

Transmission Workstream Minutes

Thursday 6th July 2006

held at 350 Euston Road, London

Attendees

John Bradley (Chair)	(JB)	Joint Office
Dennis Rachwal (Secretary)	(DR)	Joint Office
Amrik Bal	(AB)	Shell
Angela Love	(AL)	Poyry Energy (formally ILEX)
Bali Dohel	(BD)	Scotia Gas Networks
Charles Ruffell	(CR)	RWE npower
Chris Wright	(CW)	Centrica
Christiane Sykes	(CS)	EON UK
Heather Lockyer	(HL)	National Grid LNG
Jay Munbodh	(JM)	National Grid NTS
Jeff Chandler	(JCh)	SSE
John Costa	(JCo)	Electricity de France
Liz Spierling	(LS)	Wales&West Utilities
Mark Feather	(MF)	Ofgem
Phil Broom	(PB)	Gaz de France
Rachel Turner	(RT)	Centrica
Sebastian Galliano	(SG)	Gaz de France
Sharif Islam	(SI)	Total
Simon Bradbury	(SB)	Ofgem
Sophia Avendano	(SA)	Total E&P
Tim Bradley	(TB)	National Grid NTS
Tim Davis	(TD)	Joint Office
Yasmin Sufi	(YS)	ENI UK

1. Status Review

1.1. Minutes from June Workstream Meeting

The minutes were accepted with the addition of a bullet point on the discussion of Modification Proposal 0086 Introduction of Gas Demand Reserve Arrangements:-

r) NG NTS observed that the Nature and Purpose of the Proposal lacked detail and this may lead to issues regarding interpretation and subsequent drafting of any UNC legal text.

Revised minutes would be made available via GTIS (Gas Transporters Information Services) <https://gtis.gasgovernance.com>.

1.2. Review of Outstanding Actions

Both open actions were carried forward. National Grid NTS technical blending studies at Bacton were proceeding but it seemed unlikely, at this stage, that any blending service could be feasible for winter 2006/07. There was no update available on entry capacity development.

1.3. Review of Workstream's Modification Proposals and Topics

The Modification Status Report was updated

0076 and 0077 Ofgem had no update regarding its forthcoming decision.

0082 Ofgem indicated it was minded to accept this Proposal.

For information, JB advised that two new Proposals had been received: 0090 (on Revised DN Interruption Arrangements), and 0091 (on Class 3 UK Link Modification governance) and these would be put forward for consideration by Panel on 20 July. LS would be advocating (in accordance with the Proposal from NGG Distribution) that 0090 should be sent to a Development Workgroup that might first meet on 3 August, following on from Transmission Workstream.

0086 *Post meeting note – the Panel meeting at 1pm on 6 July did not recommend implementation.*

The Topic Status Report was updated

- 003TR NTS Exit Capacity – see item 3.1 below – update from Ofgem.
- 004TR Emergency Arrangements – There was no change for items a), b) and c) and for item d) see item 3.2.1 below.

There were no other updates.

2. Modifications for Workstream Development

None.

3. Discussion of Topics

3.1. Topic 003TR Review of NTS Exit Capacity Arrangements – update from Ofgem.

Ofgem (MF) gave the presentation “Overview of TPCR Initial Proposals – Offtake Arrangements”, which was similar to that given to the Enduring Offtake Working Group (EOWG) meeting on 28 June. The next EOWG meeting was confirmed to be 2pm on Wednesday 12 July.

On policy development, MF mentioned the context of high Capex in the next and future formula periods, hence the thinking that User commitment would be sought to help manage stranded asset risk. There was some disappointment that the outcome from NG NTS extensive modelling was that it could not proceed with the expanding flexibility product concept. MF acknowledged NG NTS idea for flex zones as a potential means of mitigating possible risk of over investment from a two product flat and flex regime. MF emphasised the need to focus now on product definition such that Ofgem could produce baseline numbers for Updated Proposals in its September document and to progress setting of revenue drivers. MF highlighted that proposed baselines for five interruptible sites in the South West were raised, with some allowance for NTS to contract for the few days of interruption that may be needed to avoid investment. Another locational issue was the proximity of the proposed Pembroke and Grain power stations to LNG importation terminals: Ofgem again felt that contracting (for interruption) may be a solution to minimise Capex. Another key area identified for development was Use It or Loose It (UIOLI) arrangements for availability of both flat and flex capacity. There was also an issue as to whether to proceed on the basis of no investment purely for flex.

