

UNC Workgroup 0705R Minutes
NTS Capacity Access Review
Thursday 04 June 2020

Attendees		
Lorraine O'Shaughnessy Chair)	(LOS)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Aisling Jenson-Humphreys	(AJH)	Conoco Phillips
Adam Bates	(AB)	South Hook Gas
Andrew Pearce	(AP)	BP
Angus Paxton	(AP)	Poyry
Anna Shrigley	(AS)	Eni Trading & Shipping
Anna Stankiewicz	(ASt)	National Grid
Bethan Winter	(BW)	Wales & West Utilities
Bill Reed	(BR)	RWE
Christiana Sykes	(CS)	Shell
Chris Wright	(CW)	Exon Mobil
Debra Hawkin	(DH)	TPA Solutions
Emma Buckton	(EB)	Northern Gas Networks
Henk Kreuze	(HK)	Vermillion
Hilary Chapman	(HC)	SGN
India Koller	(IK)	SGN
Iwan Hughes	(IH)	VPI Immingham
Jeff Chandler	(JCh)	SSE
Jennifer Randall	(JR)	National Grid
Jon Dixon	(JD)	Ofgem
John Costa	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kamila Nugumanova	(KN)	ESB
Kamla Rhodes	(KR)	Conoco Phillips
Leyon Joseph	(LJ)	SGN
Malcolm Montgomery	(MM)	National Grid
Max Lambert	(ML)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Paul Youngman	(PY)	Drax
Pavanjit Dhesi	(PD)	Interconnector
Richard Pomroy	(RP)	Wales and West Utilities
Shiv Singh	(SS)	Cadent
Steven Britton	(SB)	Cornwall Energy
Steve Pownall	(SP)	Xoserve
Terry Burke	(TB)	Equinor
Will Webster	(WW)	Oil and Gas UK

Copies of all papers are available at: www.gasgovernance.co.uk/0705/040620

The Workgroup Report is due to be presented at the UNC Modification Panel by 15 October 2020.

1.0 Introduction and Status Review

1.1. Approval of Minutes (07 May 2020)

The minutes from the previous meeting were approved.

2.0 For June discussion:

2.1. User Commitment Updates

Entry User Commitment

Jennifer Randall (JR) explained to Workgroup that as a result of discussions held at the April 2020 Workgroup, National Grid agreed to look at the pros and cons of the proposed options, consequences and risks and how they can be mitigated.

JR advised Workgroup as discussed earlier under Pre Mod discussion, that National Grid are intending to raise a new Modification which will look at existing capacity (capacity that is within baseline) and the requirements.

Loraine O'Shaughnessy (LOS) advised Workgroup that the July UNC Panel agenda is exceptionally busy and asked Workgroup their views on consideration on moving the discussion to August.

Adam Bates (AB) advised that this modification has been around since October 2018 and expressed concern on any further delay, Nick Wye also concurred that this should be brought to July Panel. LOS asked Ofgem if they had any views, no comments were provided. Some Workgroup participants expressed their preference for the Modification to be raised asap and they would prefer it to go to July UNC Panel.

Steve Pownall (SP) asked what the potential implementation date might be as Xoserve support many processes, including PARCA, that this could affect. JR advised whereas there are no system impacts envisaged, as part of the development, National Grid will include an impact assessment.

JR confirmed the drafting of the Modification would be ready for the July 2020 Workgroup.

2.2. Exit User Commitment

JR reminded Workgroup that at the April Workgroup she presented various options around Exit User Commitment where it was understood that Workgroups preferred option for National Grid to follow up in more detail, was the option around the removal of the enduring product.

This was discussed further at the May 2020 Workgroup where it was clarified that Option D is not necessarily Workgroups preference.

JR advised, moving forward, analysis will be a two-stage approach, in the short-term amendments to the existing regime to solve the immediate problems and in the longer term, a fundamental review of the exit capacity regime including Zonal, mirroring Entry regime and then at this stage it may be more appropriate to run a consultation

Action 0404: Exit User Commitment: Option D: National Grid (JR) to look further into option D and provide more clarity.

