

Transmission Workstream Minutes
Thursday 19 July 2007
Elexon, 350 Euston Road, London NW1 3AW

Attendees

John Bradley (Chairman)	JB1	Joint Office
Julian Majdanski	JM	Joint Office
Alex Barnes	AB1	BG Group
Amrik Bal	AB2	Shell
Adam Cooper	AC	Merrill Lynch
Andrew Pearce	AP1	BP Gas
Angus Paxton	AP2	Poyry Energy Consulting
Bali Dohel	BD	Scotia Gas Networks
Brian Withington	BW	TPA Solutions
Charles Ruffell	CR	RWE Npower
Chris Wright	CW	BGT
David Hutchinson	DH	Hess Energy
Francesca Di Cesare	FD	ENI UK
Fiona Riches	FR	Argus Media
Gideon McLean	GM	Goldman Sachs International
Horace Wheeler	HW	Centrica Storage
John Baldwin	JB2	CNG Services
Joy Chadwick	JC	ExxonMobil
Jeff Chandler	JC1	SSE
Jean-Raymond Rastoul	JR	Gaselys
James Wyatt	JW	Poyry Energy Consulting
Leigh Bolton	LB	Cornwall Energy Associates
Martin Watson	MW	National Grid NTS
Phil Broom	PB	Gaz de France
Richard Fairholme	RF	E.ON UK
Roddy Monroe	RM	Centrica Storage
Rekha Patel	RP	Waters Wye
Richard Street	RS	Statoil
Sofia Fernandez	SF	Total E & P
Stefan Leedham	SL	EdF
Stephen Sehlick	SS	E.ON Ruhrgas
Tom Jessop	TJ	Conoco Phillips
Valeska Bergner	VB	Total Gas & Power

1. Introduction

JB1 opened the meeting and explained that the Statoil presentation which consisted of a set of questions would be available on the Joint Office Website. No other presentation had been submitted but National Grid NTS had previously submitted a spreadsheet that set-out two examples. This had already been placed on the website.

2. Alternative Proposal 0156A “Transfer and Trading of Capacity between ASEPs”

RF (E.ON) summarised his Modification Proposal. He stated that the key difference between Proposal 0156 and 0156A was the provision of a second trade and transfer auction to be held after the October QSEC auction. The first auction would follow the timetable set out in 0156 but be for October 2007 capacity only. The second auction would be over two rounds and be for November 2007 to March 2008 capacity. 50% of the available capacity (ie unsold plus surrendered) would be sold in each round.

AB2 questioned why there were to be two rounds for the second auction. RF responded that two rounds would provide more transparency than a single round. The timescales, however, did not permit a two round auction for October capacity.

MW asked why there were not two separate processes. This would have allowed November to March capacity to be surrendered in September/October. RF explained that E.ON had considered this but felt that, due to time constraints, the surrender process for all six months should take place prior to the first auction. RF emphasised that whilst the QSEC auctions were for different periods than those covered by this Proposal, the personnel involved in the QSEC auctions would be, for the most part, the same as those involved in Trades and Transfers.

RM suggested there may not be enough time to set up for two rounds. However RF considered the extra month allowed within the Proposal would make a substantial difference in terms of systems and general preparation. MW explained that National Grid NTS had been in discussion with E.ON and had concluded that, from the system delivery aspect, for both Proposals, the proposed timescales should be achievable.

In terms of the 50:50 split, RF confirmed E.ON’s intention that any surrendered capacity would be split 50:50 as well as the unsold capacity.

A discussion took place about the potential for varying either Proposal once consultation had closed. JB responded that whilst the rules did allow for variation, a material variation of either Proposal would restart the consultation on that Proposal and the timescales were already tight. He therefore advised respondents to focus on the Proposals as they stood and come to a view on whether implementation would facilitate the achievement of the relevant objectives.

3. Proposal 0156 Allocation Examples

MW (National Grid NTS) outlined the spreadsheet examples and explained how allocation would work.

CW noted that with example 1, the Zone 2 allocation stated “All allocated” for Shipper B and questioned whether this was accurate. MW acknowledged that this should state “Partly” as 20 units were allocated but the bid was for 40. MW pointed out that whilst a time stamp could determine which bid was met, bids are taken to four decimal places and suggested that bid price would normally determine which bid was taken.

In response to a question on inter zone exchange rates, MW stated that these would be published but, as they were flow related, it was unlikely that they would be a single value.

Regarding zone 2 allocations, shippers questioned what would be drawn down when all was sold out in a zone? MW explained it would mirror the trading process and NTS would be neutral to the trade.

RM asked how the methodology statement was progressing. MW explained discussions were in progress with Ofgem and he hoped to publish it soon.

AC questioned whether the nodal maximums were the physical maximum. MW responded that this would be explained in the methodology statement but would be based both on Network analysis and on limits set by the physical connecting infrastructure.

MW explained that this Proposal only addressed Winter 2007/8. There would be further Proposals developed for an enduring regime.

BW queried whether the E.ON Proposal was also for this Winter 2007/8. RF confirmed this.

4. Alternative Approaches

RS (Statoil) gave a presentation which summarised the questions he had on the two Proposals.

Regarding the number of auction rounds, MW explained he had chosen one in order to keep it simple and allow enough time to work it through. An enduring regime would probably be embedded as part of the multi-round AMSEC process but it would not be economic or efficient to try to do this now. This Proposal is pragmatic and achievable.

MW went on to explain that holding the auction prior to the QSEC was designed to make use of all the time available and neither Proposal would have any impact on lose it or use it.

Regarding the ability for National Grid NTS to provide more interruptible product and how the market will know whether this product will be provided (Market information), MW questioned the value of such information. Availability would become clear at the day-ahead stage. It was suggested that, if the availability of interruptible capacity was a symptom of lack of alignment of firm capacity with Users' requirements, anything which corrected this lack of alignment would be expected to reduce the availability of interruptible capacity.

MW went on to note that the management of buy back risk will be explained in the methodology statement. JB2 noted that there was often a higher risk of buy back in a mild winter or in the shoulder periods of the winter.

RS noted that, under the Transfer Initiation process, National Grid NTS has 10 days to state which ASEPs are sold out, whereas Users only get 2 days to decide whether they wish an ASEP to be included and questioned why the difference in timescales. MW responded that the time was not just needed to determine which ASEPs had been sold out; time was needed to set up the process once direction was received to implement either Proposal.

MW clarified that the "relevant exchange rate" was the price paid per unit. He also explained that the results published would show the process and how much was

allocated. National Grid NTS had made it clear that unsold capacity would be allocated first.

5. Any Other Business

RM asked when work would start on an enduring regime. MW replied that National Grid NTS would evaluate how things operated for this winter and proposed bringing a work plan to the September workstream meeting.

JB concluded the meeting by reminding members of the process where there is one alternative Proposal or more. Panel members vote on whether each implementation of each Proposal would better facilitate achievement of the relevant objectives against the status quo. Panel then votes on which of the two Proposals would be expected to better facilitate achievement of the relevant objectives. Panel Members find it helpful if respondents reflect this decision process in their responses.

Referring to the earlier discussion, he suggested that respondents be realistic about either Proposer making a variation and focus on the Proposals as they stand.

Finally he reminded attendees of the timescale. Representations were to close-out at 17.00 on 20 July 2007 and a Panel Meeting will be held on 02 August 2007 to discuss its recommendation.

The meeting then closed

6. Diary Planning

The next Transmission Workstream meeting has been arranged for 10:00 on Thursday 02 August 2007 at Elexon, 350 Euston Road, London NW1 3AW.