

**UNC Workgroup 0730 Minutes
COVID-19 Capacity Retention Process
Thursday 27 August 2020
via Microsoft Teams**

Attendees		
Kate Elleman (Chair)	(KE)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Alan Raper	(AR)	Joint Office
Carl Whitehouse	(CW)	Shell
David Addison	(DA)	Xoserve
David Mitchell	(DM)	SGN
David O'Neill	(DON)	Ofgem
Ellie Rogers	(ER)	Xoserve
Fraser Mathieson	(FM)	SPAA/Electralink
Gareth Evans	(GE)	ICoSS
Guv Dosanjh	(GD)	Cadent
Jon Dixon	(JD)	Ofgem
Kirsty Dudley	(KD)	E.ON
Lorna Lewin	(LL)	Orsted
Nigel Bradbury	(NB)	CIA
Oorlagh Chapman	(OC)	Centrica
Paul Youngman	(PY)	Drax
Richard Pomroy	(RP)	Wales & West Utilities
Steve Britton	(SBr)	Cornwall Insights
Steve Mulinganie	(SM)	Gazprom Energy
Tracey Saunders	(TS)	Northern Gas Networks

Copies of all papers are available at: www.gasgovernance.co.uk/0730/270820

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

1.0 Introduction

1.1. Approval of Minutes

The minutes from 23 July 2020 were agreed.

1.2. Approval of Late Papers

There were no late papers for approval.

1.3. Review of Outstanding Actions

Action 0701: SM to provide an amended set of Business Rules.

Update: An amended Modification with revised business rules was submitted and discussed under agenda item 2.0

Closed

2.0 Consideration of Modification

Gareth Evans (GE) provided a brief overview of the amended Modification which includes changes to the solution section.

Business Rule 3 (BR3)

This BR has been amended to address any sites isolated under Modification 0723 (Urgent) - *Use of the Isolation Flag to identify sites with abnormal load reduction during COVID-19 period* following the implementation of this Modification.

Business Rule 4

GE explained that BR4 has been removed and replaced with a new BR4 to remove any ambiguity and to provide clarity:

New BR4. For any sites already isolated under UNC723 prior to implementation of this modification any replacement of the normal Capacity Charge with the *capacity retention charge* will apply from the date of the implementation of this modification until the earlier of either:

- (i) the removal of the Supply Point from the Isolated status or
- (ii) the end of the relevant period (COVID-19 period).

2.1. Issues and Questions from Panel

2.1.1. Choice of Isolation Flag and how the Isolation Flag can be identified from a COVID perspective.

In relation to BR1, Dave Addison (DA) raised a concern around how sites, where the isolation flag had been applied under the urgent Modification 0723, would be identified.

Workgroup had a lengthy discussion on the issue around how Xoserve would apply the solution given that it is not possible to identify specific sites that had the isolation flag applied under Modification 0723.

Tracey Saunders (TS) stated that sites isolated under the urgent Modification 0723 are treated the same as warranted isolated sites and as such receive relief from commodity charges. She added that under Modification 0730 it is important to understand the nature of the isolation and whether it is a warranted isolation or an isolation under Modification 0723. The effect of an isolated site is the same regardless of whether it is a true isolation or a 0723 isolation. There is an expectation that these sites will have the isolation flag removed at the point the site comes out of any lockdown restrictions.

DA reported that there are on average 3,000 isolations per month and that during the lockdown period this reduced to approximately 1,200 isolations per month. Of the 1,200 isolations there appear to be some very old / spurious isolation effective dates. DA quoted an example of an isolation effective date which was from 5/6 years ago.

TS suggested that the majority of the COVID-19 related isolations should have had the flag removed due to the majority of lockdown restrictions having now been removed and if so, this would leave only true isolations in the 1,200 pot.

SM suggested that as well as some non-compliance of the rules (i.e. isolation flags not being removed for isolations made under Modification 0723) there may also be some valid 0723 isolations due to regional lockdowns and restrictions.

Kate Elleman (KE) summarised the discussion to state that Workgroup agreed with the principle of the Modification and business rules but more consideration was needed on the identification of sites in scope of Modification 0723 in order to be able to implement the solution.

Jon Dixon (JD) asked if these sites could be identified by a process of elimination given that warranted isolations are required to provide a valid meter read.

DA confirmed that all sites have to submit a meter reads in order to meet the criteria. The reads for sites isolated under Modification 0723 are on a best estimate basis and when the flag is removed the same best estimate must be used.

A brief discussion took place on file flows with DA confirming that details of the isolation are provided.

