

**UNC Workgroup 0705R Minutes  
NTS Capacity Access Review  
10:00 Thursday 03 June 2021  
via Microsoft Teams**

| <b>Attendees</b>          |       |   |
|---------------------------|-------|---|
| Alan Raper (Chair)        | (AR)  | Joint Office  |
| Helen Bennett (Secretary) | (HCu) | Joint Office  |
| Adaeze Okafor             | (AO)  | Equinor   |
| Alex Nield                | (AN)  | Storengy  |
| Andrew Blair              | (AB)  | Interconnector UK                                   |
| Andrew Pearce             | (AP)  | BP  |
| Anna Stankiewicz          | (ASt) | National Grid                                       |
| Ashley Adams              | (AA)  | National Grid                                       |
| Bethan Winter             | (BW)  | WWU   |
| Carlos Aguirre            | (CA)  | Pavilion  |
| Daniel Hisgett            | (DHi) | National Grid                                       |
| Emma Buckton              | (EB)  | Northern Gas Networks                               |
| Eric Fowler               | (EF)  | Joint Office  |
| Hannah Reddy              | (HR)  | Correla on behalf of Xoserve                        |
| Henk Kreuze               | (HK)  | Vermilion   |
| Jeff Chandler             | (JCh) | SSE   |
| Jennifer Randall          | (JR)  | National Grid                                       |
| Julie Cox                 | (JCx) | Energy UK   |
| Kamila Nugumanova         | (KM)  | ESB   |
| Kamla Rhodes              | (KR)  | ConocoPhillips                                      |
| Lucy Manning              | (LM)  | Grain LNG   |
| Max Lambert               | (ML)  | Ofgem   |
| Phil Hobbins              | (PH)  | National Grid                                       |
| Phil Lucas                | (PL)  | National Grid (0761 only)                           |
| Richard Fairholme         | (RF)  | Uniper  |
| Ritchard Hewitt           | (RHe) | Hewitt Home and Energy Solutions (on behalf of BBL) |
| Rudi Streuper             | (RS)  | BBL Company   |
| Samuel Dunn               | (SD)  | Interconnector UK                                   |
| Sarah Cooper              | (SC)  | Interconnector UK                                   |
| Sinead Obeng              | (SO)  | Gazprom   |
| Steven Britton            | (SB)  | Cornwall Insight                                    |

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0705/030621>

The Workgroup Report is due to be presented at the UNC Modification Panel by 21 October 2021.

## 1. Introduction and Status Review

Alan Raper (AR) welcomed all to the meeting.

### 1.1. Approval of minutes (06 May 2021)

The minutes from the previous meeting were approved.

### 1.2. Approval of Late Papers

No late papers were received.

### 1.3. Review of outstanding actions

No outstanding actions to review.

## 2. Review of Exit Regime

JR provided an update on the Exit Regime which included the following subject areas, detailed discussions captured are shown below:

### User Commitment for capacity within baseline - Slide 3

JR explained that the introduction of the Exit Capacity Planning Guidance (ECPG), means that it is now deemed economic and efficient to consider, not just signals with financial backing, but also information provided through the ECPG process.

When asked about Ofgem's informal consultation on the removal of User Commitment within baselines for GDNs, Max Lambert (ML) confirmed that Ofgem have made no decision yet, this will not be done until the consultation has ended.

ML advised that if the User Commitment were to be lowered to zero, it would not happen in time for the July 2021 booking window. If the responses from industry suggest that any changes to user commitment for GDNs should wait until the ECPG process runs this year, that would be taken into consideration.

JCx noted her general concern that Ofgem are setting up this guidance process but questioned Ofgem's role.

ML advised that User Commitment concerns go back prior to the development of the ECP Guidance, and that monitoring of the ECP guidance is in place and Ofgem has powers to monitor the ECP Guidance. ML also stated that the informal consultation on User Commitment is linked to the 1-in-20 obligations and the removal of the RIIO-1 GD booking incentive and is a different and wider conversation beyond the ECP Guidance.

JCx disagreed and advised she believes they are 100% linked and asked how Ofgem can confirm to the industry if the process is working well.

