

Transmission Workgroup Minutes
Thursday 01 June 2017
Elxon, 350 Euston Road, London NW1 3AW

Attendees

Andrew Pearce	(AP)	BP
Anna Shrigley	(AS)	Eni UK
Bob Fletcher	(BF)	Chair
Charles Ruffell	(CR)	RWE
Colette Baldwin	(CB)	E.ON
Colin Hamilton	(CH)	National Grid NTS
Graham Dickson	(GD)	Interconnector
Graham Jack	(GJ)	Centrica
Jeff Chandler	(JCh)	SSE
Jen Randall (<i>A.O.B only</i>)	(JR)	National Grid NTS
John Costa	(JCos)	EDF Energy
Joshua Bates (<i>A.O.B only</i>)	(JB)	National Grid NTS
Julie Cox	(JC)	Energy UK
Karen Visgarda (Secretary)	(KV)	Joint Office
Lucy Manning	(LM)	Gazprom
Malcolm Montgomery	(MM)	National Grid NTS
Matthew Kleanthours (<i>A.O.B only</i>)	(MK)	National Grid NTS
Mervyn Daniel*	(MD)	Storeng
Nichole Nimmo* (<i>A.O.B only</i>)	(NN)	Oil& Gas UK
Nick Wye*	(NW)	Waters Wye Associates
Phil Hobbins	(PH)	National Grid NTS
Richard Fairholme	(RF)	Uniper
Robin Dunne	(RD)	Ofgem
Steve Britton*	(SB)	Cornwall
Steve Pownall	(SP)	Xoserve

*via teleconference

Copies of papers are available at: <http://www.gasgovernance.co.uk/tx/010617>

1. Introduction and Status Review

BF welcomed all to the meeting and confirmed the order of the agenda.

1.1 Approval of Minutes (04 May 2017)

The minutes of the previous meeting were approved.

1.2 Ofgem Update

Referring to the information paper provided, RD gave a brief update on the decisions made in May and explained in lieu of the UK Election, there was not an extensive update for this meeting.

RD then focused attention on a few specific areas as follows:

Network Model Review and Statement of Procedures. RD explained that National Grid Gas Plc (NGG) had an obligation under its Gas Transporter Licence to maintain a Network Model and an accompanying Statement of Procedures for modifying or updating the data for the Network Model. He said in March 2017 NGG had submitted a Network Model Review Report and Statement of Procedures pursuant to Special Condition 7C and on the 04 May 2017, Ofgem had published a letter setting out their approval of NGG's submission.

MPR: Modifications to the ET1 and GT1 PCFMs. RD said that on 17 May 2017 Ofgem had published the modifications needed to implement their mid-period review (MPR) decision on the RIIO-GT1 Price Control Financial Model (PCFM). (The Ofgem decision which was taken in February, which was to reduce the totex allowance for NGGT). *Network Innovation - Decision on the New Nwy (New Gas) submission to the Initial Screening Process of the 2017 Gas Network Innovation Competition.* RD explained on the 04 May 2017 that Ofgem had published their decision on the “New Nwy (New Gas)” submission to the 2017 Gas NIC. He said Ofgem had decided that the project submission had failed to meet the ISP eligibility requirements and could not progress to the Full Submission.

Notices to modify the network licences for the network innovation strategy. RD said that on the 11 May 2017 Ofgem had issued notices under section 23(2) of the Gas Act 1986 to the relevant licence holders proposing the introduction of a new licence condition to implement our Network Innovation Review policy decision. This decision was that the RIIO network licensees developed a gas network innovation strategy.

Consultation on version 3.0 of the Network Innovation Competition governance documents. RD explained that on the 11 May 2017 Ofgem had issued a consultation on the proposed changes to the Network Innovation Competition (NIC) Governance Documents to implement the Ofgem Network Innovation Review policy decision of 31 March 2017.

In closing, he said for further information on any topics as referred to above, to contact him directly at: Robin.Dunne@ofgem.gov.uk

1.3 Pre-Modification Discussions

1.3.1 Treatment of Capacity at Combined ASEPs – National Grid NTS

CH introduced the Treatment of Capacity at Combined ASEPs pre-modification and explained it was in relation to the charging regime and pricing methodology, explaining this modification was designed to complement the review of charging arrangements but was not charging specific, as it only applied to Easington currently; Amendments to Gas Transmission Charging Regime’.

