

UNC Workgroup 0705R Minutes

NTS Capacity Access Review

Thursday 07 November 2019

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

Attendees

Alan Raper Chair)	(AR)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Neild*	(AN)	Storengy UK
Andrew Blair*	(ABI)	IUK
Andrew Pearce	(AP)	BP
Angela Fletcher*	(AF)	Ancala Midstream
Anna Shrigley	(AS)	Eni Trading & Shipping
Anna Stankiewicz	(ASt)	National Grid
Ashley Adams	(AA)	National Grid
Bethan Winter*	(BW)	Wales & West Utilities
Bill Reed	(BR)	RWE
Chris Wright	(CR)	Exxon Mobil
David Adlam	(DA)	Cadent
David Cox*	(DC)	London Energy Consulting
David Mitchell*	(DM)	SGN
Debra Hawkin	(DH)	TPA Solutions
Edd Fyfe*	(EF)	SGN
Emma Buckton*	(EB)	Northern Gas Networks
Graham Jack	(GJ)	Centrica
Jeff Chandler	(JC)	SSE
Jennifer Randall	(JR)	National Grid
John Costa*	(JCo)	EDF Energy
Julie Cox*	(JCx)	Energy UK
Kamila Nugumanova*	(KN)	ESB
Kamla Rhodes	(KR)	Conoco Phillips
Lea Slokar	(LS)	Ofgem
Leyon Joseph*	(LJ)	SGN
Lorraine O'Shaughnessy	(LO)	Joint Office
Malcolm Montgomery*	(MM)	National Grid
Nick Wye	(NW)	Waters Wye Associates
Paul Youngman	(PY)	Drax Power Station
Phil Hobbins*	(PH)	National Grid
Shiv Singh*	(SS)	Cadent
Sinead Obeng	(SO)	Gazprom
Steven Britton*	(SB)	Cornwall Energy
Terry Burke	(TB)	Equinor
Will Webster*	(WW)	Oil & Gas UK

**via teleconference*

Copies of all papers are available at: www.gasgovernance.co.uk/0705/071119

The Workgroup Report is due to be presented at the UNC Modification Panel by 15 October 2020.

1.0 Outline of Modification

Jennifer Randall (JR) introduced the Request and explained that this had been produced for the previous Workgroup and that it had been agreed at the October panel to proceed to Workgroup in order to review the long-term ambition and short-term problems for the NTS Capacity Access Regime. She explained that the purpose of Request was to review the principles and establish a long-term strategy for the NTS Capacity Access Regime to ensure the regime was appropriate for the commercial behaviours, simplified and adaptable whilst being consistent with relevant obligations.

JR then overviewed the Capacity Access Review presentation and explained it was her intention that the slides would initiate discussion and thoughts with the aim to defining the future functions of the access regime and how they could be delivered in the future. She also said that it was her intention to launch an informal consultation in December 2019 to gauge the potential options and next steps.

JR then overviewed the main functions of the access regime, as listed below:

- Provides signals for investment
- Manages network access where there is a short-term constraint
- Provides Users with commercial certainty on network access
- Collects transporter allowed revenue

In relation to these areas, a long and protracted general discussion took place and Bill Reed (BR) said that presently there was a vast amount of work taking place in the electricity division on their access review with Ofgem and he enquired if this was being taken into consideration.

Lea Slokar (LS) said she could not comment on this area, but that she would investigate this matter internally. JR said that perhaps there were some synergies to be gained and that she would make enquires as to the work that was being undertaken within electricity.

Graham Jack (GJ) also said it was important to consider the interactions with The Gas Market Plan (GMaP) work being undertaken, as there were different stakeholders involved. JR said that it had been decided at the GMaP Steering Group that the Request would not be included on that agenda and as such would be addressed within the Transmission Workgroup arena.

New Action 1101: National Grid (JR) and Ofgem (LS) to investigate the Electricity Access Review and explore if there were any synergies to be gained.

