

UNC Workgroup 0705R Minutes
NTS Capacity Access Review
Thursday 05 December 2019
at Radcliffe House, Blenheim Court, Warwick Road, Solihull,
B91 2AA

Attendees

Alan Raper (Chair)	(AR)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Alex Neild*	(AN)	Storengy UK
Andrew Blair*	(AB)	IUK
Andrew Pearce	(AP)	BP
Angela Fletcher*	(AF)	Ancala Midstream
Angus Paxton	(AP)	Poyry Management Consulting
Anna Shrigley	(AS)	Eni Trading & Shipping
Anna Stankiewicz*	(ASt)	National Grid
Ashley Adams	(AA)	National Grid
Bill Reed	(BR)	RWE
Cara Finn	(CF)	National Grid
Christiane Sykes*	(CS)	Shell
David Adlam	(DA)	Cadent
David Mitchell*	(DM)	SGN
Debra Hawkin	(DH)	TPA Solutions
Edd Fyfe*	(EF)	SGN
Emma Buckton*	(EB)	Northern Gas Networks
Jeff Chandler*	(JC)	SSE
Jennifer Randall	(JR)	National Grid
Julie Cox	(JCx)	Energy UK
Kamila Nugumanova*	(KN)	ESB
Kamla Rhodes	(KR)	Conoco Phillips
Lea Slokar*	(LS)	Ofgem
Lorraine O'Shaughnessy	(LO)	Joint Office
Malcolm Montgomery	(MM)	National Grid
Nick King	(NK)	CNG Services Ltd
Nick Wye	(NW)	Waters Wye Associates
Nicola Lond	(NL)	National Grid
Phil Hobbins	(PH)	National Grid
Richard Fairholme	(RF)	Uniper
Richard Pomroy*	(RP)	Wales & West Utilities
Ritchard Hewitt	(RH)	BBL
Shiv Singh*	(SS)	Cadent
Steven Britton*	(SB)	Cornwall Energy
Terry Burke*	(TB)	Equinor
Tracy Brogan	(TBr)	Neptune Energy

Will Webster*

(WW)

Oil & Gas UK

*via teleconference

Copies of all papers are available at: www.gasgovernance.co.uk/0705/051219

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 November 2019)

Jennifer Randall (JR) drew attention to some previous amendments and the minutes were subsequently approved.

2.0 Review of opinions in relation to Reformed Capacity

JR provided an overview of the Capacity Access Review presentation; which was segregated into the following areas: Scene Setting, Scope, Impacts, Long-Term ambition, Current Issues, Workplan, and Next Steps.

JR explained that during the November meeting she had requested information and opinions from the Workgroup participants in relation to 'what issues are caused by short-term problems' and 'what other alternative principles could be considered for a future Capacity Access Regime', as detailed in Action 1103 below. She thanked those individuals who had provided her with their comments and said National Grid would look at the feedback received later on in the slides.

JR said in relation to the principles, this was an area that was far more difficult to assess due to the complexity involved and that this area would be re-examined once the long-term ambition had been defined. A discussion of the drafting of the ambition statement, with some of the Workgroup of the view that was a need for the new arrangements to adopt a more flexible and dynamic approach to accommodate change in the years to come. JR agreed to re-look at the wording in the ambition statement.

New Action 1201: National Grid (JR) to reword the ambition statement with regards to the need for a new system with flexibility dynamic approach to ensure fit for purpose in the future.

JR then summarized where the Workgroup had subsequently progressed to during the November meeting and presented on the potential impacts of RII02 (Network Capability and Baseline Review aspects), Charging Review and Gas Market Plan on the future of the capacity regime. The discussion evolved around the long-term ambition for the regime and the need for Ofgem's engagement and approval of the principles guiding the regime at the early stage.

A further lengthy discussion took place in relation to the potential alignment between the work undertaken within the electricity review, and the need to investigate synergies and any similarities of the principles used within both transmissions systems. Please see more detail on this matter as detailed in Action 1101 below.

JR reiterated the in scope and out of scope for areas for clarity. In scope; Entry and Exit Capacity regime and Baselines review outputs, and out of scope; 50/50 revenue split between entry and exit and NExA/NEA and Gas Quality.

Nick Wye (NW) said that it was up to the industry as whole to design the requirements and what was needed in relation to the overall Capacity Access Regime and that Ofgem would need to investigate its suitable alignment with the Electricity process from a principles perspective.

