

## Transmission Workgroup Minutes

Thursday 06 February 2014

Energy Networks Association, 52 Horseferry Road, London SW1P 2AF

### Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Alison Chamberlain*	(AC)	National Grid Distribution
Anna Shrigley	(AS)	ENI
Charles Ruffell*	(CR)	RWE npower
Chris Shanley	(CS)	National Grid NTS
Colin Hamilton	(CH)	National Grid NTS
Danielle Stoves	(DS)	Interconnector
Felicity Bush	(FB)	ESB
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
Hilary Chapman*	(HC)	Xoserve
Isabelle-Agnes Magne*	(IAM)	GDF Suez
James Thomson	(JT)	Ofgem
Julie Cox	(JCx)	Energy UK
Kirsten Elliott-Smith	(KES)	Cornwall Energy
Martin Connor	(MC)	National Grid NTS
Matt Hatch	(MH)	National Grid NTS
Mike Harding	(MHa)	DECC
Nahed Cherfa	(NC)	Statoil
Nick Wye	(NW)	Waters Wye Associates
Richard Fairholme*	(RF)	E.ON UK
Richard Lea*	(RL)	Gazprom
Roddy Monroe*	(RM)	Centrica Storage

\*via teleconference

Copies of all papers are available at: [www.gasgovernance.co.uk/tx/060214](http://www.gasgovernance.co.uk/tx/060214)

## 1. Introduction and Status Review

### 1.1 Review of minutes and actions from the previous meeting (09 January 2014)

#### 1.1.1 Minutes

The minutes of the previous meeting were accepted.

#### 1.1.2 Actions

**TR1201:** *With regard to Directions issued to NGGT under the Special Conditions of the gas transporter licence in respect to the Annual Iteration Process for the GT1 price control financial model - Ofgem (RM) to investigate and seek to provide an update on the financial detail behind the direction notice in time for consideration at the next meeting.*

**Update:** JT provided an update.

The RIIO-GT1 price control introduced more dynamic management of NGGT's base revenue allowances. This process implements comprehensive adjustments to base revenue each year in respect of NGGT's Transportation Owner (TO) role and System Operator (SO) role. This more sophisticated approach involves an annual iteration of the GT1 Price Control Financial Model (PCFM) using updated variable values. Each year a table of variable values within the PCFM is

revised as part of the Annual Iteration Process in accordance with applicable methodologies contained in the Special Conditions of the Gas Transporter Licence and the GT1 Price Control Financial Handbook.

The table below shows the changes made at the last annual iteration.

Special Condition	Licence term	Net change (minus in red)
Parts A and B of Special Condition 5A	LAR – This relates to legacy price control adjustments to allowed revenue	£17.3M
Parts A and B of Special Condition 5A	LRAV - This relates to legacy price control adjustments to RAV	£87.3M
Parts A and B of Special Condition 5A	SOLAR - This relates to legacy price control adjustments to allowed revenue	-£0.1M
Parts A and B of Special Condition 5A	SOLRAV - This relates to legacy price control adjustments to RAV	-£3.0M
Part C of Special Condition 5C	CDE - This relates to allowed percentage cost of debt	2.72%
Part C of Special Condition 5C	SOCDE - This relates to allowed percentage cost of debt	2.72%

## Closed

**TR1202:** *With regard to RIIO-GT1 PCFM* - Ofgem (JT) to provide clarification on the terms and process for notifying stakeholders when such licence changes are being taken forward.

**Update:** JT provided an update.

The RIIO-GT1 Price Control Financial Model is used to calculate base revenue values that appear in the formula for NGGT's base NTS System Operation Revenue or Base NTS Transportation Owner Revenue. The calculations are carried out as part of the Annual Iteration Process for the PCFM.

Special Condition 4A – 'Governance of GT1 Price Control Financial Instruments' establishes the framework for the GT1 Price Control Financial Handbook (which contains the Price Control Financial Methodologies) and the GT1 Price Control Financial Model. The process for modifying these Financial Instruments (including notifying stakeholders) are set out in parts A and B of this licence condition.

