

Transmission Workstream Minutes
Thursday 01 November 2007
Elexon, 350 Euston Road, London NW1 3AW

Attendees

John Bradley (Chairman)	JB	Joint Office
Lorna Dupont	LD	Joint Office
Alan Raper	AR	National Grid Distribution
Alex Barnes	AB	BG Storage
Andrew Pearce	AP	BP Gas
Andrew Way	AW	ECC
Angela Love	AL	Poyry Energy Consulting
Ben Woodside	BW	Ofgem
Chris Wright	CW	Centrica
Craig Purdie	CP	Centrica Storage
Eddie Proffitt	EP	MEUC
Fergus Healy	FH	National Grid NTS
Graham Frankland	GF	xoserve
Jeff Chandler	JC	Scottish and Southern Energy
John Baldwin	JB1	CNG Services
Joy Chadwick	JC1	ExxonMobil
Julie Cox	JC2	AEP
Karen Healy	KH	xoserve
Martin Watson	MW	National Grid NTS
Matthew Hatch	MH	National Grid NTS
Mark Burridge	MB	Centrica
Paul O'Donovan	POD	Ofgem
Peter Bolitho	PB	EON UK
Phil Broom	PB1	Gaz de France
Rekha Patel	RP	Waters Wye
Ritchard Hewitt	RH	National Grid NTS
Roddy Monroe	RM	Centrica Storage
Stefan Leedham	SL	EDF Energy
Stephen Rose	SR	RWE Npower
Steve Fisher	SF	National Grid NTS
Steve Gordon	SG	Scottish Power
Steven Sherwood	SS	Scotia Gas Networks

1. Introduction and Status Review

JB welcomed all attendees to the meeting.

1.1 Minutes from previous Workstream Meetings

The minutes for the meeting held on 04 October 2007 were accepted.

1.2 Review of Outstanding Actions

Action TR1068: Return to the Workstream to present a detailed overview of the interaction of the capacity regimes and the operation of the gas market. (Ofgem)

Update: Carried forward.

1.3 Review of Workstream's Modification Proposals and Topics

1.3.1 Modification Status Report (Modification Proposals Register¹)

The following Proposals had been implemented:

- 0143 "Reduction of Lapse Periods in respect of Failure Notices issued in respect of Energy Balancing Credit" - implemented 05 October 2007.
- 0152V "Limitation on Retrospective Invoicing and Invoice Correction" – to be implemented 01 April 2008.
- 0149A "Gas Emergency Cashout Arrangements: Keeping the On the Day Commodity Market open during a Gas Deficit Emergency" – to be implemented 01 November 2007.

The following Proposals had been rejected:

- 0149 "Gas Emergency Cashout Arrangements: Keeping On the Day Commodity Market open during a Gas Deficit Emergency" – rejected 19 October 2007.

The following Proposals had been withdrawn:

- 0165 "Change to Measurement Provisions Change Process" – withdrawn on 18 October 2007 and replaced by variation proposal 0165V.

Ofgem's decision was awaited on the following Proposals:

- 0174 "revised Tender Timescale for DN Interruption Arrangements" - UNC Modification Panel recommended implementation.

The following Proposals had been issued for consultation:

- 0165V "Change to Measurement Provisions Change Process" – consultation closes on 09 November 2007.

Review Groups in progress:

- 0166 "Review of necessary reform of NTS Offtake Arrangements" – next meetings 01 and 15 November 2007.

Review Groups closed:

- 0140 "Review of Information Provision on National Grids Information Exchange".

1.3.2 Topic Status Report

003TR Review of Exit Capacity Arrangements

0166 "Review of necessary reform of NTS Offtake Arrangements". Minutes from previous meetings were available on the Joint Office website. The next meetings were

¹ <http://www.gasgovernance.com/Code/Modifications/>

scheduled for 01 and 15 November 2007 at Elexon Offices, 350 Euston Road, London NW1 3AW.

008TR Entry Capacity

The baseline reconsultation process was continuing, with papers available on the Joint Office and Ofgem's website. A Trades and Transfer Workshop had been held on 30 October and a second was planned for 06 November 2007 at Ofgem's offices in Millbank, London.

