

**UNC Workgroup 0805S Minutes**  
**Introduction of Weekly NTS Exit Capacity Auctions**  
**Thursday 07 July 2022**  
**via Microsoft Teams**

**Attendees**

|                           |       |                          |
|---------------------------|-------|--------------------------|
| Eric Fowler (Chair)       | (EF)  | Joint Office             |
| Helen Bennett (Secretary) | (HB)  | Joint Office             |
| Adam Bates                | (AB)  | South Hook Gas           |
| Alex Neild                | (AN)  | Storengy                 |
| Anna Shrigley             | (ASh) | ENI                      |
| Anna Stankiewicz          | (ASt) | National Grid            |
| Bethan Winter             | (BW)  | WWU                      |
| Carlos Aguirre            | (CG)  | Pavilion Energy          |
| Chris Wright              | (CW)  | ExxonMobil               |
| Claire Proctor            | (CP)  | PTUK                     |
| David Cox                 | (DC)  | London Energy Consulting |
| David Mitchell            | (DM)  | Scotia Gas Networks      |
| Emma Buckton              | (EB)  | Northern Gas Networks    |
| Hannah Reddy              | (HR)  | Correla                  |
| Hursley Moss              | (HM)  | Cornwall Insight         |
| Jeff Chandler             | (JCh) | SSE                      |
| Joshua Bates              | (JB)  | National Grid            |
| John Costa                | (JCo) | EDF                      |
| Julie Cox                 | (JCx) | Energy UK                |
| Lauren Jauss              | (LJa) | RWE                      |
| Malcolm Montgomery        | (MM)  | National Grid            |
| Leyon Joseph              | (LJ)  | SGN                      |
| Megan Bray                | (MBr) | National Grid            |
| Nick Wye                  | (NW)  | Waters Wye Associates    |
| Nicolas Webb              | (NWe) | PTUK                     |
| Pavanjit Dhesi            | (PD)  | Interconnector Ltd       |
| Phil Hobbins              | (PH)  | National Grid            |
| Phil Lucas                | (PL)  | National Grid            |
| Sam Hughes                | (SH)  | Citizens Advice          |
| Shiv Singh                | (SS)  | Cadent                   |
| Sinead Obeng              | (SO)  | Gazprom                  |
| Stephen Parle             | (SP)  | PTUK                     |
| Steve Mulinganie          | (SM)  | Gazprom                  |
| Terry Burke               | (TB)  | Equinor                  |

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0805/070722>

The Workgroup Report is due to be presented at the UNC Modification Panel by 21 July 2022.

**1.0 Introduction and Status Review**

Eric Fowler (EF) welcomed all parties to the meeting.

### 1.1. Approval of minutes (09 June 2022)

The minutes from the previous meeting were approved.

### 1.2. Approval of Late Papers

There were no late papers to consider.

### 1.3. Review of Outstanding Actions

**Action 0601:** *Reference Amended Modification 0805S* – all parties to consider the amended Modification and provide comments / feedback at the July 2022 Workgroup meeting.

**Update:** Joint feedback has been received from the GDNs. **Closed**

## 2.0 Review of Amended Modification

It was confirmed that a draft of the amendments to the Modification were briefed at the 07 June 2022 Workgroup, (the Change Marked copy of the amendments can be viewed here: <https://www.gasgovernance.co.uk/0805>), and, at the 16 June 2022 UNC Modification Panel, members granted the 2-month extension request. The Workgroup Report will be submitted to the August UNC Modification Panel.

NW explained the governance of the Modification will now follow Authority Direction because the Modification introduces different treatment according to class of parties in that weekly Exit Capacity Auctions will only be applied to NTS Direct Connect Exit Points, excluding Interconnectors and noted that the DNs were provided the opportunity to review the amendments and provide feedback to the meeting today.

NW made reference to the Analysis in section 11 of the Modification where he has identified impacts of DNs acquiring the weekly product and Impacts of NTS Direct Connects acquiring the weekly product.

### Joint GDN Response:

Shiv Singh (SS) was invited to provide a high-level review of the joint response which is published at: <https://www.gasgovernance.co.uk/0805/070722>.

SS highlighted that it is the GDN's view that the Modification discriminates between Users without providing suitable justification.

When Steve Mulinganie (SM) suggested that the joint GDN view could be put forward as a response to the consultation, SS clarified that the points made are to justify the inclusion of DN Exit Points.