In summary, Ofgem consults on changes to the licence conditions and Financial Handbook in the usual way, ie through statutory consultations and publishing licence modification notices. Resulting changes are summarised in the RIIO T1 Financial Model pages on the Ofgem website. The Ofgem website also contains the latest version of the Price Control Financial Model and archived versions so stakeholders can assess the impact of the changes.

A 'GT1 Price Control Financial Model Working Group' considers changes and makes recommendations to the Authority, ahead of any consultation process to modify the financial instruments. The purposes of the working group are:

- (i) To review the ongoing effectiveness of the PCFM in producing a value for the term MOD in each Formula Year;
- (ii) To provide, when requested by the Authority, its views on the impact of any proposed modifications to the PCFM in accordance with Part A of Special Condition 5A;
- (iii) To provide such views or recommendations to the Authority with regard to the PCFM as it sees fit.

The composition of the group is:

- Ofgem (chair)
- Ofgem (secretary)
- One representative per licensee and
- ENA representative (optional).

### Closed

**TR0101:** *UNC Modification Plans* – All to consider the best approach and provide views to Chris Shanley by 14 January 2014.

**Update:** This action has been transferred to the responsibility of the newly convened UNC European Workgroup. **Transferred.**

## 1.2 Review of Live Modifications not covered elsewhere on the agenda

The Modifications Register is at: [www.gasgovernance.co.uk/mods](http://www.gasgovernance.co.uk/mods).

**0435** - Workgroup reporting date 17 April 2014. Outcome of SCR decisions as yet unknown.

**0448** – Implemented on 06 February 2014.

**0452V** – With Ofgem for decision.

**0454** – Panel recommended implementation; with Ofgem for decision.

**0461** - Final Modification Report to February Panel for consideration.

**0465V** - With Ofgem for decision.

**0471S** - Final Modification Report to February Panel for consideration.

**0479** – New modification to February Panel; may be allocated to Transmission or Governance Workgroup oversight.

## 1.3 Ofgem Update

JT provided a general update, as follows:

- *Uniform Network Code (UNC) 0425V: Re-establishment of Supply Meter Points - Shipperless sites*. This modification establishes a process to investigate shipperless supply points, register shippers at such points or disconnect the supply of gas if no supply contract can be put in place. A copy of the decision letter can be found at the following location of the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/uniform-network-code-unc-425v-re-establishment-supply-meter-points-shipperless-sites>
- *Lead times for contractual delivery of Incremental Obligated Entry Capacity at the March 2014 QSEC auction*. This letter approves the extension of incremental capacity at Milford Haven and Isle of Grain for the 2014 QSEC auction. A copy of the decision letter can be found at the following location of the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/lead-times-contractual-delivery-incremental-obligated-entry-capacity-march-2014-quarterly-system-entry-capacity-qsec-auction>
- *Xoserve – Consultation on the legal and regulatory framework to establish new arrangements for the gas central provider*. Note that Ofgem will consult during February on options to implement its decision to modify the legal and regulatory framework Xoserve operates. More information on this forthcoming consultation and documents discussed at an industry stakeholder meeting in December can be found at the following location on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/xoserve-%E2%80%93-consultation-legal-and-regulatory-framework-establish-new-arrangements-gas-central-service-provider>

- *Permits Extension for National Grid* - Ofgem issued a statutory consultation on 05 February 2014 extending the Permit Arrangements for National Grid Gas for 2014-15. These documents are on Ofgem's website at the following link: <https://www.ofgem.gov.uk/network-regulation-%E2%80%93-riio-model/riio-t1-price-control>. Ofgem also issued its decision to extend lead-times at Milford Haven and Isle of Grain last week. The letter can be found here: <https://www.ofgem.gov.uk/ofgem-publications/85813/leadtimesdecisionletter300114.pdf>. Any queries regarding the lead-times should be sent to David Reilly: [david.reilly@ofgem.gov.uk](mailto:david.reilly@ofgem.gov.uk), 0203 263 9648.

## 2. Workgroups

No business to discuss.

## 3. Issues

### 3.1 Gas Security of Supply Significant Code Review (SCR) Proposals: Credit Implications for the GB Gas Market

No update available. Next update due at the March 2014 meeting.

### 3.2 New Issues

No new issues raised.

