

**UNC Workgroup 0705R Minutes
NTS Capacity Access Review
Thursday 05 November 2020
via Microsoft Teams**

Attendees

Loraine O'Shaughnessy (Chair)	(LOS)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Nield	(AN)	Storengy Ltd
Angus Paxton	(APa)	AFRY
Anna Shrigley	(AS)	Eni Trading & Shipping
Anna Stankiewicz	(ASt)	National Grid
Bethan Winter	(BW)	Wales & West Utilities
Bill Reed	(BR)	RWE
Chris Wright	(CW)	Exxon Mobil
Christiane Sykes	(CS)	Shell Energy
Daniel Hisgett	(DH)	National Grid
David Adlam	(DA)	Cadent
Debra Hawkin	(DH)	TPA Solutions Ltd
Emma Buckton	(EB)	Northern Gas Networks
Eric Marston	(EM)	SAGE North Sea Gas Ltd
India Koller	(IK)	SGN
Jeff Chandler	(JCh)	SSE
Julie Cox	(JCx)	Energy UK
Kamila Nugumanova	(KN)	ESB
Malcolm Montgomery	(MM)	National Grid
Max Lambert	(ML)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Pavanjit Dhese	(PD)	Interconnector UK
Phil Hobbins	(PH)	National Grid
Phil Lucas	(PL)	National Grid
Ricky Hill	(RH)	Centrica
Shiv Singh	(SS)	Cadent
Sinead Obeng	(SO)	Gazprom
Steven Britton	(SB)	Cornwall Insight
Terry Burke	(TB)	Equinor

Copies of all papers are available at: www.gasgovernance.co.uk/0705/011020

The Workgroup Report is due to be presented at the UNC Modification Panel by 21 October 2021 (with an interim report in April 2021).

1. Introduction and Status Review

Loraine O'Shaughnessy (LOS) welcomed all industry parties to the meeting and advised that the main focus of the meeting would be to receive an update from National Grid on all areas of the capacity access review. She advised that the Modification Panel had agreed to extend the

Workgroup Reporting date to 21 October 2021 with an interim report in April 2021. Panel Members also asked the Review Group to consider both the consumer benefits and impacts.

Jennifer Randall (JR) indicated that the consumer benefits and impacts will be assessed throughout the process on an on-going basis.

1.1. Approval of minutes (01 October 2020)

The minutes from the previous meeting were approved.

1.2. Approval of Late Papers

Workgroup agreed the late amendments to the Capacity Access Review presentation provided by National Grid.

1.3. Review of outstanding actions

Action 0904: *Substitution Progress* - National Grid (JR) to provide further information around the disconnection process and how physical and commercial disconnection interact.

Update: ASt covered this action as part of agenda item 5.0 and action 0904 was closed as it has been merged into action 1003.

Closed

Action 0908: *Secondary Capacity Assignments – Existing Contracts – National Grid and Ofgem* to explore options.

Update: This action was discussed under agenda item 7.0 and carried forward to December to form part of a pre-Modification discussion.

Carried Forward

Action 1001: *Exit User Commitment Progress* - National Grid (ASt) to provide feedback from NTSCMF in relation to the final report on the impact of the new charging regime on 2020 Enduring flat applications. Further information to be provided to show how bookings have changed including increases and reductions, customer types and impact on annual bookings.

The links to the analysis to be provided when available as a post-meeting update.

Update: This action was closed.

Closed

Action 1002: National Grid (JR/ASt) to develop a matrix of stakeholders and priorities, to include views on variety of options discussed to date.

Update: This action was discussed under agenda item 3.0.

Closed

Action 1003: *Substitution Progress – National Grid (ASt)* to investigate basis on which 3:1 exchange rate was established and whether it would pass an economic and efficiency test today.

Update: This action was discussed under agenda item 5.0 and closed.

Closed

Action 1004: *Product Development – Workgroup* to provide comments to National Grid on requirements for a short-term firm product.

Update: This action was discussed under agenda item 7.0.

Closed

2. Entry User Commitment Methodology Update

JR confirmed that Ofgem have granted a derogation from the requirements for an independent examination as per Special Condition 9A.7 of NGG's Gas Transporter's Licence. A copy of the decision letter is available [here](#). The next step is to prepare and issue the consultation on the proposed changes to the entry capacity release methodology statement.

