

**Transmission Workgroup Minutes**  
**Thursday 02 August 2012**  
**31 Homer Road, Solihull B91 3LT**

**Attendees**

Tim Davis (Chair)	(TD)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Antony Miller	(AM)	Centrica Storage
Charles Ruffell	(CR)	RWE npower
Chris Wright	(CW)	Centrica
Graham Jack	(GJ)	Centrica
Jeff Chandler	(JC)	SSE
Julie Cox	(JCx)	Energy UK
Mike Wassell	(MW)	National Grid NTS
Natasha Ranatunga	(NR)	Ofgem
Richard Fairholme	(RF)	E.ON UK
Rhys Ashman	(RA)	National Grid NTS
Steve Pownall	(SP)	National Grid NTS

**1. Introduction**

*Copies of all papers are available at [www.gasgovernance.co.uk/tx/020812](http://www.gasgovernance.co.uk/tx/020812)*

TD welcomed attendees to the meeting.

**1.1 Review of Minutes and Actions of the previous meetings (05 July 2012)****1.1.1 Minutes**

The minutes of the previous meeting (05 July 2012) were accepted.

**1.1.2 Actions**

**TR0401:** 0376 - Seek a view as to whether a manual workaround or the systems development will be in place by 01 October 2012.

**Update:** MW expects that discussion with Xoserve would be undertaken shortly and a view around prioritisation would be sought as part of this process. TD noted that no requirement for the July window had been registered.

**Carried forward**

**TR0503:** National Grid NTS to provide more detail and worked examples of the incremental processes and management of any transitional requests/arrangements.

**Update:** It was agreed that this was being covered by the Workgroup discussions.

**Closed**

**TR0506:** National Grid Distribution in relation to Action 001 transferred from Workgroup 0412: Review the terminology used to identify an LDZ interruptible customer within UNC and the Safety Case and who

would be impacted from a customer perspective.

**Update:** In the absence of a National Grid Distribution representative, the action was carried forward.

**Carried forward**

**TR0507:** (NTS Exit Regime Daily Processes Overview) National Grid NTS to check publication format and location in relation to statement "If 13:30 D-1 Demand forecast >80% of 1 in 20 peak day demand then MNEPOR is not released".

**Update:** MW advised that this requirement would be part of Gemini Phase III – information for which would be made available on the National Grid web site in due course. It is also envisaged that Xoserve would cover off this requirement as part of the training. Since the MIPI information was not available, the action was carried forward.

**Carried forward**

**TR0601:** *Aligning the connections and capacity processes* - National Grid NTS to analyse the constraint costs associated with "connect and manage".

**Update:** MW advised that network analysis had been undertaken that suggests average annual costs in the region of £277 million (based on the average scenario and price assumptions of 1p/kWh buyback). A view of the connection expectations and timeline considerations was requested and MW agreed to see if this could be provided.

**Carried forward**

**TR0602:** *Aligning the connections and capacity processes* - Case 2: National Grid NTS to consider whether the capacity signal is needed or not for planning to proceed, and if it should be decoupled.

**Update:** Covered by the question and answer record published following the previous meeting.

**Closed**

**TR0603:** *Aligning the connections and capacity processes* – National Grid NTS to work up the detail of the second solution ("the Reservation") and offer a comparison with the first solution; and develop some Business Rules.

**Update:** Development of business rules and comparison of options will be an ongoing process.

**Closed**

**TR0605:** *Aligning the connections and capacity processes* – Permit allowance calculation - Establish the split between Entry and Exit figures.

**Update:** MW advised that due to commercial confidentiality issues, National Grid NTS does not propose to provide the requested information.

**Closed**

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**TR0606:** *Aligning the connections and capacity processes: A long term non firm capacity product* - Consider which option might be preferred (or suggest an alternative) and advise National Grid NTS.

**Update:** MW advised that business rules would be brought to the next meeting.

**Closed**

**TR0607:** *Aligning the connections and capacity processes: PARCA* - Shippers to give some thought to what should be included and National Grid NTS to develop a draft in greater detail.