Update: JR advised this action will be completed as part of the consultation. This action should be carried forward and reviewed in September 2020 alongside Action 0501.

Referring to the Exit User Commitment problem, JR explained there are two sides to look at the problem:

1. Users are finding it increasingly difficult to forecast capacity requirements 4 years in advance. Once long term capacity is booked, Users then face 4 years User Commitment which also means Users are unable to reduce their capacity for 4 years if forecasts reduce.

2. If Users do not purchase enduring capacity, they run the risk of capacity at the Exit point the User is active at, being substituted away.

Looking at the two-sided problems should help to show the balance attempted to be struck by Users in terms of their capacity booking behaviours.

JR advised that User Commitment mainly impacts Distribution Networks whereas substitution is a problem for other parties.

LOS advised Workgroup that Joint Office have received a paper from Bethan Winter (BW) which is a Wales & West Utilities Case Study of the Capacity Access Review which is appropriate to share at this stage in the agenda.

BW introduced her Case Study and advised Workgroup that it focusses on the Maelor Offtake which she explained feeds all of Wales North, has a simple relationship between LDZ forecast and Offtake Capacity requirement, has no flow swapping options for networks (NTS or WWU) and no ability to respond to cost drivers, e.g. to follow cheaper capacity.

Referring to Peak day forecasting in 2012, BW advised the graph shows variability in the forecasts received from NTS for the steady progression scenario 2011 to 2012. The WWU forecast in 2012 using Section H data and User commitment 2015/6 to 2018/9.

In comparison, BW provided a view of Peak day forecasting in 2018, this can be found on Slide 5 of the Case Study. This graph shows User Commitment in the first year that results in overbooking capacity at Maelor for 2018/19. Reductions to enduring capacity were not made for the second and subsequent years as the opportunity to do that in 2019 would create risks around increasing capacity at a later date, which would result in User Commitment.

Paul Youngman (PY) commented that it is good to appreciate there are a number of different things to take into consideration and thanked BW for providing the information. He noted the difference between WWU steady progression and National Grid steady progression is quite large and asked BW to explain. BW advised that WWU include assumptions around Power Stations that might be down and if WWU added all GDN forecasts, they would get to a higher number in aggregate, she added WWU do liaise with National Grid on a regular basis.

Julie Cox (JCx) agreed and commented, there is a concern there is such a difference between the National Grid view and the Network view. JCx advised that Section H data was included in the Forecasted Contracted Capacity (FCC) development process, it was identified that the Section H data was the better set of numbers to use than the methodology, however, there is no transparency over the Section H data.

JR advised the Section H information sounds like it provides a better forecast of DN requirements. National Grid struggle with no commitment behind the Section H data. For National Grid to rely more on Section H, it would need a mechanism to ensure its robustness.

Nick Wye (NW) observed that it is clear there is a competing dynamic with DNs overbooking, looking at the other extreme, facilities such as Storage are unable to book levels of capacity they require. He advised there are significant concerns around the potential of substitution, when a User buys capacity on a longer term basis, it has no value, he added there may be a value to the longer term booked Capacity if there are competing Users. NW suggested it would be an advantage if Users were allowed to switch Capacity between themselves, but the capacity to have a value.

NW advised he may bring the suggestion back to next Workgroup in July 2020 as he needed time to analyse further.

In summary BW advised the Section H data is more accurate than commercial bookings in the event that annual or daily capacity may be used to top up enduring capacity and User Commitment mean DNs are unable to reduce capacity to reflect reductions in requirements.

JR went on to explain the Exit User Commitment Options which are outlined in the presentation provided. She explained National Grid recognise that different options will be relevant to different parties and that Workgroup may come to a conclusion of maybe one or a combination of options and advised that the Workgroup is currently in a stage of suggesting pros and cons and that the next stage will be to quantify and qualify.

