

**UNC Workgroup 0671 Minutes  
New Capacity Exchange process at NTS exit points for capacity  
below baseline**

**Monday 15 April 2019**

**at Radcliffe House, Blenheim Court, Warwick Road, Solihull, B91 2AA**

<b>Attendees</b>		
Rebecca Hailes (Chair)	(RH)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Adam Bates	(AB)	South Hook Gas
Andrew Blair*	(ABI)	Interconnector UK
Angharad Williams	(AW)	National Grid
Bethan Winter	(BW)	Wales & West Utilities
Christiane Sykes	(CS)	Shell Energy
Chris Wright	(CR)	Exxon Mobil
Graham Jack*	(GJ)	Centrica
Jennifer Randall	(JR)	National Grid
Julie Cox*	(JCx)	Energy UK
Kamila Nugumanova*	(KN)	ESB
Lea Slokar*	(LS)	Ofgem
Nick Tyler*	(NT)	National Grid
Pavanjit Dhesi	(PD)	Interconnector UK
Phil Hobbins	(PH)	National Grid
Richard Pomroy	(RP)	Wales & West Utilities
Sinead Obeng*	(SO)	Gazprom
Steve Britton*	(SB)	Cornwall Insight
Steve Pownall	(SP)	Xoserve
<i>*via teleconference</i>		

Copies of all papers are available at: [www.gasgovernance.co.uk/0671/150419](http://www.gasgovernance.co.uk/0671/150419)

The Workgroup Report is due to be presented at the UNC Modification Panel by 18 April 2019.

## **1.0 Introduction and Status Review**

### **1.1. Approval of Minutes (07 March 2019)**

The minutes of the previous meeting were approved.

## **2.0 Review of Outstanding Actions**

**Action 0201:** National Grid NTS (MM) and Wales & West Utilities (RP) to include the relevant investment management Articles of CAM into the Modification.

**Update:** Carry forward until it is decided what will happen with this Modification. **Carried forward**

## **3.0 Review of Amended Modification**

Richard Pomroy (RP) took the Workgroup through the material provided for this meeting by Wales & West Utilities. He explained that Wales & West Utilities believes it is important to

make a clear distinction between *below* baseline and *above* baseline capacity. Slide 2 summarises the approach to NTS Exit Capacity.

RP summarised what Modification 0671 proposes:

- Introducing a Capacity Exchange process for sold Enduring Annual Exit (Flat) Capacity below baseline to be exchanged between Exit Points within an Exit Zone
- Establishing a process to preserve the value of the User Commitment for the exchanged capacity to keep NTS allowed revenue whole – Excluded Y+1 from the process to avoid affecting NTS collected revenue in Y+1
- Preventing Enduring Annual Exit (Flat) Capacity from going negative at any NTS Exit point
- Preventing Enduring Annual Exit (Flat) Capacity from going above baseline at any NTS Exit point

RP explained that the National Grid view shown on slide 4, Baseline capacity, is based on a view that Malcolm Montgomery (MM) previously provided at the March 2019 meeting: Network capability is not equal to baseline due to demand and supply and National Grid has a constraint management incentive to build to an efficient level.

WWU believes this should be incentivised, RP explained that this could turn in to the inability to deliver gas on a 1in20 day.

GJ said that, if there was a constraint, National Grid are obliged to buy back capacity. Although he agreed with the principle, he wanted to highlight there is a constraint management process. Flow swapping only works in the same location, this would not suffice if supply was needed all over different areas.

The below baseline substitution concept was discussed at the last workgroup meeting. GJ advised there is nothing within the Exit Methodology Statement that prevents the User from acquiring capacity up to the obligated level.

Phil Hobbins (PH) stated that trying to convey the actual supply demand patterns on a particular day, is not going to match the assumptions. He highlighted there is a difference between Transmission Connection Charging (User Commitment) and Distribution Connection Charging, though they both use the same Gas Act Section 9 obligations.

It was noted that Forecasted Contracted Capacity (FCC) has a particular treatment of DN Forecasts under Modification 0678.

When reviewing bookings providing revenue certainty, slide 8 of the presentation, it was mentioned that the User could book capacity at a low price and move the capacity to an area with a higher price.