JR then reiterated the main 4 functions and how they meet the long-term ambition areas, which were detailed in the previous meeting, as per the table below

1. Long-term Ambition

- A capacity regime which is;
 - appropriate for commercial behaviours being experienced today
 - simplified
 - adaptable for the impact of ongoing industry change (e.g. Charging Review, Energy Codes Review, Baselines Review) and future developments of the gas network (e.g. hydrogen future)
 - consistent with obligations at an European level (e.g. European Codes)

JR then reiterated asked the Workgroup if they still agreed with these 4 functions and they had anything else to add GJ said the most important aspect was to have efficient access from the aspect of users and that National Grid could make this access process easier and more efficient and BR, JCx, Nick Wye (NW) and John Costa (JCo) all concurred with this statement.

JR then overviewed the area of the EU Legislation and the associated constraints that included the following;

- CAM Code which mandates the use of auctions at Interconnection Points (IPs)
- Congestion Management Principles which sets out the use of auctions as a way of managing contractual congestion at IPs
- Tariff Code which specifies that revenue must be collected using capacity-based charges

JR added that the assumption was, that the scope of the Access Review would be constrained by EU legislation. All agreed that the complexity of the EU legislation was large and that this was driven by BEIS and Ofgem respectively and that any new legislation was directed at Interconnector Points (IPs). NW said he did not understand why Ofgem dictated a single regime system rather than separate systems for Entry Points & IPs as there were no cross-subsidy issues.

BR said the whole are of revenue recovery was also being considered by Ofgem under the Targeted Charging Review (TCR) and Significant Code Review (SCR) and the final demands, and that this was an important principle, in relation to the financial recovery, which needed to be discussed. LS said regarding this topic she was unable to comment, but that she was aware that this was discussed within the charging area. BR added that there was a requirement for cross reflectivity in relation to the cost recovery, which needed to be considered in line with the overall costs.

Will Webster (WW) said other areas of consideration were the reviews of the baseline capability and how the capacity was sold in relation to the access capacity. JR said that it was not possible to wait until the conclusion of those matters and that there was a need to progress with the Request and she added that the Request would not include the Network Entry Agreement (NEA) or the Access Regime. Chris Wright (CR) said there needed to be a clear and defined scope of exactly what was in scope and what was excluded and why. JR proposed that gas quality and connections should be excluded, all agreed with this suggestion, although NW added that in discussing PARCAs, that aspect of connections would be in scope.

JCx said that previously the Workgroup were asked to list the short-term issues within the regime and she felt that these were not being addressed or actioned in anyway, and this concerned her. JR said that these short-term issues were still very much in focus, however the long-term ambitions and approach were the initial priority and the short-term would be discussed in the December meeting.

She added that once the long-term ambitions were defined then the short-term issues would be investigated. JCx said in that case, there was a likelihood that new Modifications would be raised to address these. NW said that he hoped the industry would not raise new Modifications, but rather allow some time for this Capacity Access Review to establish steady-state to allow for drilling down to the next level, and by definition this would encompass the short-term issues discussed previously, (and included for reference below).

2. Short-term Problems			
A	Substitution	Is the process and the associated timescales appropriate? (Lead times, Ofgem approval, treatment of decommissioned sites)	Governance
	Retainers	Are retainers still required with the introduction of PARCA? Are the processes for making capacity available where it needs to be effective?	
	Trade and Transfer	Any issues?	
	Zonal	Possible alternative solution to substitution and transfer	
B	Over-run charges	Are Over-run charges appropriate and incentivising "right" behaviour? Are arrangements for utilisation of capacity appropriate?	UNC / Methodology
C	PARCA	Appropriateness of fees Are there any issues with the PARCA process? Is there an appetite for further review of PARCA? Embedding and extending the "PARCA light process" embedded with CLoCC.	Are the rules contained in the right place?
D	User Commitment	Are the levels of User Commitment appropriate? Are the arrangements for the varying types of User Commitment appropriate? <i>Potential links with PARCA and substitution</i>	
E	Capacity Products	Any new products required or redundant products? Are there any new or redundant products or processes? <i>Including additional auctions (e.g. duration); conditional products (e.g. temperature)</i>	
	Auctions / Applications	Any new processes, redundant processes or refined processes?	
F	Flex	Dependent on outcome of network capability work Is the existing flex product appropriate for Tx?	

