

**UNC Workgroup 0823S Minutes
Amendment to the Allocation of Entry Capacity and Flow Quantities
to Qualifying CNCCD Routes**

10:00 Tuesday 01 November 2022

via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Adam Bates	(AB)	South Hook Gas
Ashley Adams	(AA)	National Grid NTS
Alex Nield	(AN)	Storengy
Anna Shrigley	(AS)	ENI
Anna Stankiewicz	(ASt)	National Grid NTS
Brian McGlinchey	(BG)	Vermilion Energy
Carlos Aguirre	(CA)	Pavilion Energy
Colin Williams	(CW)	National Grid NTS
Daniel Hisgett	(DH)	National Grid NTS
Dan Wilkinson	(DW)	EDF
Dave Bayliss	(DB)	National Grid NTS
Debra Hawkin	(DHa)	TPA Solutions
Jeff Chandler	(JC)	SSE
Joseph Glews	(JG)	Ofgem
Kieran McGoldrick	(KM)	National Grid
Lauren Jauss	(LJ)	RWE
Nick Wye	(NW)	Waters Wye Associates
Nigel Sisman	(NS)	Sisman Energy Consulting
Richard Fairholme	(RF)	Uniper
Oliver Weston	(OW)	Ofgem
Oreoluwa Ogundipe	(OO)	Interconnector
Ritchard Hewitt	(RH)	Hewitt Home and Energy
Terry Burke	(TB)	Equinor

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0823/011122>

Please note that NTSCMF meetings will be quorate where there are at least six participants attending, of which at least two shall be Shipper Users and one Transporter is in attendance.

1.0 Introduction and Status Review

1.1. Approval of Minutes (04 October 2022)

The minutes from the previous meeting were approved.

1.2. Approval of Late Papers

EF noted there was one late paper which was relevant to discussions, all agreed to accept this document.

1.3. Review of Outstanding Actions

None

2.0 Review of additional data analysis

Daniel Hisgett (DH) provided a review of the additional data analysis relating to the multi routes. DH explained the original data analysis had not taken into consideration the fact that Modification 0785 – *Application of UNC processes to an aggregated Bacton (exit) Interconnection Point* was implemented in March 2022.

DH overviewed the following areas and reiterated this data was presented within the October 2022 meeting, the data and the multi routes information is summarised below:

Slide 3

Modification 0785 – Application of UNC processes to an aggregated Bacton (exit) Interconnection Point

- *There are two interconnectors connected at the Bacton terminal.*
- *Within the NTS Licence these 2 interconnectors are treated as 2 separate NTS Exit Points.*
- *There has been a change confirmed to the NTS Licence that will see these 2 points replaced with a single point.*
- *This modification will provide clarity to processes for the aggregated interconnection point e.g., how a single combined capacity baseline can be allocated either to the Bacton BBL and Bacton IL exit points.*
- *At the time of implementation (01 March 2022) any shorthaul routes where the exit point is one of the individual IPs, shall be re-designated as being to the aggregated Bacton exit IP.*

Slide 4

High Level Figures – (updated from previously presented on 04 October 2022)

- *Invoicing data for the period Oct-21 to Jul-22 has been used to calculate the following:*
- *The 24 multi-routes contributed circa £2.49m in combined Entry & Exit Revenues from Eligible Quantities over this ten-month period.*
- *Approximately £22.23m was socialised due to the discounts applied.*
- *This contribution is generated from approx. 22.35 TWh of Eligible Quantities.*
- *This is approximately 35% of the potential Entry Eligible Quantities and 18% of the potential Exit Eligible Quantities observed across those routes.*

Slide 5

High Level Figures – initially presented 04 October 2022

This is approximately...

- *35% of the potential Entry Eligible Quantities Entry Point Entitlement = 60,872,876,622 kWh Eligible Quantity = 21,578,828,740 kWh*
and
- *18% of the potential Exit Eligible Quantities*
- *Exit Point Entitlement = 126,195,368,581 kWh*
- *Eligible Quantity = 17,848,165,491 kWh*
- *... observed across those routes.*
- *i.e., for these Entry and Exit Points only, not the whole system, meaning Entry and Exit values may not necessarily balance.*

Slide 6

High Level Figures – Pre-Modification 0785

- *Invoicing data for the period Oct-21 to Feb-22 has been used to calculate the following:*
- *The 24 multi-routes initially highlighted contributed circa £533.7k in combined Entry & Exit Revenues from Eligible Quantities over this five-month period.*