018TR Information Transparency.

0140: "Review of Information Provision on National Grids Information Exchange." Minutes from the meetings were available on the Joint Office website. The final meeting took place on 08 October 2007 at Elexon Offices, 350 Euston Road, London NW1 3AW. The Transmission Workstream will oversee and progress outstanding actions from this Review Group. (See 1.4 below.)

019TR Emergency Market Arrangements

See 1.3.1 above, and 1.5 below. Reopened.

014TR Operating Margins Procurement

Status: Remained On Hold.

015TR Constraint Management

Status: Remained On Hold

016TR Storage Commodity Charge

Status: Remained On Hold.

020TR Gas Quality

Status: Remained On Hold.

1.4 Related Meetings and Review Groups

Review Group 0140

JB advised that this Review Group had now disbanded following completion and acceptance of its report to Panel. However certain actions had remained outstanding and it had been agreed by the Review Group members that these would be best monitored and progressed through the Transmission Workstream. It was agreed that the Transmission Workstream would monitor the outstanding actions. RH agreed to provide an update to the Workstream on progress made on the outstanding actions.

1.5 Ofgem's Decisions on Modifications 0149 and 0149A

BW attended as the representative from Ofgem to outline the reasons for the decision and its ongoing concern. BW stated that in Ofgem's view there were still issues that needed progressing. Ofgem was in favour of dynamic cash out pricing in an emergency but this was not demonstrated in the Modification Report; 0149A was accepted because it had some value although it was not perfect. There were concerns that needed further exploration, such as the lack of a link with demand side prices. Ofgem had discussed other options with National Grid NTS, but would encourage the industry to explore further.

PB pointed out that there had been industry debate earlier in the year. Shippers have concerns and would welcome debate on the real risks to the market/market participants, Price sensitive gas from the continent and how to achieve bringing it in was a concern –

this is not National Grid's role so how can this be expedited; market mechanisms were irrelevant in 'short' scenarios. An objective look at various market scenarios and National Grid's role was urgently required if the industry was to procure gas for UK plc; it needed the government's sanction and decision to provide the authorisation to do this. These were key questions to be answered and practical arrangements made.

RS stated there were major concerns associated with credit; under market pressure participants would very quickly run out of credit and lose the ability to trade. The effect of market rumour on lines of credit could be disastrous for a company; TXU's experience was a case in point, where parties refused to trade and the situation fell apart with great rapidity. There were fundamental issues as to how the market will react in this type of situation.

In PB's view dynamic cash out prices in an emergency were fundamentally wrong. In a genuine emergency the focus needed to be on the Gas Safety (Management) Regulations and the parties' safety obligations. The market mechanism does not work on its own. Although not completely agreeing with PB, BW acknowledged that the current arrangements were deficient and in need of improvement. There was a clear need for industry debate and BW would take these views back to Ofgem.

CW was surprised at Ofgem's decision in the face of the lack of impact analysis. BW responded that there had been nothing in the Modification Report on which to base the decision, and that an Impact Analysis may be done on future Modification Proposals. PB pointed out that the industry did not provide this if the Modification Proposal was not supported.

JB summarised two avenues of approach as a way forward: either a Strategic Review by Ofgem, or as a Topic at the Workstream.

PB thought that the HSE should be involved as a market mechanism should not be imposed in isolation. BW advised that the HSE had been involved in the debate earlier in the year, and that more options should perhaps be brought for further discussion at the Transmission Workstream. PB observed that key questions need to be decided, eg price to reflect market conditions. RS commented that it would not be a true market and it will not reflect this. BW commented that there was nervousness about the robustness of the current arrangements and there may be better options. According to RH an emergency needed to be as short and as shallow as possible. PB commented that most customers were protected from immediate price fluctuations, though some were price sensitive, like the generating sector. Not everyone had a 'choice'. All Interruptibles would be off already and Firm loads would be instructed to turn off, so who was left to be told?