A general discussion took place in relation to how hydrogen would be managed and how any new technologies would be addressed, all agreed that the any future decisions should not restrict or impeded progress or the ability for adaption, although it was agreed this would have to be legislation led.

Anna Shrigley (AS) said that in December she would be expecting Ofgem to provide guidance on the future of the Capacity Regime, in relation to the long-term vision. She said she had concerns regarding the short-term issues with these not being addressed in a timely manner, which presented a continuing risk of capacity being breached with associated costs to industry.

JR reiterated that the purpose of the consultation in December was to canvass opinions regarding the long-term ambitions and short-term aspirations, she added that the short-term issues were not going to be addressed for a few months. AS said that December was not the ideal time, due to the proximity to Christmas.

Paul Youngman (PY) said that once a view on the charging overruns was established, this would help in the consultation. AR agreed that the charging overruns did seem to stand out and needed to be included. GJ said that the costs needed to be proportional and BR said that they were presently not cost reflective. JR agreed and said that the overruns needed to be reprioritised and moved up the original listing. BR further stated that the incremental cost of compressor deployment should be considered and Sinead Obeng (SO) agreed and added that in relation to the baselines and the over runs there needed to be constraints on these and how they interact.

JR then moved on to the area of the 'Future Access Regime' and reiterated that the Workgroup had previously agreed that there was a need for the functions carried out by the current access regime to be applied in the future, and she wanted the Workgroup to discuss and explore what additional functions would be required in the future.

A general lengthy discussion took place regarding the inclusion of renewable gas and if that should be prioritised over natural gas, including the impact of carbon dioxide transmission. There was a general consensus within the Workgroup that more thought was also required concerning the price control and the use of network compressors and the associated cost recovery mechanism.

Bethan Winter (BW) said that gas from the DNs needed to be considered at each of the scale and BR said that access and entry at the DNs required thought from a cost reflective perspective. GJ proposed that careful thought was required on the size of the task, bearing in mind only 12 months had so far been allocated for the overall development of the Request. A further general discussion took place and it was agreed that in essence the task was considerable, especially as the Capacity Regime had been designed 15 years ago and the landscape today was very different and far more complex, so care was required to ensure that new technologies were not inhibited or restricted in anyway.

BR said that it would be useful if National Grid were able to present their future 5 Year Business Plan on the Network and what this was going to look like in the future. Terry Burke (TB) concurred with this statement and added that it was very relevant to the 10 Year Statement also. JR agreed to present the current thinking of the Business Plan at the December meeting.

New Action 1102: National Grid (JR) to present current thinking in relation to the National Grid 5 Year Business Plan, highlighting the impacts to the Access Regime.

WW said that he had been part of National Grid Stakeholder Team for RII02 which encompassed the thinking behind the Business Plan itself and that the Stakeholders opinions and inputs had been included.

JR then overviewed the alternatives table schematic and a protracted general discussion took place regarding the Transporters allowed revenue and the charging process, together with the difference between the commodity, capacity and reformed capacity-based charges including the lack of flexible assets provision.

A further general discussion took place in relation to the TO, SO and compressor charges in relation to access to network services and long run & short-run marginal costs of providing these services. There were some varied opinions from some Workgroup members as to the preferred charging basis.

