

UNC Workgroup 0761 Minutes
Arrangements for Interconnectors with additional Storage capability
Thursday 05 August 2021
via Microsoft Teams

Attendees

| | | |
|-----------------------------|-------|----------------------------------|
| Eric Fowler (Chair) | (EF) | Joint Office |
| Mike Berrisford (Secretary) | (MB) | Joint Office |
| Adam Bates | (ABa) | South Hook Gas Ltd |
| Alex Nield | (AN) | Storengy |
| Andrew Blair | (ABI) | Interconnector UK |
| Anna Shrigley | (ASh) | ENI |
| Anna Stankiewicz | (ASt) | National Grid |
| Ashley Adams | (AA) | National Grid |
| Bethan Winter | (BW) | Wales & West Utilities |
| Carlos Aguirre | (CA) | Pavilion Energy |
| Chris Wright | (CW) | ExxonMobil |
| Christiane Sykes | (CS) | Shell |
| Daniel Hisgett | (DHl) | National Grid |
| Davide Rubini | (DR) | Vitol |
| Debra Hawkin | (DHa) | TPA Solutions |
| Emma Buckton | (EB) | Northern Gas Networks |
| Hannah Reddy | (HR) | Correla on behalf of Xoserve |
| Helen Seaton | (HS) | Ofgem |
| Henk Kreuze | (HK) | Vermilion |
| Jeff Chandler | (JCh) | SSE |
| Jennifer Randall | (JR) | National Grid |
| Julie Cox | (JCx) | Energy UK |
| Kamla Rhodes | (KR) | ConocoPhillips |
| Lauren Jauss | (LJ) | RWE |
| Nick Wye | (NW) | Waters Wye Associates |
| Phil Hobbins | (PH) | National Grid |
| Phil Lucas | (PL) | National Grid |
| Rebecca Hailes | (RHa) | Joint Office |
| Richard Fairholme | (RF) | Uniper |
| Ritchard Hewitt | (RHe) | Hewitt Home and Energy Solutions |
| Sarah Cooper | (SC) | IUK |
| Shiv Singh | (SS) | Cadent |
| Sinead Obeng | (SO) | Gazprom |
| Steven Britton | (SB) | Cornwall Insight |

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0761/050821>

1. Introduction and Status Review

Eric Fowler (EF) welcomed all parties to the meeting before drawing attention to the recent amendment to the Modification in the form of v2.0, dated 02 July 2021 and the alignment of the draft Workgroup Report v0.3, as at 01 August 2021 to the amended Modification.

1.1. Approval of minutes (01 July 2021)

EF made reference to the suggested amendments put forward by Phil Lucas (PL) which had been incorporated in the set of minutes published on the 01 July 2021 meeting page and dated 02 August 2021.

When asked, PL provided a brief overview and rationale behind his amendments including highlighting that the 'owner' of Action 0701 had been changed from National Grid to Ofgem. Ofgem confirmed they are comfortable with the change – however, it was noted that in this instance Ofgem may not provide a view.

A debate followed on the merits of Ofgem providing a view on compliance as requested by the Workgroup on more than one occasion.¹ Furthermore, some parties believe that this is more of a licencing matter and not a Code one which means the Workgroup is not the appropriate body to make a call. In response, Helen Seaton (HS) explained that she would take the points on board and try to obtain a view from her Ofgem colleagues and hopefully provide an update on outstanding action 0701 at the September Workgroup meeting.

A couple of typographical errors within the minutes were also noted.

Thereafter, the minutes from the last meeting were approved.

1.2. Approval of Late Papers

EF advised that there was one (1) late paper (draft legal text published 29 July 2021) for consideration at the meeting.

1.3. Review of Outstanding Actions

Action 0603: Point Definition: National Grid (PL) to consider the definition of a new multi-purpose point (as opposed to refining the existing Storage Facility definition).

Update: National Grid advised that this has been taken into account in the draft legal text. **Closed**

Action 0604: Point Definition: Review TPD Section R: Storage to identify if any further changes are required.

Update: National Grid advised that the necessary changes to TPD R are contained in the draft legal. **Closed**

Action 0701: ~~National Grid (PL)~~ Ofgem (HS) to provide a formal view on whether a licenced Interconnector is prohibited from undertaking the role of a Gas Storage facility, as defined under the Gas Act and associated Exemption Orders.

