

## Transmission Workstream Minutes

Thursday 05 June 2008

Elexon, 350 Euston Road, London NW1 3AW

### Attendees

John Bradley (Chairman)	JB	Joint Office
Lorna Dupont	LD	Joint Office
Alex Barnes	AB	BG Group
Andrew Fox	AF	National Grid NTS
Andrew Pearce	AP	BP Gas
Angus Paxton	AP1	Poyry Energy Consulting
Ben Woodside	BW	Ofgem
Chris Logue	CL	National Grid NTS
Christiane Sykes	CS	Statoil (UK)
Claire Dykta	CD	National Grid NTS
Claire Thornework	CT	National Grid NTS
Clare Temperley	CT1	Gas Forum
David Linden	DL	BP Gas
Duncan Sinclair	DS	Ofgem
Emma Hayes	EH	BG Group
Fergus Healy	FH	National Grid NTS
Graham Jack	GJ	British Gas Trading
John Baldwin	JB1	CNG
Jeff Chandler	JC	Scottish and Southern Energy
Jo-Anne Tedd	JT	xoserve
Julie Cox	JC1	AEP
Liz Spierling	LS	Wales and West Utilities
Martin Watson	MW	National Grid NTS
Natasha Ranatunga	NR	National Grid NTS
Paul O'Donovan	POD	Ofgem
Peter Dickinson	PD	Ofgem
Phil Broom	PB	Gaz de France
Rekha Patel	RP	Waters Wye Associates
Richard Fairholme	RF	E.ON UK
Richard Street	RS	Corona Energy
Roddy Monroe	RM	Centrica Storage
Shelley Rouse	SR	Statoil UK
Stefan Leedham	SL	EDF Energy
Steve Gordon	SG	Scottish Power
Steve Rose	SR1	RWE Npower
<b>Apologies</b>		
Chris Wright	CW	Centrica
Tim Davis	TD	Joint Office of Gas Transporters
Yasmin Sufi	YS	ENI UK

### 1. Introduction and Status Review

JB welcomed the attendees to the meeting.

## 1.1 Minutes from the previous Workstream Meeting

The minutes of the meeting held on 01 May 2008 were approved.

## 1.2 Review of Outstanding Actions

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

**Update:** Covered under agenda item 2.2. **Action closed.**

**Action TR 1071:** CL 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.

**Update:** Discussion under agenda item 2.2 decided no longer required. **Action closed.**

**Action TR1085:** Ofgem to provide updates to the Workstream on progress with The Gas (Calculation of Thermal Energy) Regulations.

**Update:** POD reported that this had been raised as a topic with National Grid and a work group was to be formed. POD will provide a web link to enable access to further information. **Action carried forward.**

**Action TR1087:** Ofgem to provide some clarity on the issue of potential discrimination in the provision of information necessary under European transparency requirements.

**Update:** POD reported that further discussions had taken place last month and an outcome was awaited. **Action carried forward.**

**Action TR1088:** European Transparency Requirements - Gas Forum members to be consulted on the key deliverables of the GRI so that they can participate in any response.

**Update:** No comments had been received by the Gas Forum. **Action closed.** AB pointed out that he had been able to access information on the GRI website and in his view what National Grid was proposing was unnecessary – there was no need to publish at individual entry points. JC1 agreed with AB and would feed this through to other fora. **New Action TR 1090: AB to provide a link to the GRI website.**

**Action TR1089:** Proposed Guidance – Environmental Issues and the Code Objectives - Compliance date 19 May 2008 indicated by Ofgem to be verified.

**Update:** POD reported that 14 responses to the letter had been received and that a new letter was to be issued to clarify the position. POD also advised that Mark Feather was intending to attend the next UNC Panel meeting and present a governance review. **Action closed.**

## 1.3 Review of Workstream's Modification Proposals and Topics

### 1.3.1 Modification Status Report (Modification Proposals Register<sup>1</sup>)

An update was given on the outcome of the Modification Proposals closed since the last meeting and the current status of the Live Modification Proposals.

