

**UNC Workgroup 0705R Minutes**  
**NTS Capacity Access Review**  
**Thursday 07 May 2020**  
**Via Teleconference**

**Attendees**

Lorraine O'Shaughnessy Chair)	(LOS)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Alan Raper	(AR)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Neild	(AN)	Storengy
Andrew Pearce	(AP)	BP
Anna Shrigley	(AS)	Eni Trading & Shipping
Anna Stankiewicz	(ASt)	National Grid
Bethan Winter	(BW)	Wales & West Utilities
Bill Reed	(BR)	RWE
Chris Wright	(CW)	Exon Mobil
David Adlam	(DA)	Cadent
Debra Hawkin	(DH)	TPA Solutions
Emma Buckton	(EB)	Northern Gas Networks
Jeff Chandler	(JCh)	SSE
Jennifer Randall	(JR)	National Grid
John Costa	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kamila Nugumanova	(KN)	ESB
Kamla Rhodes	(KR)	Conoco Phillips
Malcolm Montgomery	(MM)	National Grid
Max Lambert	(ML)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Paul Youngman	(PY)	Drax
Phil Hobbins	(PH)	National Grid
Richard Fairholme	(RF)	Uniper
Ritchard Hewitt	(RH)	BBLC
Shiv Singh	(SS)	Cadent
Sinead Obeng	(SO)	Gazprom Energy
Steven Britton	(SB)	Cornwall Energy
Steve Pownall	(SP)	Xoserve
Terry Burke	(TB)	Equinor
Tracy Brogan	(TB)	Neptune Energy

Copies of all papers are available at: [www.gasgovernance.co.uk/0705/070520](http://www.gasgovernance.co.uk/0705/070520)

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 (05 March 2020)

The minutes from the previous meeting were approved.

JR requested an amendment to the minutes from April 2020 where the Net Present Value has been incorrectly annotated as MPV and not NPV.

The change marked minutes have been published on the April 2020 meeting page. [www.gasgovernance.co.uk/0705/020420](http://www.gasgovernance.co.uk/0705/020420)

## 2.0 For May discussion:

### 2.1. User Commitment Updates

#### Entry User Commitment

Outstanding Actions relating to Entry User Commitment:

**Action 0401: Entry User Commitment: Option A:** JR to provide more evidence regarding cons. JR to liaise with Ofgem

**Update:** JR confirmed she has liaised with Ofgem since the last Transmission Workgroup and the output of this is feeding into the identification of National Grid's preferred option. **Closed**

**Action 0402: Entry User Commitment: Option C Scenarios:** National Grid (JR) to clarify the relationship of the Net Present Value (NPV) test and why *Modification 0667 - Inclusion and Amendment of Entry Incremental Capacity Release NPV test in UNC* was rejected.

**Update:** JR clarified a review of what aspects of Code, Methodology Statement would require amendment depending on option implemented, this is feeding into the identification of National Grid's preferred option which is ongoing.

Moving the NPV test into UNC was rejected by Ofgem through their decision on UNC Modification 0667. None of the options being considered would mean a change of location of the rules. **Closed**

AB sought clarification with regards to **Action 0402**, he stated that Option C changes the duration of User Commitment from 4 to 8 quarters and asked if this can be implemented as a Methodology Statement change, JR confirmed this would require a methodology change and that this can be achieved through a methodology review without moving the rule to the Uniform Network Code (UNC).

#### Exit User Commitment

JR reminded Workgroup of the four different options presented at the last meeting in April. At that meeting, Workgroup requested National Grid look at Option D – Removal of enduring product, replacing with shorter-term applications.

JR has been looking at how Exit products can be moved to replacing the enduring product with shorter term options and asked Workgroup for feedback on the information being presented at this meeting.

JR explained that the different products when comparing Entry with Exit, would mean a possible removal of the Enduring product for Exit, this would also mean there would be no Annual product either, it would be monthly. JR asked for Workgroups thoughts on whether an annual product is required for Exit.