Options for consideration – Exit User Commitment:-

User Commitment	1	No User Commitment for bookings within baseline capacity
	2	1 year User Commitment for bookings within baseline capacity
	3	Withhold 10% of baseline capacity or sold capacity for short-term auctions
Substitution	4	Proving a notice of geographical location of application which has triggered substitution (and an opportunity to buy capacity) following substitution signalled through Enduring application process (and QSEC)
	5	First refusal – once substitution donor point is identified, existing capacity holding party at that point gets first refusal of the capacity
	6	Retainer (an amended entry provision)
	7	All capacity signals to be met via substitution to be signalled through PARCA

Workgroup discussed the options presented and made the following comments:

NW commented that the emphasis appears to be more on processes National Grid might face in terms of having to invest rather than substitute.

JR clarified that National Grid are very conscious not to implement anything that can be deemed discriminatory. She advised that National Grid are wanting to give the opportunity for Users to buy the capacity they need or they think they need, and that National Grid do not want the scenario where users are hoarding capacity.

PY asked that National Grid liaise with Shippers as well DNs. JR clarified that National Grid have recognised that, and will make sure they will hear views from a broad spectrum of the industry.

JR will continue to work through the options offline and come back to the next Workgroup in July 2020 with some analysis based on the discussions held at this meeting.

BW asked, from the discrimination angle, if there would be a whole system approach to capacity bookings. ML advised he will discuss with the Ofgem member that was at the NTSCMF Workgroup and provide an update.

JCx advised that she did raise the question at the NTSCMF meeting on Tuesday 02 June 2020 regarding different prices and different points which could incentivise certain behaviours across the DNs. This is linked to the idea of removing the incentive. She advised that with a postage stamp approach all of that disappears, the challenge will be how to make sure there is no detriment to the capacity arrangements with the introduction of the new charging regime.

Max Lambert (ML) confirmed he will provide an update to that which will be circulated to the Workgroup.

New Action 0601: *Exit User Commitment.* Ofgem (ML) to provide an update from NTSCMF which will be circulated to Workgroup.

Jeff Chandler (JCh) advised that, from a User perspective, his preference on the substitution solutions being proposed, the most attractive would be the first refusal option, (number 5), as that would be the lower cost option for the industry.

Next steps

JR will look at the analysis to support some of the cons within the options for Exit User Commitment

2.3. Exit Consultation

Action 0501: National Grid to develop consultation regarding the User Commitment options.

Update: JR advised National Grid do intend to hold a consultation on the various User Commitment options but this will be done at a later stage when the fundamental changes are recognised.

It was agreed to keep the action open and to review in September 2020.

JR advised that the new Charging Review impacts may need to be embedded before this consultation can take place. **Carried Forward**

3.0 Review of Outstanding Actions

4.0 Next Steps

LOS confirmed that the next steps were as detailed below:

Entry User Commitment

- National Grid will present their pre-modification on existing capacity at the next meeting in July 2020.

Exit User Commitment

- JR will look at the analysis to support some of the cons within the options for Exit User Commitment

5.0 Any Other Business

None.

6.0 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	Venue	Workgroup Programme
10:00 Thursday 04 June 2020	TBC	Detail planned agenda items. Development of Workgroup Report
10:00 Thursday 02 July 2020	TBC	Detail planned agenda items. Development of Workgroup Report
10:00 Thursday 06 August 2020	TBC	Detail planned agenda items. Development of Workgroup Report

Action Table (as at 04 June 2020)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0404	02/04/20	2.1	Exit User Commitment: Option D: National Grid (JR) to look further into option D and provide more clarity	National Grid (JR)	Carried Forward
0501	07/05/20	2.1	National Grid to develop consultation regarding the User Commitment options	National Grid (JR)	Carried Forward
0601	04/06/20	2.2	New Action 0601: <i>Exit User Commitment.</i> Ofgem (ML) to provide an update from NTSCMF which will be circulated to Workgroup	Ofgem (ML)	Pending