

**UNC Workgroup 0752 Minutes**  
**Introduction of Weekly NTS Entry Capacity Auctions**  
**Thursday 01 April 2021**  
**via Microsoft Teams**

| <b>Attendees</b>          |       |                                    |
|---------------------------|-------|------------------------------------|
| Rebecca Hailes (Chair)    | (RHa) | Joint Office                       |
| Helen Bennett (Secretary) | (HB)  | Joint Office                       |
| Adam Bates                | (AB)  | South Hook Gas                     |
| Alex Nield                | (AN)  | Storengy                           |
| Andrew Pearce             | (AP)  | BP                                 |
| Anna Shrigley             | (ASh) | Eni Trading & Shipping             |
| Anna Stankiewicz          | (ASt) | National Grid                      |
| Ashley Adams              | (AA)  | National Grid                      |
| Chris Wright              | (CW)  | Exxon Mobil                        |
| Daniel Hisgett            | (DHi) | National Grid                      |
| Debra Hawkin              | (DHa) | TPA Solutions                      |
| Francesca Bell            | (FB)  | Oil & Gas UK ( <i>from 11am</i> )  |
| Hannah Reddy              | (HR)  | Corella on behalf of Xoserve       |
| Jeff Chandler             | (JCh) | SSE                                |
| Jennifer Randall          | (JR)  | National Grid                      |
| John Costa                | (JCo) | EDF Energy                         |
| Lauren Jauss              | (LJa) | RWE                                |
| Laurie Heyworth           | (LH)  | Cornwall Insight                   |
| Max Lambert               | (ML)  | Ofgem                              |
| Nick Wye                  | (NW)  | Waters Wye Associates              |
| Phil Hobbins              | (PH)  | National Grid ( <i>from 11am</i> ) |
| Richard Fairholme         | (RF)  | Uniper                             |
| Ritchard Hewitt           | (RHe) | Hewitt Home and Energy Solutions   |
| Samuel Dunn               | (SD)  | Interconnector                     |
| Shiv Singh                | (SS)  | Cadent                             |
| Terry Burke               | (TB)  | Equinor                            |

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0752/010421>

The Workgroup Report is due to be presented at the UNC Modification Panel by 15 April 2021.

## 1.0 Introduction and Status Review

### 1.1. Approval of Minutes (04 March 2021)

The minutes from the previous meeting were accepted.

### 1.2. Approval of Late Papers

RHa confirmed there were no late papers to consider.

### 1.3. Review of Outstanding Actions

**Action 0301:** Proposer (AB) to liaise with National Grid and Xoserve on the calculation that can be used when the weekly auction spans two gas years.

**Update:** Adam Bates (AB) confirmed these discussions have been completed and the outcome is provided in the amended modification which will be discussed as part of agenda item 2.0. **Closed**

## 2.0 Amended Modification

AB provided a walkthrough of the amendments made to the modification which was received and published 26 March 2021:

AB highlighted that it is proposed this modification should be subject to Self-Governance which will be further discussed further down the agenda as it was a question for Workgroup raised by UNC Panel.

### **Solution:**

AB advised that the solution now includes the intended calculation for when a weekly auction crosses two Gas Years, the prevailing price on each relevant day will be used, and provided an example:

*Week commencing 27 September 2021 crosses the 2020/21 and 2021/22 Gas Year. In this example, 27; 28; 29 and 30 September would be charged at the 2020/21 reserve price whilst the 01; 02 and 03 October would be charged at the 2021/22 reserve price.*

It was confirmed that anyone participating in the weekly auction that crosses would need to take the reserve prices for the days that fall in the first Gas Year, and the days of the week that fall into the second Gas Year in order to work out the price to be paid.

Jenifer Randall (JR) asked Workgroup for confirmation that enough clarity has been given around this part of the solution and confirmed the reserve prices are published at the end May for the upcoming Gas Year.

Anna Shrigley (ASh) provided her confirmation that the solution appears very straightforward and that Shippers would know well in advance the price that will need to be paid this is an appropriate solution.

Nick Wye (NW) also confirmed this to be a good solution.

JR noted that if Workgroup are happy with the solution National Grid are not intending to publish any additional information to work out what the price for that week would be.

When AB asked if the invitation for the weekly auction will highlight if the auction crosses two Gas Years, JR clarified this could be feasible. Terry Burke (TB) noted that he would like that requirement to be put into the modification.

**New Action 0401:** AB to include in the modification that National Grid will highlight when a weekly auction crosses two Gas Years in their invitation.

AB explained he has also updated the modification for the avoidance of doubt upon implementation the prevailing Reserve Price and a Duration Multiplier of one (1) ( as defined prescribed within the UNC TPD Section Y for the current NTS Auctions) will be applied to the Weekly NTS Entry Capacity Auctions.