**Update:** NTs presented their latest draft.

**Closed**

## **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).

Of specific note were:

**0411S** – Implemented 13 July 2012;

**0417S** – Implemented 13 July 2012;

**0419** – Implemented 25 July 2012;

**0373** – Implemented 01 August 2012;

**0423S** – Due to be implemented 10 August 2012;

**0363** – Due to be implemented with effect from 06:00hrs on 01 October 2012;

**0376** – Implementation date is to be confirmed;

**0276** – Implementation date is to be confirmed;

**0338V** – Ofgem consultation launched.

### 1.3 Ofgem Update

NR reported on recent Ofgem activities, as follows:

- RIIO-T1: Initial Proposals for National Grid Electricity Transmission and National Grid Gas – 27 July. Following publication of our initial proposals headline document on 16 July, this document (and its associated documents) sets out in full, our Initial Proposals for the transmission price controls for NGET and NGGT from 1 April 2013 to 31 March 2021. Alongside these documents, we published a first informal draft licence conditions consultation. The consultations close on 21 September 2012. Full information is available at the following location on Ofgem's website:

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?file=RIIO%20T1%20Initial%20Proposals%20for%20NGGT%20and%20NGET%20Overview%202707212.pdf&refer=Networks/Trans/PriceControls/RIIO-T1/ConRes>

- Gas Security of Supply Significant Code Review - Proposed Final Decision and Impact Assessment – 31 July. The proposed final decision responds to representations received in response to our draft policy decision, sets out our proposed final decision on policy for cash-out reform under the Gas SCR and seeks views on implementation. The proposed decision outlines our intention to sharpen the incentive on gas shippers to enhance security of supply in GB by reforming the gas cash-out mechanism. Under our proposals cash-out would be set at £20 per therm (an estimate of domestic customers' Value of Lost Load' or VoLL) in a GDE once gas supplies to firm customers are curtailed. The impact assessment sets out our assessment of the key factors taken into account in reaching the proposed final decision on the Gas SCR. The consultation on both documents closes on 24 October 2012.
- Further work on the Gas SCR will now focus on the business rules, code and licence changes required to implement this proposed final decision. A series of stakeholder events are scheduled to facilitate this process. Our draft policy decision also recommended investigating further measures to enhance gas security of supply. The government supported this view and requested that Ofgem undertake a review of medium to long term security of supply and explore the range of potential further measures which could be undertaken in addition to cash-out reform. We have agreed with government that we will submit the report on gas security of supply this autumn.
- Retail Market Review: GB wholesale market liquidity update – 16 July. The letter updates stakeholders on Ofgem's liquidity project following the February 2012 consultation and sets out the next steps for the project. Our overall message is that we have seen positive industry-led developments which could signify progress towards our objectives. However, further progress is needed, so we will continue to develop the detailed design of the Mandatory Auction at this stage. We will also continue to monitor market developments – and seek market participants' views on these developments – and our final decision on intervention will reflect these. We intend to reach a decision ahead of winter 2012, and lastly,

- Uniform Network Code (UNC) 419: Redefining the capacity of the Specified Exit Point used in the calculation of the National Transmission System (NTS) Optional Commodity tariff – 20 July. The letter approves UNC 419 which redefines the capacity of the Specified Exit Point used in the calculation of the NTS Optional Commodity tariff. We considered that the proposal better facilitated relevant objectives (c) and (d) and that it would have a minimal impact on the level of charges faced by those currently access the NTS Optional Commodity tariff.

## 1.4 European Developments

MW advised that ENTSOG are seeking industry views on the Gas Balancing Code consultation, with a meeting in Brussels on 07 August where they would welcome GB Industry participation.

MW presented on the following areas:

### 1.4.1 REMIT – Insider Trading Notification Central Collection and Publication Service

To avoid insider trading, the EU placed an obligation on market participants to publish notifications about changes in businesses or facilities that could have an effect on gas markets. There is a desire to have all notifications consolidated into one place and National Grid NTS is exploring the possibility of providing a central site to collect and publish all UK REMIT insider trading notifications on behalf of the UK gas industry.

