

Transmission Workgroup Minutes

Thursday 02 February 2012

at Elexon, 350 Euston Road, London NW1 3AW

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Andrew Fox	(AF)	National Grid NTS
Charles Ruffell	(CR)	RWE npower
Clare Cattle-Jones	(CC)	ENA
Colin Thomson	(CT)	Scotia Gas Networks
Debra Hawkin	(DH)	National Grid NTS
Erika Melen	(EM)	Scotia Gas Networks
Gerry Hoggan	(GH)	ScottishPower
Helen Stack	(HS)	Centrica
Jacopo Vignola	(JV)	Centrica Storage
Julie Cox	(JC)	AEP
Malcolm Arthur	(MA)	National Grid NTS
Mark Cockayne	(MC)	Xoserve
Mathieu Pearson	(MP)	Ofgem
Matthew Hatch	(MH)	National Grid NTS
Mike Wassell	(MW)	National Grid NTS
Natasha Ranatunga	(NR)	Ofgem
Phil Hobbins	(PH)	National Grid NTS
Rekha Theaker	(RT)	Waters Wye Associates
Richard Fairholme	(RF)	E.ON UK
Richard Hounslea	(RH)	National Grid NTS
Robert Cameron-Higgs	(RCH)	Wales & West Utilities
Sarah Lloyd	(SL)	National Grid NTS

1. Introduction

Copies of all papers are available at www.gasgovernance.co.uk/tx/020212.

TD welcomed attendees to the meeting.

1.1 Review of Minutes and Actions of the previous meeting (05 January 2012)

1.1.1 Minutes

The minutes of the meeting were accepted.

1.1.2 Actions

No actions outstanding.

1.2 Review of Live Modifications not covered elsewhere on the agenda

The Modifications Register is at: www.gasgovernance.co.uk/mods.

Of specific note were:

0338V – Awaiting legal text.

0373 – Awaiting legal text.

0393S – Consultation ends on 03 February 2012.

0406S – Consultation ends on 03 February 2012.

0407 – PH provided a summary of discussions at the 18 January Workgroup meeting.

Discussion centred on the 2hr 5% rule and whether or not this is discriminatory between direct connects and DNs. At the time of network sales, the conclusion reached was that these are separate entities such that different treatment is not unduly discriminatory. However, it was acknowledged that embedded power stations could be regarded as discriminated against if more rigid regime requirements applied than for NTS connected power stations.

National Grid NTS view the proposed removal of the 2hr 5% rule as impacting their planning assumptions and have consequently taken an action to provide historical data around use of the 2hr 5% rule, including any breaches, impacts and corrective action. Furthermore, NTS see the rule as incentivising DNs to plan correctly. It was noted that Ofgem have also requested cost related information associated to the possible removal of the rule.

National Grid NTS feel the issue identified reflect localised issues and the Workgroup accepted there may be benefit in developing a generic rule for the OAD which could allow for agreed variations at specific points, reflecting specific circumstances.

When asked about the impact removing the rule may have on direct connects, PH suggested that blanket removal could erode flow margins as the NTS would need to be able to provide a faster response, which would impact linepack. This created the potential to remove short term system balancing capabilities, and consequently could constrain direct connect behaviour. Alternative solutions are being considered.

0412 – Considered at the January Panel meeting where Members determined the subject matter of the modification is related to the subject matter of the significant code review. Ofgem now have to decide whether the modification should be suspended. *Post meeting note: Ofgem did not direct that Modification 0412 be suspended and it will now follow normal procedures.*

1.3 Ofgem Update

1.3.1 Industry Updates

NR reported on recent Ofgem activities:

- *R110-T1: Decision on fast-tracking for SP Transmission Ltd and Scottish Hydro Electric Transmission Ltd* – Consultation published on 23 January 2012. Letter sets out the Authority's decision that the business plans of SP Transmission Ltd and Scottish Hydro Electric Transmission Ltd are of sufficient quality to be consulted upon through fast-tracking Initial Proposals on 6 February 2012. Consultation closes on 19 March 2012. NGET and NGG are required to resubmit their business plans by 5 March 2012. We will consult on Initial Proposals for NGET and NGG in July 2012.
- *Glenmavis Liquefied Natural Gas (LNG) facility and supply to the Scottish Independent Undertakings (SIUs)* – Statutory consultation published 6 January 2012. This consultation seeks views on funding the additional costs of supplying gas to the SIUs and using the Glenmavis LNG facility as a storage buffer and consults on potential changes to the Gas Transporter Licence. Consultation closes on 3 February 2012. We will consider responses and issue a decision soon.
- *Determining revenue drivers for South East exit capacity* – Consultation closed 31 January 2012. This consultation set out how Ofgem proposes to calculate revenue driver values for a number of power station and storage site projects in the South East region. We will

consider responses and issue a statutory consultation in the coming weeks.

