

UNC Workgroup 0813 Minutes
Revision of Virtual Last Resort User and Contingent Procurement of
Supplier Demand Event Triggers
Thursday 25 August 2022
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Vera Li	(VL)	Joint Office (Observing)
Aleksandra Cebo	(AC)	EDF
Andy Clasper	(AC)	Cadent Gas
Ben Mulcahy	(BM)	Northern Gas Networks
Brandon Rodrigues	(BR)	ESP Utilities Group
Claire Louise Roberts	(CLR)	Scottish Power
Clare Manning	(CM)	E.ON Energy
David Mitchell	(DM)	SGN
David Reynolds	DR	Northern Gas Networks
Elena Dramceanu	(ED)	SEFE Energy
Ellie Rogers	(ER)	Xoserve
Fiona Cottam	(FC)	Xoserve
Gurvinder Dosanjh	(GD)	Cadent Gas
Hursley Moss	(HM)	Cornwall Insight
Kate Lancaster	(KL)	Xoserve
Kathryn Adeseye	(KA)	Xoserve
Mark Jones	(MJ)	SSE
Michelle Brown	(MB)	Energy Assets
Nicky Kingham	(NK)	Correla on behalf of Xoserve
Peter O'Neill	(PO)	Cadent Gas
Phil Lucas	(PL)	National Grid
Steve Mulinganie	(SM)	SEFE Energy Limited
Talia Lattimore	(TL)	Gemserv (0812R only)
Tom Stuart	(TS)	Wales & West Utilities
Tracey Saunders	(TS)	Northern Gas Networks

The Workgroup Report is due to be presented at the UNC Modification Panel by 19 January 2023.

This Workgroup meeting will be considered quorate provided at least two Transporter and two Shipper User representatives are present.

Please note these minutes do not replicate detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of papers are available at: <https://www.gasgovernance.co.uk/0813/250822>

1.0 Outline of Modification

Phil Lucas (PL) introduced the Modification supported by a presentation.

Context – Slide 2

PL explained that recent events have necessitated consideration of the consequences of a User (Shipper) being subject to sanctions by the UK Government. The Shipper would not be able to

transact with counterparties, and counterparties (including Transporters) would be unable to transact with it.

In the immediate/short term, a User Default may not be triggered however a User Default may subsequently be triggered, for example if the Shipper is unable to make payment or resolve a Code Credit Limit breach

Imbalance Risk: Current Arrangements for a Terminated User – Slide 4

PL explained the current arrangements for a Terminated User.

Imbalance Risk – Potential Gap in the Arrangements – Slide 6

PL explained that recent events have necessitated consideration of the consequences if a Shipper is being subject to sanctions and the immediate imbalance risk under the current arrangements with an explanation of the Termination process and ability for Shippers to transact under a 'Deed of Undertaking'.

Proposed Solution – Slide 6 & 7

PL explained the purpose of the Modification seeks to extend the availability of the 'Virtual Last Resort User' (VLRU) and 'Contingent Procurement of Supplier Demand' (CPSD) provisions in such an event that would facilitate the immediate/short term maintenance, ongoing integrity, and continued operation of the gas transportation arrangement until a new Shipper is in place to deliver.

PL advised that the Modification was discussed in the Transmission Workgroup early August and any discussion/comments received from Distribution Workgroup today would be reverted in the next Transmission Workgroup meeting.

Additional Considerations – Slide 8

The Workgroup was invited to highlight any further impacts on UNC matters. PL confirmed that at the first Workgroup meeting, the CDSP has raised queries in terms of DSC services so the proposal would be likely to modify to include their entitlement to discontinue provision of such to the relevant Shipper.

PL concluded the presentation reflecting that the Modification Panel had determined that there was sufficient materiality associated with the Proposal to require Authority Direction and that a Workgroup Report was required to be issued to the Modification Panel by January 2023.

For details of Modification presentation pack <https://www.gasgovernance.co.uk/0813/250822>

Steve Mulinganie (SM) queried if the mechanism proposed would consider whether the sanction was a relevant sanction, i.e. a sanction that stops the parties transacting in the wholesale gas market. This would be an issue where a shipper or supplier business was part of a wider group that may be sanctioned.

PL confirmed that National Grid will necessarily make an interpretation on what impacts the sanctions may have however as a 'check and balance' the proposal includes opportunity for the Authority to dispute the interpretations. This would be via the existing 'Condition 11(18) Disapproval' process which is an existing mechanism used, for example, in respect of proposed changes to methodology statements.

EF recalled that other Licence conditions contain clauses where the Authority can disagree with a proposal and that these have prescribed time limits in which that disagreement must be lodged although typically these are something like 30 days which may be too long for this sort of situation which calls for an immediate decision. PL reflected that given the nature of the events in question, the timescale for any such disapproval by the Authority would need to be determined on a case-by-case basis.

PL advised that changes intended to be made to the proposal including updates to accommodate the de-registration process for CSS and Non-CSS Supply Points as well as the DSC services point previously discussed.

Tracey Saunders (TS) asked if this Modification would be discussed within this (Distribution) Workgroup for further update before the Workgroup Report is issued to the Modification Panel.

PL confirmed the timeline is likely to allow sufficient time to do so, and could potentially include a review of legal text.

SM commented on difficulties related to the issue of the notice to Users and the implicit deadline in the notice to the Authority commenting that Ofgem normally does not like to be dictated to in terms of having to respond. This could be a problem considering the potentially massive consequences for the parties involved and any decisions may trigger a legal case against National Grid or Ofgem so the concern he has was about the control of deadline.

PL clarified that National Grid had discussed the proposed options with Ofgem and that the proposed approach was favoured amongst those options presented.

SM raised another question whether the sanctions being considered are those imposed by the UK government or whether they may capture sanctions issued by other governments, mentioning that some European companies are now under sanction by the Russian government.

SM also suggested that further clarity be added relating to the mechanisms and timeline for the issue of notices and asked whether the notice would be issued to the party affected or the whole market. PL explained that the notification process would capture the relevant parties.

SM/EF suggested that PL could set out what would happen in different scenarios:

1. Where the Authority does not respond within the timeframe (expired notice).
2. Where the Authority disagrees within the timeframe.
3. Where the Authority agrees within the timeframe.

New Action 0108: National Grid (PL) to determine an approach for each of the above scenarios and further development of the Solution to confirm the parties who will receive notification of the UPTN.

2.0 Shipper Registrations

See above regarding CSS and non-CSS Supply Points

3.0 Interactions with the retail market

See above regarding CSS and non-CSS Supply Points

4.0 Impacts on IGTs

See above regarding CSS and non-CSS Supply Points.

5.0 Any Other Business

None

6.0 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	Paper Publication Deadline	Venue	Programme
10:00 Thursday 01 September 2022	5pm Wednesday 24 August 2022	Microsoft Teams	Assessment within Transmission Workgroup Consideration of Wider Industry Impacts
10:00 Thursday 06 October 2022	5pm Wednesday 28 September 2022	Microsoft Teams	Consideration of Business Rules

10:00 Thursday 03 November 2022	5pm Wednesday 26 October 2022	Microsoft Teams	Review of Relevant Objectives
10:00 Thursday 01 December 2022	5pm Wednesday 23 November 2022	Microsoft Teams	Consideration of Legal Text Development of Workgroup Report

Action Table (as at 25 August 2022)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0108	25/08/22	1.0	National Grid (PL) to determine an approach for each of the above scenarios and further development of the Solution to confirm the parties who will receive notification of the UPTN.	National Grid (PL)	Pending