

Transmission Workstream Minutes
Thursday 28 June 2007
Elxon, 350 Euston Road, London NW1 3AW

Attendees

John Bradley (Chairman)	JB1	Joint Office
Julian Majdanski	JM	Joint Office
Adam Cooper	AC	Merrill Lynch
Alison Jennings	AJ	National Grid Distribution
Andrea Webster	AW	BG Group
Andrew Pearce	AP	BP Gas
Charles Ruffell	CR	RWE Npower
Chris Wright	CW	BGT
David Hutchison	DH	ENI UK
Elaine Calvert	EC	National Grid NTS
Fergus Healy	FH	National Grid NTS
Gideon McLean	GM	Goldman Sachs International
Ian Trickle	IT	ExxonMobil
John Baldwin	JB2	CNG Services
Lucy Field	LF	Poyry Energy Consulting
Mark Ruffles	MR	Vitol
Matt Golding	MG	National Grid LNG Storage
Mike Piggin	MP	TPA Solutions
Martin Watson	MW	National Grid NTS
Neil Dewar	ND	UBS
Nienke Hendriks	NH	Ofgem
Oliver Wolgast	OW	DONG Energy
Phil Broom	PB	Gaz de France
Rahaina Braimah	RB	Ofgem
Rekha Patel	RP	Waters Wye
Richard Fairholme	RF	EON UK
Richard Street	RS	Statoil
Roddy Monroe	RM	Centrica Storage
Stefan Leedham	SL	EdF
Steve Gordon	SG	Scottish Power
Tom Jessop	TJ	Conoco Phillips

1. Introduction

JB1 opened the meeting and explained that all presentation material would be available on the Joint office website by the time the meeting finished.

He welcomed Nienke Hendriks to the meeting and explained that, whilst it was at National Grid's request that the meeting was held, Ofgem had offered to set the scene by outlining the contents of its Open Letter 148/07 placed on its website on 19 June 2007.

2. Ofgem Open Letter “National Grid Gas National Transmission System Entry Capacity: Development of the regime ahead of winter 2007/8”

NH (Ofgem) gave this presentation and explained there were two reasons for the open letter that had also been published on the Joint Office website. She also referred to a subsequent Open Letter on substitution 157/07 which had been placed on the Ofgem website on 27 June 2007.

The first objective was to address shippers’ concerns that there might be physical constraints on the network this winter, by requesting National Grid NTS to publish zonal and nodal information on network capability. It was noted that the zonal data had been published and the nodal data would follow.

The second objective was to address concerns in relation to capacity trade and transfer for this winter, through clarifying National Grid NTS’s role, by restating Ofgem’s view on buyback risk in the context of capacity trade and transfer.

Finally, the Open Letter set out to clarify Ofgem’s expectations on process and timetable to enable capacity trade and transfer at entry points to take place this coming winter.

She stated that Ofgem was keen to see a range of options and not just one. When questioned about the risk of buyback, she noted that it was part of the risk/reward strategy outlined in the Licence. However, if there would be significant increases in the level of buyback, there may be a need to re-consult; otherwise it will be looked at again in two years time.

MW advised that National Grid NTS would be willing to advise anyone who intended to raise an alternative proposal. However due to the tight timetable, National Grid NTS had only one proposal itself, and this would be achievable for this winter. For subsequent winters, he expected that a more enduring regime would be developed.

3. New Proposals for Transfer and Trades

MW (National Grid NTS) gave this presentation.

As a background, he reviewed the intent of Modification Proposals 0150, 0150A, 0151 and 0151A and outlined the reasons for their rejection.

He went on to explain in detail the Physical Characteristics of the Network and outlined a new Proposal for Transfer and Trades, which was consistent with the previous methodology and was still largely modelled on the physical Network.

In support of the Proposal, he stated that whilst National Grid NTS would try and meet shippers’ requests for relevant information, it was important that such information was robust.

SG questioned whether it would be possible to examine the rationale for the zones during the process. MW responded that these zones had been set as part of the Transporting Britain’s Energy consultation process and National Grid NTS were not suggesting any changes to these.

In answer to a question, MW clarified that the “Maximum Flow” was the credible maximum based upon favourable flows elsewhere on the NTS.

RS questioned why the unsold capacity should be allocated first. MW explained that this would help to mitigate buyback. However, if Users believed that the allocation of both unsold and surrendered capacity should take place together; this might be one of those areas where an alternative proposal might assist consultation.

RS noted that any User who had bought capacity speculatively in order to transfer, would be disadvantaged and penalised as National Grid NTS would have first pick.

SG responded that whilst allocating unsold capacity first would not reward speculative behaviour, it was questionable whether this would amount to penalising such behaviour.

MW asked whether the Workstream agreed that National Grid NTS's proposal would be a satisfactory pragmatic solution for this winter. He stressed he was happy to consider variants, but did not think a fundamental change was feasible at this late stage.

RS asked how the auction would work and MW explained National Grid NTS would provide a merit order and publish total capacity and current level of capacity holdings per zone. He considered that this was the simplest method; however if anyone had a better way please advise of it by the end of the week so that it could be considered at the Workstream meeting on 5 July.

RM asked when there would be first sight of zonal capability. MW explained it would be prior to the Trade Invitation.

JB2 requested that when drafted, the Proposal should explain the effect of buyback on shippers and the Transmission System Operator. MW agreed to do this.

4. New Proposal for Interruptible Services

FH (National Grid NTS) outlined the details of a draft modification proposal which would be presented to the next Workstream meeting. The aim was to get as much additional gas as possible whilst protecting those who had booked a firm service. In response to questions, National Grid NTS confirmed that this proposal, whilst ready for implementation this coming winter, it should be seen as an enduring proposal.

5. Diary Planning

The next Transmission Workstream meeting has been arranged for 10:00 on Thursday 5 July 2007 at Elexon, 350 Euston Road, London NW1 3AW.

JB1 brought it to the attention of the Workstream that there was a very full agenda and a Transmission Charging Methodology Forum was booked for 13.30. This would cover related aspects such as how charges would be adjusted to reflect the additional income from the AMTSEC auctions that National Grid NTS was proposing. The Workstream acknowledged this but did not feel it was necessary to schedule a further meeting.

JB1 suggested that a draft of the Interruption Proposal be sent to the Joint Office as soon as possible for publication on its website.

JB also pointed out that, in the context of trades and transfers, alternative proposals could not be raised until the primary proposal had been scheduled for consultation. However, intending proposers should consider preparing drafts of any alternatives prior to the Workstream, so that an informed discussion could take place if time permitted.