In looking at the drivers that sit behind a desire to have all notifications consolidated into one place, those present felt that it was primarily an ACER initiative. It was noted that ACER are seeking a lowest cost model solution and at the same time are running a wider industry consultation alongside this more focused topic.

Concerns were voiced around potential issues relating to responsibilities, liabilities, regulatory framework, standards of service and funding arrangements (i.e. who would pay).

AM advised that he had recently undertaken the website survey and encountered some problems – he was forced to change an answer in order to be taken to the correct part of the survey.. Responding to both the concerns and the survey problems, MW advised that he would report back to his National Grid colleagues on the points identified.

Workgroup participants were encouraged to share their views on the requirement for this service, and were directed to the following website to take the survey: <http://www.surveymonkey.com/s/NGREMIT>

For more information please contact: [mike.pratten@nationalgrid.com](mailto:mike.pratten@nationalgrid.com)

### 1.4.2 Tariffs

MW advised that a presentation was recently given to the NTS

Charging Methodology Forum (NTSCMF) on the current tariffs code development.

#### 1.4.4 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"> <li>• Balancing Code update</li> <li>• CAM update (<i>consultation closes 10 or 11 August</i>)</li> <li>• Incremental Capacity update - tbc</li> </ul>	06 September 2012
<ul style="list-style-type: none"> <li>• to be confirmed</li> </ul>	18 September 2012
<ul style="list-style-type: none"> <li>• to be confirmed</li> </ul>	04 October 2012
<ul style="list-style-type: none"> <li>• to be confirmed</li> </ul>	01 November 2012
<ul style="list-style-type: none"> <li>• ENTSOG Winter Outlook Report</li> </ul>	06 December 2012

## 2. Workgroups

The following individual Workgroup meeting took place:

### 2.1 0426 – Amendment to the NTS System Entry Overrun Charge

Minutes for this meeting are at: [www.gasgovernance.co.uk/0426/020812](http://www.gasgovernance.co.uk/0426/020812)

## 3. Issues

### 3.1 Communications – Force Majeure and Emergency

JC advised that no further update was available at this time.

### 3.2 Aligning the connections and capacity processes

#### 3.2.1 Planning and Advanced Reservation of Capacity Agreement Principles and Potential Modification presentation

MW explained that the presentation reflects the discussions at the previous meeting and is a 'National Grid centric' view.

A detailed debate centred on the 'PARCA – Stage 1a', which is a close match to the equivalent electricity model. When asked, SP advised that the present proposal does not include connection offer considerations although these could be done in parallel if required. He went on to advise that the minimum timescale would be heavily dependent upon aspects such as project complexity, geographical location and associated limitations along with other potential project issues – it was suggested that provision of some form of default timeline would prove beneficial.

Asked whether Ofgem have any capacity related concerns, NR provided a brief outline of Ofgem's previous statement around the potential reserved capacity approach and user commitment aspects, especially the potential to remove capacity from the market. She believes the key question is whether or not the industry is concerned about baseline and incremental capacity aspects of the proposals – for

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Ofgem to make an informed decision they would expect to see comparisons between the status quo, the new PARCA proposal and a split auction approach. Asked if Ofgem are seeking user commitment beyond that of the current regime, NR suggested it is about looking to ensure we maintain, or enhance, the current Exit regime levels of user commitment. It was acknowledged that there may be different levels of user commitment to consider and not simply financially related ones. It was suggested that a presentation around the various options could prove beneficial.

It was suggested that PARCAs would potentially replace ad-hoc auctions. Asked if there would be variable lead time investment facilities included in the PARCA, SP believed this to be the case – MW suggested that this largely boils down to how it would interact with short term auctions and acknowledged that the information provision and timeline aspects would need further consideration. SP added that issues relating to future capacity requirements could be addressed via enhanced information flows based around the 1a processes, especially reinforcement and investment decision timeline signals. However, care would be needed in appreciating the potentially increasing risk exposure associated to shorter timelines – the key to the process lies with whether reinforcement is required and the subsequent user commitment.