CH said it was felt the Transmission Workgroup was the more appropriate forum for discussion rather than the NTSCMF. He said it was to address the area of some ASEPs that may have multiple classifications of capacity specifically beach, storage or LNG entry, and also covering discounts allowed under Article 9 of TAR NC for certain classifications, and he quoted specifically how to deal with; *“For Article 9 within the EU Tariff code there is a mandated minimum proposal set out which is that a specified storage site will get a 50% discount on the capacity prices, **the storage discount will be based on locations where the type of Entry point/Offtake is designated as a ‘Storage Site’ in the Gas Transporter Licence**”.*

CH explained that the modification would facilitate the ability to apply adjustments to tariffs at specific classifications of points with an ASEP, but that it differed from Modification 0501V - Treatment of Existing Entry Capacity Rights at the Bacton ASEP to comply with EU Capacity Regs and that it was not required to allow the ‘Amendments to Gas Transmission Charging Regime’ modification to proceed. He also stated that the ASEP need not be split, but that this was an option.

CH then overviewed the fact there would be a likely change to the Licence and that National Grid NTS were open to how this should be approached, in regards to split the ASEP or whether to keep the ASEP whole, but to still have the methodology to identify capacity associated with storage or LNG entry points.

A general discussion took place regarding the various options available including the capacity and storage capacity. RF's preference was to split and make the modification more Easington-specific rather than try to future-proof for what might happen. Both NW and AS favoured an ex post discount application to maximise flexibility of capacity use and AS also said that she thought a 'reset' of capacity at Easington or possibly nationally would be worth considering, as there was a fear that issues would be created in a similar way to the Bacton split, which some parties were still feeling the ramifications for. LM thought it was very early in the charging review and said that perhaps this issue could arise elsewhere and therefore development should be put on hold until the Charging review had made more progress. The consensus of the Workgroup was not splitting the ASEP, as this would be very complex and expensive and CH confirmed splitting the ASEP was the most straightforward solution and said he would investigate this further, including the capacity area, and would feedback at the next meeting with the formal modification.

New Action TR0601: National Grid NTS (CH) to produce draft modification for review at the July meeting.

2. European Codes

2.1 EU Codes update

CH presented the National Grid NTS plan, highlighting the Code Status Update and corresponding key milestones on the Draft Indicative Timeline schematic for CAM Incremental, and explained the timeline and progress was the same as last month.

EU Tariffs Code Update

CH advised what the ENTSG activities were for the remainder of the year and advised another Workshop would be taking place in October, so work was currently underway regarding the subject matter and that the National Grid NTS had presented the CWD model to ENTSG on 24 May 2017. He said that agreement had been reached on the ENTSG's Transparency Platform regarding the standardised table.

CH then moved on to explain that in regards to the Chapter VIII Compliance (data publication), that an agreement had been reached with ENTSG in that on the 01 October 2017, the existing IT project was going to be allowed to remain as planned and that the publication would be published shortly afterwards in October 2017, but before the end of the year. He then overviewed what information would be published on the TSO website and what topics this would encompass, and stated all this information would be in one area with access to templates and associated links.

EU Gas Regulatory Change Programme

CH provided a high-level update of the EU Phase 4a CAM Amendments, Transparency and Incremental Changes Business Change, explaining what activities had already taken place and he overviewed the timeline schematic, drawing attention to the fact that the Market Demand Assessment Report would be published to the Industry no later than 27 July 2017.

Capacity Methodology Update

MM provided an overview and stated that the consultations for the ECR, ExCR & ECTT were due to be completed by July 2017. He said the consultation ended on 16 May 2017, with two responses received from Centrica and Wales and West Utilities and that the conclusions report had now been published on 30 May 2017 and could be accessed via the link: <http://www2.nationalgrid.com/uk/industry-information/gas-capacity-methodologies/> he said that the work had now started on the Demand Assessment Report (DAR) with an 8 week period allowed for its production.

Future Topics

CH said the following current topics would be updated monthly; - Tariff Code, Transparency requirements, CAM Amendment and Incremental.

3. Workgroups

3.1 Modification 0605S – Amendments to TPD Section K - Additional Methods to Procure and Dispose of Operating Margins Gas

The minutes of this meeting are available at:

<http://www.gasgovernance.co.uk/0605/040517>

The Workgroup's Report is due to be made to the July UNC Modification Panel.

3.2 Modification 0611 – Amendments to the firm capacity payable price at Interconnection Points

The minutes of this meeting are available at:

<http://www.gasgovernance.co.uk/0611/040517>

The Workgroup's Report is due to be made to the June UNC Modification Panel.