JC1 questioned who underwrites the trading and secures the credit so that Shippers would not fail at this time. National Grid NTS' role is to manage the grid safely, so someone else is needed to procure the gas. Who has this responsibility and what are the limits of that responsibility? SR questioned whether there were any timescales set around Ofgem's concerns. BW thought it was unlikely that any changes would be made for this winter; work was being done on contract arrangements and credit arrangements. RH thought that National Grid NTS in tandem with other parties could look at what could be done to meet Ofgem's concerns as detailed in Ofgem's letter and could explore various other options. Shippers commented that many ideas could be put forward but these would come to nothing without addressing the fundamental issue that trades needed to be underwritten before anything else can be progressed. JC1 questioned whether this issue of underwriting trades if the market stays open had been explored elsewhere? AL commented that there seemed to be no communication between upstream and downstream. Other groups looked at the physical/practical aspects, but did not cover the commercial arrangements. The different regulators should be communicating with each other. CW observed that given issues around the quality of gas, there may be no gas to bring in anyway.

Action TR 1069: BW to feed back industry concerns relating to Modification 0149A within Ofgem.

Action TR 1070: RH to look at further options to address concerns relating to Modification 0149A.

Action TR 1071: RH to seek a presenter to give an overview from a practical point of view of events in an emergency and a perspective on the scenarios referred to in the Ofgem Decision Letter.

2. Irregular Flows at Entry Points

MW gave a presentation “Flow Variations at Entry” which considered the impact on system capability of within day flow variations at Entry Points. MW suggested this was a growing issue that will need to be addressed and was linked with the discrete release of capacity.

MW stated that UNC obligations require Shippers to flow at a uniform rate throughout the day, making changes only through the renomination process; only when renominated should the flow rate change. Not flowing at a uniform rate affects operational efficiency of the NTS and the ability to release additional discrete capacity products is extremely limited. When pressures were exceeded, TFA actions needed to be taken. If parties respond to demand changes and renominate then all is fine, but the level of poor behaviour demonstrated at present is giving cause for concern regarding the safe operation of the system. PB thought that the impact on the market of parties not accurately renominating should also make Shippers concerned. RH suggested that scheduling needed to be done prior to the Gas Day to reduce these behaviours; National Grid NTS’ confidence in the information would then be increased and the likelihood of TFAs would be reduced. MW reiterated that the current level of poor behaviours was causing concern especially due to the constraints around Easington. Where Shippers were aggregated and misbehaviour was apparent, it was difficult to target the TFA as it was difficult to establish who was responsible. Poor behaviour was reducing National Grid NTS’s ability to release capacity this winter, yet all parties were seeking more.

In response to questions as to what might be driving the behaviours seen, ie commercial or physical, MW responded that no detailed analysis had been carried out to address this particular question.

RS observed that a more managed system would have an effect on security of supply, and more flexibility may be required regarding supply sources. RM and BW were agreed in wanting to see as much capacity released as possible and in not wanting to see any reduction caused by bad behaviour by any party. MW stated that there was a lot of pressure on capacity this winter and that monitoring of the issue would continue through November. If the safety of the system was seen to be compromised then further options would be brought to the Workstream for discussion.

3. Any Other Business

3.1 Gemini

RH gave a presentation and an update on the current Gemini issues. He explained the background, described the events and what actions had been taken to date to address and rectify the problems.

JC1 questioned the whether the notice issued at 01.12 on 22 October had made clear that there was a broken link between APX and Gemini, that the fault was serious and would be ongoing. RH was unable to comment and agreed to investigate the clarity of the message.

Action TR 1072: Gemini issues – RH to investigate the clarity of the notice issued at 01.12 on 22 October 2007.

RH stated that the full system would be live today (01 November 2007). The API service would be live on 02 or 03 November and Shippers would be notified. An internal investigation was being carried out and the findings will be reported to the UK Link Committee. Scheduling charges will be discussed with the EBCC and advice would be taken. Gemini would be put on the agenda for the Operational Forum.

JC1 questioned whether work was still being done to resolve Shippers' end of day balancing issues and RH responded that he believed these would be resolved that day.

