

UNC Workgroup 0860S Minutes
Clarify impact of exit capacity holdings on offtake rights

Thursday 02 May 2024

at Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Niamh Holden (Secretary)	(NH)	Joint Office
Adam Lane	(AL)	Spirit Energy
Alex Nield	(AN)	Storengy
Anna Shrigley	(AS)	ENI
Ash Adams	(AA)	National Gas Transmission (NGT)
Ben Stodel	(BS)	Perenco
Ben Hanley	(BH)	Northern Gas Networks
Bethan Winter	(BW)	Wales & West Utilities
Christiane Sykes	(CS)	Shell Energy
Chris Wright	(CWr)	Exxon Mobil
Conor McClarin*	(CM)	National Gas Transmission
David Mitchell	(DM)	Scotia Gas Networks
David Rubini	(DR)	Vitol Group
Francis Gonsior	(FG)	European Commodity Clearing AG
Gavin Williams*	(GW)	National Gas Transmission
Hannah Reddy*	(HR)	Corella on behalf of Xoserve
Jackie Atterton	(JA)	PX Limited
James Lomax	(JLo)	Cornwall Insight
Julie Cox*	(JCo)	Energy UK
Joseph Leggett	(JL)	Interconnector
Lauren Jauss	(LJ)	RWE
Marion Joste	(MJ)	ENI
Mark Field	(MF)	Sembcorp
Matthew Brown	(MB)	Ofgem
Michael Crowley	(MC)	Gas Networks Ireland
Nick Wye	(NW)	Waters Wye
Nicola Lond	(NL)	National Gas Transmission
Ofordi Nabokei	(ON)	National Gas Transmission
Phil Hobbins*	(PH)	National Gas Transmission
Phil Lucas	(PH)	National Gas Transmission
Richard Fairholme	(RF)	Uniper
Ritchard Hewitt	(RH)	Hewitt Home and Energy Solutions
Samantha Wilson	(SW)	Spirit Energy
Shiv Singh	(SS)	Cadent
Steve Mulinganie	(SM)	SEFE Energy
Tim Gwinnell	(TG)	South Hook Gas

**at Radcliffe House, Solihull*
The Workgroup Report is due to be presented at the UNC Modification Panel by 20 June 2024.

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/include 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 all papers are available at: <https://www.gasgovernance.co.uk/0860/020524>

1. Introduction and Status Review

Eric Fowler (EF) welcomed all parties to the meeting and pointed out that there had been some time since the last meeting and therefore invited the Proposer to re-familiarise the Workgroup with the Modification.

The Proposer, Lauren Jaus (LJ) provided a brief overview of the Modification, explaining that its purpose is to remove the redundant text that implies that Users, who do not hold Exit Capacity, might have an increased risk of not being able to offtake gas in the short term. LJ explained that it is currently not clear what the offtake rights are compared to capacity holdings. LJ advised that the Modification has been raised for clarification of the rights of Users to offtake gas from the System.

1.1 Approval of Minutes (7 March 2024)

The minutes from the previous meeting were approved.

1.2 Approval of Late Papers

There were no late papers to record.

1.3 Review of Outstanding Actions

0101: NGT (PL) to clarify the difference between the Maximum permitted rate in accordance with paragraphs 3.10.2 and 3.10.3 and how is it different from the capitalised Maximum Permitted Offtake and whether they should be the same.

Update: Phil Lucas (PL) advised that this action had been completed and an action update in relation to the Maximum permitted rate and Maximum Permitted Offtake had been published on the Joint Office Website.

Please see the published [action update](#) for further information.

LJ advised that when looking into the terms within the UNC, it appears to vary depending on the context and the scenario it is describing. LJ noted that at first glance, they appear to be a defined terms, when they are not.

EF advised that the intention would be to discuss these terms within the Workgroup Report and requested clarification on whether the use of the terms is context specific. PL clarified that they are point type specific. **Action: Closed.**

2. Legal Text Review

Legal text is not yet [availableavailable](#), so LJ took the Workgroup through the Proposed Business Rules for the Modification.

The Workgroup reviewed the Proposed Business Rules and discussed the principles and their impact. Julie Cox (JC) noted that there appears to be some inconsistency within Section B. PL advised that these discussions had already been had and NGT's position was clear.

EF drew attention to this point advising that it had been outlined in an initial response which would be a relevant point for consideration in the Workgroup Report.

Business Rule 2

LJ explained that TPD Section J 3, clause 4.5.2. says a user 'shall not exceed' their capacity holding. Business Rule 2 would allow for submission of an Offtake Profile Notice that allows a user to exceed their capacity holding. LJ noted that, having spoken to PL she understands that NGT's intention under BAU is to accept an OPN *that exceeds capacity holding* but in times of system stress they may ~~invoke the clause and decide that it is not valid and~~ reject ~~an~~the OPN *that exceeds capacity holding* if they deem ~~appropriate~~ *necessary to manage the system stress*.

