

Extraordinary UNC Workgroup 0779 0779A Minutes
0779 Introduction of Entry Capacity Assignments
0779A Introduction of Entry Capacity Assignments with Defined End Date

Friday 01 October 2021

via Microsoft Teams

Attendees

Eric Fowler (Chair)	(EF)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Alex Nield	(AN)	Storengy
Angela Fletcher	(AF)	Ancala
Anna Shrigley	(ASh)	Eni
Anna Stankiewicz	(AS)	National Grid
Carlos Aguirre	(CA)	Pavilion
Chris Wright	(CW)	ExxonMobil
Christiane Sykes	(CS)	Shell
Ian Laing	(IL)	Wood Plc
Jeff Chandler	(JCh)	SSE
Jennifer Randall	(JR)	National Grid
John Costa	(JCo)	EDF Energy
Lauren Jauss	(LJ)	RWE
Max Lambert	(ML)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Phil Hobbins	(PH)	National Grid
Rachel Hinsley	(RHl)	National Grid
Richard Fairholme	(RF)	Uniper
Richard Selman	(RS)	Ancala
Sinead Obeng	(SO)	Gazprom
Steven Britton	(SB)	Cornwall Insight

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0779/011021>

1. Introduction and Status Review

Eric Fowler (EF) welcomed all parties to the meeting and at the same time provided a brief outline of the discussions undertaken at the 07 September 2021 Workgroup meeting.

In noting that the Workgroup Report is due to be presented to the 20 January 2022 Panel meeting (but could be completed earlier, if progress allows), EF pointed out that as GB Market conditions have changed recently, these Modifications could have more importance and value.

EF also pointed out that Lauren Jauss (LJ) had provided a presentation in support of UNC Modification 0779A at the 16 September 2021 Panel meeting.¹

1.1. Approval of minutes (07 September 2021)

The minutes of the previous meeting were approved.

¹ Please note: a copy of the 16 September 2021 Panel meeting minutes are available to view and/or download from the Joint Office web site at: <https://www.gasgovernance.co.uk/panel/160921>

1.2. Approval of Late Papers

None to consider.

1.3. Review of Outstanding Actions

None to consider.

2. Alternative Modification Assessment

Opening discussions, L Jauss (LJ) provided a brief overview of the differences between the National Grid 0779 Modification and her RWE Alternative 0779A, during an onscreen review of the change marked version of 0779A, summarised (by exception) as follows:

- Timeline changes outlined on page 2;
 - J Randall (JR) advised that National Grid are comfortable with the proposed amendments to the timetable.
- Panel and Ofgem are of the initial view that the Modification does not satisfy the Self-Governance criteria – this may change during the course of Workgroup development;
 - JR advised that whilst National Grid support the alternative Modification following the Authority Direction route at this time, they would not have an objection should it subsequently switch to the Self-Governance route.
- *Section 1 – Summary* changes allow for both a start and end date provision in order to maximise discount opportunities;
 - It is not proposed to have a minimum assignment period, so this could be potentially set as low as 1 day;
 - Allows the owner of the capacity to transfer over capacity to match the sale of the gas;
 - In order to benefit from the discounts, a party needs to hold the entry, exit and gas (i.e. primary capacities);
 - it is felt that the current situation highlights the failings of the existing approach and that the proposed changes within the alternative ensures that capacity better ‘matches’ actual market requirements;
 - Variable usage appears to be on the increase, especially power stations and storage, which questions the value of retaining ‘Flat’ capacity provisions;
 - It is not proposed to exclude weekly auction capacity;
 - JR advised that National Grid feel unable to support the weekly auction proposals outlined in the alternative Modification on the grounds that National Grid sees assignment as a longer term sustained transfer.
 - LJ noted that the notice period for making an assignment is not yet suggested in either Modification; LJ went on to suggest that as short a notice period as possible would / could prove beneficial, as this potentially provides a greater window of opportunity between the auctions and assignments. Moving closer to real-time gives greater certainty so maybe day-ahead notification would be appropriate.
 - Qualification for discount differences to 0779 outlined;
 - Capacity potentially resides in the wrong holders;
 - Secondary (traded) capacity does not qualify for discounts;
- *Section 3 – Why Change?* changes allow assignor Users to assign capacity that would otherwise be unutilised;
- *Section 6 – Impacts & Other Considerations* build on National Grid’s 0779 proposals;

- Potential to increase capacity utilisation to the benefit of customer bills / costs;
- Entry assignment potentially eases the qualification for discounts;
- *Section 7 – Relevant Objectives* changes seek to increase capacity utilisation and available primary capacity provisions;

Moving on to a more general discussion, National Grid were requested to consider the potential ‘breaking’ of the primary contract provisions and the limit in 0779 to monthly capacity, as it is felt that the current provisions are unreasonable for both the transferor and receiving party.

When asked whether there would be any potential system related impacts associated with either Modification, JR advised that she had not yet raised a Rough Order of Magnitude (ROM) request, although she is of the view that entry assignments should ‘match’ exit assignments.

When asked why National Grid are concerned about ‘trading’ capacity from one party to another, JR explained that National Grid prefers to look to promote long term stability, in order to avoid any longer term issues.

When parties suggested that they struggle to understand why it appears to be so difficult to attain discounts under the current regime, JR responded by suggesting that maximisation of discounts availability needs to be considered further, in light of the fact that the end of 2020, when the Modification was originally raised, the short haul proposals were uncertain at the time – it was suggested that National Grid needs to simplify the storage short and haul aspects, as the current complex administrative burden is not beneficial.

Concluding discussions, EF noted that the expectation is that the ROM would be raised in due course and that National Grid and RWE should now consider whether to amend their respective Modifications, to take into account the points / concerns raised during the meeting.

3. Consideration of Wider Industry Impacts

Please refer to the discussions under item 2. above.

4. Development of Workgroup Report

EF explained that whilst a (draft) Workgroup Report has been prepared ahead of the meeting, it would be prudent to await the provision of amended Modifications (in light of the above discussions) before looking to develop the document further.

5. Next Steps

National Grid (JR) and RWE (LJ) to consider whether to amend their respective Modifications and provide an update at the 04 November 2021 Workgroup meeting.

6. Any Other Business

None.

7. Diary Planning

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

Time / Date	Venue	Workgroup Programme
10:00 Thursday 04 November 2021	Microsoft Teams	Standard Workgroup Agenda
10:00 Thursday 02 December 2021	Microsoft Teams	Standard Workgroup Agenda
10:00 Thursday 06 January 2022	Microsoft Teams	Standard Workgroup Agenda