3. Review of the Exit Regime

Action 1002: National Grid (JR/ASt) to develop a matrix of stakeholders and priorities, to include views on variety of options discussed to date.

JR provided a brief overview of the key next steps which are:

- Identification of the needs of different market participants
- Development of underpinning principles
- Development of the options and potential solutions for the development of the exit regime which will deliver the needs to market participants whilst building on the foundation principles

Workgroup considered the amendments made to slide 6 setting out the needs of different market participants and agreed that it was an accurate representation of the different needs and agreed that action 1002 could be closed.

Workgroup agreed to close action 1002.

JR then posed a number of questions and principles for Workgroup to consider and invited comments (slide 7).

Angus Paxton (AP) suggested that the concept of capacity might have different meanings and asked for clarification on whether the references to capacity are in the context of a capacity product or the concept of capacity. He suggested that definitions were needed to differentiate between a Capacity product that provides the right to offtake gas at a given rate and procured in short/long timescales and the concept of capacity which could be described as the ability to flow gas off the network.

Workgroup agreed that it was important to understand this distinction.

New Action 1101: *Review of Exit Regime* - National Grid to provide a clear definition of capacity to distinguish between capacity as a product and capacity as a concept.

4. Exit User Commitment Progress

Exit User Commitment Reduction

Anna Stankiewicz (ASt) provided an update on National Grid's proposals for the reduction of the Exit User Commitment period for capacity within baseline from 4 to 2 years on the following grounds:

- NTS requires consistent capacity signals for the purpose of network planning.
- Maintaining 2 years of commitment to baseline capacity provides an element of protection from inefficient substitution for Users active at the substitution donor point. The commitment period will be in line with substitution timescales.
- 2-year User Commitment period will have less negative impact on volatility of charges.

A number of Workgroup participants questioned the rationale for the reduction.

Julie Cox (JCx) suggested that the slide was confusing stating that allocating baseline does not involve substitution and also suggested that most substitution would occur in year 3

ASt indicated that it could impact substitutable capacity.

JR added that if Users are allowed to reduce their baseline bookings then substitution decisions would become more variable and inefficient.

AP stated that he did not agree with the first bullet saying that as part of National Grid's 1:20 licence obligation they are required to release capacity which it is economic and efficient and that this is not an Ofgem requirement.

Dave Adlam (DA) agreed suggesting that National Grid are attempting to avoid making inefficient decisions without fully understanding the level of occurrence and that this might lead to unintended consequences including industry being forced to make inefficient decisions.

Workgroup suggested that the risks need to be fully understood.

JR acknowledged Workgroup concerns stating that Workgroup asked National Grid to provide a view on what could be supported and sought clarification of what would change. She also accepted that the proposed solution may not meet all of industry's requirements at this stage as it is a 'quick fix'. She suggested that industry feedback on this proposed change could be signalled through the consultation phase. She further stated that the July Application window is critical so National Grid are aiming to issue the consultation as soon as possible. She confirmed that a change to the Exit Capacity Release (ECR) Methodology Statement would be needed as well as the one for Entry Capacity so a consolidated consultation will be considered to make it easier for industry parties.

JR also indicated that a discussion with Ofgem was needed on whether a potential derogation from the independent examination was also needed for Exit.

Max Lambert (ML) confirmed that the decision for the Independent Examiner Statement for ECR Methodology Statement changes was a separate decision and a separate decision is needed for Exit.

New Action 1102: *Exit User Commitment Progress* - National Grid (JR) to provide details of the indicative timeframe for the exit capacity release methodology statement consultation and also to discuss the potential next steps with Ofgem in relation to the need for a derogation from the independent examination for Exit.

Post Meeting Update

Action 1001: Exit User Commitment Progress - National Grid (ASt) to provide feedback from NTSCMF in relation to the final report on the impact of the new charging regime on 2020 Enduring flat applications. Further information to be provided to show how bookings have changed including increases and reductions, customer types and impact on annual bookings. The links to the analysis to be provided when available as a post-meeting update.

