

UNC Workgroup 0670R Minutes
Review of the charging methodology to avoid the inefficient bypass
of the NTS

Tuesday 30 July 2019

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

Attendees		
Alan Raper (Chair)	(AR)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Nield*	(AN)	Storengy
Andrew Pearce	(AP)	BP
Anna Shrigley	(AS)	Eni Trading & Shipping
Bill Reed	(BR)	RWE Supply & Trading
Chandima Dutton*	(CD)	Waters Wyes Associates
Chris Webb	(CW)	BOC
Chris Wright	(CW _r)	ExxonMobil
Colin Williams	(CW _i)	National Grid
Daniel Hisgett	(Dhi)	National Grid
David O'Neill	(DON)	Ofgem
Debra Hawkin	(DH)	TPA Solutions
Graham Jack	(GJ)	Centrica
Jeff Chandler	(JCh)	Centrica
John Costa*	(JCo)	EDF Energy
Kirsty Ingham	(KI)	ESB
Laura Johnson	(LJ)	National Grid
Paul Youngman*	(PY)	Drax Power Limited
Richard Fairholme	(RF)	Uniper
Sinead Obeng	(SO)	Gazprom
Steve Pownall	(SP)	Xoserve
Terry Burke	(TB)	Equinor
* via teleconference		

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0670/300719>

The Request Workgroup Report is due to be presented at the UNC Modification Panel by 15 August 2019.

1.0 Introduction and Status Review

1.1. Approval of Minutes (02 July 2019)

The minutes of the previous meeting were approved.

1.2. Review of Outstanding Actions

There are no outstanding actions.

2.0 Consideration of Optional Method

This agenda item was not discussed.

3.0 Conclusion of Request Workgroup Report

Alan Raper (AR) reminded Workgroup that the purpose of the meeting is to finalise the Workgroup Report for submission to the August Modification Panel.

This led to a general discussion about whether the intention is to close down the Workgroup following this meeting or is the expectation that the Workgroup should continue. AR reiterated that the Modification Panel has set August as a reporting deadline and that a report will need to be submitted even if the Workgroup are seeking an extension.

The following comments were raised by Workgroup participants during discussion:

- a. Colin Williams (CWi) echoed the point that there is an expectation to provide a Workgroup Report to the August Panel meeting and asked if Workgroup participants are comfortable with the progress made to date and what the next steps are.
- b. Richard Fairholme (RF) suggested that it may be sensible to keep the Workgroup open so that any future comments from Ofgem or insights from the outcomes from the impact assessment related to Modifications 0678 and 0686 can be factored into the Report.
- c. Some Workgroup participants agreed that while a view is needed on Modification 0687 the Workgroup would struggle to develop solutions without having a consensus view within the Workgroup and this could stifle the development of solutions.
- d. A brief discussion took place on the purpose of the Review Group. RF suggested that potential options could be narrowed down by Workgroup and Ofgem insights. He cautioned against closure of the Workgroup suggesting this might lead to work needing to be repeated if later re-opened.
- e. There was some confusion on what the purpose of a Review group is and the purpose of a Workgroup. Debra Hawkin (DH) asked if the group should be developing a new Modification proposal and was concerned that there is no precise proposal being developed. AR clarified that a review can develop a Modification but doesn't have to.
- f. Bill Reed (BR) reminded Workgroup that some 0678 Modifications include a short haul proposal and suggested that until Ofgem make their determination on the suite of 0678 Modifications there is no work for this review group. A better indication is needed of the future landscape first before embarking on unnecessary work. However, he also acknowledged the need to implement something for gas year 2020/21.
- g. David O'Neill (DON) challenged the Workgroup as to why the work should be stalled pending the Modification 0678 decision. He suggested this was a passive/reactive response given it is the industry's charging methodology. In response, to this BR reaffirmed that this is a review group and he considered that the Workgroup would be wasting time considering issues and looking at possible solutions which may not be permissible when the Ofgem decision is reached. He felt that the work of the 0670R review group has been overtaken by other events, such as Modification 0678. Contrary to this view, DON said the Review group was taking a 'first principles' approach to short haul and building a compliant and effective version of short haul, whereas each of the 0678 Modifications are from the perspective of the corresponding proposer.
- h. DH highlighted a risk stating that the eventual outcome from Modifications 0686 and/or 0678 may be a position which is not preferred by some industry parties. She asked BR if he is seeking a steer on compliance from Ofgem. In response, DON stated that the compliance work and impact assessment are being run concurrently. Panel members have indicated that they are not qualified to comment on compliance matters though DON noted that most companies do employ lawyers. He also considered that if the Workgroup were to delay any further work until the Ofgem decision on Modification 0678 then the Workgroup is at risk of being on the back foot or missing an opportunity to develop a better version of short haul than the 0678 versions.

