

**Extraordinary
Transmission Workstream Minutes
Thursday 13 October 2005
Courtyard at Marriott, Leamington Spa**

Attendees

John Bradley (Chair)	(JB)	Joint Office of Gas Transporters
Dennis Rachwal (Secretary)	(DR)	Joint Office of Gas Transporters
Alan Raper	(AR)	National Grid UKD
Christiane Sykes	(CS)	E.ON. UK
Clive Woodland	(CW)	Centrica
Eddie Blackburn	(EB)	National Grid NTS
Fiona Lewis	(FL)	OFGEM
Gareth Evans	(GE)	Total
Julie Cox	(JCox)	AEP
Katherine Marshall	(KM)	SSE
Keri Flitcroft	(KF)	National Grid LNG Storage
Mick Curtis	(MC)	E=mc ²
Nick Wye	(NW)	Waters and Wye Associates
Nigel Sisman	(NS)	National Grid NTS
Peter Bolitho	(PB)	E.ON UK
Phil Broom	(PB)	Gaz de France
Shelley Jones	(SJ)	Statoil UK
Stewart Waudby	(SW)	Centrica Storage Ltd
Tim Davis	(TD)	Joint Office of Gas Transporters

1. Purpose of Meeting

Further to the indication at Transmission Workstream on 6-Oct-05, this meeting was formally notified on 7-Oct-05 to address what has now been formalised as:-

- 'Storage Withdrawal Curtailment Trade Arrangements in an Emergency' Modification Proposals 052

2. 'Storage Withdrawal Curtailment Trade Arrangements in an Emergency' Modification Proposal 052

At the Transmission Workstream on 6-Oct-05 E.ON UK presented a draft Modification Proposal that had been circulated the previous day. EON UK refined their proposal in the light of workstream discussions and formally submitted it to the Panel Secretary. On 10-Oct-05 Modification Proposal 052 was granted Urgent status.

EON UK (PB) opened by indicating the proposal sought to urgently address what EON UK and a number of other parties perceived to be perverse incentives in the prevailing UNC emergency cash out arrangements in respect of curtailed storage withdrawal. PB expressed an aspiration for simplicity, swift implementation and fairness and sought views from the workstream such that he may take these into account in potential

variation of the proposal ahead of consultation (scheduled to commence 25-Oct-05). OFGEM (FL) requested that representations included information about what assumptions parties made about the level of Storage Monitors when they made decisions about putting gas into store, and also the effect on parties of relevant changes including between the preliminary and final Winter Outlook Reports.

The workstream accepted suggested headings for discussion as follows:

- A) Calculation and verification of Storage Withdrawal Curtailment Quantity (SWCQ)
- B) The price of the SWCQ trade
- C) Transfer or not of ownership of gas in store
- D) Alternative Modification Proposals

Additionally the workstream discussed:

- E) Mechanism for SWCQ trades

The workstream identified the need to discuss “Post event claims process” – deferred to 19-Oct-05.

A) Calculation and verification of SWCQ

- i) SWCQ should be based on “NTS input nomination” – consensus support. (The alternative of storage withdrawal nomination was discounted as these are not part of UNC, draw in a range of Storage Service Contracts, and do not directly relate to NBP balancing cashout. It was recognised and accepted that the two types of nomination may differ).
- ii) The Proposer’s intent is that SWC trades apply at all stages of a National Gas Supply Emergency (NGSE) including Stage 1 where the OCM would continue to operate.
- iii) SWC trades were recognised to be a separate process from Emergency Curtailment trades – consensus support. (It was recognised that in some circumstances there may be some links but this was by no means general).
- iv) SWC trades would be used solely for gas balancing neutrality cashout purposes.
- v) SWCQ should be shippers’ best estimates of their contractually permitted “NTS input noms” from Storage Connection Points as if the National Emergency Coordinator (NEC) has not directed curtailment of storage withdrawal – consensus support. (Shippers would take account of their storage service contracts and the information provided under them, relevant obligations of shipper licences, the effective time and degree of NEC storage curtailment, the potential occurrence of aggregation of storage withdrawal nominations exceeding the available physical capacity etc).
- vi) “Virtual NTS input nominations” should be permitted by UNC solely for SWCQ calculation such that UNC does not conflict with NEC directions under NGSE procedures – consensus support provided A) v) holds true
- vii) SWCQ should be self-certified by each shipper and open to audit and investigation after the day – consensus support. (Storage Operator / Storage Allocation Agent was discounted due to liability considerations –

no liability, or time and process needed to agree liability, and is outwith UNC).