- *Project TransmiT*– Following publication of its assessment of options for change on 20 December 2011, Ofgem is holding an event to provide stakeholders with an update on the progress of its work on potential transmission charging options. The event will be held on Monday 6 February 2012 from 1pm to 4pm at Ofgem’s Millbank offices. The event is now fully booked. Any enquiries should be directed to Anthony Mungall at anthony.mungall@ofgem.gov.uk
- *TPCR4 Rollover* – Statutory consultation closed on 23 January 2012. This consultation sought views on proposed changes to the NGG’s GT Licence to facilitate the Rollover Final Proposals (http://www.ofgem.gov.uk/Networks/Trans/PriceControls/TPCR4Rollover/Documents1/TPCR4_Rollover_Final_Proposals.pdf). We are considering responses and will be issuing a decision soon.

1.3.2 SO Incentives April 2013 Proposals

MP presented ‘SO Incentives from 2013’ on behalf of Ofgem.

Examining the ‘Overview of SO regulatory framework from April 2013’ slide, RT wondered how realistic the objectives would be of an 8-year period in a market that is both volatile and uncertain at the present time. MP suggested that Ofgem fully recognise that some factors could impact upon the role of the SO and how it undertakes this role over the course of time. Ofgem expect to use re-openers to respond to changing market conditions and uncertainties whilst trying to avoid year-on-year tweaking. He also observed that the proposed 8-year period aligns with the TO incentives. Not only would the framework provide for transparent interactions between SOs and TOs it would also facilitate both internal and external trade-offs between the parties.

MP noted that the consultation closes on 27 March, and encouraged all to submit views. MW advised that National Grid anticipates providing their regulatory SO business plan to Ofgem in May, and to provide a summary for the industry in June.

1.4 European Developments

1.4.1 EU Capacity Allocation Mechanism (CAM) Network Code and Congestion Management Procedures (CMP) Guideline Proposal Update

MH reported on the progress made to date.

CAM - Work to finalise the code is continuing. The code is looking to commit TSOs to work together to develop agreed communication procedures including adoption of standard protocols and access to joint systems. European stakeholders have indicated a preference for small price steps within the minimisation aspects for unsold capacity. As far as short-term products are concerned, 10 bids (day ahead and within day) per user will be allowed.

Consideration of how any cross-border contracted capacity is handled remains an extremely contentious issue with the vast majority of respondents not favouring adoption of a sunset clause – included to satisfy guideline requirements.

MH pointed out that Frontier Economics are reviewing the ENTSOG CAM auction design. Delivery of the code to ACER is now scheduled to take place on 06 March.

Moving on to examine the 'Capacity Allocation Mechanisms (CAM) – Potential Timescales' slide, MH advised that the comitology process remains to be defined. At the EU Commission presentation on 31 January, it was suggested that the target is to implement a solution by Q1 2016, although the commission would prefer a 2015 implementation.

CMP – MH advised that the first comitology meeting was held on 26 January, although no official outputs from the meeting have yet been released. It is anticipated that DECC would be issuing a statement on 03 February.

Looking at high level principles, MH advised that, as far as technical capacity is concerned, no baseline concept exists. The concept behind the proposed restriction of re-nomination rights was not wholly supported and is opposite to the current GB approach. JC noted that this sits uncomfortably with CAM principles and how CMP will dovetail with CAM implementation may prove challenging. There remain concerns that the proposed surrender of booked capacity approach may be inconsistent with development of an effective secondary market. As far as the long term use it or lose it mechanism is concerned, MH would expect the regulator to instruct TSOs regarding requirements.

Moving on to examine the 'Congestion Management Procedures (CMP) – Potential Timescales' slide, MH advised that comitology could last up to 12 months. JC did not believe that consideration of the gas day is, or would be, included within the CMP – MH agreed. PH added that a generic principle regarding the gas day would be included within the CAM code in due course.

