the schematic as detailed below, regarding how many times the Margins Notice would have been triggered using the combined methodologies, and then just the LNG methodology, and just the Interconnector Methodology.

He explained that over the past 4 winters, the Margins Notice would only have been triggered in February and/or March 2018, as detailed below:

Row Labels	2015			2016			2017			2018			2019		
	Combined Methodology	LNG Methodology	I/C Methodology	Combined Methodology	LNG Methodology	I/C Methodology	Combined Methodology	LNG Methodology	I/C Methodology	Combined Methodology	LNG Methodology	I/C Methodology	Combined Methodology	LNG Methodology	I/C Methodology
Jan				0	0	0	0	0	0	0	0	0	0	0	0
Feb				0	0	0	0	0	0	1	0	1	0	0	0
Mar				0	0	0	0	0	0	9	3	2	0	0	0
Oct	0	0	0	0	0	0	0	0	0	0	0	0			
Nov	0	0	0	0	0	0	0	0	0	0	0	0			
Dec	0	0	0	0	0	0	0	0	0	0	0	0			
Grand Total	0	0	0	0	0	0	0	0	0	10	3	3	0	0	0

Trigger frequency with new methodology only

PH then overviewed the various trigger schematics and drew attention the graph as detailed below, saying National Grid NTS's preferred option was to use the LNG Methodology only.



March 2018 – New LNG Methodology only

Some Workgroup participants said that it would be helpful to see the ‘actual demand’ in the graphs that been discussed to provide further clarity and context. PH said he would amend them accordingly to include that detail.

New Action 0601: National Grid NTS (PH) to include the actual demand into the various methodology graphs.

The results would have triggered a MN 10 times over the last 4 winters basing on use of both methodologies (LNG and Interconnector), 3 times each with just IC or LNG methodologies, but all would have triggered within the Feb-Mar 2018 period.

PH said he had a concern that MN triggers that would have occurred late in March 2018 using both methodologies and these were at demands lower than 300 mcmd which didn’t feel right. Therefore, PH proposed National Grid NTS should implement solely the LNG Methodology and to keep IC methodology as it is.

A general discussion took place and the consensus of opinion was that this approach would be an improvement, although Julie Cox (JCx) and Graham Jack (GJ) had concerns with excluding a more dynamic measure for ICs and asked if this should still be monitored in some form, or be run in parallel alongside the LNG Methodology (shadow analysis). PH agreed to investigate this matter and agreed to look with regards to the late March days and whether they were potentially difficult days.

Terry Burke (TB) suggested that for day ahead price information, ICIS Heren¹ do issue a day head and a month ahead prices and then they release prices again at 5.00pm each day. He agreed he would provide PH with this information.

PH continued to talk through the presentation and drew attention to specific areas that were of interest.

Adam Bates (AB) wondered about whether the LNG should be based on max technical capacity. PH explained that this would mean that the MN never got triggered, adding that in his opinion it was better to under-estimate rather than over-estimate.

John Costa (JC) wanted to know more about the ‘boil off’ rate and where the numbers had been derived from and that he thought a correlation to the weather should be used. PH explained that National Grid NTS had investigated the CWV correlation which was a poor fit (see previous Workgroups) and he said that maybe the cold snaps could be looked at further in the future, however he wanted to agree a firm proposal. He agreed that if required, he could discuss this off-line with JC.

Rebecca Hailes (RH) proposed that there should be a standing agenda item to be included on the winter agendas from November onwards, to enable further discussion to take place.

New Action 0602: National Grid NTS (PH) to consider regular shadow analysis updates on the LNG Methodology only from November 2019 onwards.

4. Development of Request Workgroup Report

RH made an update to the Workgroup Report to capture discussions held within Workgroup.

5. Next Steps

In conclusion RH confirmed the Next Steps as follows:

- The Draft Modification with Legal Text should be ready for the July Workgroup at which point the 0699R Workgroup Report will be finalised.
- New Modification to be submitted to July Panel.
- Workgroup Report to be submitted to the July Panel.
- The new Modification is envisaged to go directly out to consultation after Panel assessment.

6. Any Other Business

None.

7. 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, Thursday 04 July 2019	Elexon, 350 Euston Road, London NW1 3AW	Standard Agenda plus <ul style="list-style-type: none"> • Consideration of amended request, if any • Development of Workgroup Report

Action Table (as at 06 June 2019)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0106	21/01/19	4.	<i>Reference (draft) Request Workgroup Report development</i> - National Grid NTS (AW) to provide a view as to whether or not the additional areas requested by the Workgroup would have made a difference to the 01 March 2018 emergency event approach.	National Grid NTS (AW)	Closed
0301	07/0319	3.	South Hook Gas (AB) to discuss the LNG stocks in the tanks with the operations team in relation to D-1	South Hook Gas (AB)	Closed

¹ ICIS Heren: <https://www.icis.com/explore/commodities/energy/gas/europe/>

			nominations process and how this would work.		
0501	02/05/19	3.0	Ofgem (MC) to report on the investigations being undertaken by the Remit Team in relation to 01 March 2018 if possible, including outcomes and next steps.	Ofgem (MC)	Carried forward
0601	06/06/19	3.0	National Grid NTS (PH) to include the actual demand in the various methodology graphs.	National Grid NTS (PH/AW)	Pending
0602	06/06/19	3.0	National Grid NTS (PH) to consider regular shadow analysis updates on the LNG Methodology only from November 2019 onwards.	National Grid NTS (PH/AW)	Pending