Update: Please refer to the discussion undertaken on item 1.1. above for further details. Subject to the provision of further information it was proposed to keep the action 'open' for the time being. **Carried Forward**

2. Legal Text Review

PL provided a line-by-line review of the Draft Legal Text (v0.1, dated 27 July 2021) during which he confirmed that 'ICS' would become a new Defined Term and that furthermore, he would ensure that all Defined Terms contained in the next iteration of the legal text would be "**bolded**" within speech marks as is consistently witnessed throughout the Uniform Network Code (Code).

When asked whether the Modification takes into account 'combined points' (as per the Ofgem notice relating to combined exit points²), PL explained that the Modification is based on current Code and that a new Modification Proposal was being prepared to address the consequences of a combined Exit Point. (i.e. out of scope for this Modification).

¹ Please note: several emails between National Grid and interested parties on the matter of TAR compliance and UK Law have been exchanged since the meeting and a post meeting note has been provided alongside these minutes – a further update will be provided at the 07 September 2021 Workgroup meeting.

² Please note: the associated combined exit points consultation closes on 23 August 2021 with a decision anticipated circa Autumn 2021.

Concerns were voiced that the decision on the combined exit point matter, and the subsequent licence changes, could / would precede a decision of Modification 0761 which would potentially impact 0761 – in short, the industry risks creating a Modification that ultimately cannot be implemented due to licence change impacts. PL responded that in the event that the UNC changes to reflect a combined Exit Point at the Bacton IPs is implemented in advance of 0761 then any potential implication for 0761 will need to be considered.

EF pointed out that this concern (and others) would be captured later in this meeting under development of the Workgroup Report under item 3. below. It was requested that Panel are also asked to consider specific questions for the subsequent industry consultation phase of the Modification.

Parties in attendance then raised concerns / points to note, as follows:

- The new terms covering the new Interconnector Storage arrangements are principally contained in a new section of TPD Section R (i.e. paragraph 4);
- National Grid may need to consider potential capacity related implications of a combined Exit Point in the event that the UNC changes to reflect a combined Exit Point at the Bacton IPs is implemented in advance of 0761;
- Could National Grid demonstrate how the Modification would accommodate licence changes and impact assessment associated to the introduction of competing auctions;
 - Responding, PL clarified that there are no changes proposed to the “ahead-of-the-day” capacity arrangements as the capacity re-categorisation proposed by the Modification only occurs “after-the-day”;
- It was suggested that two (2) IP’s competing for the same capacity remains a concern;
- Concerns voiced around the ‘tension’ between the Ofgem Licence consultation and Modification consultation timelines relating to the combined Exit Point proposal at Bacton;
- A request for a Transmission Workgroup action to be raised for National Grid to clarify the operation of competing auctions at a combined Bacton Exit Point.

New Action 0801: National Grid (MM) to provide a response to the Transmission Workgroup regarding the operation of competing auctions at a combined Exit Point at Bacton.

- Reference to previous BBL presentation on this matter in circa June / July 2018 noted which could assist in the approach to scheduling charges;
- PL advised that he would consider if any further changes were required to the proposed TPD Section B text as a consequence of the implementation of UNC Modification 0729 (application of storage discount to Revenue Recovery charges).
- Clarification was sought in respect of the proposed operation of Scheduling Charges;
 - Responding, PL advised that at Entry, Scheduling charges will continue to be applied at a ‘whole’ ASEP level, however at Exit, consistent with existing arrangements separate assessment for IP Storage and IP Transportation would be undertaken. On this basis in instances where a party is utilising Storage and Transportation this could potentially result in application of two separate Scheduling charges at Exit.
- PL confirmed that regarding the management of Transportation Constraints set out in TPD Section R4.5.2(b) the purpose of revising IP nominations is to reduce gas allocation to ensure this does not exceed a User’s ‘residual’ capacity holding following any potential capacity buyback actioned by National Grid to manage a Transportation Constraint. Adjustment of a nomination in this case revises the allocation as at an IP a User’s allocation is equal to its nomination;
- PL advised that in respect of proposed TPD Section R4.5.2(b), an alternative approach to that set out may be proposed (i.e. pro-rata reduction of both IP Storage and IP

Transportation nominations as opposed to the 'IP Transportation first' approach set out in the legal text). This will be detailed in the next iteration of the Proposal;

- PL noted that Interconnectors offering an additional Storage service would be treated as an Interconnection Point for emergency purposes as set out in TPD Section Q1.1.6;
 - Clarification was sought in respect of how gas withdrawn from Interconnector Storage in an emergency would be subsequently be allocated to Users;

New Action 0802: *Reference Emergency Storage Provisions* – National Grid (PL) to look to clarify how gas withdrawn from Interconnector Storage in an emergency would subsequently be allocated to Users.