- 0116V, 0116A, 116BV, 0116CVV, 0116VD, 0195 and 0195A

Ofgem had received in excess of 20 responses following publication of its pro forma questionnaires on the cost impacts of enduring gas offtake reform and incentives. Impact assessments were expected in late June/early July, with a decision still planned for issue in November.

### 1.3.2 Topic Status Report

The Topic Status Report for the Transmission Workstream is located on the Joint Office website at: <http://www.gasgovernance.com/Network> Code, together with the Modification Proposal Summary document.

#### 003TR Review of Exit Capacity Arrangements

Following the raising of Modification Proposal 0214 "Reservation of Firm NTS Exit Capacity at new NTS Exit Points in the transitional period" it was agreed to return this topic to 'Live' status.

Status: Returned to 'Live'.

#### 008TR Entry Capacity

Substitution Workshop 3 has been planned for 11 June 2008.

Status: Live.

#### 014TR Operating Margins Procurement

CL reported that the responses received were being reviewed and would be brought to a future meeting.

Status: Live.

#### 015TR Constraint Management

Status: Remained On Hold.

#### 016TR Storage Commodity Charge

Status: Remained On Hold.

#### 019TR Emergency Market Arrangements

See agenda item 2.2 Emergency cash out, below.

Status: Returned to Live.

#### 020TR Gas Quality

No further update.

Status: Remained On Hold.

#### 021TR Transmission Planning Code

The second workshop took place on 01 May and the third has been scheduled for 05 June 2008.

---

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

---

Status: Live.

## **022TR European Transparency Requirements**

Presentations have now been made to the Workstream and its views have been sought on a number of points. No further update.

Status: Live.

## **1.4 Related Meetings and Review Groups**

### **1.4.1 Ops Forum**

No meeting had been held since the last Transmission Workstream.

## **2. Topics**

### **2.1 008TR Entry Capacity**

#### **2.1.1 Trade and Transfer walk through**

CD gave a comprehensive overview of the implementation of the Trades and Transfers process, covering the timeline of the Surrender Invitation and Window, the RMTTSEC Invitation and Bid Window, the allocation process and the application of exchange rates, and the notification of results. It was planned to give a further run through of the RMTTSEC process at the Gas Operational Forum on 10 June 2008.

#### **2.1.2 Discussion of User commitment on entry**

It was requested that this item be deferred.

#### **2.1.3 IECR: Opportunity for questions**

There was a brief discussion on accelerated release. It was clarified that everything under accelerated release is non obligated; permit is an obligated release.

### **2.2 Emergency cashout**

CL gave a presentation and pointed out that there was conflict between the two objectives of setting the appropriate prices needed to attract non UKCS gas into the UK, versus the impact of spiralling Emergency cashout prices. Consideration was then given to the key principles and a discussion ensued.

AB suggested greater transparency in the market could help to reduce risk and mitigate market manipulation and spiralling prices. CL agreed that information on "who was trading what" would reduce the amount of churn occurring. Demand side reduction was triggered in Stages 1 and 2 and Firm load shedding in Stage 3. Cashout occurred in Stage 2 together with voluntary load shedding. Steps were taken in Stage 2 by the NEC to ensure maximum flows at beach.

JC1 asked if there were other routes to get gas imports in. CL responded that having a dynamic cashout price should provide an incentive to flow gas into the UK. If the Safety Case changes in the future, this may have to be revisited, but at present National Grid Transmission was trying to address the principle of getting the price to be market reflective. SR and JC1 pointed out this was not a 'real market'. CL agreed that there was uncertainty with regard to reactions and unpredictable behaviour but there will still be a market for gas to enter the UK and this will still need paying for at a reasonable cost. RF commented that this cannot be viewed in isolation and it should be understood

what everyone's roles were. SR1 queried that if the market should fail would it be considered to be the fault of National Grid NTS? He was concerned that Shippers would be trading 'in the dark' – National Grid NTS would have the best information and Shippers would be facing great exposure. CL responded that Shippers would know what their large sites were doing. SR1 asked what about the retail sites – National Grid NTS would be contacting them direct. CL responded that the Shippers would be kept informed of that. SR pointed out that National Grid NTS would know the shortfall, in and out, and what will be required, and what was accessible. It would need to be priced right to attract more gas here. AB agreed that as such a situation was 'command and control' it could be assumed that National Grid NTS would have the knowledge of what was required.

