

**Extraordinary
Transmission Workstream Minutes
Friday 11th November 2005
held at Elexon, 350 Euston Road, London**

Attendees

John Bradley (Chair)	(JB)	Joint Office
Dennis Rachwal (Secretary)	(DR)	Joint Office
Brett Date	(BD)	Corona Energy
Charles Ruffell	(CR)	RWE npower
Chris Logue	(CL)	National Grid NTS
Christiane Sykes	(CS)	E.ON UK
Helen Bray	(HB)	Chemical Industries Association
Helen Connolly	(HC)	Ofgem
John Costa	(JCo)	EdF
Joy Chadwick	(JCh)	Exxon Mobil
Mick Curtis	(MC)	E=mc ²
Mike Young	(MY)	British Gas Trading, Centrica
Ndidi Njoku	(NN)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Rachel Turner	(RT)	Centrica
Rekha Patel	(RP)	ConocoPhillips
Sharif Islam	(SI)	Total
Shelley Jones	(SJ)	Statoil UK
Tim Davis	(TD)	Joint Office

1. Purpose of Meeting

Further to the Transmission Workstream meeting on 3-Nov-05 this meeting was scheduled to discuss: -

- Modification Proposals 062 and 061 'Introduction of a Gas Balancing Alert' and 'Facilitating further demand-side response in the event that a Gas Balancing Alert is triggered'. (Further to discussion minuted in section 3.2.3)
- Progressive and Rapid Emergency Cash out Arrangements – discussion and way forward (Further to discussion minuted in section 3.2.2)

2. Status Update

JB notified attendees that Ofgem had approved Mod 050 'Storage Monitor Adjustment', Mod 045 'Provision of Available Interruption Information', and Mod 010 'Amendment to the minimum notice required for UK Link changes'. JB also notified attendees that Panel had deferred a decision on sending Mods 054 and 054a to consultation.

3. 'Introduction of a Gas Balancing Alert' Modification Proposal 062

National Grid NTS (CL) reported that the Proposal issued on 7-Nov-05 for consultation only had timetable update and minor typographical changes from that circulated on 2-Nov-05. The following points arose in discussion: -

- i. There was little support for the option, contained within the proposal, for a within day Gas Balancing Alert (GBA).
- ii. CL explained that the proposed GBA D-1 alert followed on from D-1 demand forecasts issued not later than 14:00 and 02:00 hours and also that there was no threshold associated with the proposed alert – it would either be triggered or not.
- iii. There was already a 'D-2' Safety Monitor alert within the UNC (*ref Q5.2*). CL stated that no other D-2 alerts were proposed at present since there would be greater uncertainty about whether there was a need for demand side response. HB reported there had been more complex options for GBA discussed at Ofgem's Demand Side Working Group but she and others supported a simple solution.
- iv. The Active Notification System (ANS) was used to alert shippers to the gas balancing and constraint situation, including within day.
- v. Daily summary information was broadcast on National Grid's web site and would include all the above. (*Post meeting note: A newly formatted summary went live 15-Nov-05 see <http://www.nationalgrid.com/uk/Gas/Data/dsr/>*)
- vi. Shippers would be able to monitor situations in more detail on Gemini (previously AT-Link).
- vii. CL explained that once issued, a GBA would not be revoked for a particular Gas Day – aggregate demand side response would be incorporated within updates of the web page.
- viii. CL clarified that National Grid envisaged 'anticipated maximum daily supply' would be interpreted as the 'base case supply assumptions' set out in the Winter Outlook Report and this includes 92.5% availability. NW queried whether known supply problems should be taken account of more explicitly however there was recognition that this could lead to complexity.

Representations close out at 17:00 hours on Monday 21-Nov-05.

Several workstream attendees urgently requested a more detailed rigorous briefing on emergency arrangements, further to that given at the Transmission Operations Forum on 9-Nov-05.

Action TR1033 National Grid NTS (CL) to consider request for detailed briefing on revised emergency arrangements to enable companies to develop their internal procedures.

HC indicated Ofgem's intention to run an emergencies seminar however it was likely to be targeted at a more basic level.

4. 'Facilitating further demand-side response in the event that a Gas Balancing Alert is triggered' Modification Proposal 061

National Grid NTS (CL) reported that the only differences in the Proposal issued on 7-Nov-05 for consultation were in respect of the timetable, and corrections to the detail of emergency cash out price calculations for multiday trades.