Asked when National Grid would envisage providing indications of their supply and demand scenarios under these proposals, MW advised that each project would be reviewed independently with detailed discussions taking place within the bi-lateral contract consideration and development.

It was felt that provision of a simple (default) model based around the three green boxes (No Investment / No Investment – Substitution / No Investment – Commercial Solution) with addition of some subtle variations, would prove helpful in understanding requirements.

NR noted that whilst the proposals focus on the Exit regime, Entry aspects would also need to be considered when looking at the enduring requirements. JC observed that the proposal is driven by Planning Act changes, not an industry requirement. As such, change is inevitable. TD suggested that this not about undermining user commitment levels. The underlying regime principles remain the same – it is capacity timeline aspects that are the crucial consideration.

SP advised that it is only at the end of stage 1a that you become aware whether a reinforcement or substitution based solution is envisaged.

SP confirmed that stage 1b could only commence once 1a was complete. Further consideration of the various funding requirements, especially National Grid's RIIO split revenue driver aspects, would be needed in due course and National Grid are keen to receive views on this. However, NR questioned whether or not this would be covered under the RIIO enduring scheme deliberations.

MW advised that early indications are that an “open season” (possibly an auction sitting outside of PARCA) style process would be welcomed, however it remained unclear as to what is truly meant by the term ‘open season’ with several subtly different views being expressed\*. Whilst it was agreed that it seems appropriate that the open season trigger should be as early as possible in the PARCA process, it should not delay delivery. MW noted that stage 1a may need to loop around several times before all information is available to move on to the next stages.

Looking to consider next steps, MW suggested dedicated meetings to discuss and develop both the business rules and processes – the key being transparency. These open sessions can be supported by smaller, informal discussions between interested parties to ensure well developed proposals are put to the full group.

*\*NR provided two post meeting links to related documents, as follows:*

**Market-Based Investment Procedures for Gas Infrastructure: Issues and Approaches. A CEER public consultation document. Consultation deadline: 14 September 2012**

[http://www.energy-regulators.eu/portal/page/portal/EER\\_HOME/EER\\_CONSULT/OPEN%20PUBLIC%20CONSULTATIONS/Investment%20Procedures%20for%20Gas%20Infrastructure/BG](http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_CONSULT/OPEN%20PUBLIC%20CONSULTATIONS/Investment%20Procedures%20for%20Gas%20Infrastructure/BG)

**Guidelines for Good Practice on Open Season Procedures (GGPOS) published in 2007**

[http://www.energy-regulators.eu/portal/page/portal/EER\\_HOME/EER\\_CONSULT/CLOSED%20PUBLIC%20CONSULTATIONS/GAS/GGP%20Open%20Season/CD/E06-PC-16-17\\_C06-GWG-29-05c\\_GGPOS.pdf](http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_CONSULT/CLOSED%20PUBLIC%20CONSULTATIONS/GAS/GGP%20Open%20Season/CD/E06-PC-16-17_C06-GWG-29-05c_GGPOS.pdf)

### **3.2.2 Draft Modification – Development of the capacity and connection processes – Planning and Advanced Reservation of Capacity Agreement (PARCA)**

MW envisaged the modification (or modifications) being developed alongside the business rules. In considering whether or not the business rules would require an all or nothing based approach, it was acknowledged that some worked examples would prove beneficial – which MW agreed to provide.

In reviewing Section 3 – Solution, NR voiced concern around the potential for redefining existing definitions and would welcome clarity around the differences between the existing and proposed regimes. MW clarified that there was no intention to change existing capacity definitions.

TD requested that all review the document and be ready to provide feedback at the next meeting.

**Action TR0801: National Grid NTS (MW) to provide worked examples of the PARCA approach under differing scenarios.**

**New Action TR0802: All to review the draft modification.**

### **3.3 New Issues**

None raised.