SI observed that there were no buy-back caps on entry presently and enquired about the rationale for exit buy-back caps in the Initial Proposals. MF responded that, for exit, there may be only one player and pointed out that Ofgem had set out some detail in Chapter 11 (and Appendix 16) of the document.

On the Draft Impact Assessment (IA) MF reported the base case net benefit was £46m but this was based on a limited response – 3 core shippers, with 2 outlier responses excluded. The quantitative benefits basis was 6.5% saving on Capex, 5% of the benefits of comparative regulation between DNs, and avoidance of one ARCA dispute per year. There was some discussion of the ARCA element as to whether other disputes or costs might arise from regime change. One area where there may be as yet un-quantified benefits was prevention of undue discrimination between DNs and Transmission Connected Customers (TCCs). MF highlighted that it was a draft IA and invited responses on all aspects of the Initial Proposals by 24 July.

During presentation of Transitional Arrangements, one point briefly discussed was Constrained LNG. MF stated that Ofgem was seeking to understand why NG NTS needed this at Grain.

On the timeline for development, TD observed there was potential overlap and stretch of industry resources for DN Interruption reform and NTS Exit reform.

3.2. Topic 004TR Emergency Arrangements

3.2.1 Current Storage Curtailment Compensation Arrangements (SCCA)

National Grid NTS (JM) gave the presentation “Storage Curtailment Compensation Regime” that set the background in terms of Ofgem working groups and three key UNC Modifications 0044, 0052 and 0071a and then went on to set simple examples to illustrate the operation of 0071a. Finally, JM enquired whether any party felt the arrangements should be refined, indicating two potential concepts that could be explored. No party indicated intention to immediately address the matters outlined.

CS and others had queries on the operation of the National Grid’s SCCA spreadsheet and shipper process¹ and JM agreed to raise this with NG NTS Network Operations.

Action TR1047 National Grid NTS (JM) to address shipper queries on the operation of its Storage Curtailment Compensation Arrangements spreadsheet and process.

3.2.2 Update on Ofgem Demand Side Working Group

JB and SB updated the Workstream on Ofgem’s Demand Side Working Group meeting of 20 June stating that presentations were published². The main business covered was provision of information on NG NTS web site. The aspects covered were operational performance, operational data survey, planned provision of 5-day gas demand forecasts (including uncertainty indication) and Ofgem’s consultation on incentives for web performance and demand forecasting. SB reported that Ofgem was seeking to develop a way forward from the consultation later in July. Regarding implementation of Mod 0006 i.e. provision of sub-terminal flow data, NG NTS had agreed to run a pre-implementation workshop, in early September if possible. Other aspects covered on 20 June included an account of some difficulties addressed in Electricity Demand

¹ <http://www.nationalgrid.com/uk/Gas/OperationalInfo/SCCA/>

² <http://www.ofgem.gov.uk/ofgem/work/index.jsp?section=/areasofwork/wholesalemarketmonitoring/wholesalemarketmonitoring01>

Turndown trials, Energy Management issues, and identifying there are differences between gas industry, and Met Office definitions of winter severity.

4. Other Business

4.1. Amendment of Interconnector UK's Meter Flow Rates

National Grid NTS (JM) presented a draft modification proposal (circulated on 5 July) and explained that this seemed to be the simplest mechanism to align the Network Entry Provisions with the increased import capacity of Interconnector UK for winter 2006/07. JM suggested a five-day consultation period and there was consensus support for this from the Workstream.

5. Diary Planning

Date: Thursday 3rd August 2006

Start Time: 10:00 am

Venue: Elexon, 350 Euston Road, London

Appendix A Action Log – UNC Transmission 6 July 2006

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner*	Status Update
TR 1045	6/4/06	3.2.2 Topic 004TR	Further to Ofgem Winter to Date seminar 22-Mar-06, provide an update on the potential for blending services at Bacton.	National Grid NTS (RH)	Carried forward. Technical feasibility studies were ongoing.
TR 1046	4/5/06	3.2.1 Topic 008TR	give consideration to previous auction results as a potential indicator of capacity transfer that might be facilitated by a mechanism based on the optimisation strawman.	National Grid NTS (PR)	Carried forward. NG NTS internal consideration.
TR 1047	6/7/06	3.2.1 Topic 004TR	address shipper queries on the operation of its Storage Curtailment Compensation Arrangements spreadsheet and process	National Grid NTS (JM)	

* key to initials of action owners

PR – Paul Roberts, RH – Ritchard Hewitt, JM – Jay Munbodh