ML clarified that Ofgem have monitoring powers and if anything is highlighted as needing to be rectified, Ofgem would look to do so and keep the intervention as transparent as possible.

ML confirmed that robust reporting requirements and assessment should determine if an amendment is needed if the process is found to be not working as intended.

### Ofgem consultation – Removing User Commitment for Gas Distribution Networks (GDNs) booking Exit capacity up to and including baseline:

[https://www.ofgem.gov.uk/system/files/docs/2021/05/informal\\_consultation\\_on\\_exit\\_user\\_commitment.pdf](https://www.ofgem.gov.uk/system/files/docs/2021/05/informal_consultation_on_exit_user_commitment.pdf)

**New Action 0601:** ECPG - Ofgem (ML) to confirm if Ofgem can provide a summary statement in terms of transparency with the monitoring process.

JR clarified the use of the word 'incentive' should be replaced by the word 'driver' in the following paragraph on slide 3 of the presentation.

*This means there is no longer the "incentive" for GDNs to book capacity through the Enduring application process for risk of that capacity otherwise being used to fulfil a substitution request. This could mean GDN's move towards booking annual rather than enduring capacity.*

**User Commitment - Slide 4**

JR provided Workgroup with an overview of User Commitment:

JCx provided a reminder that originally the suggestion was to reduce User Commitment from 4 years to 2 years, and now it appears that the Ofgem consultation is suggesting it should be reduced to zero.

ML explained that in the consultation letter, it notes that concerns have been raised by GDNs, over several years, because of the inability to reduce their capacity bookings when their demand forecast changes. The informal consultation is looking to gather views from all parties, including those who were not involved in the development of the licence or ECP Guidance.

**User Commitment for incremental capacity - Slide 5**

JR confirmed that several topics are currently being assessed:

- What is the purpose of User Commitment for incremental capacity (both substitution and Funded Incremental Obligated Capacity (FIOC))?
- What was the justification for current incremental User Commitment rules?
  - How has that evolved?
- What are the benefits and risks associated with reducing User Commitment for incremental capacity?
- Does the Funded Incremental Obligated Capacity (FIOC) re opener change any requirement for User Commitment?

Currently User Commitment is 4 years, National Grid are looking into if that is still relevant and questioning if it should be reduced.

**Flow Swap vs the ‘new process name’ - Slide 6**

JR showed a table representing the current long term flow swap arrangements and how the new process might work.

When clarification was provided that the new process would be between exit points within the same LDZ zone it was agreed that a graphical diagram would benefit understanding.

**New Action 0602:** National Grid (JR) to provide a graphical diagram setting out how the direct connects would interact.

JR confirmed National Grid are looking at exchange rates that are not 1:1 and how those would be charged for.

**User Commitment applicable - Slide 7**

JR provided an overview of how much User Commitment would be applicable dependant on the product and advised more detail will be provided at the next meeting.

**Entry Products - Slide 10 to Slide 13**

JR provided information to the Workgroup of what Entry products are currently available; how long the capacity is made available for, for each product and how often they are held:

|                      | <b>Y2 – Y16</b>  | <b>Y – Y1</b>   | <b>M1</b>          | <b>W1</b>     | <b>D1</b>      | <b>D</b>       |
|----------------------|------------------|-----------------|--------------------|---------------|----------------|----------------|
| <b>Firm</b>          | Quarterly (QSEC) | Monthly (AMSEC) | Monthly (RMTnTSEC) | Weekly (WSEC) | Daily (DASSEC) | Daily (WDDSEC) |
| <b>Interruptible</b> |                  |                 |                    |               | Daily (DISEC)  |                |

**QSEC**

- Auctions held annually in March, open for 10 working days and allocated in May
- Capacity made available in Quarterly strips from Oct Y+2 to Sept Y+16. Capacity bid for every day throughout the quarter.
- Used to trigger incremental capacity Ad-hoc auction can be triggered at any time by a PARCA (TPD Section B 2.1.14)

**AMSEC**

- Auctions held annually in February
- Capacity made available in monthly strips from April Y+1 to September Y+2
- Auction open for 4 days in 2 bidding rounds, separated by 2 days. Allocation after each day