On the issue of the mechanism for provision of cash out price information CL reported that whilst APX (the OCM operator) had IT development in hand for multiple day

Locational Trades, the publication of SAP and SMP on the proposed revised basis could initially only be a manual process. The messaging facility of both National Grid's and APX web sites might be used for urgent implementation.

In discussion: -

- i. JCo and SI expressed the concern that the price publication mechanism could cause confusion and introduce some market inefficiency / information asymmetry.
- ii. HB stated that some large consumers had a preference to contract directly with National Grid for residual balancing but accepted the need for a shipper mechanism. She indicated that some additional flexibility might be accessed through OTC trades. HC outlined a potential scenario where the system might be short of gas but there might be no relevant bids available on the OCM.
- iii. Several workstream members were concerned that small OTC Trades by the residual balancer might set the SMP Buy price.
- iv. NW observed that whilst the OTC might provide additional access to flexibility for the residual balancer, the quantity of gas was likely to be small, and, in addition to concern about market imperfections, he argued there should be adjustment to the residual balancer incentives.
- v. Several workstream attendees expressed concern about the National Grid discretionary weighting of multi-day trades for cash out prices that would impact shippers but not National Grid.
- vi. In response to questions about why the proposal was being progressed as urgent it was pointed out that it aimed to be another contribution to address concerns about the tight supply/demand outlook for this winter.

TD pointed out that any relevant party could raise an alternative Modification Proposal within 5 business days of a proposal proceeding, and in the case of Mod 061 this would be Monday 14-Nov-05. (*Post meeting note: The Joint Office received no alternative proposals to Mod Proposal 061*).

Representations close out at 17:00 hours on Monday 21-Nov-05.

5. Progressive and Rapid Emergency Cashout Arrangements

Further to the paper and workstream discussion of 3-Nov-05 this workstream meeting worked through options available to take the issue forwards towards resolution.

5.1 Modification Proposal process routes

Several shippers indicated a desire to modify the emergency cash out arrangements for rapid emergencies for this winter. JB stated that to progress this aim a relevant party would need to raise a Modification Proposal and either seek Urgent Status from Ofgem, or seek an accelerated process from Panel.

5.2 Definition of Progressive and Rapid Emergencies

There was support for linkage to the GBA and also linkage with the interval before a Network Gas Supply Emergency (NGSE) would be declared and there should also be consideration of the time of day. Several parties indicated that a period of 6 hours might be considered the minimum for parties to have time to respond and this should form the basis of a progressive emergency definition. A GBA at 02:00 D-1 may be too late to enable substantial response (especially demand side) prior to NGSE declaration early the next Gas Day. CL acknowledged that National Grid demand forecasts have typically been issued

before 01:00 D-1, and hence potential GBAs might come earlier than 02:00 D-1, however this still would not provide 6 hours prior to D.

5.3 Emergency cash-out alternatives for “Rapid” emergencies

Several shippers favoured reversion to 30 Day SAP for the first day of a “Rapid” NGSE, but some parties favoured continuation of this throughout a “Rapid” NGSE, whilst at least one party expressed a view that higher prices may be justified for subsequent days of a “Rapid” NGSE, for example a single price SAP at market suspension. Shippers had differing views as to whether or not there was a case for suspending the Mod 044 ECQ process for all or part of a “Rapid” NGSE. JB pointed out that if there were single price 30Day SAP cash out, the effect of ECQ would be neutral. There was no support to link emergency cash-out to any hub price for this winter.

5.4 Implications of potential changes

Several shippers expressed the view that relief from SMP Buy exposure for “Rapid” NGSEs would help control shipper risks and might in the extreme avert shipper failure. The impact on UK Producers was thought to be neutral after Stage 2 NGSE declaration since they would be obliged to operate in command and control mode with no commercial consideration other than a claims procedure.

No other impacts were identified or substantially discussed at this meeting.

The workstream noted that this matter could be discussed within Ofgem’s Cash Out Review Working Group.

JB offered reasonable assistance from the Joint Office if any party wished to bring forward a Modification Proposal following on from this discussion.

6. Diary Planning

1-Dec-05 10:00hrs at Elexon, 350 Euston Road