JR provided an overview of the GMaP thinking in relation to their future evolving approach to the market change and she said that the information supplied was directly from GMaP and she made reference to the schematic which mapped their approach and the future vision for how the gas market would work up to 2030.

A lengthy general discussion then ensued regarding the carbon capture rights and the cost and payment processes within the network regime as whole. Some participants of the Workgroup wanted to know who was represented in GMaP and it was confirmed that Julie Cox, Angus Paxton, Richard Fairholme, Kirsty Ingham, Chris Logue - Chair and David O'Neill from Ofgem were all representatives on GMaP and that information and minutes from the meetings could be obtained via: <https://futureofgas.uk/>.

JR then provided an overview to the ambition statement and general discussion took place in relation to the wording of 'minimal disruption' in the context of accessing the NTS, and the Workgroup felt this was unacceptable, as if there was disruption then compensation should be paid. It was agreed that JR would revisit the ambition statement and re-draft that section.

New Action 1202: National Grid (JR) to amend the ambition statement in relation to the 'minimal disruption' wording.

Ritchard Hewitt (RH) said that National Grid needed to act in an expedient manner in relation to the way the NTS was accessed, as he said that unless this area was addressed in a timely manner other companies, for instance for hydrogen distribution could commence building other pipelines. He added that previous RGTA discussions didn't establish the value of capacity, specifically how the customer values it, and that there was nothing presently that would discover the value, as in, if a pipeline was to taken out, then a process would be needed to be establish its value. Bill Reed (BR) concurred with this statement and added that the use of the network could be used in a different way and said it may require new entrants for access and who may be willing to pay a different price. He added that the area of Carbon capture and storage, may utilise specific parts of the network.

A general discussion took place around understanding how workgroup believe the, previously identified, future "functions" of a capacity access regime are met by the current capacity regime. Particular focus was drawn to the function of "manage network access where there is a short-term constraint". JC stated that at it is difficult to comment as constraints happen so rarely.

Overruns and the charges for these going up as a potential result of the new charging regime was also discussed, as well as the need for a corrective mechanism related to administrative errors related to overruns. There was also a further general discussion around constraint management, as to how it compared to the National Grid operating costs and how it related to the provision of within day flexibility. Anna Shrigley (AS) said these two areas were important and needed further in-depth discussion as they impacted the industry.

JR provided a simplistic diagram of how the layer of the long-term ambition fit together (“ambition statement”, “functions” and “principles”. She stated that the “ambition statement” and “functions” provide the detail on what we might need from a capacity regime. The “principles” is looking at how we deliver for the future but this is dependent on which pathway we go towards and at what speed. By looking at the “ambition statement” and “functions” we’ve acknowledged the future and what is required but a lot more work is needed on how that view of the future develops and therefore what we need to deliver as a market as a whole (capacity, balancing, gas quality, connections etc) to meet that future. At this point we are not solving the requirements of the future, we are simply defining what those requirements are and acknowledging the future as we deliver for today. The plan is to tap into the work progressing through GMaP to solve the future requirements in the longer term. Due to this, JR proposed that at this stage we skip over the “principles” slide in the slide deck, attendees agreed to this approach

JR then provided an overview to the main Issues Register and this was discussed at length to ascertain if it had captured all the salient topics in sufficient detail and in the correct priority order, and which area should take precedence for further discussion at the subsequent Workgroup meetings.