**RMTnTSEC**

- Auctions held monthly at month-ahead stage
- Capacity made available in monthly strips
- Surrender of capacity available, only allocated if matching shipper demand. Allocate lowest price first (if surrender below reserve price, allocate before unsold)

Looking at the utilisation of these products, (Slides 11-13), shows usage of the QSEC product dropping off, there was a spike in 2018 which was possibly due to charging review. There has been no usage of MSEC since 2016 and the RMTnTSEC graph, on slide 13, shows quite regular usage since October 2020. (the RMTnTSEC graph on shows months of actual usage.

**Options - slide 14**

1. Remove the standard QSEC product; maintain ad-hoc QSEC.
  - a. Substitution triggered through PARCA rather than through QSEC -since 2016 there has only been one substitution triggered through QSEC.
2. Remove the standard QSEC product; maintain ad-hoc QSEC; extend AMSEC to [Y+7]
  - a. Different capacity durations purchased in same period.
3. Remove the standard and ad-hoc QSEC; ad-hoc AMSEC process.
4. Remove the standard and ad-hoc QSEC; extend AMSEC to [Y+7]; ad-hoc AMSEC process.
5. Remove the standard and ad-hoc QSEC products; remove AMSEC and increase use of RMTnTSEC.

When JCx asked if this will meet European Code compliance, JR advised any change would only apply to domestic points, not at interconnection points.

Workgroup will consider the options provided which will be discussed further at the next meeting.

**Exit Products - Slide 15**

|                 | <b>Y4 – Y6</b>    | <b>Y1 – Y3</b> | <b>D1</b>      | <b>D</b>       |
|-----------------|-------------------|----------------|----------------|----------------|
| <b>Firm</b>     | Enduring (EAFLEC) | Annual (AFLEC) | Daily (DADNEX) | Daily (WDDNEX) |
| <b>Off-peak</b> |                   |                | Daily (DONEX)  |                |

JR advised this hints that a more medium-term exit product would be useful.

Workgroup will consider the options provided which will be discussed further at the next meeting.

### 3. Review of Overrun Multiplier

JR advised that Overruns are being reported to workgroup on a monthly level of within the Transmission Workgroup agenda. It is suggested that this is now moved to this agenda as the multipliers for the calculation of overruns are going to start being looked at.

### 4. Next Steps

AR confirmed that more detail will be provided on User Commitment, Entry Products and the Overrun Multiplier at the next Workgroup meeting.

### 5. Any Other Business

No items required discussion.

### 6. Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/events-calendar/month](http://www.gasgovernance.co.uk/events-calendar/month)

| Time / Date                         | Venue           | Workgroup Programme |
|-------------------------------------|-----------------|---------------------|
| 10:00 Thursday<br>01 July 2021      | Microsoft Teams | TBC                 |
| 10:00 Thursday<br>05 August 2021    | Microsoft Teams | TBC                 |
| 10:00 Thursday<br>02 September 2021 | Microsoft Teams | TBC                 |

**Action Table (as at 03 June 2021)**

| Action Ref | Meeting Date | Minute Ref | Action   | Owner               | Status Update  |
|------------|--------------|------------|--|---------------------|----------------|
| 0601       | 03/06/21     | 2.0        | <b>User Commitment for capacity within baseline (ECPG)</b> - Ofgem (ML) to confirm if Ofgem can provide a summary statement in terms of transparency with the monitoring process                         | Ofgem (ML)          | <b>Pending</b> |
| 0602       | 03/06/21     | 2.0        | <b>Flow Swap vs the 'new process name'</b> : National Grid (JR) to provide a graphical diagram setting out how the direct connects would interact.   | National Grid (JR)  | <b>Pending</b> |
| 0603       | 03/06/21     | 5.1        | (Transferred from TWG mins for 03 June 2021) National Grid (ASt) to confirm what mandatory parameters are being implemented as part of <i>Modification 0745S – Mandatory Setting of Bid Parameters</i> . | National Grid (ASt) | <b>Pending</b> |