3.3 Modification 0616S – Capacity Conversion Mechanism for Interconnection Points

The minutes of this meeting are available at:

<http://www.gasgovernance.co.uk/0616/040517>

The Workgroup's Report is due to be made to the July UNC Modification Panel.

4. Issues

4.1 (ISS066 – Implications of decommissioned Exit/Entry points)

(It was agreed that this item needed to stay on the agenda, to be kept 'in sight', however it would only be actioned as and when appropriate.)

5. Any Other Business

5.1 Negative Implied Flow Rate JR

Please see below update in section 6. Action TR0501.

5.2 Gas Quality Information Provision JR

JR explained that National Grid NTS had run an 'Information Provision Consultation' on both the balancing and the gas quality data they provide and that they had done some analysis on specific data inconsistencies, which had flagged the fact that the allocations and nominations data in MIPI were not the same as measured for End of Day data in Gemini, which meant that there was a mismatch between physical flows measured in the "Actual Offtake Flows Report" and the "Aggregate Allocation Report" and the "Nominations Report" (the later 2 having the issue), which meant that either Gemini was sending information across to MIPI light or that MIPI was not progressing, and that a fix to this data issue had been deployed since 13 February 2017. She then overviewed the specific 3 drivers which were as detailed below:

- 1) *"UNC Modifications which have sought to introduce changes to gas quality parameters – need for greater understanding of the gas composition at NTS entry and exit points in order to assess the impact on plant and equipment of fluctuating gas quality. Timely provision of this data would enable operators to proactively manage any changes to equipment and plant that may be required as a result of variations to gas quality entering sites."*
- 2) *"Real time gas quality information as being delivered to the NTS. This would enable operators at offtakes with sensitive offtakes to develop an understanding of the entry flow relationships with the gas quality of gas delivered at its offtake point. The data should be stored and accessible, daily data does not provide sufficient granularity to support analysis. This will support analysis and understanding of changing gas quality parameters and supply pattern and support informed debate over gas quality issues in the future..."*
- 3) *"We need information in real time and fit appropriate measurement equipment to get live data in order to tune combustion. Getting average daily data or even predictions of the next days data would not be any use".*

JR explained that on the 26 April 2017, National Grid NTS had attended the Oil & Gas UK Forum to talk to the members about the possibility of publishing real time gas quality data, particularly that data which belonged to upstream parties. She stated the members who were present were; ENI, ConocoPhillips, Apache, BP, Shell, ExxonMobil and Statoil.

She then explained that the National Grid NTS's definition of 'Real Time Gas Quality Data' and a lengthy general discussion took place regarding who owned the specific data and the accessibility and cost of that data to be reported on and its timeliness. JR reiterated that the data that could be supplied by National Grid NTS would not be in the live/real terms of live data, as the data they could supply would be delayed by 2 – 5 minutes as the systems collected the information from remote sites, as they only sampled very 1- 2 minutes. Following the lengthy general discussion regarding whether accessing real time data was possible, JR agreed to investigate this area in further depth and report the findings at the next meeting in July.

New Action TR0602: National Grid NTS (JR) to provide what options are available for 'Real Time' or 2-5 minutes data and the cost to get this on to the MIPI and process it.

JR wanted to inform the Workgroup that at the next Operations Forum on 22 June 2017 that options for providing further data around pressure would be discussed at this meeting.

5.3 Incentives – MK/JB

MK introduced himself and explained that he and JB were involved in the shallow incentives area of National Grid NTS. MK then provided an overview of the Executive Summary and explained that National Grid Gas (NGG) undertook the role of System Operator (SO) for the high-pressure gas NTS in Great Britain.

He said that National Grid NTS was currently operating within the first price control to be set up through the new RIIO regulatory framework model (Revenue = Incentives + Innovation + Outputs). He went on to explain that under the first RIIO framework two new incentives were introduced, focusing on delivering the outputs that stakeholders highlighted were of core value.

He said these incentives were known as shallow incentives and were set out for a trial period, which led to the introduction of a Maintenance incentive and the extension of the Demand forecasting incentive to cover the D-2 to D-5 time period. MK then noted that as well as these two incentives, the Greenhouse Gas incentive framework was set for a period of 3 years. This was to allow National Grid NTS to undertake further work to review operational venting sources and to further investigate current internationally accepted best practice. The incentive 3 year period would be up for review in 2017/18, with the outputs from the review will be set to be implemented in 2018/19. National Grid NTS initially proposed its recommendations to OFGEM in April 2017. MK said this engagement built upon stakeholder and customer comments received into National Grid NTS and from additional events that National Grid NTS were attending prior to a formal proposal and that it set out the shape of the potential incentive frameworks that were designed to encourage National Grid NTS to innovate in the delivery of key outputs valued by customers, whilst ensuring continued focus on delivering real value for consumers.