RF pointed out that the real issue was the underwriting. RS concurred with this view and said that Shippers will try to balance their portfolios where they have credit lines but then the market will start to fail. BW said that National Grid NTS have a choice between load shedding and buying gas at a very high price. AB pointed out that in an emergency situation there would not be a normal market running. Some parties, such as power stations, would already be individually shut down to avoid physically shutting off whole distribution systems. This would then provide the shippers with a positive imbalance that they could trade. This also affected electricity power supply security; emergency co-ordination would address the aspect of 'keeping the lights on'.

CL stated that at Stage 2 there would be maximisation of beach supplies; at Stage 3 Firm load shedding would take place and at Stage 4 Network isolation would occur. AP1 asked what criteria were used to move from Stage 2 to Stage 3. CL replied that if there was still a gas deficit after all available actions at Stage 2 had been taken, then Stage 3 would be triggered; to a great extent the market ceases working as a gas balancing mechanism at the commencement of Stage 3.

CL then described the two types of emergency recognised under the prevailing arrangements – 'progressive' and 'rapid'. In a progressive emergency the cashout price will be high and passed on to consumers – CL asked if this was appropriate. SL thought that reinstating the market might be a better option to restart things. CL suggested that a dynamic price seems to be the way forward. JC1 thought that different arrangements might be required depending on the cause of the emergency, rather than one set of arrangements to be applied to all. CL responded that once in an emergency situation, gas still needed to be sourced and the cashout price still needed to be set so as to attract gas in. How this is set is a different problem.

There was a short discussion on frozen as opposed to dynamic price. AB asked how it could be stable and still maintain an emergency status. JC1 thought it was stable because the situation was under 'command and control', but there would be no market reinstatement. CL pointed out that an increased dependency on imported gas means that National Grid NTS cannot 'control everything'. SG observed that similar and related issues were being discussed and addressed in other arenas (such as the Energy Emergency Executive Committee (E3C) related groups headed by the BERR). It was recognised that more cohesive thinking was required and CL agreed to investigate further and report back on these developments.

**Action TR1091: CL to investigate current status of E3C related work in respect of Emergency scenarios and report back.**

CL confirmed that there were no current proposals to change the current Safety Case.

CL then explained the objectives that National Grid NTS was seeking to address. JC1 and RS pointed out that 'churn' was how the market found its liquidity.

Discussion then centred on the 5 options put forward by CL.

**Option 2:** The System Operator needed to see physical gas coming off the system at Stage 2. CT commented that issues highlighted in previous representations included lack of transparency and manipulation because of churn, therefore National Grid NTS

need to encourage gas in a more transparent fashion. JB questioned whether an initiative to reduce churn would be undermined by a movement to other markets. CL responded that this would be transparent; National Grid NTS would not prevent the use of other markets. CT said that this was just an idea to mitigate risks, eg credit, and would welcome other ideas from the meeting.

**Option 3:** CL said that this avoided a perverse incentive for inappropriate behaviour from Shippers.

**Option 4:** CL asked should a fixed price be appropriate at this point – before changing to a more stable arrangement (it would not apply to a progressive emergency). SL thought that it would probably not be a sufficiently attractive price to encourage gas into the UK; a dynamic price would be coming so preparation would need to be made for that. SL pointed out that the response time in an emergency may not be immediate, eg in the event of a terrorist attack; the field is out, prices escalate rapidly. CL replied that an emergency could be declared within a few seconds of a major catastrophic failure and steps would be taken immediately, eg Firm load shedding, if this was what was required to save the systems. Multiple factors would be stressful, but a reduced Network still requires gas to be incentivised. SL suggested that there may be a need for European Secretaries of State to agree some form of mutual assistance in the event of such emergencies. JC1 observed that this possibility was being looked at under BERR.

