

**Transmission Workstream Minutes**  
**Thursday 05 November 2009**  
**Elxon, 350 Euston Road, London NW1 3AW**

**Attendees**

John Bradley (Chair)	JB	Joint Office
Alex Barnes	AB	Gazprom
Andrew Morris	AM	Poyry Energy Consulting
Andrew Pearce	APe	BP Gas
Antony Miller	AMi	Ofgem
Chris Wright	CW	Centrica
Claire Dykta	CD	National Grid NTS
Darren Reeve	DR	Interconnector UK
David Linden	DL	BP Gas
David Turner	DT	GassCo
Eddie Blackburn	EB	National Grid NTS
Fergus Healy	FH	National Grid NTS
Gareth Evans	GE	WatersWye
Graham Jack	GJ	Centrica
Ian Taylor	IT	Northern Gas Networks
Jeff Chandler	JeC	Scottish and Southern Energy
Joanna Ferguson	JF	Northern Gas Networks
Kirsten Elliott-Smith	KES	ConocoPhillips
Lorna Dupont (Secretary)	LD	Joint Office
Mark Dalton	MD	BG Group
Paul O'Donovan	POD	Ofgem
Richard Fairholme	RF	EON UK
Richard Street	RS	Corona Energy
Ritchard Hewitt	RH	National Grid NTS
Shelley Rouse	SR	Statoil
Simon Trivella	ST	Wales & West Utilities
Stefan Leedham	SL	EDF Energy
Steve Fisher	SF	National Grid NTS
Steve Rose	SR	RWE npower
Steven Sherwood	SS	Scotia Gas Networks

**1. Introduction**

JB welcomed attendees to the meeting.

**1.1. Minutes of the previous Workstream Meetings**

The minutes of the previous Workstream meeting were approved.

**1.2. Review of Outstanding Actions****1.2.1. Actions from the Workstream**

**Action TR1097:** Ofgem to consider and report back whether they would wish to encourage the establishment of a group involving all stakeholders, both Government and industry, to look holistically at gas emergency arrangements.

**Update:** On hold until report published, due at the end of 2009.

**Action carried forward**

**Action TR0705:** National Grid NTS to consider whether a gradual population of more years of historical data at reasonable cost is feasible.

**Update:** Progress will be reported to the Workstream in December.

**Action carried forward**

**Action TR0902:** Ofgem to consider publishing details of the back casting exercise that suggested 50% of change proposals might fall to self-governance.

**Update:** POD indicated that Ofgem were planning to present this at the November Modification Panel. **Action carried forward**

**Action TR0904:** National Grid NTS to consider quantifying the likely impact on unbilled energy if Modification Proposal 0266 were to be implemented.

**Update:** RH confirmed that National Grid NTS had been in discussions with Ofgem and work on this was continuing. **Action carried forward**

**Action TR1001:** Ofgem (POD) to confirm whether legal text has been requested for Modification Proposal 0262.

**Update:** POD confirmed that the legal text had been requested and received for Modification Proposal 0262. **Action closed**

**Action TR1002:** National Grid NTS (CS) to report when Safety Case changes to support Modification Proposal 0260 will be submitted.

**Update:** RH confirmed that the Safety Case changes to support Modification Proposal 0260 were being worked on and will be submitted as soon as possible.

**Action carried forward**

**Action TR1003:** MP0269 - National Grid NTS (SF) to clarify whether publishing information on exit baselines matches the EU requirement to publish maximum technical capability.

**Update:** SF confirmed that publishing information on exit baselines matches the EU requirement to publish maximum technical capability. **Action closed**

**Action TR1004:** National Grid NTS (SF) to reconsider "Information Provision for the transitional period" draft Modification Proposal in light of issues raised regarding EU obligations; **and**

**Action TR1005:** National Grid NTS (NR) to expand "Information Provision for the transitional period" draft Modification Proposal in order to demonstrate how the relevant objectives would be facilitated by implementation.

**Update:** Modification Proposal 0269 was raised on 07 October 2009 (see 2.1.1 below); **both actions closed.**

**Action TR1006:** Metering Standards and Impact upon Shrinkage - Ofgem (BL) to confirm the basis of the figures presented on the impact of metering accuracy discrepancies.

**Update:** POD requested that this be carried forward. **Action carried forward**

**1.2.2. Actions carried over from Substitution Workshops**

**Action SUB001:** Ofgem to consider producing a document, prior to the first substitution auction, setting out its rationale for approving substitution applications.

**Update:** POD confirmed the Impact Assessment had now been published.

**Action closed**

**Action SUB005:** Ofgem to consider and report back whether it is able to model the effect on gas prices of various substitution scenarios.

