

UNC Workgroup 0670R Minutes
Review of the charging methodology to avoid the inefficient bypass
of the NTS
Tuesday 01 October 2019
Via Teleconference

Attendees		
Rebecca Hailes (Chair)	(RH)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Alan Raper	(AR)	Joint Office
Andrew Pearce	(AP)	BP
Anna Shrigley	(AS)	Eni Trading & Shipping
Dan Hisgett	(Dhi)	National Grid
David Cox	(DC)	London Energy Consulting
Debra Hawkin	(DH)	TPA Solutions
Graham Jack	(GJ)	Centrica
Henk Kreuze	(HK)	Vermilion Energy
John Costa	(JCo)	EDF Energy
Julie Cox	(JC)	Energy UK
Kamla Rhodes	(KR)	Conoco Phillips
Laura Johnson	(LJ)	National Grid
Nick Wye	(NW)	Waters Wye Associates
Pavanjit Dhesi	(PD)	Interconnector UK
Richard Fairholme	(RF)	Uniper
Richard Pomroy	(RP)	Wales & West Utilities
Sinead Obeng	(SO)	Gazprom Marketing & Trading
Steve Pownall	(SP)	Xoserve
Terry Burke	(TB)	Equinor

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0670/011019>

The Request Workgroup Report is due to be presented at the UNC Modification Panel by 16 January 2020.

1.0 Introduction and Status Review

1.1. Approval of Minutes (03 September 2019)

The minutes of the previous meeting were approved subject to a minor amendment to reflect that Terry Burke was only in attendance for agenda item 2.0.

1.2. Review of Outstanding Actions

There were no outstanding actions.

2.0 Review of amended Request

Laura Johnson (LJ) provided an update confirming that the Request had been updated further following the last meeting to reflect the discussion on quoracy in relation to the composition of the Workgroup. LJ indicated that the new changes were tracked in a different colour for ease

of reference. Workgroup participants confirmed that they were content with the changes and it was agreed that National Grid would submit this version as a formal Request amendment.

3.0 Consideration of analysis requirements

LJ and Dan Hisgett (DH) confirmed that there was no analysis for discussion.

Richard Pomroy (RP) indicated that he had provided some feedback in advance of the meeting to Joint Office on some suggested principles that could be used to guide a review. RH thanked RP for the feedback and confirmed that it had been passed to National Grid for consideration.

Suggested principles provided by RP:

- a. **Compliance.** *Compliance with EU legislation, Gas Act (in particular obligation in section 9 to develop an economical and efficient system for the transportation of gas) and NTS licence in particular A5 that requires that charges reflect the costs incurred by the licensee.*
- b. **Demonstrable benefit.** *That any proposed scheme provides a demonstrable benefit to the remaining Users of the NTS system. If there is no discount, then some customers may disconnect from the NTS resulting in a loss of revenue. If a scheme is introduced to give some form of discount, then the customers that may have disconnected will be retained although with lower revenue however there may be other customers that benefit who have no realistic likelihood of disconnecting. Any scheme needs to demonstrate that there is on the balance of probabilities likely to be a net benefit to the remaining users of the NTS. We must not forget the impact of any scheme on downstream customers including those on connected systems.*
- c. **Product offered.** *Consideration should be given to whether the services offered under any scheme should be the same as those offered to customers that do not benefit from the scheme. For example, if a customer is being offered a reduced charge because they could disconnect from the NTS and connect directly to an entry point should they be offered a service that removes any benefit that they may have from being connected to a system? This would mean that they received a cheaper service but received fewer benefits and this may help address any claims of undue discrimination. We should also consider whether a customer making use of any scheme should make a long-term commitment rather than being able to swap in and out.*
- d. **Applicability.** *NTS charges apply to users that take gas out of the National Transmission system and therefore any scheme needs to provide a justification if it is limited to a particular type of customer.*

LJ confirmed that National Grid will take these principles into account in the development of any future proposals and will follow-up with RP as necessary. She also suggested that any further comments would be welcomed from other Workgroup participants too and should be sent to Joint Office who will then forward.

Richard Fairholme (RF) asked when a final position will be reached on the Terms of Reference, bearing in mind the Request has been running for some time and therefore, when would they be agreed. LJ suggested that the principles are comments for consideration and as such would not be included within the Terms of Reference. She suggested they could be included within the Request Workgroup Report and would also feed into the design of any new Modification.

Debra Hawkin asked if National Grid were intending to provide a view on the suggested principles. In response, LJ reiterated that National Grid will be considering these comments along with any other comments provided by Workgroup participants. She encouraged

Workgroup to provide any further comments indicating that these would all be shared with the Review group at future meetings.

Nick Wye (NW) raised a concern in relation to the non-attendance of Ofgem and emphasised the importance of having an Ofgem view in relation to the ongoing compliance issues. He added that it would be helpful to have a general view from Ofgem indicating if the Review group is progressing in the right direction and more information about what is an appropriate compliance model in terms of what elements should or should not be included.

New action 1001: Ofgem (David O’Neill (DON)) to provide comments and/or any indicative views on compliance at the November meeting.

4.0 Next Steps

LJ confirmed that the next steps are for National Grid to:

- Provide an amended Request
- Propose a potential short-haul product and provide a draft for discussion at the November/December meeting.

DH questioned why there should be a delay to the development of any short-haul product especially as there was some interest within the Workgroup to have such a product. LJ reiterated that Workgroup participants should provide any ideas for discussion at the November meeting.

5.0 Any Other Business

None.

6.0 Diary Planning

Further details of planned meetings are available at: <https://www.gasgovernance.co.uk/events-calendar/month>

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:00 Tuesday 05 November 2019	Radcliffe House, Blenheim Court, Warwick Road, Solihull, B91 2AA	Consideration of Amended Request 0670R Consideration of potential short-haul product
10:00 Tuesday 03 December 2019	Elexon, 350 Euston Road, London NW1 3AW	TBC
10:00 Tuesday 07 January 2020	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	TBC

Action Table as at 01 October 2019

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
1001	01/10/19	3.0	Ofgem (DON) to provide comments and/or any indicative views on compliance at the November meeting.	Ofgem (DON)	Pending