JR noted that, if the modification remains as Authority Direction and dependant on the implementation date will depend on if the weekly auction reserve prices will be included in the published prices. If this modification passes through UNC Panel before the end of May, it might be possible to include it in the publication due at the end of May, or, if implementation is towards the end of July, the August publication for non-IP points can be updated. If a decision is made after July, she questioned how the weekly auction reserve price will be published.

AB advised that Section Y has a licence condition to publish a new set of prices for a new product if a modification is approved by Ofgem (Special Condition A11).

AB confirmed that a mid-year implementation is preferable and it was suggested this needs to be highlighted in the Implementation section to make it clear there is no requirement to wait until the beginning of the Gas Year.

**New Action 0402:** AB to include in the Implementation section of the modification that a mid-year implementation is preferable and that there is no requirement to wait until the beginning of the Gas Year.

**Post meeting notice:**

*An amendment modification (v4.0) has been received and published which closes actions 0401 and 0402.*

As there is currently no legal text to support this modification RHa advised that it is not yet ready to finally submit it to UNC Panel in April. JR confirmed that the National Grid lawyers have been instructed to start looking at the modification.

When asked, JR confirmed that legal text was requested by UNC Panel on 18 March for which National Grid have 15 days to provide it, the deadline is 12 April.

RHa advised that Workgroup could finish the Workgroup Report and advise UNC Panel that Workgroup had not had the opportunity to review the legal text.

In order to accelerate the completion and full submission to UNC Panel in April, NW suggested the legal text is sent out to Workgroup via email for comments noting that this modification is generally very well supported by the Industry and to avoid any clash with publication of prices.

JR noted that adding this auction reserve prices to the May publication is challenging but there is also the end of July publication deadline which is the more likely for it to be included.

**Review of ROM**

Concern was raised for the 20-25 weeks lead time for which Hannah Reddy (HR) explained that the weekly auction is different to how other auctions currently work in terms of the treatment of the capacity and the invoicing. Because the weekly auctions are spanning the end of one month and going into another, the charges will need to be calculated per day rather than per week which is quite a complex activity.

When asked HR explained the 20-25 weeks includes analysis through to Post Implementation Support (PIS) and that it is envisaged that implementation could be at weeks 17-19, the rest of the timeline would be PIS.

Max Lambert (ML) highlighted, working backwards from a 01 October implementation, would bring the ROM solution to 30 April. HR clarified that it would be challenging to implement this weekly auction for 01 October and that consideration also needs to be given to the setup of the auction ready for it to begin which would be in addition to the 20-25 weeks.

AB noted that is the reason this modification should go before the April UNC Panel.

RHa highlighted this modification can be implemented as soon as it is ready, however, there is a lot of pressure to implement on 01 October because that is neater, she suggested Workgroup should proceed at speed and try to get the modification implementable as soon as possible.

JR confirmed that as long as the decision to implement is made by the end of July, National Grid can still publish the price for it in accordance with Section Y.

JR highlighted that the ROM includes the ability to release interruptible capacity and that this needs to be removed from the ROM.

It was noted that the ROM submitted contains additional requirements that are not stated in the modification itself, therefore a revision to the ROM is required. HR confirmed this should not upwardly impact the cost of the change nor the time of delivery.

HR explained that Xoserve have an obligation to give a minimum of 6-months' notice for any system change that has an external impact. The current assumption is that a new charge type will be needed for the weekly product and therefore file format changes would be required. The current timescales in the ROM combined with the desired delivery would mean the 6-months' notice would not be met, the DSC Change Management Committee would then need to provide agreement for an extension.

**New Action 0403:** Correla (HR) to remove references to the release of interruptible capacity from the ROM.

### 3.0 Issues and Questions from Panel

#### 3.1. Consider whether it should be Self Governance.

This was discussed as part of the Workgroup Report development, agenda item 4.0.

### 4.0 Development of Workgroup Report

RHa confirmed that the Workgroup Report is due to be presented to the 15 April 2021 UNC Panel meeting. As part of the consideration and completion of the Workgroup Report, the following areas were discussed:

#### Self-Governance discussion

RHa showed onscreen the self-governance statement that is noted in the modification under the Governance section:

*Application of Self-Governance is sought because the changes proposed are unlikely to have an adverse effect on competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes.*

*The Modification is unlikely to discriminate between different classes of parties to the UNC or Gas Shippers due to the changes having the same impact on UNC parties as per the current rules for NTS Entry Capacity Auctions.*

RHa explained that the UNC Panel determined this modification should proceed as Authority Direction and asked Workgroup to consider if it is suitable for Self-Governance.