- *Approximately £4.69m was socialised due to the discounts applied.*
- *This contribution is generated from approx. 4.61 TWh of Eligible Quantities.*
- *This is approximately 31% of the potential Entry Eligible Quantities and 12% of the potential Exit Eligible Quantities observed across those routes.*

Slide 7

High Level Figures – Post Modification 0785

- *Invoicing data for the period Mar-22 to Jul-22 has been used to calculate the following:*
- *The 24 multi-routes initially highlighted contributed circa £1.96m in combined Entry & Exit Revenues from Eligible Quantities over this five-month period.*
- *Approximately £17.54m was socialised due to the discounts applied.*
- *This contribution is generated from approx. 17.85 TWh of Eligible Quantities.*
- *This is approximately 37% of the potential Entry Eligible Quantities and 20% of the potential Exit Eligible Quantities observed across those routes.*

Slide 8

High Level Figures – Post Modification 0785 period if Modification 0823 was in place

- *Invoicing data for the period Mar-22 to Jul-22 has been used to calculate the following:*
- *The 24 multi-routes initially highlighted contributed circa £1.96m in combined Entry & Exit Revenues from Eligible Quantities over this five-month period.*
- *Approximately £17.55m was socialised due to the discounts applied.*
- *This contribution is generated from approx. 17.86 TWh of Eligible Quantities.*
- *This is approximately 37% of the potential Entry Eligible Quantities and 20% of the potential Exit Eligible Quantities observed across those routes.*

Slide 9

Conclusions

- *Due to the changes approved and implemented via UNC0785 the number of potential multi routes decreases to single figures with effect from 1st March 2022.*
- *By aggregating the two Bacton IP Exit points, the level of Eligible Quantities as a percentage of Entitlement has increased significantly.*
 - *Exit Points benefit as much as Entry, suggesting this is not impacted by variations in levels of Existing Contract bookings across the periods pre and post 1st March.*
 - *Much of the benefit that UNC0823 could have granted to shorthaul users may have already been realised in existing routes. We will run analysis to the end of the Gas Year and provide details for the final workgroup to ensure we have the most up to date data prior to submission.*
- *There is potential for new combinations with the framework of Modification 0728B & Modification 0785, but would*
 - *require assumptions around future Shipper behaviour to predict.*
- *Without prior knowledge of any potential behavioural changes, a range of impact for this*
- *Modification is difficult to estimate.*

Debra Hawkin (DHa) questioned the overall purpose of the Modification, if the benefit was small, as detailed in the data.

Daniel Hisgett (DH) stated that the impact on users was minimal, and Lauren Jauss (LJ) noted that the Modification 0785 solved the problem regarding the Interconnectors routes but not for other multi routes, and DH agreed, noting that in the future new routes could be opened. DH reiterated that the data was based just on the routes that were currently nominated and added that it would be helpful if shippers could share with National Grid those who would be affected, so further analysis could be conducted on the separate routes.

Ritchard Hewitt (RH) said in relation to the benefits, were there any cost implications and DH overviewed the Rough Order of Magnitude (ROM) as detailed:

- *Analysis suggests a cost of approximately £102,000 – £132,000 to implement the change.*
- *No expected ongoing costs.*
- *Delivery time approximately 13-15 weeks including Post Implementation*
- *Support.*
- *Project stand up time will be dependent on whether this is a standalone project or if it is incorporated into ongoing system enhancements (Gemini Sustain Plus)*

RH said with regards to the costs, a relevant objectives assessment needed to be undertaken to help offset these costs and show the benefits from an implementation cost versa time completion duration.

Nigel Sisman (NS) indicated that he had four immediate questions based on the NGG analysis material.

With regards to the routes, NS said firstly how many multi-routes now appeared in the post Modification 0785 world analysis? Colin Williams (CW) indicated that it was a single digit number. NS indicated that he could not understand the secrecy. NS said the relevant actors are the beneficiaries of discounts that generate a higher price that other users have to pay.

NS felt that there should be transparency about the multi-route (i.e., entry/exit point and user) and the Eligible Quantities (i.e., those attracting the discounted charges) at both entry and each associated exit point. CW noted that National Grid are mindful of disclosing shipper specific information. NS suggested that perhaps the shipper could be anonymised (as happens with overrun reporting) and that greater transparency would help in the assessment of the proposal. DH indicated that post-Modification 0785 there are two multi-routes, one at Bacton and one at Teesside.