## 4. Any Other Business

### 4.1 Encouraging Open Debate on UNC Developments

In recent discussions following his new appointment LJ had recognised that there was a need for more opportunity to engage industry colleagues in ideas and suggestions for modifications without necessarily committing to drafting a full UNC Modification, along with all the overhead that goes with it. To facilitate this it is intended to trial a new approach at each of the main Workgroup monthly meetings and introduce a new item (1.4) titled "Pre-Modification Discussions" which will work as follows:

- The idea originator notifies the Joint Office (JO) no later than 5 days ahead of a normal monthly (or other period where relevant) Workgroup meeting of their intent to present an idea, preferably along with one slide to illustrate the idea
- The JO will log the idea, providing it with a tracking reference number, and publish it in the Agenda, along with the slide
- In the meeting, the Chair will facilitate a discussion lasting no more than ten minutes for the originator to seek views and guidance etc from colleagues
- At the end of ten minutes, or sooner if appropriate, the Chair will call the discussion to a close and identify next steps, which may include (but is not limited to):
  - The originator and other interested parties taking the idea away to consider further
  - Establishing an informal group to do more work on the idea ahead of reporting back next month
  - Closing down the idea, by agreement with the originator
  - The originator or other nominee agreeing to raise a modification

In the interests of progressing the main business of the Workgroup, it is expected to take only a maximum of a half hour at the start of a meeting for Pre-Modification discussions; therefore, at the Chairman's discretion, the number of ideas to be considered in a single meeting may be curtailed. Ideas will normally be taken in chronological order of receipt by the JO, unless it is sensible to do otherwise in agreement with originators.

A new Pre-Modification Discussions register will be published alongside the Modifications Register on the JO website (at [www.gasgovernance.co.uk/mods](http://www.gasgovernance.co.uk/mods)) so that potential idea originators can scan for similar ideas ahead of making a suggestion.

It is hoped that this approach will enable parties to have more constructive and efficient dialogue ahead of making the significant commitment that comes with raising a UNC modification.

#### 4.2 Xoserve Review – potential new arrangements

It was noted that Ofgem were consulting on potential new arrangements relating to Xoserve. Recognising that there might be some impact on different parties within the UNC (not necessarily directly Transmission related) and different levels of interest in this area JCx suggested that the Transmission Workgroup might appreciate updates on progress and potential effects. Views were sought and the Workgroup indicated it would be in favour of this.

It will be added to the agenda and LJ will invite Xoserve to provide updates as appropriate for information purposes.

**Action TR0201: Xoserve Review Update – Add item to next agenda and invite Xoserve to provide updates for information purposes.**

## 5. Diary Planning

These meetings will immediately follow the proceedings of the UNC European Workgroup.

Date	Location
Thursday 06 March 2014	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 03 April 2014	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 01 May 2014	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 05 June 2014	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 03 July 2014	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 07 August 2014	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 04 September 2014	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 02 October 2014	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 06 November 2014	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 04 December 2014	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF

**Action Table – UNC Transmission Workgroup: 06 February 2014**

<b>Action Ref</b>	<b>Meeting Date(s)</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
TR1201	05/12/13	1.3	<i>With regard to Directions issued to NGGT under the Special Conditions of the gas transporter licence in respect to the Annual Iteration Process for the GT1 price control financial model - Ofgem (RM) to investigate and seek to provide an update on the financial detail behind the direction notice in time for consideration at the next meeting.</i>	Ofgem (RM)	<b>Closed</b>
TR1202	05/12/13	1.3	<i>With regard to RIIO-GT1 PCFM - Ofgem (RM/JT) to provide clarification on the terms and process for notifying stakeholders when such licence changes are being taken forward.</i>	Ofgem (JT/RM)	<b>Closed</b>
<b>TR0101</b>	09/01/14	2.8	<i>UNC Modification Plans – All to consider the best approach and provide views to Chris Shanley by 14 January 2014.</i>	ALL parties	<i>Transferred to the responsibility of the UNC European Workgroup</i>
<b>TR0201</b>	06/02/14	4.2	<i>Xoserve Review Update - Add item to next agenda and invite Xoserve to provide updates for information purposes.</i>	Joint Office (LJ/LD)	<b>Pending</b>