Update: In relation to Action 1001, National Grid provided slides published in advance of the meeting and also shared with NTSCMF to show how bookings have changed since the introduction of the new charging regime on the 0705R November meeting page on the JO website. Any queries on these slides please contact Anna Stankiewicz (anna.stankiewicz@nationalgrid.com) or Jennifer Randall (jennifer.randall@nationalgrid.com).

This action has been closed.

5. Substitution Progress

Action 0904: Substitution Progress - National Grid (JR) to provide further information around the disconnection process and how physical and commercial disconnection interact.

Action 1003: Substitution Progress – National Grid (ASt) to investigate basis on which 3:1 exchange rate was established and whether it would pass an economic and efficiency test today.

ASt provided an update on actions 0904 and 1003 . She shared a table (slide 13) summarising the 'live' PARCAs since January 2018. She indicated that from the analysis National Grid conclude that the 3:1 cap would pass the economic and efficiency test today.

JCx suggested that consideration should be given to whether 3:1 was the right threshold and whether there is a better threshold and also what the threshold is for inefficient? She also asked if 3:1 cap had been a constraint anywhere and why? It was noted that the distances between the Donor sites and the PARCA were long.

JR suggested that the exchange rate could be expanded but questioned if the rates are consistently below the 3:1 cap or 2:1 then would there be any benefit to changing the rates.

LOS agreed that National Grid should consider if there is any evidence or information available to help understand the distances where the exchange rate is close to 3:1 in either this analysis or prior to January 2018.

AP suggested that it may not be possible to look at the constraints as suggested by JCx because the analysis scope might not have included sites where the exchange rate is greater than 3:1.

Following this lengthy discussion, Workgroup agreed that no further analysis was needed and agreed to close action 1003.

Workgroup agreed to close action 1003 and action 0904 as that has been merged into action 1003.

Disconnected/decommissioned sites

Ast took Workgroup through the analysis in relation to disconnected sites prioritised within zone and with an exchange rate of less than 3:1 (slide 15). She stated that the difference between the actual capacity donated and capacity which would have been donated if disconnected site was prioritised is 2,618,616kWh/day and that 2 out of 3 disconnected sites meet the 3:1 cap criteria.

The following comments were made by Workgroup in relation to the analysis:

Jeff Chandler (JCh) suggested that the definition of 'abandoned point' becomes more critical. ASt asked if the exchange rate for abandoned points should be lifted and also confirmed that the Exit methodology includes the definition of an abandoned site.

Bill Reed (BR) questioned whether the outcome is more efficient if the capacity is not capable of being used at the abandoned exit points.

BR also suggested that a crucial finding is that more capacity is available for other Users.

ASt asked Workgroup a question about the geographical area of the Donor site and asked if industry parties are happy for the analysis to be based on 'analysis zones' as per the current rules.

JCx stated that there was confusion about the zone points and more consideration was needed. ASt confirmed that the 'analysis zones' differ to LDZ zones which are based on demand flows.

Workgroup asked for more clarification of zones.

New Action 1103: *Substitution Progress* - National Grid to explain the difference between geographical zones, analysis zones and LDZ zones and clarify which definition of zone is used in the exit substitution methodology statement.

6. Capacity Product Development

Daily Exit Capacity Product

Action 1004: *Product Development* – Workgroup to provide comments to National Grid on requirements for a short-term firm product.

ASt provided an illustration of PRISMA within day firm products highlighting that auctions begin at the full hour every day and finish 3.5 hours before product runtime. She sought Workgroup views on the frequency of auctions and asked whether the frequency of allocations was an issue?

The general view of Workgroup was the need for both more frequent allocations throughout the day and also later in the day to help with balancing and responding to the electricity

market. Workgroup participants questioned why there is a 2 hour Gemini maintenance window which is longer on Sundays.

In response to a question from LOS on when a draft proposal is likely to be available, JR indicated that internal discussions on the implications still need to take place so a proposed Modification is likely to be in the New Year.

JCx suggested that industry would like to see progress on this change and acknowledging that system changes might be needed she encouraged National Grid to provide a pre-modification for discussion at the December meeting.

ASt indicated that there had been some feedback in relation to Entry Bid auctions with the window being shorter for Entry than Exit and asked if there were any reasons why this could not be changed. It was noted that there has been a request for the Exit window to start earlier.