JB explained that regarding the Greenhouse Gas Incentive that National Grid NTS were proposing to make some changes to this scheme to ensure maximum effectiveness in driving the right behaviours. To ensure the incentive mechanism was fit for purpose, would drive the right behaviours and that the mechanism would only include performance measures that were under National Grid's direct control. He said they were proposing to limit the causes of compressor venting that were directly in National Grids

control. He explained that 65% of the compressor emissions were in National Grids control, and that 31% were not.

MK then overviewed the specific incentives and explained that in relation to the Demand Forecasting there was no change proposed, but that discussions were taking place in considering a new D-10 demand forecast. Regarding the Maintenance incentive, MK said the proposal was to include more maintenance activity in the incentive which was welcomed by the Workgroup. He said regarding Operating Margins that cost had been driven down recently without a final incentive, and that now discussions were taking place considering reintroducing one, he said feedback and views on this matter were very most welcome.

MK moved on through the presentation high-lighting specific areas of interest and explained that both he and JB could be contacted via the email addresses for further detail regarding the incentives. Matthew.Kleanthous@nationalgrid.com
Joshua.Bates@nationalgrid.com

5.4 Managing 'Routine Modifications (PH)

PH explained that National Grid NTS were investigating if they could progress 'routine modifications' quicker and said that this initiative had been discussed following the time it had taken to progress a number of modifications e.g. *Modification 0600S – Amend obligation for the acceptance of EPDQD revisions made after D+5*) and *Modification 0605S – Amendments to TPD Section K – Additional Methods to Procure and Dispose of Operating Margins Gas*. A general discussion took place and the Workgroup felt that the time a modification took from initially being raised to final implementation, was driven largely by the complexities arising during the time that modification was moving through the required stage gates and that it was difficult to pre-determine if a modification could be described as 'routine'. LM said regarding the Negative Implied Flow Rates modification for example, that perhaps a dedicated session with all interested parties where all the options were discussed early in the process could have helped drive the momentum and that maybe the possibility for a more dedicated and focused workgroups discussion would have been useful, perhaps via a teleconference in between the monthly Workgroup meetings. JCx said this kind of process was presently working well in respect of the Charging Forum. All were in agreement that the pre-modifications discussions were valuable and worthwhile at the initial assessment phase of the overall process. PH said that they would use a new modification as a 'pilot' to test their revised process internally.

6. Review of Outstanding Action(s)

Action TR0501: National Grid NTS (PH) to provide evidence of previously communicated information to the Transmission Workgroup, regarding the Negative Implied Flow Rates, specifically regarding the exclusion of Moffat, this information to be re-issued.

Update: JR confirmed that no solution would be progressed at Moffat, and she also acknowledged that the communications regarding Phase 4 in relation to the Bacton only solution, should have been more comprehensive, clearer and submitted earlier. She then said that this action could then be closed. **Closed**

7. Diary Planning

Further details of planned meetings are available at: <http://www.gasgovernance.co.uk/Diary>
Agenda items (and any associated papers) for the 06 July 2017 meeting should be submitted to the Joint Office by close of play on 26 June 2017.

Time/Date	Location
10:00, Thursday 06 July 2017	Elaxon, 350 Euston Road, London NW1 3AW
10:00, Thursday 03 August 2017	Elaxon, 350 Euston Road, London NW1 3AW

10:00, Thursday 07 September 2017	Elexon, 350 Euston Road, London NW1 3AW
10:00, Thursday 05 October 2017	Elexon, 350 Euston Road, London NW1 3AW
10:00, Thursday 02 November 2017	Elexon, 350 Euston Road, London NW1 3AW
10:00, Thursday 07 December 2017	Elexon, 350 Euston Road, London NW1 3AW

Action Table (as at 01 June 2017)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
TR0501	04/05/17	5.1	National Grid NTS (PH) to provide evidence of previously communicated information to the Transmission Workgroup, regarding the Negative Implied Flow Rates, specifically regarding the exclusion of Moffat, this information to be re-issued.	National Grid NTS (PH)	Closed
TR0601	01/06/17	1.3	National Grid NTS (CH) to produce draft modification for review at the July meeting.	National Grid NTS (CH)	Pending
TR0602	01/06/17	5.2	National Grid NTS (JR) to provide what options are available for 'Real Time' or 2-5 minutes data and the cost to get this on to the MIPI and process it.	National Grid NTS (JR)	Pending