Comparing the current Exit Products to the current Entry Products JR explained the differences between Exit and Entry and the thought process for any possible changes was to build up from a starting position of a copy of the Entry regime for the Exit side which would then be developed for the specifics of Exit requirements.

The current Exit Products as follows:

	Y-4 to Y-6	Y-1 to Y-3		D-1	D
Firm	Enduring (EAFLEC)	Annual (AFLEC)		Daily (DADNEX)	Daily (WDDNEX)
Off-Peak				Daily (DONEX)	

The current Entry Products are as follows:

	Y-2 to Y-16	Y to Y-1	M-1	D-1	D
Firm	Quarterly (QSEC)	Monthly (AMSEC)	Monthly (RMTnTSEC)	Daily (DADSEC)	Daily (WDDSEC)
Interruptible				Daily (DISEC)	

DA said he is trying to understand the impact of removing the Enduring product and suggested it needs more impact analysis.

PY suggested there may be a need to have different arrangements with different customers.

JR explained the thoughts and questions that National Grid have been considering which are:

- Remove enduring product
  - JR highlighted that Entry products have no Enduring or Annual product and there would be a requirement of an alternative way to provide long-term forecasting information.
- Extend annual product to Y-6
  - Is a product out to Y-16 required for exit?
- No reduction window
  - JR asked if there would be a requirement for an Entry reduction window explaining that Exit already has this to reduce booked capacity. Although there is a Surrender process through the rolling monthly product in Entry, this is subject to there being a demand for that surrendered capacity. JR asked if this would be required on Exit?
- Introduce quarterly and monthly products
  - Would allow seasonal bookings.
- What capacity signal would trigger substitution and obligated incremental capacity to be released?
  - JR explained that on Exit, a capacity signal is required to trigger substitution, that is only on enduring, and asked if that is removed where would that be placed?

It was agreed that National Grid need to consider what duration of User Commitment would be required. JR advised that a reduction in User Commitment would mean financial commitment needs to be provided in a different way for Entry.

JCx raised the concern that the questions posed by National Grid are huge and could possibly require substantial consultation to consider how those arrangements may affect them. EB agreed and said this needs some real thoughts and is very significant. JCx also stated that options A and B are required to be assessed in that consultation.

Workgroup discussed how this might be best taken forward with the suggestion of perhaps an informal smaller Workgroup, however, it was mentioned that this is so fundamental that all Industry parties would be interested.

JCo suggested mirroring Entry is not the most flexible arrangement in the interest of consumers as it could be hindering a lot of competition, the Enduring product could stay, the substitution aspect could be removed.

LOS summarised the discussion, advising Workgroup that there was a lot of information to review and questions raised and in order to take this forward, that National Grid will need feedback. LOS sought guidance from workgroup as to whether a smaller group would be a solution to take this forward, LOS considered allocating an action to JR to look at having a separate group to discuss the issues and feed back into this Workgroup. JCh said he is not sure if a smaller subgroup would work, adding that everyone has a commercial interest and this may need a formal consultation

BW agreed with the comments being made and asked if there is anything to read up on recognising some Users may need more background than others.

Following feedback and comments given at this Workgroup regarding the complexity / fundamental nature of the questions raised JR will develop an industry consultation covering this topic.

**New Action 0501:** National Grid to develop consultation document on the proposed options for Exit User Commitment.

Moving on to consider Exit User Commitment and Offtake Arrangements Document (OAD) Section H, ASt provided an update for outstanding **Action 0403:** Exit User Commitment: Option C: National Grid (JR) to identify what section H is used for and clarify back to Workgroup in terms of Option C:

ASt explained the UNC OAD Section H describes the long-term forecast data that is shared between National Grid NTS and the DNOs. (slide 7) Both parties are required to provide the other with their forecast of gas demand, although there is no obligation on either party to use the projections provided.

In each planning year the exchange of information between NTS and DNOs starts at the end of November and finishes in July. Parties might meet to discuss the information exchange if needed.

ASt advised that National Grid uses the information submitted for long term Network planning which helps to assess Network capability and development needs.

### **Action 0403 Closed.**

## **2.2. Substitution**

ASt described how the issuing of the Industry Substitution Notice differs depending on how the capacity has been signalled.

