

**UNC Workgroup 0696 Minutes
Addressing inequities between Capacity booking under the UNC and
arrangements set out in relevant NExAs**

Tuesday 17 December 2019

at Elexon, 350 Euston Road, London NW1 3AW

Attendees		
Alan Raper (Chair)	(AR)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Lorraine O'Shaughnessy*	(LO)	Joint Office
Andy Clasper	(AC)	Cadent
Carl Whitehouse*	(CW)	Shell Energy Retail Limited
David Addison	(DA)	Xoserve
David Mitchell	(DM)	SGN
Ed Fyfe*	(EF)	SGN
Ellie Rogers	(ER)	Xoserve
Guv Dosanjh	(GD)	Cadent
Kirsty Dudley*	(KD)	E.ON
Lorna Lewin	(LL)	Orsted
Oorlagh Chapman*	(OC)	British Gas
Richard Pomroy	(RP)	Wales & West Utilities
Stephanie Clements*	(SC)	Scottish Power
Steve Britton	(SB)	Cornwall Insights
Steve Mulinganie	(SM)	Gazprom Energy
Tracey Saunders	(TS)	Northern Gas Networks
*via teleconference		

Copies of all papers are available at: www.gasgovernance.co.uk/0696.

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

1.0 Development of Supplemental Report

AR gave a brief overview of the report and highlighted the different sections within it.

1.1. Clarification of the current capacity booking arrangements, particularly in relation to:

In providing an update to Action 1103: *Scenarios*: DA agreed to provide some scenario-based examples to clarify issues arising from new action 1101 which was for AR to draft and circulate a synopsis of the current capacity booking arrangements which will cover the Procedures; Responsibilities; Timing of events; Legal arrangements, ER provided a presentation which covered the following scenarios:

- Scenario 1 Booked Capacity < NExA Capacity
- Scenario 2 Booked Capacity = NExA Capacity
- Scenario 3 Booked Capacity > the NExA Capacity
- Scenario 4 Ratchet causes the booked Capacity to increase but still < NExA Capacity
- Scenario 5 Ratchet causes the booked Capacity to increase and become > NExA Capacity

ER confirmed that for Scenarios 1, 2 and 4, there would be no action required, and the bulk of the discussion revolved round Scenarios 3 & 5.

For ease of reading, here is a list of the abbreviation explanations used during the meeting:

Ratchet: Capacity Ratchet Charges are used to incentivise the Shipper to correctly book capacity for DM supply points.

If a Shipper under books and the supply point's User Daily Quantity Offtaken (UDQO) exceeds the booked capacity (DM SOQ), then this can compromise the safety of the network and integrity of the network design.

Ratchet Charges: To ensure that capacity is booked realistically, penalties are incurred when a Shipper exceeds its booked capacity during the winter period.

Ratchets are applied during winter months (October through May) for normal sites and throughout the year for seasonally large supply points (SLSPs).

Ratchets are calculated only based on actual energy.

PMSOQ: Provisional Maximum SOQ

Provisional maximum supply point capacity and is set at the lesser of 2 x prevailing SOQ or 16 x prevailing SHQ

SOQ: System Offtake Quantity

Daily quantity (System Offtake Quantity) – the maximum amount of gas a supply is expected to take in a single day.

SHQ: System Hourly Quantity

This is the maximum amount of gas a supply can take within an hour.
Also known as instantaneous offtake rate.

Scenario 3: Booked Capacity > the NExA Capacity

In this Scenario, where the booked SOQ exceeds the NExA SOQ, under Modification 0696 the Shipper can request a capacity refund for the additional SOQ above the NExA value.

Consideration 1:

The Transporter would instruct the CDSP to complete the Capacity Adjustment in order for the Capacity refund to be issued to the Shipper.

Consideration 2:

Should there be an obligation on Shippers to reduce their booked SOQ to the NExA SOQ (if this is within the annual Capacity reduction period).

RP clarified that the proposed 0696 Legal Text suggests the insertion of a paragraph in Section G5.4.5 in to Uniform Network Code which will explain that a User's Supply Point Capacity at no point will be greater than any maximum daily rate within the NExA.

He went on to advise that this clashes with existing Legal Text in terms of when a ratchet occurs, B4.7.1 and B4.7.6 and suggested that if there is no Ratchet amend B4.7.1 and B4.7.6, or, carve out in the solution that it only applies in specific circumstances.

SM provided an example:

Month 1

NExA	= 100
Booked Capacity	= 120
Charge	= 20

If, a month later, the Shipper books 120 again, the Shipper is charged 20 for the extra above NExA level. SM queried whether this was reasonable given, under current arrangements, the

NExA could have been increased to 120. Also, if the NExA didn't exist, it would have been permissible to book the 120.

DA confirmed that the Provisional Maximum System Offtake Quantity (PMSOQ) logic applies this and is independent of the NExA.

DA summarised: if the PMSOQ is higher than the NExA then the system would allow the shipper to book up to that amount of capacity.

While exploring this scenario, it was suggested that any daily offtake in excess of the NExA value could trigger ratchet charges and a discussion ensued as to how these should be contractually & commercially resolved, overlapping the discussion into Scenario 5

It was stated that if the PMSOQ is greater than 120, in that circumstance, the Ratchet Charge would be calculated on the basis of the booked capacity.

DA explained that Xoserve would need to hold PMSOQ within the system, retain a history of previous daily offtakes that triggered Ratchets and would then need to compare these against any subsequent Ratchet triggering flows.