JC1 highlighted issues regarding the level of information released and the perceived lack of knowledge of the 'night' staff, who appeared to always refer everything back to the 'day' shift. The contingency arrangements only seemed to be geared up for handling a communications breakdown. JC1 questioned what would happen if NTS staff also did not have access to Gemini. RH acknowledged that contingency arrangements could be improved on and learned from.

PB asked if the Oracle upgrade was the cause. xoserve had refrained from making any other changes at this time and it was GF's belief at present that this might be the case.

CW commented that daily auctions did not happen early on; RH said that overrun charges were suspended for this reason. CW asked if there would be financial implications for Shippers; RH did not believe so. PB thought there might be some redistribution effects relating to the suspension of the overrun, but these might be relatively small. JC1 asked if there would be any impact on cashout price; RH was not aware of any.

EP commented that the customers' perceptions were very negative in reaction to the failure of the system. RS wondered whether compensation would be appropriate following failure by the service provider, and would the contract with xoserve be reviewed? RH said an investigation was being carried out - actions taken would depend on the outcome. On behalf of xoserve, GF apologised for the situation and the inconvenience caused and stated that any lessons learnt would be shared. SG asked about the timescales and transparency of the investigation. GF said that this was not yet known but that he was aware of the urgency and would advise once known; he suggested that in the meantime any concerns or comments could be emailed to the Joint Office or to RH. RH advised that any technical issues would be dealt with in the report - commercial issues would be covered separately.

3.2 Discretionary Release of Interruptible Capacity

MW gave a presentation. He advised that following implementation of the enabling Modification Proposal 0159, release commenced on 31 October 2007. MW set out the criteria within the release guidelines, plus the process and timeline. It was confirmed that flow analyses referred to physical flows rather than commercial flows.

Responding to questions on the timeline, MW said National Grid NTS was planning on D-1 and keeping it under review; it did not want to rely on manual workarounds or datafixes. However, there was an indication of UIOLI quantities at D-7.

MW advised that there would be a continuing assessment and review of discretionary release guidelines and the interruptible levels, and a monthly Interruptible Capacity report would be compiled. He would be happy to receive any further questions.

MW observed that there was no incentive on National Grid NTS to release, or to do, more. It was accepted that this was the appropriate mechanism for this winter, but it could be evolved to provide additional incentives to release capacity.

PB suggested that any formalised guidelines should sit under UNC governance.

3.3 Press items: Energy shortages and impact on safety margins/monitors

CW reported reading recent items in the press relating to Energy shortages and impact on safety margins/monitors. Given safety monitors were set at a low level this winter he wondered what National Grid NTS' view was. RH responded that National Grid NTS continues to review the safety monitors but there were no issues evident at the present.

3.4 Refusal of Planning Consent for Fleetwood

MW advised that National Grid NTS was waiting to hear from Canattx before any action was taken.

4. Diary Planning

The next Transmission Workstream meeting has been arranged for 10:00hrs on Thursday 06 December 2007 at Elexon, 350 Euston Road, London NW1 3AW.

Action Log – UNC Transmission Workstream: 01 November 2007

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR 1068	07/06/07	2.2	Return to the Workstream to present a detailed overview of the interaction of the capacity regimes and the operation of the gas market.	Ofgem (Paul O' Donovan)	Being addressed as part of the entry capacity baselines reconsultation process. Carried Forward
TR 1069	01/11/07	1.5	BW to feed back industry concerns relating to Modification 0149A within Ofgem.	Ofgem (BW)	
TR 1070	01/11/07	1.5	RH to look at further options to address concerns relating to Modification 0149A.	National Grid NTS (RH)	
TR 1071	01/11/07	1.5	RH to seek a presenter to give an overview from a practical point of view of events in an emergency and a perspective on the scenarios referred to in the Ofgem Decision Letter.	National Grid NTS (RH)	
TR 1072	01/11/07	3.1	Gemini issues – RH to investigate the clarity of the notice issued at 01.12 on 22 October 2007.	National Grid NTS (RH)	