Sinead Obeng (SO) suggested that hourly allocations can lead to losses for some Users. End of day allocations would provide flexibility.

Post Meeting Note from SO:

Unbundled capacity at Bacton IP entry is marketed kWh/h (rather than kWh/d). This results in the inability to for shippers to use this book capacity optimally and flexibly from an EOD perspective; in the within-day auction on PRISMA, the EOD capacity available reduces every hour irrespective of whether the capacities have been booked or not – this at times leads to the shipper being unable to book the capacity required late in the day. End of day allocations would therefore help provide this flexibility for shippers.

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Workgroup suggested that it would be helpful to access daily capacity later in the day i.e between 1:00 -5:00 of the Gas Day and the need for the maintenance window needs to be understood.

New Action 1104: Capacity Product Development - National Grid (JR) to provide more information about the maintenance window to explain why 2 hours are needed and to provide a) a view on whether the last allocation could be later in the Gas Day to meet industry requirements and b) to consider what the implications would be of having more frequent allocations throughout the day (including systems).

7. Secondary Capacity Assignments

Dan Hisgett (DH) provided a brief update highlighting that the initial exploratory work had been completed on the following areas:

- Establishing our position on the assignment of existing contracts (with Legal input)
- Understanding the practicalities of introducing assignments of entry capacity
- Defining NG's position on the granularity of entry capacity assignments that could be achieved
- Assessing system impacts and associated timescales for possible implementation
- Understanding credit impacts of entry capacity assignments

National Grid is now developing their final position on the following areas:

- Granularity of volumes of capacity which can be assigned

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- Existing Contracts
- Xoserve possible implementation timescales (exploring with Xoserve whether any of the work done for Mod 0276 can be used to expedite the process)

DH concluded his presentation by stating that the intention is to present a draft Modification for pre-modification discussion at the December meeting so that the Modification can be presented to the December Panel meeting.

Richard Fairholme (RF) stated that the position on granularity of volumes of capacity was new and asked how the system would handle breaking down of bids. DH suggested that there would be no restriction on the volume to be transferred.

RF also asked how likely the 2021 implementation timescale was. DH reported that detailed discussions with Xoserve on systems implications had not yet taken place but the ambition is still for October 2021 subject to Xoserve discussions.

RF then asked about the legal position in regard to existing contracts and asked if National Grid could share this before the December meeting to allow industry parties to take a view on whether they need to seek independent views or need to raise alternative Modifications.

New Action 1105: Secondary Capacity Assignments : National Grid (JR) to share their Legal Advice in relation to the treatment of existing contracts before the December meeting.

LOS asked Workgroup if action 1004 can be closed.

Workgroup agreed to close action 1004.

8. Next Steps

LOS confirmed that the next steps are for National Grid to consider the actions from the meeting and host an industry workshop before December to further discuss the principles for the review of the Exit Regime.

9. Any Other Business

9.1. Entry products suitability for LNG

JR reported that an issue has been raised by South Hook Gas in relation to LNG problems with System Entry Capacity Auctions. She briefly described the issue outlined in slide 24 before outlining the options proposed by South Hook Gas which include:

- Daily quantities of capacity across a month
- Weekly auctions
- Rolling auctions (i.e. 7 – 30 days of capacity from D + 1)
 - This could be a month-long period from any point within the month
- Flexible SEC purchases
 - Capacity purchased in MSEC, which can be flexed day ahead / within day
 - Tolerance (+/- x%)
 - Aggregate monthly capacity.

JR indicated that the discussions are at very early stages with South Hook Gas and have also not been discussed internally either. Adam Bates (AB) indicated that the proposals are also not finalised.

Christiane Sykes (CS) asked if there was a competition issue if rolling auctions could be booked in a month. AB noted this stating that legal implications and competition would need to be considered.

Angus Paxton (AP) asked 2 questions. The first was whether DSEC is not reliable due to the maintenance and outage planning on the NTS and the second was whether MSEC sales modify maintenance planning?

In response to the first question AB agreed that it is not reliable because the maintenance and outage planning relies on the DSEC auction and this means the DSEC capacity isn't available for LNG users to book.