Secondly NS indicated that slide 4 suggested that each kWh of Eligible Quantity creates a socialisation of approximately 0.1p. This is greater than the cost of either Entry or Exit capacity and therefore the Eligible Quantities cannot represent the total of the entry and exit quantities that attract the discount. DH indicated that the 22.35 TWh of Eligible Quantities was an average of the relevant quantities at Entry and Exit. NS indicated that this was inconsistent with the data presented on slide 5, where the Eligible Quantities are both lower than the value indicated on slide 4. Other Workgroup participants felt it would be helpful to have a clearer explanation of what underpins the published numbers.

Thirdly, NS enquired how the Entry and Exit Point Entitlements were defined and calculated. A lengthy general discussion took place. Some Workgroup participants felt that the potential extent of increased scope for discounts on the analysed routes might be significantly overstated, Due to the suggestion that perhaps around 3 times the quantity of analysed Eligible Quantities could attract the discount and more than 5 times those at Exit. The discussion concluded with a request that DH confirm how the calculations of the Entry and Exit Point Entitlements have been made. DH agreed to investigate this matter further.

New Action 1101: National Grid (DH) to confirm how the calculations of the Entry and Exit Point Entitlements have been made.

Finally, NS enquired under what circumstance the Entry Eligible Quantity might exceed the Exit Eligible Quantity on a single shorthaul route or an Entry/Exit leg of a multi-route. He wondered whether the treatment of Existing Contracts would mean that the Entry Eligible Quantity would always be less than or equal to the Exit Eligible Quantity although it was suggested that trading of capacity at Exit might make this possible. NS indicated he did not understand the suggestion and would welcome an example to explain how Entry Eligible Quantities could be higher than Exit Eligible Quantities as implied in slide 5.

Anna Shrigley (AS) and Debra Hawkin (DHa) concurred with the comments made by NS and said that more information and detail was required regarding the Eligible Quantity and a simple definition would be most beneficial to provide clarity concerning the formula.

Lauren Jauss (LJ) provided an overview of the schematics showing the Entry and Exit capacity flows and explained in the last workgroup meeting, the Workgroup had considered shorthaul eligibility examples that included legacy/existing, secondary, and interruptible capacity. The distinctive treatment of each of these different capacity types makes the eligibility calculations look much less straightforward.

LJ noted however, the feature of the calculations that this proposal addresses is the fact that currently flows are apportioned in a different ratio to all capacity types and that the proposal was to apportion flows and all capacity types in the same ratios. LJ then drew attention to schematics and diagrams with the presentation and stated that these previous examples were presented exactly as they were (including different capacity types) to illustrate the exact scenarios considered before. LJ noted none of the examples that were used for Modification 0728 illustrate the Modification 0823 defect and LJ has not yet found any evidence of this effect being intentional.

Please see the published slides for full details.

LJ then presented the further conclusion slide, as detailed below and stated all the analysis had been undertaken on a route level basis:

Slide 7 – Further Conclusions

- *The analysis that was conducted for Modification 0728 was on a NTS OCC route level basis, not at Shipper level:*
 - *therefore, the failure to qualify for the discount due to this single-Shipper-multi-route effect was probably not taken into account in the analysis.*
 - *the decision as to the level of the discount versus route distance was set to be at an optimal level, so the proposer believes that due to this effect, the achievable level for multi-route discounts is currently lower than is optimal.*
- *In the Modification 0823 example scenario:*
- *A single Shipper that nominates and operates both routes would get a lower discount than if two Shippers nominate and operate one route each*
- *There is sufficient Entry and Exit Capacity to accommodate the Entry and Exit Flows along both routes, but under the current apportioning arrangements, the Eligible Quantities are restricted to a level that is lower than the total flow*
- *The discount the Shipper receives in £ goes down the more excess exit capacity is bought*

Ritchard Hewitt (RH) questioned “A single Shipper that nominates and operates both routes would get a lower discount than if two Shippers nominate and operate one route each”. RH then observed that if RWE can demonstrate that 2 shippers, using National Grid Gas’s (NGG) network in exactly the same way, were being / could be charged different amounts for the same service, then this would appear to be contrary to the requirement of NGG’s charging obligations.

RH said if this was the case, then the Modification was actually less about the merits or otherwise of short-haul, but more about ensuring that the current short-haul tariffs, set out in NGG charging statement, are consistently applied to every shipper.