In slide 9 of the presentation RP advised the Workgroup that WWU is pleased that the Ofgem RIIO-2 sector specific methodology consultation recognises some of these issues, specifically paragraphs 5.54 to 5.58 namely substitution and the effect of the network capability review on the level of capacity available. The consultation referred to here is the Ofgem RIIO-2 sector specific methodology consultation and specifically page 62 of the RIIO-GT2 Sector Annex, see:

<https://www.ofgem.gov.uk/publications-and-updates/riio-2-sector-specific-methodology-consultation>

and

[https://www.ofgem.gov.uk/system/files/docs/2018/12/riio-gt2\\_sector\\_annex\\_0.pdf](https://www.ofgem.gov.uk/system/files/docs/2018/12/riio-gt2_sector_annex_0.pdf)

Paragraph 5.59 on page 62 lists the approach that Ofgem suggests for National Grid:

- Economic Test for Capacity that can be met by substitution
- Could lead time for substitution be reduced
- Appropriateness of User Commitment
- Degree of Ofgem involvement in process
- Whether current nodal arrangements for substitution are appropriate

The Rough Order of Magnitude cost estimate from Xoserve was discussed, this is later clarified in agenda item 5.

~~Lea Slokar (LS) commented that Ofgem hopes National Grid will review the User Commitment methodology as part of RIIO2.~~ [Lea Slokar \(LS\) commented that Ofgem believes it is time to revisit the existing arrangements for accessing unsold capacities, including the user commitment requirements, which is why we consulted on this in December as part of RIIO-2. She added that she hoped that NGGT would consider & review these arrangements either as part of the ongoing or future review of the methodologies or RIIO-2 etc.](#)

In conclusion, RP sought Workgroup views on how to progress this Modification and said that WWU may end up withdrawing it. However, if Workgroup feel there is benefit in continuing with this Modification, then they will.

Workgroup agreed that it is worth waiting until National Grid Business Plan is released in July 2019 to see what their position is going to be in relation to the topics proposed by Ofgem as part of RIIO GT2.

**New Action 0401:** National Grid to clarify what their position is going to be in relation to the topics proposed by Ofgem as part of their RIIO GT2 Business Plan

**New Action 0402:** Joint Office to request an extension to August 2019.

#### 4.0 Review of Legal Text

Not discussed in the meeting.

#### 5.0 Review of Rough Order of Magnitude (ROM)

The Chair confirmed the information received in the Rough Order of Magnitude (ROM) that system changes would cost between £650k – 950k for development and system implementation within a 42 week timeline, following the approval from Ofgem.

- Paid for by GTs and Shippers under DSC Service Area 7: NTS Capacity, LDZ Capacity, Commodity, Reconciliation, Ad-hoc adjustment, and balancing invoices.

- Release - Not in Gemini plan so no planned date but view at DSC change committee on 13<sup>th</sup> March 2019 was that 2020 would be challenging
- Steve Pownall (SP) confirmed that the system changes to Gemini would likely not be possible until 2021.

## 6.0 Consideration of Business Rules

Not discussed in the meeting.

## 7.0 Development/Completion of Workgroup Report

A brief update was required to the Workgroup Report in order to request the extension to August 2019 at UNC Panel on Thursday 18 April 2019. This will be done by the Joint Office.

## 8.0 Any Other Business

Jennifer Randall (JR) asked if this system change could be included in an earlier release rather than having to wait until 2021. SP advised this has already been looked at and unfortunately this would not be feasible.

## 9.0 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
TBC		

**Action Table (as at 15 April 2019)**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0201	07/02/19	2.0	National Grid NTS (MM) and Wales & West Utilities (RP) to include the relevant investment management Articles of CAM into the Modification.	National Grid NTS (MM) and WWU (RP)	Carried forward
0401	15/04/19	3.0	National Grid to clarify what their position is going to be in relation to the topics proposed by Ofgem as part of their RIIO GT2 Business Plan	National Grid (PH)	Pending
0402	15/04/19	3.0	Joint Office to request an extension to August 2019.	Joint Office (RH)	Pending