- PL noted that cross references to TPD Section B8 in TPD Section R4.4.5 and R4.7.5 will need to alternatively cross reference TPD Section B9 now that Modification 0708S has been approved (this Modification has already 'used' TPD B8 - see Consent to Modify 059 under Modification 0728);

In concluding the presentation, PL welcomed any comments or points to raise on the legal text ahead of the next Workgroup meeting. PL went on to advise that he would look to provide an amended Modification and supporting legal text in time for consideration at the 07 September 2021 Workgroup meeting.

Concluding the discussions, EF advised that the various points raised during the discussion would also be incorporated into the Workgroup Report (where appropriate) under consideration of item 3. below.

3. Development of Workgroup Report

During an onscreen review of draft Workgroup Report v0.3, as at 05 August 2021, RHa advised that the draft WGR had been updated ahead of the meeting to align with the recent amendments to the Modification (v2.0, dated 06 July 2021).

In summary, the main changes were made within 'Sections 3 – Why Change?', 'Section 4 – Code Specific Matters', 'Section 5 – Solution', 'Section 6 – Impacts and Other Considerations' and 'Section 7 – Relevant Objectives' in-line with the feedback being provided and the bulk of the points raised under item 2. Above.³

Subject to the provision of an amended Modification, the draft Workgroup Report would be updated ready for (final) consideration at the 07 September 2021 Workgroup meeting.

New Action 0803: National Grid (PL) to liaise with the CDSP to finalise the supporting ROM (in light of the changes to the Proposal) in time for consideration at the next Workgroup meeting.

4. Next Steps

EF explained that National Grid will aim to provide the updated Rough Order of Magnitude (ROM) and provide an amended Modification and supporting revised legal text for consideration at the next Workgroup meeting where it is planned to complete the Workgroup Report ahead of formal submission to the September 2021 Panel for consideration.

5. Any Other Business

None.

6. Diary Planning

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

| Time / Date | Venue | Workgroup Programme |
|---------------|-----------------|---------------------------|
| 10:00 Tuesday | Microsoft Teams | Standard Workgroup Agenda |

³ Please note: an updated version of the draft Workgroup Report (v0.3, as at 05 August 2021) was republished following the meeting at: <https://www.gasgovernance.co.uk/0761/050821>

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| 07 September 2021 | | |
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Action Table (as at 05 August 2021)

| Action Ref | Meeting Date | Minute Ref | Action | Owner | Status Update |
|------------|--------------|------------|--|--|---|
| 0603 | 03/06/21 | 3.0 | Point Definition: National Grid (PL) to consider the definition of a new multi-purpose point (as opposed to refining the existing Storage Facility definition). | National Grid (PL) | Update provided. Closed |
| 0604 | 03/06/21 | 3.0 | Point Definition: Review TPD Section R: Storage to identify if any further changes are required. | National Grid (PL) | Update provided. Closed |
| 0701 | 01/07/21 | 1.3 | National Grid (PL) <u>Ofgem (HS)</u> to provide a formal view on whether a licenced Interconnector is prohibited from undertaking the role of a Gas Storage facility, as defined under the Gas Act and associated Exemption Orders. | National Grid (PL) <u>Ofgem (HS)</u> | Carried Forward due 07/09/21 |
| 0801 | 05/08/21 | 2. | <i>Reference Potential Exit Capacity IP Licence change impacts</i> – National Grid (MM) to provide a response to the Transmission Workgroup regarding the operation of competing auctions at a combined Exit Point at Bacton. | National Grid (MM) | Pending due 07/09/21 |
| 0802 | 05/08/21 | 2. | <i>Reference Emergency Storage Provisions</i> – National Grid (PL) to look to clarify how gas withdrawn from Interconnector Storage in an emergency would subsequently be allocated to Users | National Grid (PL) | Pending due 07/09/21 |
| 0803 | 05/08/21 | 3. | National Grid (PL) to look liaise with the CDSP to finalise the supporting ROM (in light of the changes to the Proposal) in time for consideration at the next Workgroup meeting. | National Grid (PL) | Pending due 07/09/21 |