LJ agreed to take an action to demonstrate how different charges for the same ‘service’ were being applied. DH agreed to re-investigate the data in relation to the deviation of these quantities and the definition of the components that make them up.

New Action 1102: RWE (LJ) to demonstrate how different charges for the same ‘service’ were being applied.

New Action 1103: National Grid (DH) to undertake a re-run of the data analysis to investigate the deviation of these quantities and definition of the components that make them up.

NS indicated there was also merit in exploring under what circumstances the proposal would deliver a consumer benefit. NS argued that if future flows on the network are unchanged then increased access to shorthaul would confer a price benefit to some, but the lost revenues would be recoverable over the generality of users via an increased reserve price. NS noted that the proposal, in the consumer benefit section, had indicated that reserve price changes would be expected to be passed through to consumers implying the proposal might be unimplementable on consumer benefit grounds. NS stated that the Workgroup had to consider the circumstances under which the proposal would generate a benefit.

NS explained the three necessary conditions that would indicate a consumer benefit. Firstly, that without the proposal some load would bypass. Secondly that if implemented then at least some of the bypass would be avoided. Thirdly that the resulting reserve prices would be more favourable (i.e., lower) than they would be if the proposal was not implemented. Other Workgroup participants indicated that these requirements were not appropriate, although NS maintained that a consumer benefit case could not be made unless these three conditions were satisfied.

A general discussion took place regarding the Ofgem decision concerning shorthaul flows and tariffs and how these are applied against each shipper, and LJ and RH maintained that the current regime would be discriminatory if users with single shorthaul routes are advantaged over those using multi-routes.

With relation to discrimination section, NS said that he viewed the discrimination point very differently, indicating that it was strange to change the relative preferment between users able to access the very attractive shorthaul discount. He suggested that it was important not to tilt the playing field too far in favour of those already advantaged. NS added that the data that had been presented within the Workgroup meeting, already suggested a considerable socialisation caused by shorthaul and that increasing access without the three necessary conditions being satisfied, might indeed be regarded as discriminatory against the generality of users with consequential detriment to consumers.

EF stated that the areas of; Data Analysis, Self-Governance status, Relevant Objectives and the associated benefits would be discussed at the December meeting for inclusion in the Workgroup Report. CW and LJ said it was their aspiration for the Workgroup Report to be completed during the December meeting to allow the Modification to be submitted to the December Panel.

EF said that there was an option to request an extension from Panel, if all the areas were not completed during the December meeting. NS indicated that this issue was of relatively low significance, as had been suggested by NGG's analysis, in the context of other issues that are acting to the detriment of consumers. He therefore advocated that all efforts should be made to complete the Workgroup Report in line with the Panel's expectations so that industry can focus on issues of greater value to consumers. The consensus of the Workgroup was that the Modification should be submitted to the December 2022 Panel.

3.0 Capture of potential benefits for Workgroup Report

EF noted that due to the numerous discussions regarding the benefits, these would be captured within the December meeting, following the subsequent data analysis.

4.0 Development of Workgroup Report

EF explained the Workgroup Report would be completed during the December meeting, once all the data analysis had been reviewed.

5.0 Next Steps

EF said it was his aspiration the following areas be discussed at the December meeting, to facilitate the completion of the Workgroup Report, ready for the December Panel submission.

*EF added that the 'all' the material for the meeting would have to be available and published at least 5 days in advance of the December meeting, and that **no late papers** would be accepted.*

- Review of Data analysis
- Self-Governance status
- Relevant Objectives
- Benefits
- Funding costs
- Legal Text

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

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:30 Tuesday 06 December 2022	5pm 25 November 2022	Microsoft Teams	<ul style="list-style-type: none"> • Review of Data analysis • Self-Governance status • Relevant Objectives • Benefits • Funding costs (ROM) • Legal Text

Action Table (as of 01 November 2022)

Action Ref	Meeting Date(s)	Minute Ref	Action	Reporting Month	Owner	Status Update
1101	01/11/22	2.0	National Grid (DH) to confirm the calculations of the Entry and Exit Point Entitlements have been made.	December 2022	National Grid (DH)	Pending
1102	01/11/22	2.0	RWE (LJ) to demonstrate how different charges for the same 'service' were being applied.	December 2022	RWE (LJ)	Pending

1103	01/11/22	2.0	National Grid (DH) to undertake a re-run of the data analysis to investigate the deviation of these quantities and definition of the components that make them up.	December 2022	National Grid (DH)	Pending
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