Workgroup suggested the Modification needs an additional business rule to set out how ratchet scenarios would be addressed, and how they would apply in relation to the NExA daily capacity, the booked SOQ value and, where relevant, the PMSOQ.

Scenario 5: Ratchet causes the booked Capacity to increase and become > NExA Capacity

Summary: Existing Ratchet process will continue; booked SOQ should increase to the Ratcheted SOQ value and the Ratchet Charge should be applied Revised SOQ is higher than NExA SOQ. The Transporter will need to confirm alternative Capacity (Consideration 3)

Consideration 3

Where a site Ratchets above the NExA Capacity, the Ratchet Charge will apply and usually the booked Capacity would increase to the ratcheted Capacity.

Where the booked SOQ is increased through the Capacity increase by confirmation process, the capacity referral process would provide Transporters the opportunity to 'catch' increases above that agreed within the NExA. Where, however, the increase above the NExA SOQ is a result of a Ratchet, there is no such safeguard.

In that scenario, the Transporters would need to confirm and instruct what should happen with the Ratchet and what the revised booked Capacity should be.

It was confirmed that this is still a zero system change Modification.

It was clarified that, as system and rules stand, the PMSOQ could be above the NEXA value, this would contradict BR1 in the modification.

DA advised that Xoserve would need to make sure the SOQ didn't Ratchet, when the pre-notification is issued, this would then need a manual adjustment, it is likely that Xoserve would have to error detect & suppress these events and manually adjust values & charges accordingly. At the very minimum, this will require a new report to detect relevant events.

RP mentioned that as this would be a seldom-used, manual process, there would be a high risk of processing errors.

It was suggested that the Solution is amended to include 'these arrangements don't apply where a ratchet occurs'.

Workgroup considered the Business Rules that are currently in the Modification, (see below), and concluded that there is a need for an additional Business Rule to accommodate the Ratchet element.

Business Rule 1 Any requests for new or additional capacity for DM Supply Points (excluding NTS Supply Points) shall, where a relevant NExA exists, only take effect from the relevant date set out in the NExA.

Business Rule 2 This change would be effective from 1st September 2018, with the CDSP correcting any capacity charges for sites identified by a Shipper as having been affected by the mismatch in NExA and UNC capacity booking processes.

It was agreed that, although significant progress had been made, the suggested three Workgroup meetings will not be enough, therefore, an extension request is to be presented to the December 2019 UNC Panel, extend to April 2020.

New Action 1201: Xoserve to understand what direction the Proposer wants to go with this and complete an impact and implementation assessment.

New Action 1202: RP to revise the Legal Text.

New Action 1203: SM to write the new Business Rule to accommodate the Ratchet element.

New Action 1204: All Workgroup participants to review the Supplemental Report that AR has drafted.

New Action 1205: Joint Office to request Workgroup extension to April 2020 at December 2019 UNC Panel.

Action 1205 post meeting update: the extension request was made at UNC Panel 19 December 2019. Action Closed.

1.1.1. Procedures

1.1.2. Responsibilities

1.1.3. Timing of events

1.1.4. Legal arrangements

2.0 Detail on the deficiencies in the current arrangements – as described in the proposal

This was deferred to the next meeting in January 2020.

3.0 Review of impact on central systems, processes, and procedures

This was deferred to the next meeting in January 2020.

4.0 Review and assessment of the Legal Text

This was deferred to the next meeting in January 2020.

5.0 Next Steps

AR summarised the next steps:

- Workgroup will reconvene 23 January 2020
- All Workgroup participants will review the Draft Supplemental Report prior to the next meeting.
- UNC Panel request to extend Modification 0696 timetable to April 2020

6.0 Any Other Business

None raised.

7.0 Diary Planning

Workgroup discussed where the next meeting in January 2020 would be held. It was agreed that a Solihull meeting is preferable.

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
10:30 Tuesday 23 January 2020	Radcliffe House, Blenheim Court, Warwick Road, Solihull, B91 2AA	Standard Workgroup agenda

Action Table (as at 17 December 2019)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1101	28/11/19		AR to draft and circulate a synopsis of the current capacity booking arrangements which will cover the Procedures; Responsibilities; Timing of events; Legal arrangements.	Joint Office (AR)	Closed
1102	28/11/19		All to review the legal text to make sure it meets the requirements of the solution. Specifically, does it cover the ratchet aspect and generally cover all eventualities?	All	Closed
1103	28/11/19		DA agreed to provide some scenario-based examples to clarify issues arising from new action 1101.	Xoserve (DA)	Closed
1201	17/12/19	1.1	SM to write the new Business Rule to accommodate the Ratchet element.	Proposer (SM)	Pending
1202	17/12/19	1.1	Xoserve to understand what direction the Proposer wants to go with this and complete an impact and implementation assessment.	Xoserve (DA)	Pending
1203	17/12/19	1.1	RP to revise the Legal Text.	Legal Text Provider (RP)	Pending
1203	17/12/19	1.1	SM to write the new Business Rule to accommodate the Ratchet element.	Proposer (SM)	Pending
1204	17/12/19	1.1	All Workgroup participants to review the Supplemental Report that AR has drafted.	All Workgroup Participants	Pending
1205	17/12/19	1.1	Joint Office to request Workgroup extension to April 2020 at December 2019 UNC Panel.	Joint Office (AR)	Closed