

UNC Workgroup 0686 Minutes
Removal of the NTS Optional Commodity Rate with adequate notice
Tuesday 30 April 2019
at Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA

Attendees		
Rebecca Hailes (Chair)	(RH)	Joint Office
Helen Cuin (Secretary)	(HC)	Joint Office
Adam Bates*	(AB)	SouthHook Gas
Andrew Pearce	(AP)	BP
Colin Williams	(CWl)	National Grid
Debra Hawkin	(DH)	TPA Solutions
James Gudge	(JG)	National Grid
James Thomson*	(JT)	Ofgem
Jeff Chandler*	(JCh)	SSE
Laura Johnson	(LJ)	National Grid
Kamla Rhodes*	(KR)	ConocoPhillips
Kamila Nugumanova*	(KN)	ESB
Nick Wye*	(NW)	Waters Wye
Nicky White	(NWl)	npower
Nitin Prajapati*	(NP)	Cadent
Richard Fairholme*	(RF)	Uniper
Steve Pownall	(SP)	Xoserve
Terry Burke*	(TB)	Equinor
Apologies		
Chris Wright	(CWl)	Exxon Mobil
Graham Jack	(GJ)	Centrica
Bill Reed	(BR)	RWE
* via teleconference		

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0686/300419>

The Workgroup Report is due to be presented at the UNC Modification Panel by 16 May 2019.

1.0 Outline of Modification

RH provided a brief summary of the Modification's progress and confirmed that the UNC Panel had referred the Modification to Workgroup for one month to allow an assessment.

DH introduced the Modification providing an overview of the UNC Panel presentation.

DH explained that the Modification 0621 Ofgem Decision Letter confirmed that the current Optional Commodity Rate (OCR) will not be compliant with the Tariff Code. It was noted that Modification 0678 and its Alternatives propose the removal of this OCR and the new Reference Price Methodology should be in place by 31 May 2019, however this is very unlikely to be achieved under the related 0678 Modifications. DH explained that the OCR should be withdrawn from 1 October 2019 for compliance, specifically to remove a market distortion and

provide stakeholders with as much notice as possible. DH clarified that Modification 0686 simply removes a non-compliant charge. It is not a replacement of Modification 0678 and does not preclude any of the 0678 Modifications being implemented, it should instead be viewed as a back-stop. The proposal is consistent with Modification 0678 and all its alternatives in proposing the removal of the OCR. The recommended next steps were to conclude the Workgroup Report and progress the Modification allowing consultation in May.

DH provided an indicative timeline that may be required by Ofgem for Modification 0678. DH explained that 01 October is particularly important for the Short-Haul arrangements and parties need as much notice as possible.

2.0 Initial Discussion

2.1. Issues and Questions from Panel

None raised.

2.2. Initial Representations

None received.

2.3. Terms of Reference

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

3.0 Consideration of Legal Text

RH confirmed that National Grid had provided some initial text for the Workgroup to consider. The Workgroup briefly reviewed the marked-up changes.

CWi confirmed the same arrangements for Modification 0678 can be utilised apart from the Section Y changes. CWi confirmed that the provided draft could be considered as the final Legal Text, but National Grid will provide a formal submission of the Legal Text for completeness.

CWi referred to the changes required to Annex C Section for the Optional Rate, Annex B (TPD Section B) for the deletion of the optional Commodity References. These elements will be extracted from the set of Legal Text for Modification 0678 and will be provided separately.

It was noted that the Legal Text does not stipulate 01 October 2019 implementation date. CWi explained that the Modification does not stipulate an implementation date of only 01 October 2019, which in effect could allow another date, it does not restrict it to the 01 October. DH clarified this was correct and was based on not knowing how long Ofgem could take to make a decision.

RH confirmed that DH will need to provide confirmation that the Legal Text is acceptable to National Grid directly.

4.0 Completion of Workgroup Report

The Workgroup proceeded to consider the Workgroup Report. RF referred to the Ofgem Decision Letter for Modification 0636 highlighting the £150m figure following Ofgem's information request, and Ofgem's conclusion that it was unclear whether the envisaged benefits were likely to materialise (Page 4). He wished for this to be captured in the Workgroup Report. RF suggested this Modification could be considered as either a 1 Year solution or an enduring proposal. RF noted that there will be both market and commercial disruption and his view that given the wider impacts, the OCC should not be looked at in isolation. RF also reported that at the UNC Panel it was noted that supply contracts are not always for 1 year, these could be 2-3 years. If this change comes into effect on 01 October 2019 this would impact customers, however this may not be quantifiable.

NW also referred to the Modification 0636 issues and the reasons for Ofgem's rejection of that Modification. He expressed his view that it was a possible wasted effort looking at a change that would be in contravention of the Tariff Code. He stressed that the industry should not be looking at a piecemeal approach and not picking elements of the Tariff Code. He believed the Modification did not achieve the objectives and questioned why the UNC Panel accepted this as a valid modification when his view was that it was in contravention of the policy direction given by Ofgem for Modification 0636.

The Workgroup also considered the Ofgem Urgency Decision for Modification 0686. JT wished to note that the Ofgem Decision was based on the Urgency Criteria put forward by the Proposer.

AP clarified for Workgroup that in his view it was not non-compliant if this Modification was not implemented by 01 October 2019. CWi also noted that the modification allows a post October effective date, therefore the legality issue was challenged. DH responded to these challenges and explained that compliance would be preferable by implementing on 01 October 2019 but if this is not achievable it should be implemented as soon as possible afterwards.

AP wished to note there would be significant impact to Major Energy Users and 01 October 2019 may be too soon for this category of User. It was noted that the benefits of this Modification would be for domestic and I&C distribution connected customers because they cannot avail of this optional charge. The Workgroup considered the availability of Short-Haul tariffs for LDZ loads. RF challenged the points made about cross subsidy, he believed from the Ofgem 0636 Decision Letter that Ofgem were not convinced that cross subsidy existed. RF also referred to the Ofgem 0621 Decision Letter (page 6) in relation to cross subsidy.

The Workgroup considered and captured comments for the Workgroup Report and reviewed each of the Relevant Objectives outlined in the Modification.

AP challenged the assertion that Standard Relevant Objective D had a positive effect. This was challenged on the basis that there will be a level playing field whether or not a Short-Haul rate exists. The Workgroup considered the importance of having cost reflective prices.

AB asked about the sensitivity of impacts if certain Users were to leave the system. DH referred to Table 1 which indicated 82% of the current OCC flow would need to leave for things to be worse than they are now.

The Workgroup captured all the comments requested and concluded the Workgroup Report.

5.0 Next Steps

RH confirmed that the Workgroup Report would be submitted to the 16 May 2019 UNC Panel meeting with a recommendation that this Modification should proceed to consultation.

6.0 Any Other Business

None.

7.0 Diary Planning

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

No further meetings planned.