NW further confirmed he has no intention of changing the Modification and noted that if DNs see a need to have access to this product, an alternative Modification should be raised.

SS requested that all the comments from the joint GDN response are captured in the Workgroup Report.

NW clarified that when the Modification was being developed, he had a particular sector in mind.

NW explained Part 1 of his analysis which can be found in section 11 of the Modification:

Part 1 shows the impact of DNs, and is shown by the initial NTS capacity price, then the reserve price uplifted by the application of RRC needed, 0.3093, would be applied. If a Power Station is connected to the NTS the price goes up by 50% roughly.

SS noted that the DN Saving of £38million is all pass-through, this is a saving to customers not DNs.

When SH asked if DNs are going to propose an alternative, BW clarified the DNs are not raising an alternative at this stage.

EF agreed to take the comments made by GDNs and put them into the Workgroup Report.

### 3.0 Review of Legal Text

Anna Stankiewicz (ASt) provided brief clarification of the updated Legal Text and confirmed the Legal Text now excludes GDNs and is reflective of the Modification as it currently stands.

### 4.0 Completion of Workgroup Report

EF confirmed the Rough Order of Magnitude (ROM) costing has not changed and remains with at timescale of 3-months plus a 20–22-week lead time.

In undertaking a detailed onscreen review of the draft Workgroup Report, EF completed amendments in-line with the feedback provided by those Workgroup participants in attendance.

During Workgroup Impact Assessment discussions, Anna Stankiewicz provided the following precis on behalf of National Grid:

*The proposer's analysis calculates a within year Revenue Recovery Charge rate. Using the FCC value applicable to the Gas Year to calculate the RRC value is a logical step and as a rough calculation this is effective.*

*We would note that the potential for a 54% reduction in GDN bookings due to use of the weekly auction process would likely generate a significant difference between overall bookings compared to FCC, and so an overall under recovery for the Gas Year (even when the Exit Transmission Services rates are combined with the calculated RRC) may still occur (once you have set the RRC, the under-recovery will continue). This under recovery would flow into the following year.*

*A more detailed set of analysis, running the Allowed Revenues through a version of the pricing model which accommodates the 54% reduction in the combined GDNs FCC due to potential use of the weekly auctions, would likely generate an Exit rate higher than the combined Transmission rate and calculated RRC by the proposer. However, we note that this would be an extreme scenario and reality could well be closer to the rough calculations provided by the proposer.*

*Implementing the modification mid-year could provide Users with the opportunity to profile their capacity bookings more accurately during the summer months should they choose to. Mid-year implementation would likely cause an impact on expected revenues without the opportunity to account for that impact in the Forecasted Contracted Capacity and thereby adjust the Transmission Services Rates for the year ahead. However, the potential scale of the impact on revenues, as demonstrated in the proposer's analysis, is likely to be small without the influence of DNs, and so would likely be resolved by a small adjustment to "K" in the following year rather than requiring a within year Revenue Recovery Charge.*

ASt also clarified that National Grid are more likely to agree with that GDNs should be considered in this Modification.

SM reminded Workgroup that a delay of this Modification going to Panel would not serve any benefit as any issues can be outlined in the Consultation.

### 5.0 Next Steps

EF confirmed that Joint Office will publish the Workgroup Report including the post meeting notes and submit the report to July 2022 Panel.

### 6.0 Any Other Business

None.

### 7.0 Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/events-calendar/month](http://www.gasgovernance.co.uk/events-calendar/month)

Workgroup meetings will take place as follows:

| Time / Date                      | Paper Publication Deadline    | Venue              | Workgroup Programme |
|----------------------------------|-------------------------------|--------------------|---------------------|
| 10:00 Thursday<br>04 August 2022 | 5pm Wednesday<br>27 July 2022 | Microsoft<br>Teams | Date on Hold        |

**Action Table (as of 07 July 2022)**

| Action Ref | Meeting Date | Minute Ref | Action   | Reporting Month | Owner | Status Update |
|------------|--------------|------------|--|-----------------|-------|---------------|
| 0601       | 09/06/22     | 2.0        | <i>Reference Amended Modification 0805S</i> – all parties to consider the amended Modification and provide comments / feedback at the July 2022 Workgroup meeting. | July 2022       | All   | <b>Closed</b> |