Action TR1017 National Grid NTS (EB) to write up draft rules for shipper best estimate methodology for SWCQ for Weds 19-Oct-05 workstream meeting.

Action TR1018 Centrica Storage Ltd (SW) to write up alternative draft rules for shipper best estimate methodology for SWCQ for Weds 19-Oct-05 workstream meeting.

B) The price of the SWCQ trade

- i) Current proposal is for 30 day average SAP – more appropriate than SMP buy.
- ii) EB argued that the price should not disincentivise other price sensitive potential sources of gas such as imports being accessed during an NGSE.
- iii) EB argued that 30 day average SAP may be too low to achieve B) ii) in some circumstances. Potential alternatives mooted were SAP on the day, and Euro Hub price
- iv) SW argued that ideally it should be the price at which a user would no longer make storage withdrawals, taking account of the forward gas price, storage service costs, and the storage duration.
- v) SWCQ price should ideally be a fair market value including value of having gas in store, avoidance of imbalance cost on the day etc

PB indicated he was not currently minded to vary from the pricing aspect of the proposal as a pragmatic solution.

C) Transfer or not of ownership of gas in store

- i) Ownership of gas in store should not be altered by SWC trade. There was consensus on this although OFGEM reserved its position and challenged whether gas might be transferred to an account and disposed of subsequently.
- ii) Workstream members counselled against transfer of ownership due to complexity and concern that the length and depth of previous Top Up debates might inhibit resolution for winter 2005/06.

D) Alternative Modification Proposals

- i) PB and JB indicated that one or more alternative Modification Proposals may be brought forward but consultation should run in parallel to that for Modification Proposal 052.
- ii) No party present immediately expressed indication to raise an alternative but this does not preclude them from doing so are further consideration.
- iii) PB stated his intention to pursue Modification Proposal 052

E) Mechanism for SWCQ trades

- i) EB emphasised that any potential SWC trading mechanism should have trades registered within day such that shippers would be aware of their balancing position and therefore informed to drive their commercial

behaviour, and also such that the NEC could assess commercial response to the NGSE.

- ii) Shippers should calculate their SWCQ, aggregating across all their affected Storage Connection Points and submit a single trade for National Grid NTS acceptance – consensus support. (This is consistent with self-certification, simplicity and keeping change within UNC governance).
- iii) National Grid NTS (EB) reserved its position but indicated that a 1 hour approval window may be appropriate to check for potential manifest error.
- iv) National Grid NTS again reserving its position indicated a cut off time of midnight (last SWC trade submission by 23:00 hours) seemed appropriate.

Action TR1019 EON UK (PB) as Proposer to prepare an update on the proposal for Weds 19-Oct-05 workstream meeting.

3. Diary Planning

Key dates for Modification Proposal 052 are as follows:

19-Oct-05 10:00 hrs: Extra Workstream meeting at Elexon, 350, Euston Road

21-Oct-05 10:00 hrs: Extra Workstream meeting at Elexon, 350 Euston Road

25-Oct-05 Consultation on finalised version of Modification Proposal 052 opens

(3-Nov-05 10:00 hrs Main Workstream meeting at Elexon, 350 Euston Road)

4-Nov-05 17:00 hrs: Close out for Representations on Modification Proposal 052

10-Nov-05 Issue Final Modification Report on Modification Proposal 052

17-Nov-05 Panel consider and recommendation on Modification Proposal 052