A	Incentivising operational behaviour	Are Over-run charges appropriate and incentivising “right” behaviour?	<ul style="list-style-type: none"> • Too penal, particularly with the introduction of the Charging Review. • Overrun charges should encourage User’s to be more accurate with their bookings
B	Efficient use of Existing Capacity Rules	<p>Is the process and the associated timescales for substitution appropriate?</p> <hr/> <p>Is the application of User Commitment where there is no additional capacity release appropriate?</p> <hr/> <p>Are retainers still required with the introduction of PARCA?</p> <hr/> <p>Are there any issues with Trade and Transfer?</p>	<ul style="list-style-type: none"> • Can the timescales for the substitution process be reduced? • Can rules be made clearer, simpler? More clarity on process methodology. • Affected Users able to respond to potential Substitution considered during the Annual Application Window • Exchanges of NTS exit capacity between NTS exit points within same exit zone where capacity does not go above baseline • Should User Commitment be applied to every enduring capacity release?
C	Capacity Products (including auctions)	Are new products required or redundant products?	<ul style="list-style-type: none"> • Development of a “mothballed” capacity product following baseline review at Theddlethorpe • Development of a “tradeable” entry capacity product • Within day, shorter term capacity product development Incentive for advance, long-term capacity bookings? • Disaggregating NTS Exit capacity purchases for embedded “large” offtakes from DN capacity bookings. • Temperature / seasonal based product
D	Zonal	Introduction of a zonal entry capacity regime	Could this be an alternative to substitution and transfer?
E	PARCA	Appropriateness of fees Embedding and extending the “PARCA light process” embedded with CLoCC.	<p>Time consuming and expensive process</p> <p>Are the levels of User Commitment appropriate?</p>
G	Flex	Dependent on outcome of network capability work	Is the existing flex product appropriate for Tx? Cadent RIIO BP

Dave Adlam (DA) said he felt that he should be able to book capacity on how much you want to flow and this should be a clear principle incentive to book capacity should exist in new regime.

AS said that the process was challenging due to the prices being too high from a Shipper's perspective, with the intention to book too match flow but, in all instances, that Shippers have made administrative errors which have been discussed at the Operational forums, stating the overrun was by £0.5mil year on year. She added clearly these administrative errors should be addressed outside of constrained day. AS said that Shippers made errors, but she added that so did National Grid, with a recent error that happened over 15 days. MM said that a treatment of manifest errors proposal could be raised separately, if required, as manifest errors were not necessarily only a capacity access issue.

It was agreed that it was important to wait for the impact of Modification 0678 in order to better assess future capacity booking behaviour before moving too far forward. The general consensus by the Workgroup that the 'overrun' area should be discussed at the January meeting.

Richard Fairholme (RF) queried that within the Substitution aspect Section B, asking whether this would require a change to the Licence. JR responded that the view is that as long as National Grid complied with the methodology then the management of substitution should be acceptable. Since Ofgem approve the methodology statement, provided there was a mechanism to show compliance with the methodology, then that should be sufficient. This area was further discussed, the Workgroup felt this needed greater discussion and RF commented that the exit capacity was substituted.

Julie Cox (JCx) had a query in relation to the PARCA reservations and wanted to know if the rules Trade and Transfer were on a month ahead basis. RH said that he had provided a response from BBL in relation to this area as the issue is at exit capacity at Bacton and was presently being addressed by Ofgem, and JR said she wanted to keep this aspect separate from the meeting discussions at this time, but that she would add this into the Issues list so BBL knew it had been captured.

NW also suggested that the Modification 0667 - Inclusion and Amendment of Entry Incremental Capacity Release NPV test in UNC, was a real issue and should be added to the commitment section along with including facilitating assignments to be included with Section C of the Issues Register. JR said she would also prepare a summary of how the current charges look and how these may change once Modification 0678 was implemented.

It was agreed that in relation to the Ofgem 'call for evidence' that this sentence within the presentation should be placed in [square brackets] waiting the decision and JR confirmed she would make the necessary amendment.

New Action 1203: National Grid (JR) to add in [square brackets] in relation to the Ofgem 'minded to' decision where referred to in the presentation.

JR agreed that from a priority order for discussion at the next meetings she proposed the following:

- Consultation overview – January meeting
- Overruns – January meeting

February and beyond

- Entry Trading and Ofgem related issues
- DN Capacity booking process

3.0 Review of Workplan

JR provided a high-level overview of the Workplan schematic and confirmed this was an initial view only at this stage. Workgroup expressed the view that one issue should be expressed at a time and therefore to solely focus on Overrun's from the Short-term issues log to begin with at January workgroup.

4.0 Review of scope of Consultation document

This was not discussed in the meeting and will be addressed in the January meeting.

5.0 Review of Amended Request

This was discussed in this meeting.

6.0 Review of Outstanding Actions

Action 1101: National Grid (JR) and Ofgem (LS) to investigate the Electricity Access Review and explore if there were any synergies to be gained.

