

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 ~~in isolation~~ however a. 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 ~~by the UK Government~~ have necessitated consideration of the consequences if a Shipper is being subject to sanctions and ~~an overview of~~ 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 considered if there are highlight any further impacts on UNC matters, and PL confirmed that at the first Workgroup date of meeting, the CDSP has raised queries in terms of CDSP-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 stating had determined that there was sufficient materiality exists associated with the Proposal to require Authority Direction so and that a Workgroup Reports was ~~as~~ ~~ould~~ required to be issued to the Modification Panel for decision in 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' and the proposal includes opportunity for a reference to 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.

When asked, PL confirmed that he is looking for responses or objections to this Modification as soon as possible. PL advised that changes untended to be made to the proposal, including updates to accommodate the CSS and Non-CSS de-registration process for CSS and Non-CSS

~~Supply Points and DSC registration element would be incorporated in the Transmission Workgroup meeting on 06 October 2022 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 ~~going to Final Panel meeting, the Workgroup Report is issued to the Modification Panel.~~ PL confirmed the timeline is likely to allow sufficient time to do so, and ~~particularly when could potentially include a review of legal text is available.~~

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 ~~are the options that with Ofgem and that the proposed approach was favoured amongst those options presented are comfortable with.~~

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 approach-capture the relevant parties. SM/EF suggested that PL could set out what would happen in different scenarios:

1. Where ~~there is awareness of sanctions, and proposed implementation of this solution and~~ the Authority does not object-respond within the timeframe (expired notice).
2. Where ~~National Grid proposes to apply the solution but~~ the Authority disagrees within the suggested timeframe.
3. Where the Authority does not disagree within the timeframe, ~~and whether in those circumstances National Grid would apply it anyway.~~

New Action 0108: National Grid (PL) to ~~provide-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, outline the mechanism and proposed timeframes for the Authority to object to use of this solution.

2.0 Shipper Registrations

~~Not discussed~~ See above regarding CSS and non-CSS Supply Points.

3.0 Interactions with the retail market

~~Not discussed.~~ See above regarding CSS and non-CSS Supply Points

4.0 Impacts on IGTs

~~Not discussed~~ 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 provide scenarios and recommendation to Authority for further discussion. | National Grid (PL) | Pending |