**Update:** See previous action.

**Action closed**

### **1.3. Review of Workstream’s Modification Proposals and Topics**

#### **1.3.1. Modification Status Report (Modification Proposals Register<sup>1</sup>)**

JB gave an update on live and recently closed Modification Proposals.

POD indicated that a determination for Modification Proposal 0246 and its alternates was likely to be reached around the middle of November.

POD highlighted to the meeting that the consultation on the next Transmission Price Control had now been published and urged the submission of responses.

#### **1.3.2. Topic Status Report**

The Topic Status Report for the Transmission Workstream is located on the Joint Office website at: <http://www.gasgovernance.co.uk/mods/>.

JB reported that the EBCC had been considering a new Proposal, following the rejection of 0233V, and it was likely that this would be presented at the next Workstream meeting.

#### **1.4. Related Meetings and Review Groups**

An update on related meetings was provided. There were no matters arising that required the attention of the Workstream.

## **2. UNC Modification Proposals**

### **2.1. Modification Proposal 0269: “Provision of Exit Information at all NTS Exit Points for the transitional exit period”**

FH presented on behalf of National Grid NTS. The Proposal had been discussed at the October UNC Panel meeting where the raising of certain concerns determined that the Proposal should be returned to Workstream for further consideration.

National Grid NTS had addressed the concerns raised at the Modification Panel, and confirmed that it will be publishing primarily Firm Capacity data; as there are currently no Interruptible capacity bookings per se the MSPOR figure (which will equate to the maximum available interruptible capacity) at each NTS Exit point will also be published.

Any new exit point that is included in National Grid NTS’ Gas Transporter Licence, will have a Baseline (even if it is zero). The Proposal commits National Grid NTS to publishing baseline capacity and any subsequent changes.

Once a new NTS Exit Point is included within National Grid NTS’ Licence with a Baseline it will be included within the relevant information, and any subsequent firm capacity bookings (and MSPOR) will also feed through as part of the proposed process.

National Grid NTS proposed therefore to include a date by which it would publish the information (being the first Business Day after the 15<sup>th</sup> of each month), and a further paragraph clarifying the position.

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<sup>1</sup> The Modification Proposals Register is available to view at: <http://www.gasgovernance.co.uk/mods/>

ST questioned what would happen when a project Revenue Driver and a Baseline were separate from a Licence perspective. SF responded that the cap from the Revenue Driver eventually gets into the Baseline after 5 years, at which time it forms part of the Baseline calculations. Prior to that it is classed as incremental. RS thought that the addition of a few extra words might clarify the position where the Baseline is zero.

In response to questions on ARCAs, SF confirmed that the process would pick up the movement from Developer to Shipper.

Taking account of the further comments made today, the revised Modification Proposal will be resubmitted to the November Modification Panel, with a view to being issued for consultation on 19 November 2009, and a potential implementation date of 18 January 2010.

The Workstream Report was then reviewed and discussed. It was agreed that the Report would be submitted to the November UNC Modification Panel, with the recommendation that it be issued for consultation. The provision of legal text was not recommended, however National Grid NTS will provide suggested text.

### **3. Topics**

#### **3.1. Topic 020TR Gas Quality**

##### **3.1.1. Potential constraints on flows from the Zeebrugge area**

AM (Ofgem) gave a brief overview on changes to the Wobbe Index and Volumes that had taken place since 2006. Graphs illustrated the flow of gas from Russia/Germany, and Norway and the use of linepack.

There were concerns that the ability of Fluxys to blend gas for UK specifications was reducing.

A couple of example questions were defined to which parties may wish to give further consideration. Ofgem will be facilitating a workshop focusing on gas quality, on Wednesday 18 November 2009 (09:00 – 12:00), which those interested may wish to attend. Strong interest in the workshop had already been received and AM urged those interested to register as soon as possible.

Responding to questions, AM confirmed that the agenda was intensive and would focus on the Zeebrugge area and other potential constraints. There may be scope to raise wider issues but it could not be guaranteed these would be covered at this workshop. AB added that UK specification is a tighter parameter than Continental specification; Fluxys have been able to manage thus far but it is becoming increasingly difficult once it gets to the Interconnector, which cannot accept non UK specification gas. DT stated that it was important to remember it was a UK issue and not a Continental issue. DECC had made it clear that no changes to UK spec were to be expected much before the end of the next decade.

JB pointed out that issues in this area had been raised before and there had been a consensus that gas quality issues should be looked at holistically. SL asked if this new initiative would be building on previous work carried out in this area, or would it be starting afresh again. AM responded that this was difficult to answer, but indicated that previous work would not be ignored.