Update: Lea Slokar (LS) had to leave the meeting but provided the written comments on this action in which she said, "so far, the electricity access work has primarily looked at the distribution aspects. The link with transmission will be looked at going forward, stating that there is a document that Ofgem's electricity colleagues are working on, which she was sure all the industry was fully aware of. She added that the guiding principles Ofgem have considered in the electricity access review, (i.e. helping to lead to a more efficient use of the network, meeting users' needs, what is practical and proportionate), are similar or the same for gas. LS said that there might be some more principles/lessons learned that could be worth considering, however not all may be transferrable due to the inherent differences between electricity and gas." This action was then closed. **Closed**

Action 1102: National Grid (JR) to present current thinking in relation to the National Grid 5 Year Business Plan, highlighting the impacts to the Access Regime.

Update: JR presented National Grids current thinking in relation to the National Grid 5 Year Business Plan, highlighting the impacts to the Access Regime. She said that the Business Plan would be published on the 09 December 2019 and that the capability would remain the same in relation to the meaning of longer than 5 years. She explained the major focus was on the TTP period and the various decommissioning of compressors on the network, which may in turn create an impact.

JR added that in relation to the baseline reviews, Theddlethorpe was down to zero, and that the baseline initial discussion was to designate a "mothballed status", which needed to be considered and developed as an approach as this would need to be in place at the time the baseline was reduced. JR explained that once the Modification 0678 'minded to' decision was received by Ofgem in December 2019, then the Charging Regime would need to be monitored regarding how the booking of capacity behaviour was changing. JR added that from the capacity access perspective that GMaP were looking forward to 2030 in this regard. JR then said this action could then be closed. **Closed.**

Action 1103: All to provide Jennifer Randall (JR) with details and specifics on what issues are caused by the short-term problems, ie; what pain do they cause, how do they impact consumers? Also, what alternative 'principles' could the capacity access regime be built on to ensure that the required functions are delivered? By 22 November to allow analysis prior the December Transmission Workgroup Meeting on 05 December 2019. Jennifer.Randall@nationalgrid.com

Update: JR confirmed that feedback had been received and that these comments and opinions were being captured and investigated and the action could now be closed. **Closed**

7.0 Next Steps

AR confirmed that the next steps were as detailed below:

- Consultation overview – January meeting
- Overrun charges – January meeting

Areas for consideration during February and later:

- Entry Trading and Ofgem related issues
- DN Capacity booking process
- Modification 0667 – Inclusion and Amendment of Entry Incremental Capacity Release NPV test in UNC
- BBL Issue
- Wales & West Modification
- Review of Workgroup Plan
- Review of Amended Request

Any Other Business

None.

8.0 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 09 January 2020	Elexon 350 Euston Road London NW1 3AW	Detail planned agenda items. <ul style="list-style-type: none"> • Consultation overview • Overrun charges February and later: <ul style="list-style-type: none"> • Entry Trading and Ofgem related issues • DN Capacity booking process • Modification 0667 – Inclusion and Amendment of Entry Incremental Capacity Release NPV test in UNC • BBL Issue • Wales & West Modification • Review of Workgroup Plan • Review of Amended Request

Action Table (as at 05 December 2019)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1101	07/11/19	1.0	National Grid (JR) and Ofgem (LS) to investigate the Electricity Access Review and explore if there were any synergies to be gained.	National Grid (JR) Ofgem (LS)	Closed
1102	07/11/19	1.0	National Grid (JR) to present current thinking in relation to the National Grid 5 Year Business Plan, highlighting the impacts to the Access Regime	National Grid (JR)	Closed
1103	07/11/19	1.0	All to provide Jennifer Randall (JR) with details and specifics on what issues are caused by the short-term problems, ie; what pain do they cause, how do they impact consumers? Also, what alternative 'principles' could the capacity access regime be built on to ensure that the required functions are delivered? By 22 November to allow analysis prior the December Transmission Workgroup Meeting on 05 December 2019. Jennifer.Randall@nationalgrid.com	ALL	Closed
1201	05/12/19	2.0	National Grid (JR) to re-word the ambition statement with regards to the need for a new system with flexibility dynamic approach to ensure fit for purpose in the future.	National Grid (JR)	Pending
1202	05/12/19	2.0	National Grid (JR) to amend the ambition statement in relation to the 'minimal disruption' wording.	National Grid (JR)	Pending
1203	05/12/19	2.0	National Grid (JR) to add in [square brackets] in relation to the Ofgem 'minded to' decision where referred to in the presentation.	National Grid (JR)	Pending