JR stated that she needed to find out more information about the maintenance and outage planning in order to respond to both questions and agreed to provide more information at the next meeting.

New Action 1106: *Entry products suitability for LNG* - National Grid (JR) to understand whether maintenance and outage planning means that LNG cannot rely on the DSEC product and whether MSEC sales modify maintenance planning.

10. Diary Planning

LOS asked for Workgroup views on whether it was timely for Workgroup 0705R to be considered as a standalone Workgroup. She reminded Workgroup that this had been previously considered and Workgroup had agreed to review the need on a regular basis. In addition, to 0705R the December agenda would include Workgroups 0738, 0739 and potentially the three pre-Modifications discussed at the meeting today all of which are intended to be submitted to the November Panel meeting.

There was broad agreement within Workgroup to consider holding Workgroup 0705R as a standalone meeting. LOS agreed to discuss options with National Grid.

Post Meeting Update

It has been agreed Workgroup 0705R will be held as a standalone Workgroup on Tuesday 08 December and will not be discussed under the main Transmission Workgroup on Thursday 03 December 2020.

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

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 – 13:00 Thursday 03-December Tuesday 08 December 2020	5pm 27 November 2020	Teleconference	Standard items

Action Table (as at 05 November 2020)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0904	03/09/20	4.0	<i>Substitution Progress</i> - National Grid (JR) to provide further information around the disconnection process and how physical and commercial disconnection interact.	National Grid (JR)	Closed
0908	03/09/20	5.0	<i>Secondary Capacity Assignments</i> – Existing Contracts – National Grid and Ofgem to explore options.	National Grid (JR) and Ofgem (ML)	Carried forward
1001	01/10/20	4.0	<i>Exit User Commitment Progress</i> - National Grid (ASt) to provide feedback from NTSCMF in relation to the final report on the impact of the new charging regime on 2020 Enduring flat applications. Further information to be provided to show how bookings have changed including increases and reductions, customer types and impact	National Grid (ASt)	Closed

			on annual bookings. The links to the analysis to be provided when available as a post-meeting update.		
1002	01/10/20	5.0	National Grid (JR/ASt) to develop a matrix of stakeholders and priorities, to include views on variety of options discussed to date.	National Grid (JR/ASt)	Closed
1003	01/10/20	5.0	<i>Substitution Progress</i> – National Grid (ASt) to investigate basis on which 3:1 exchange rate was established and whether it would pass an economic and efficiency test today.	National Grid (ASt)	Closed
1004	01/10/20	6.0	<i>Product Development</i> – Workgroup to provide comments to National Grid on requirements for a short-term firm product.	Workgroup	Closed
1101	05/11/20	3.0	<i>Review of Exit Regime</i> - National Grid to provide a clear definition of capacity to distinguish between capacity as a product and capacity as a concept.	National Grid (JR)	Pending
1102	05/11/20	4.0	<i>Exit User Commitment Progress</i> - National Grid (JR) to provide details of the indicative timeframe for the exit capacity release methodology statement consultation and also to discuss the potential next steps with Ofgem in relation to the need for a derogation from the independent examination for Exit.	National Grid (JR)	Pending
1103	05/11/20	5.0	<i>Substitution Progress</i> - National Grid to explain the difference between geographical zones, analysis zones and LDZ zones and clarify which definition of zone is used in the exit substitution methodology statement.	National Grid (JR)	Pending
1104	05/11/20	6.0	<i>Capacity Product Development</i> - National Grid (JR) to provide more information about the maintenance window to explain why 2 hours are needed and to provide a) a view on whether the last allocation could be later in the Gas Day to meet industry requirements and b) to consider what the implications would be of having more frequent allocations throughout the day (including systems).	National Grid (JR)	Pending
1105	05/11/20	7.0	<i>Secondary Capacity Assignments</i> : National Grid (JR) to share their Legal Advice in relation to the treatment of existing contracts before the December meeting.	National Grid (JR)	Pending
1106	05/11/20	9.0	<i>Entry products suitability for LNG</i> - National Grid (JR) to understand whether	National Grid	Pending

		<i>maintenance and outage planning means that LNG cannot rely on the DSEC product and whether MSEC sales modify maintenance planning.</i>	<i>(JR)</i>	
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