RHa then showed the Self-Governance Materiality Guidance (<https://www.gasgovernance.co.uk/mods>) and Workgroup considered each individual statement.

NW stated that based on the criteria this modification is quite clearly self-governance.

Workgroup concluded that there is nothing in the criteria that has any significant effect.

In order for Workgroup to be sure of the UNC Panel reasoning for Authority Direction, RHa showed the documented minutes from the January 2021 UNC Panel meeting where it states the criteria for Self-Governance are not met, as this Modification is likely to have a material effect on competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes, by unanimous vote (12 out of 13).

ML provided clarification that it is the proposers responsibility to make sure the modification is Transmission Tariff Structures Network Code (TAR NC) compliant.

AB advised that where Article 29 clearly states that the publication of prices must be at the end of May, this relates to Interconnection Points, therefore, this modification is compliant.

JR confirmed the Charging Methodology is setup to calculate all charges at the same time and this modification still fits in with the UNC section Y process.

AB noted that Modification 0728 is a charging modification where Forecasted Contract Capacity (FCC) could be affected. National Grid agreed with the proposer that the FCC will not be affected.

ASh noted that what is changing is how frequently the capacity is being made available. This might be appealing to some Users. The Charging Statement and publication of it is changing very little, utilisation rates will be improved because more capacity will be used because it is more likely a User will know their week ahead usage rather than month ahead usage.

Workgroup agreed that the Charging Relevant Objectives are not applicable to this modification as it is not introducing a new charge, it is introducing a new capacity product that uses existing methodology to determine prices.

JR clarified that for a Gemini system change National Grid pay 100% of the costs which is an allowance as part of allowed revenue in RIIO T2, this is then shared back to consumers through the RIIO sharing factor of any under or over recovery.

When asked, RHa explained that when UNC Panel request the legal text, it is a formal request, it is really down to the proposer and the legal text provider to discuss and the UNC Panel request is the formality.

RHa sought confirmation from Workgroup that they are happy for the Workgroup to be closed pending the changes discussed and highlighted in Next Steps.

RHa updated the Workgroup Report with regards to publication of prices, in accordance with TPD Section Y 1.3.2 (j), this means that if a decision is made then Special Licence Condition A11 (18) will be followed:

*TPD Section Y 1.3.2 (j)*

*in relation to a Gas Year the "Charges Publication Date" is 1 August in the preceding Gas Year, or such other date as National Grid NTS may, with Condition A11(18) Approval of the Authority, decide;*

ASh noted that when charge type is referred to, that is the definition to the system documentation rather than the charging methodology and that when Xoserve is designing their systems they design a certain format for this product which is a different capacity product not a different charge type.

This concluded Workgroup discussions.

## 5.0 Next Steps

- The Workgroup Report will be completed, published and presented to April UNC Panel.
- Legal text will be published as soon as it is received into the Joint Office.
- AB will amend the modification according to Workgroup discussions.
- HR will produce a revised ROM based on Workgroup discussions.
- The suggestion that this modification should proceed as self-governance will be provided to UNC Panel in April, if accepted, the Final Modification Report will be discussed at the May UNC Panel.

## 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](http://www.gasgovernance.co.uk/events-calendar/month)

Workgroup meetings will take place as follows:

| Time / Date | Paper Publication | Venue | Programme |
|-------------|-------------------|-------|-----------|
|-------------|-------------------|-------|-----------|

|                          |                 |  |  |
|--------------------------|-----------------|--|--|
|                          | <b>Deadline</b> |  |  |
| No more meetings planned |                 |  |  |

**Action Table (as at 01 April 2021)**

| <b>Action Ref</b> | <b>Meeting Date</b> | <b>Minute Ref</b> | <b>Action</b>   | <b>Owner</b>       | <b>Status Update</b> |
|-------------------|---------------------|-------------------|---|--------------------|----------------------|
| <b>0301</b>       | 04/03/21            |                   | Proposer (AB) to liaise with National Grid and Xoserve on the calculation that can be used when the weekly auction spans two gas years.   | SouthHook Gas (AB) | <b>Closed</b>        |
| <b>0401</b>       | 01/04/21            |                   | AB to include in the modification that National Grid will highlight when a weekly auction crosses two Gas Years in their invitation.  |                    | <b>Closed</b>        |
| <b>0402</b>       | 01/04/21            |                   | AB to include in the Implementation section of the modification that a mid-year implementation is preferable and that there is no requirement to wait until the beginning of the Gas Year |                    | <b>Closed</b>        |
| <b>0403</b>       | 01/04/21            |                   | Correla (HR) to remove references to the release of interruptible capacity from the ROM.  |                    | <b>Pending</b>       |