If a capacity requirement is signalled through a PARCA the PARCA Window is triggered and a Industry Substitution Notice is published.

In contrast, no Industry Substitution Notice is issued if the capacity requirement is signalled through either the EAFLEC or QSEC Auctions.

DA advised he has concerns with consistency of how substitution is managed with DNs not being able to respond to a substitution request and User Commitment and how the impact affects demand forecasting.

The table of Substitution process – timeframes shown on slide 11 of the presentation illustrates the different substitution processes, actions needed and timescales.

Dave Adlam advised there is a need to be able to book capacity accurately and that as a User, he may have to lock the capacity in. As it stands, he advised it is difficult to comment and clarified he would want notification of any substitution, regardless of how it is signalled, in order to identify risks of forecasting.

ASt highlighted that although it may be possible for a notice to be published when the substitution is triggered through EAFLEC or QSEC, the question would be what would a User do with that notice? Referring to the timeline presented, there is no opportunity available for the subsequent purchase of that capacity.

Workgroup felt that this issue is linked to the User Commitment and should be considered alongside the consultation development as per New Action 0501.

### 3.0 Review of Outstanding Actions

**Action 0401: Entry User Commitment: Option A:** JR to provide more evidence regarding cons. JR to liaise with Ofgem

**Update:** JR confirmed she has liaised with Ofgem since the last Transmission Workgroup and the output of this is feeding into the identification of the National Grid preferred option. **Closed**

**Action 0402: Entry User Commitment: Option C Scenarios:** National Grid (JR) to clarify the relationship of the Net Present Value (NPV) test and why *Modification 0667 - Inclusion and Amendment of Entry Incremental Capacity Release NPV test in UNC* was rejected.

**Update:** JR clarified a review of what aspects of Code, Methodology Statement would be required is being considered as part of the identification of National Grid's preferred option.

Moving the NPV test into UNC was rejected by Ofgem through their decision on UNC Modification 0667. None of the options being considered would mean a change of location of the rules. **Closed**

**Action 0403: Exit User Commitment: Option C:** National Grid (JR) to identify what section H is used for and clarify back to Workgroup in terms of Option C.

**Update:** An update was provided for this meeting. **Closed**

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

**Update:** Although an update was provided for this meeting, this action is to remain open. **Carried Forward**

**Action 0405:** All Workgroup participants to review the options provided by National Grid and refer any questions to JR direct.

**Update:** No feedback received from workgroup members. This action is ongoing. **Closed**

### 4.0 Next Steps

LOS confirmed that the next steps were as detailed below:

Areas for consideration during June:

- It is National Grid's ambition to get a consultation out within the next month, JR advised that this may take a while to process in time for the meeting but would give an update at the next meeting.
- Share any further thinking or content.

### 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](http://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 07 May 2020)**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0202	06/02/20	2.2	National Grid (JR) to share progress against the 'Signalling and Allocation of Capacity' workstream at the next Workgroup meeting in March.	National Grid (JR)	Closed
0401	02/04/20	2.1	<b>Entry User Commitment: Option A:</b> JR to provide more evidence regarding cons. JR to liaise with Ofgem	National Grid (JR)	Closed
0402	02/04/20	2.1	<b>Entry User Commitment: Option C Scenarios:</b> National Grid (JR) to clarify the relationship of the MPV test and why Modification 0667 was rejected	National Grid (JR)	Closed
0403	02/04/20	2.1	<b>Exit User Commitment: Option C:</b> National Grid (JR) to identify what section H is used for and clarify back to Workgroup in terms of Option C	National Grid (JR)	Closed
0404	02/04/20	2.1	<b>Exit User Commitment: Option D:</b> National Grid (JR) to look further into option D and provide more clarity	National Grid (JR)	Carried Forward
0405	02/04/20	2.1	All Workgroup participants to review the options provided by National Grid and refer any questions to JR direct	All Workgroup participants	Closed
0501	07/05/20	2.1	National Grid to develop consultation regarding the User Commitment options	National Grid (JR)	Pending