#### **3.2. Topic 003TR Review of NTS Exit Capacity Arrangements**

##### **3.2.1. Draft Modification Proposal – Enabling the Partial Assignment of Registered NTS Exit (Flat) Capacity**

FH presented on behalf of National Grid NTS and outlined the background to the draft Modification Proposal. A comparison of the similarities and differences

between Modification Proposal 0263 and the proposed draft was made and explained, the only differences being in the attribution of responsibility for the costs, and the point that, under the draft proposal, NTS Exit (Flat) Capacity subject to a demonstration date will be unable to be assigned.

FH then explained why in National Grid NTS' view this should be a User Pays service, and how costs should be recovered under that regime.

Shippers questioned why it should be considered to be User Pays, and particularly the 100% cost allocation to Shippers, which did not seem to accord with the User Pays guidelines document. This could produce severe difficulties for a small community of Users. ST pointed out that the same recovery principle was used for Modification 0224. RH indicated that National Grid NTS was open to other suggestions for the smearing of costs; alternatively other parties could raise alternate proposals.

GJ commented that it was not clear that xoserve had built any functionality to provide this service, and it would be prudent to get it in earlier rather than later to minimise additional work/costs. FH thought that amendments to work were not likely based on current view – it would be a standalone piece of work to accommodate partial assignment. RH added that xoserve would be looking at the most efficient and economic way of providing this functionality/service. The information provided under the ROM would be published and this should give the assurance that the most effective and efficient options had been considered.

FH believed that there was no additional benefit to the NTS. However AB considered that partial assignment made the market more efficient and produced more accurate signals.

GJ observed that the current regime was seen to be very restrictive and customers were looking for more flexibility.

JB concluded that Shippers and National Grid NTS had clearly opposed views as to whether there was any resulting benefit to National Grid NTS.

CW evinced his disappointment that an alternate modification proposal had not been produced earlier to enable consideration in tandem with Modification Proposal 0263, which would clearly be delayed once it reached Ofgem for decision. RH explained the circumstances preventing an earlier submission.

Shippers asked for clarification on the systems costs of Exit Reform, and how much was capital expenditure and how much was operating expenditure.

A draft proposal would be raised once indicative costs/timelines had been received from xoserve, and will be brought back to the Workstream for consideration.

**Action TR1101: National Grid NTS to provide clarification on the systems costs of Exit Reform, and how much was capital expenditure and how much was operating expenditure.**

### **3.3. Topic 008TR Entry Capacity**

#### **3.3.1. Short-haul Charging**

EB presented for National Grid NTS and explained that a review of the NTS Optional ('Short-haul') Commodity Charge had been taking place at the TCMF and that various UNC issues had arisen. The background to 'Short-haul' was then outlined.

The price setting options that had been brought together and set out under a draft charging discussion paper (GCD07) were introduced and explained.

EB pointed out that the UNC issues identified also required attention and went on to explain these in more detail. These changes would be required irrespective

of which price setting approach was adopted following any proposals resulting from charging discussion paper GCD07.

There was a short discussion on the proposed limitation of the application, and the economics of incentives on customers to build a pipeline rather than attract TO commodity charges with compression related costs. It was not economic to build more than x amount of pipe but how would that compare with the distance to the nearest compressor site? EB pointed out that National Grid NTS had to reflect costs incurred in the transportation costings. Connection upstream of a compressor would avoid compression costs.

The charging discussion paper GCD07 will be issued in November 2009, with the consultation period remaining open over next TCMF meeting (03 December 2009).

It was hoped that the highlighted UNC issues would be taken up through the Workstream and that a UNC Modification Proposal to facilitate changes to the Short-haul arrangements could usefully be developed through this route.

### **3.3.2. IECR Incremental Step Size**

SF presented for National Grid NTS. For a new ASEP the minimum step size is 15 GWh which, when the IECR was first drafted, was considered to be a sufficiently small value for any anticipated new and increased supplies. However, recent developments have indicated that this may now be inappropriate, and National Grid NTS is proposing to revise the IECR to set a minimum incremental step size for new ASEPs at no lower than 5 GWh. The drafting of paragraph 82 would also be improved and certain references would also be removed.

The consultation on these changes commenced on 13 October 2009 and all responses should be submitted to [box.capacityandcharging@uk.ngrid.com](mailto:box.capacityandcharging@uk.ngrid.com) (with a cc to [Andrew.fox@uk.ngrid.com](mailto:Andrew.fox@uk.ngrid.com)) by 10 November 2009.