AS said one solution could be regarding the charging process for the capacity breach charge defaulting 10% or 20% of the capacity at the highest charge. BR said that a tariff cost approach would alter users booking processes. AS reiterated that the majority of the Shippers bought their capacity at the zero reserve price or simply and didn't book capacity, so other Shippers are effectively penalised regarding the capacity they do purchase. NW enquired if the Request allowed for the balance of charges between SO & TO and JR said that this would be specifically addressed in the Charging Review. There was a degree of uncertainty as to the origin of the Entry/Exit revenue split although Debra Hawkin (DH) confirmed that the 50 : 50 split was in effect now. In terms of economic principles used to determine price setting, BR added that the Ramsey principle, as adopted by Ofgem, with consideration as to how it has been adopted within the electricity review. GJ said the commercial certainty of the gas was needed. NW summarised by stating that the access regime could provide a degree of commercial certainty but did not provide financial certainty

Next Steps

JR said that it would be very helpful if the Workgroup provided their views and suggestions on what they think are the problems and issues with gaining access to the NTS and develop options for 'Reformed Capacity', to include thoughts on the alternatives. She said she would appreciate any feedback at least 5 days prior to the next Transmission Workgroup which was being held on 05 December 2019. NW agreed with this process and said it would useful to identify commercial, access and administration issues.

New Action 1103: All to provide Jennifer Randall (JR) with details and specifics on what issues are caused by the short-term problems, ie; what pain do they cause, how do they impact consumers? Also what alternative 'principles' could the capacity access regime be built on to ensure that the required functions are delivered? By 22 November to allow analysis prior the December Transmission Workgroup Meeting on 05 December 2019.

Jennifer.Randall@nationalgrid.com

JR said that she would develop a 'mission statement' for the Access Review based on the desired functions, together with producing a Work Plan and considering the scope of the consultation.

2.0 Initial Discussion

2.1. Issues and Questions from Panel

AR said that the consumer impacts and costs would be further discussed in due course once the overall scope had been determined and more information would be available following the consultation.

2.1.1. Explicit consideration of consumer impacts and costs

AR drew attention to the fact that the Panel had requested updates in the form of an interim report at 4 and 8 months and National Grid agreed that this report would be developed in line with this Panel request.

2.1.2. Interim report back to panel after 4 and 8 months

2.2. Initial Representations

None received.

2.3. Terms of Reference

As matters have been referred from Panel a specific Terms of Reference will be published alongside the Modification at <http://www.gasgovernance.co.uk/0705>

3.0 Next Steps

AR confirmed that the all the Workgroup participants should send Jennifer Randall (JR) their thoughts and opinions regarding 'Reformed Capacity' at least 5 days prior to the December meeting. He added that JR would develop a 'mission statement' for the Access Review based on the desired functions, together with producing a Work Plan and considering the scope of the consultation and the amended Request.

4.0 Any Other Business

None.

5.0 Diary Planning

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

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:00 Monday 05 December 2019	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Detail planned agenda items. <ul style="list-style-type: none">Review of opinions in relation to Reformed Capacity

		<ul style="list-style-type: none"> • Review of Workgroup Plan • Review of scope for Consultation document • Review of Amended Request
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Action Table (as at 07 November 2019)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1101	07/11/19	1.0	National Grid (JR) and Ofgem (LS) to investigate the Electricity Access Review and explore if there were any synergies to be gained.	National Grid (JR) Ofgem (LS)	Pending
1102	07/11/19	1.0	National Grid (JR) to present current thinking in relation to the National Grid 5 Year Business Plan, highlighting the impacts to the Access Regime	National Grid (JR)	Pending
1103	07/11/19	1.0	New All to provide Jennifer Randall (JR) with details and specifics on what issues are caused by the short-term problems, ie; what pain do they cause, how do they impact consumers? Also what alternative 'principles' could the capacity access regime be built on to ensure that the required functions are delivered? By 22 November to allow analysis prior the December Transmission Workgroup Meeting on 05 December 2019. Jennifer.Randall@nationalgrid.com	ALL	Pending