- i. CWi believed that some Workgroup participants are not ready to discuss options and suggested that it may helpful to consider a more efficient governance process which could inform further discussion and consideration of new ideas.
- j. Anna Shrigley (AS) agreed that work on 0670R should continue at least until the outcomes of Modification 0678 are known. Particularly as some of the 0678 Modifications do not include a short haul component. She suggested the review should be developing a 'Plan B' for such a scenario where the implemented Modification does not include short haul. There was a difference of opinion within Workgroup participants with strong views to close the Workgroup and also to keep it open.
- k. Kirsty Ingham (KI) asked if the Workgroup considered that the review group objectives have been met and if there is any other work that should be undertaken by the group.
- l. DON suggested that the Workgroup could still develop something better than the options included in the 0678 Modifications by taking a bottom-up approach.
- m. BR, who had expressed strong views on closing the Workgroup, reiterated that it was important to understand how the baseline will change as the starting point will drive the solution to address inefficient bypass.
- n. CWi believed that whatever is developed should not be predicated on the National Grid view but should be a collaborative approach. He reminded Workgroup participants that Modification 0678 makes an explicit reference to 0670R. DH asked if this places an obligation on National Grid to provide a proposal for discussion.
- o. BR asked National Grid if any of the short haul proposals in the 0678 alternatives are supported. In response, CWi directed participants to the National Grid responses to the consultation.
- p. In response, to a question from DH if National Grid are developing a short haul product, CWi reiterated that a collaborative approach to the development of the solution was welcomed. He added that NG would develop a short haul product depending on which 0678 Modification is implemented.

AR drew the discussion to a conclusion by recommending that the Workgroup seek a 3-month extension subject to a review of the Workgroup objectives. He indicated that he would summarise the discussion from the meeting to reflect that there were mixed views within the Workgroup on whether the group should continue or be closed down as there are other Modifications that may deliver the short haul outcome. In addition, any future Modification should take a steer from the outcome of Modification 0678.

Some further comments were provided by Workgroup, in particular, Kirsty Ingham suggested that more justification is needed of inefficient bypass and the principles. She suggested that National Grid when reviewing the terms of reference and objectives consider specific consideration of the impact of short haul. She also suggested that the Workgroup report provide specific reference to what analysis can and cannot be undertaken.

RF suggested that the electricity generation impacts also need to be considered.

CWi suggested that it might be prudent to consider a 6-month extension to avoid having to seek a further extension from Panel.

4.0 Next Steps

AR confirmed that he would update the Workgroup Report to reflect the discussion above and seek a 6-month extension at the August Modification Panel meeting.

New Action 0701: Joint Office (AR) to seek a 6-month extension to the 0670R Request Review Group at the August Panel meeting.
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5.0 Any Other Business

None.

6.0 Diary Planning

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

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:00 Tuesday 03 September 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Consideration of Optional Methods /Charges Development of Request Workgroup Report

Action Table as at 30 July 2019

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0701	30/07/19	4.0	Joint Office (AR) to seek a 6-month extension to the 0670R Request Review Group at the August Panel meeting.	Joint Office (AR)	Pending