### **3.4. SO Incentives**

The Initial Proposals Consultation Document for Gas SO Incentives to apply from April 2010 was published on the National Grid website. Responses are requested by 17:00 on 11 December 2009. The document can be accessed via the following link: <http://www.nationalgrid.com/NR/ronlyres/F9FC6A7C-1EAD-4E20-95AA-ECD1A47F797D/38135/GasSOIncentivesInitialProposalsv10.pdf>

National Grid NTS has also published an accompanying datapack, which can be accessed via the following link: <http://www.nationalgrid.com/NR/ronlyres/0C3EB866-A537-431D-A57D-464BC591F342/38123/DatapackforInitialProposalsConsultationforGasSOInc.xls>

An Industry Workshop is being held on Wednesday 18 November 2009 to present the Initial Proposals and to provide an opportunity for interested parties to discuss them prior to submitting their formal responses to the consultation document. (Please see the invitation letter, which can be viewed via the below link, for further details and information on how to register: <http://www.nationalgrid.com/uk/Gas/soincentives/IndustryWork/>).

## **4. Any Other Business**

### **4.1. Canattx/Fleetwood position**

Whilst recognising that much information was confidential, CW asked how Shippers could gain an understanding of any potential liability that may arise.

RH explained that where a Shipper's credit is not supported the capacity is withdrawn and will be offered for sale at the next appropriate auction, ie AMSEC in February 2010. This would give the first indication of the position.

#### **4.2. New Joint Office Website**

JB asked for feedback on the new Joint Office website.

#### **5. Diary Planning**

The next Transmission Workstream meeting is due to be held at 10:00 on:  
Thursday 03 December 2009, at Elexon.

Details of all planned meetings are on the Joint Office website at:  
[www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

**Action Log – UNC Transmission Workstream: 05 November 2009**

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR 1097	03/07/08	2.2.3	Ofgem to consider and report back whether they would wish to encourage the establishment of a group involving all stakeholders, both Government and industry, to look holistically at gas emergency arrangements	Ofgem (BW)	To be reconsidered early on 2010 in light of Project Discovery <b>Carried forward</b>
TR 0705	02/07/09	3.3.2	National Grid NTS to consider whether a gradual population of more years of historical data at reasonable cost is feasible	National Grid NTS (CS)	Update due at December Workstream <b>Carried Forward</b>
TR 0902	03/09/09	2	Ofgem to consider publishing details of the back casting exercise that suggested 50% of change proposals might fall to self governance	Ofgem (MF)	Ofgem to present at November Modification Panel <b>Carried Forward</b>
TR 0904	03/09/09	5.1	National Grid NTS to consider quantifying the likely impact on unbilled energy if Modification Proposal 0266 were to be implemented	National Grid NTS (SF)	Work continuing <b>Carried Forward</b>
TR 1001	01/10/09	1.3.1	Confirm whether legal text has been requested fro Modification Proposal 0262	Ofgem (POD)	<b>Closed</b>
TR 1002	01/10/09	1.3.1	Report when Safety Case changes to support Modification Proposal 0260 will be submitted	National Grid NTS (CS)	<b>Carried Forward</b>
TR 1003	01/10/09	2.1	Clarify whether publishing information on exit baselines matches the EU requirement to publish maximum technical capability	National Grid NTS (SF)	<b>Closed</b>
TR 1004	01/10/09	2.1	Reconsider “Information Provision for the transitional period” draft Modification Proposal in light of issues raised regarding EU obligations	National Grid NTS (SF)	<b>Closed</b>
TR 1005	01/10/09	2.1	Expand “Information Provision for the transitional period” draft Modification Proposal in order to demonstrate how the relevant	National Grid NTS (NR)	<b>Closed</b>

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
			objectives would be facilitated by implementation		
TR 1006	01/10/09	3.1	Confirm the basis of the figures presented on the impact of metering accuracy discrepancies	Ofgem (BL)	<b>Carried Forward</b>
TR 1101	05/11/09	3.2.1	Provide clarification on the systems costs of Exit Reform, and how much was capital expenditure and how much was operating expenditure.	National Grid NTS (SF/RH)	

#### Action Log – Carried Forward from Substitution Workshops: 05 November 2009

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
SUB 001	08/04/08	3	Ofgem to consider producing a document, prior to the first substitution auction, setting out its rationale for approving substitution applications	Ofgem (BK)	Impact Assessment now published <b>Closed</b>
SUB 005	07/05/08	4	Consider and report back whether it is able to model the effect on gas prices of various substitution scenarios.	Ofgem (BK)	Gas price impacts are included in the Impact Assessment <b>Closed</b>