PL advised that they normally allow OPNs *that exceeds capacity holding* but wish to ~~ore~~tain the right to object. ~~but noted that~~*On this basis* NGT may support a softening of the wording used in 4.5.2 to something like *"NGT is not obliged to accept OPNs that exceed capacity holding"*.

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LJ explained that by retaining the potential right to object, there are significant concerns for variable users who may not be able to secure capacity day-ahead at times of system stress. LJ noted that all of this can happen before a stage 1 network gas supply emergency and therefore it appears that flows are curtailed prematurely.

JC argued that at the time these decisions are being made on D-1 NGT hasn't got entry nominations. JC accepted that NGT needs to manage the system but *believes* the mechanism doesn't work. EF questioned what the consequence would be of ignoring an OPN. JC explained that it is never going to be completely accurate, that some OPNs are submitted at very short notice and gas may have already flowed by the time it is rejected, JC added that if gas generators can't participate in the balancing mechanism with confidence this would be an issue with the electricity market.

JC argued that you don't have to hold capacity to flow, when looking at the sections added since the Code was created it doesn't appear to knit together. JC added that the only time there is a right to require curtailment of flow is in network gas supply emergencies.

PL asked how this would be managed close to an emergency. JC advised that users could look to buy gas back as an offtake point, JC argued that the Code needs to be kept under review as the gas market has changed.

PH queried whether there is a timing issue, noting that it wouldn't make sense to release capacity when NGT are aware a constraint is coming. PH questioned if the timing was amended whether this would address the issue.

Business Rule 3

LJ explained that this refers to the points within the proposal and places an obligation on the transporter as there is currently no obligation on NGT to make gas available. LJ explained that there are no material implications of Business Rule.

Business Rule 4

LJ explained that Business Rule 4 is linked to Action 0101.

The Workgroup discussed the materiality of Business Rule 3 and 4 and whether they can be removed. LJ agreed that Business Rule 3 and 4 could be removed.

EF noted, from an administrative process point, that the ~~face of the~~ Modification would need to be amended to reflect this removal before they are able to instruct SGN to draft any Legal Text.

New Action 0501: Lauren Jauss (LJ) to provide JO with an amended version of the Modification.

PL questioned whether it was worth drafting some suggestived text for Business Rule 1 and 2 for David Mitchell (DM) to use when drafting the Legal Text. DM agreed that this would be helpful.

New Action 0502: Lauren Jauss (LJ) to provided suggested text for Business Rule 1 and 2 for the Legal Text drafting.

Commented [PL(G1): I believe it would be useful to record this as a distinct action on LJ. I believe that completion of these two actions is necessary to enable the formal legal text to be drafted by the relevant Transporter. i.e. commencement of legal text drafting is contingent upon completion of these two actions.

LJ agreed to draft some suggestived text, realising that Business Rule 1 and 2 are not very specific. LJ was of the view that the softened wording suggested by NGT would not work for the reasons discussed. ~~PL argued that the current wording does not work for NGT in terms of system constraints.~~ NGT believe that they should have the ability to reject OPNs ~~and in order to manage to manage~~ the system in times of stress. PL noted that this message was given at the ~~Sept~~December 2022 webinar, NGT wish to remain consistent with the responses provided in that session.

JC questioned whether there was an issue with rejecting a constraint and was of the view that you can't restrict flow outside of an emergency.

SM agreed with the Modification approach but argued that the Business Rules require more clarity. SM suggested the drafting of a pre-emptive statement which drives the rationale of the Modification.

EF questioned whether the Modification was on course or whether a further extension would need to be requested from Panel. PL suggested that it would be better to seek an extension in ~~the likely event~~case that ~~#additional time~~ is needed. SM agreed with PL, arguing it is better to request and not need it than to fail to deliver on time.

Conclusion of Workgroup Report

3. Next Steps

- Request extension from Panel until July
- Legal Text

4. Any Other Business

None.

5. Diary Planning

0860 meetings are listed at: <https://www.gasgovernance.co.uk/0860>

All other Joint Office events are available via: www.gasgovernance.co.uk/events-calendar/month

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Thursday 06 June 2024	5 pm Tuesday 28 May 2024	Solihull/ Microsoft Teams	Review of Legal Text

Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0101	29/02/24	2.0	NGT (PL) to clarify the difference between the Maximum permitted rate in accordance with	March 2024	NGT (PL)	Closed

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Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
			paragraphs 3.10.2 and 3.10.3 and how is it different from the capitalised Maximum Permitted Offtake and whether they should be the same.			
0501	02/05/24	2.0	Lauren Jauss (LJ) to provide JO with an amended version of the Modification	June 2024	LJ	Pending
<u>0502</u>	<u>02/05/24</u>	<u>2.0</u>	<u>Lauren Jauss (LJ) to provided suggested text for Business Rule 1 and 2 for the Legal Text drafting</u>	<u>June 2024</u>	<u>LJ</u>	<u>Pending</u>