#### **4. Any Other Business**

##### **4.1 Revised Emergency Curtailment Quantity (ECQ) Methodology**

AR drew attention to the published document, which is subject to Ofgem approval of 0412 “Changes to the Stages of Emergency Resulting from Changes Introduced by Exit Reform“. He went on to advise that should anyone have any questions or require further information they should contact Malcolm Arthur.

Thereafter, he provided a brief outline of the paper published at:  
[www.gasgovernance.co.uk/tx/020812](http://www.gasgovernance.co.uk/tx/020812).

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

It was agreed to meet on 18 September, at a London location if available. Suggested agenda items included the development of business rules (run through of the numbered examples within the draft modification proposal) and consideration of the interaction with PARCA, along with provision of a planning timeline (draft project plan review).

The next Transmission Workgroup meeting will take place at 10:00, on Thursday 06 September 2012, at ELEXON, 350 Euston Road, London NW1 3AW.

Further Transmission Workgroup meetings are scheduled as:

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

### Action Log – UNC Transmission Workgroup: 02 August 2012

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR0401	05/04/12	1.3	0376 - Seek a view as to whether a manual workaround or the systems development will be in place by 01 October 2012.	National Grid NTS (MW)	Update due at next meeting. <b>Carried forward</b>
TR0503	01/05/12	3.1	National Grid NTS to provide more detail and worked examples of the incremental processes and management of any transitional requests/arrangements.	National Grid NTS (MW/EC)	Update provided. <b>Closed</b>
TR0506	03/05/12	2.1	Action 001 transferred from Workgroup 0412: Review the terminology used to identify an LDZ interruptible customer within UNC and the Safety Case and who would be impacted from a customer perspective.	National Grid Distribution (AR)	Update due at next meeting. <b>Carried forward</b>
TR0507	03/05/12	4.2	National Grid NTS to check publication format and location in relation to statement "If 13:30 D-1 Demand forecast >80% of 1 in 20 peak day demand then MNEPOR is not released".	National Grid NTS (MW)	Update due at next meeting. <b>Carried forward</b>
TR0601	27/06/12	2.2	<i>Aligning the connections and capacity processes</i> - National Grid NTS to analyse the constraint costs associated with "connect and manage".	National Grid NTS (MW/SF)	Update due at next meeting. <b>Carried forward</b>
TR0602	27/06/12	3.1	<i>Aligning the connections and capacity processes</i> - Case 2: National Grid NTS to consider whether	National Grid NTS (MW/EC)	Update provided. <b>Closed</b>

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
			the capacity signal is needed or not for planning to proceed, and if it should be decoupled.		
TR0603	27/06/12	3.1	<i>Aligning the connections and capacity processes</i> - National Grid NTS to work up the detail of the second solution ("the Reservation") and offer a comparison with the first solution; and develop some Business Rules.	National Grid NTS (MW/EC)	Update provided. <b>Closed</b>
TR0605	05/07/12	3.2.1	<i>Aligning the connections and capacity processes – Permit allowance calculation</i> - Establish the split between Entry and Exit figures.	National Grid NTS (MW)	Update provided. <b>Closed</b>
TR0606	05/07/12	3.2.2	<i>Developing capacity and connection processes: A long term non firm capacity product</i> - Consider which option might be preferred (or suggest an alternative) and advise National Grid NTS.	ALL	Update provided. <b>Closed</b>
TR0607	05/07/12	3.2.3	<i>Aligning the connections and capacity processes: PARCA</i> - Shippers to give some thought to what should be included and National Grid NTS to develop a draft in greater detail.	ALL	Update provided. <b>Closed</b>
TR0801	02/08/12	3.2.2	<i>Development of the capacity and connection processes – Planning and Advanced Reservation of Capacity Agreement (PARCA) –</i>	National Grid NTS (MW)	Update to be provided for 18 September.

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
			provide worked examples of the PARCA approach under differing scenarios.		
TR0802	02/08/12	3.2.2	<i>Development of the capacity and connection processes – Planning and Advanced Reservation of Capacity Agreement (PARCA) – All to review the draft modification.</i>	ALL	Feedback to be provided for 18 September