JC voiced her concern that the detail behind the proposals would not become evident until towards the end of the comitology stage, by which time the timescales would have become extremely tight. Furthermore, some of the RIIO funding aspects such as 'core' vs 'user pays' could be a concern. PH suggested that deciding when to spend money on implementation would be tricky and any guidance from Ofgem on when the principles would be applied, either at IP or GB level would be helpful. NR indicated that issues relating to the discriminatory aspects applicable across different points means Ofgem does not yet have a final view on whether the principles should apply just at IPs or all connection points. JC remained concerned that it would seem that European requirements could end up being funded via a user pays approach.

JC said that late inclusion of annual aspects is also a concern and consideration of incremental capacity impacts is needed. MH agreed, adding that incremental capacity signals (as part of the auction process) would need consideration.

EU Tariffs Update – DH provided a brief overview advising that the work in this area is lagging some way behind that of the CAM and CMP aspects. The tariff scoping consultation would be a 6 to 8 week exercise. Looking at the codification process timeline, JC noted that this would appear to be subtly different to the CAM and CMP timelines. In response, NR advised that one of her Ofgem colleagues would be providing an update in due course.

Interoperability Update – PH explained that the 'problem identification analysis' involved consideration of both technical and operational issues including sub system and process harmonisation.

ENTSOG Ten Year Network Development Plan (TYNDP) Update – PH explained that this is similar to National Grid's 10 year statement, but is

applied on a European wide basis. He went on to add that stakeholders included Eurogas (shipper representative), ACER and project development parties. With regard to item 1.4.3 below, PH advised that the investment plan would also consider cross border issues.

In closing, MH made a plea to all GB parties to get actively involved in the project as this would provide a greater chance of retaining more aspects of the current GB model going forward.

1.4.3 European Updates Timetable

The programme of updates to be given to the Transmission Workgroup over the next few months is detailed below:

Topic	Workgroup Date
<ul style="list-style-type: none"> • Gas Regional Investment Plan (GRIP) Consultation Feedback • Winter Outlook update 	March 2012
<ul style="list-style-type: none"> • Balancing update • Interoperability update 	April 2012

2. Workgroups

The following individual Workgroup meetings took place:

2.1 0408S – Moffat and Bacton Interconnectors: Changes to Agreements to Align to UNC Modification 0195AV

Minutes for this meeting are at www.gasgovernance.co.uk/0408/020212

2.2 0409S – Removing the restriction on the Users’ application quantity for Annual NTS Exit (Flat) Capacity

Minutes for this meeting are at www.gasgovernance.co.uk/0409/020212

2.3 0411S – Removal of the Obligation to Publish Firm Gas Monitor from the UNC

Minutes for this meeting are at www.gasgovernance.co.uk/0411/020212

3. Issues

3.1 Exit Capacity Substitution: Alternative Definition of Substitutable Capacity for Interconnector Points

AF suggested, and parties in attendance agreed, that this matter had been sufficiently dealt with and the Issue could be closed.

3.2 Aligning the connections and capacity processes

A meeting was held on 31 January to consider the issue.

3.3 Network flexibility

A meeting was held on 31 January to consider the issue.

3.4 New Issues

3.4.1 Data Publication restrictions in UNC TPD Section O

RH provided a brief overview of the 'Removal of UNC TPD Section O requirement to publish nodal forecast data "at the same time" as the Ten Year Statement' presentation, outlining the key points of the issue.

When asked if they would be happy that the phrase "at the same time" was removed from TPD Section O via the Consent to Modify route rather than a modification being raised. Those present indicated that they would.

4. Any Other Business

4.1 Daily Elements of Exit Reform – Refresher required?

MW gave a brief outline seeking the Workgroup's views on whether there would be benefit in National Grid NTS providing a 'refresher' on this topic. JC suggested that this would prove a useful exercise for the Operational Forum.

MW agreed to provide a 15 – 20 minute presentation to both the Transmission Workgroup and Operational Forum meetings in due course.

5. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

The next Transmission Workgroup meetings are scheduled as follows:

10:00 01 March 2012, at ELEXON, 350 Euston Road, London NW1 3AW
and subsequently

10:00 on the first Thursday of each month, at ELEXON, 350 Euston Road, London NW1 3AW

EXCEPT (in light of the Olympic Games):

10:00 02 August 2012, at National Grid, 31 Homer Road, Solihull B91 3LT

Action Log – UNC Transmission Workgroup: 02 February 2012

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR 01/01	31/01/12	2.2	Network flexibility - Provide evidence (data) to demonstrate that network usage is changing and will continue to do so, and that regime change is needed to accommodate this	National Grid NTS (PG)	Update due at next Issues meeting