Following a lengthy discussion about the validity of isolations and in response to a question from GE about how Xoserve could operate BR1, DA suggested that Xoserve would need to define BR1 to identify the sites. This would be through the development of criteria to help identify sites that fell within the scope of 0723.

He added that the preference would be to include an avoidance of doubt statement alongside the criteria.

He suggested that Xoserve could undertake some analysis to identify the parties who have utilised Modification 0723 and share the report with Shippers.

GE stated that he would be concerned about an approach that required evidence of another Modifications robustness. He asked Northern Gas Networks (NGN) if any action was being taken to address non-valid isolations.

TS suggested that NGN have had some discussions with CDSP and evidence of warranted sites could be obtained but this would only include current and previous isolations and not future isolations.

KE concluded that understanding of BR1 needs to be explored and expanded in terms of what the Xoserve criteria would consist of and then tested with real data.

SM stated that BR1 would not be expanded but an additional validation step would be added 'for the avoidance of doubt'.

New Action 0801: Xoserve (DA) to create set of rules/assumptions that can be used to identify those sites isolated under urgent Modification 0723 and report back results at the September meeting.

Paul Youngman (PY) asked about the isolated sites that have been isolated for a long time and whether they are still required to pay capacity charges.

Richard Pomroy (RP) confirmed that charges would still be paid for Shippers that have not withdrawn.

PY asked what proportion of DN cost does this represent and how much would be picked up other sites still using gas.

RP confirmed that if a site is isolated, a Shipper can resume supply once the isolation is removed.

SM suggested that Modification 0730 could be applied to all isolated sites.

PY thought this would help to give an understanding of costs to all parties.

It was also suggested that Xoserve consider the central system impacts in relation to the capacity charge discount.

Nigel Bradbury (NB) stressed the importance of helping struggling businesses and indicated that some are likely not to reopen. He reminded Workgroup that originally the

Modification proposal was submitted for urgency status and this was not granted by Ofgem but the intent of the Modification was to support these businesses by providing some immediate relief. He urged the Workgroup to consider the impact on these businesses and consider what could work in terms of an implementable solution.

GE acknowledged the need for a quick development and emphasised the need to understand the impact through the analysis Xoserve will provide and also consider how the Business Rules will work in practice. He also welcomed the fact that the principle of the Modification was not being challenged.

SM suggested that as the Proposer he would like to develop and finalise the Workgroup Report at the September meeting.

It was suggested that an additional meeting may be needed to discuss the Xoserve data on isolated sites.

2.1.2. Consider IGT impact

KD stated that SM had provided a presentation at the IGTUNC Panel meeting and no cross-code impacts have been identified and no IGT Modification has been raised.

3.0 Review of Legal Text

TS as the Legal Text provider sought clarification of the next steps in relation to the Legal Text reminding Workgroup that Legal Text available was based on the urgent Modification.

SM confirmed that under this new Modification the arrangements are likely to be extended which may impact on the Legal Text as currently drafted.

TS agreed that changes would not be made until the revisions to the Modification are complete.

4.0 Development of Workgroup Report

Development of the Workgroup Report was deferred to the September meeting.

A brief discussion took place on costs.

DA suggested that a Rough Order of Magnitude (ROM) would need to include a number of activities including the production of a monthly activity report to identify sites; a manual short-term process to undertake a single adjustment against Shipper sites. He suggested that there would be no requirement for systems changes but some resource to test the validity of sites might be needed.

A brief discussion took place on whether anything needed to be put in place to address the misuse of the process or whether that should be regarded as a 'breach of contract'.

5.0 Next Steps

KE confirmed that the September meeting would consider the rules/assumptions that can be used to identify those sites isolated under urgent Modification 0723 and Joint Office would consider whether an additional meeting is needed to discuss the Xoserve analysis.

New Action 0802: Consider additional workgroup meeting once results from action 0801 (identification of isolated sites under 0723) have been produced.

6.0 Any Other Business

None.

7.0 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	Programme
Thursday 24 September 2020	Microsoft Teams Meeting	Workgroup standard Agenda

Action Table (as at 27 August 2020)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0701	23/07/20	2.2	SM to provide an amended set of Business Rules.	Proposer (SM)	Closed
0801	27/08/20	2.1.1	Xoserve (DA) to create set of rules/assumptions that can be used to identify those sites isolated under urgent Modification 0723 and report back results at the September meeting.	CDSP (DA)	Pending
0802	27/08/20	5.0	Consider additional workgroup meeting once results from action 0801 (identification of isolated sites under 0723) have been produced.	Joint Office (KE)	Pending