Next steps were described and the meeting was asked to think about the options put forward. National Grid NTS would welcome any further comments or ideas as appropriate. It was agreed that the Transmission Workstream was an appropriate forum for further development of these options.

CS suggested that an EBCC representative be asked to attend the next Workstream to address the credit issues and asked that an item be added to the next EBCC agenda. It was also suggested that Ofgem's view on emergency cash out would be appreciated at the next meeting. LS suggested that it might also be prudent to check with the NEC for consistencies with Safety Cases, etc.

**Action TR1092: An EBCC representative be asked to attend the next Workstream to address the credit issues and an item added to the next EBCC agenda.**

**Action TR1093: An Ofgem representative to attend the next Workstream to give a view on emergency cash out.**

**Action TR1094: Check with the NEC for consistencies of the proposals with NEC Safety Case, etc.**

### 3.0 Modification Proposals

#### 3.1 Modification Proposal 0214: Reservation of Firm NTS Exit Capacity at new NTS Exit Points in the transitional period

SR gave an overview and pointed out the uncertainties associated with the transitional period, and looking at UNC, from a Shipper User's point of view, it was unclear about the arrangements for a new site coming onto the system; however, for a DNO User although subject to the same ExCR restrictions as a Shipper User, arrangements appeared to be much clearer. SR identified further risks for Shipper Users and explained how the Proposal sought to address and either remove or mitigate the risks.

It was recognised that the transitional period was more uncertain and flawed and that the Proposal seeks to address these. It was not regarded as an urgent Modification Proposal and SR was happy to consider further solutions or suggested adaptations or amendments which could be incorporated.

LS pointed out that ARCAS applied to DNs also and questioned how this might be split out in the UNC, and it was commented that this may result in the introduction of yet another set of parallel arrangements in the UNC. FH said that the arrangements under

UNC TPD Section G apply to both so this may need to be split out. MW commented that National Grid NTS appreciated the issue and had sympathy with it especially now that IExCR has just been approved. National Grid NTS will have to reconsult on IExCR which will have to be brought in line with the UNC, and this will be reconsidered with the IExCR issues. There were complex aspects which would require further development and National Grid NTS would work with SR to take this forward.

**Action TR1095: National Grid NTS to work with RWE to develop Modification Proposal 0214 and return it to next Workstream.**

### **3.2 Modification Proposal 0216: Introduction of an Additional Discretionary Release Mechanism for NTS Entry Capacity**

There were no questions.

### **3.3 Modification Proposal 0216A: Introduction of an Additional Discretionary Release Mechanism for NTS Entry Capacity**

RF gave a short presentation outlining the main differences and similarities between this Modification Proposal and Modification Proposal 0216.

MW pointed out that this does not address any shorter term needs the market may have and National Grid NTS would have no mechanism to assist.

RM suggested that whichever Modification Proposal was to be approved there should be a review to see what needed to be improved.

MW said that National Grid NTS would come to the Workstream to explain any conditions which forced a use of the mechanism.

SG commented that 0216A appeared to be more of a version than an alternate, and 0216A would not facilitate LNG cargos.

JB reminded the meeting that the consultation period closed out on Monday 09 June 2008.

## **4. Any Other Business**

### **4.1 Transfer and Trades Process: Audit Findings**

AP provided the meeting with paper copies of the report "Audit of National Grid's 'Interim Transfer and Trades' Process" produced by Poyry for the Gas Forum.

## **5. Diary Planning**

The next Transmission Workstream meeting has been arranged for 10:00hrs on Thursday 03 July 2008 at Elexon, 350 Euston Road, London NW1 3AW. This meeting will be followed by Transmission Planning Code Workshop 4. (Details of future meetings may be found on the Joint Office website at: [www.gasgovernance.com/Diary](http://www.gasgovernance.com/Diary)).

**Action Log – UNC Transmission Workstream: 05 June 2008**

<b>Action Ref</b>	<b>Meeting Date(s)</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
TR 1070	01/11/07	1.5	National Grid NTS to look at further options to address concerns relating to Modification 0149A.	National Grid NTS (CL)	See 1.2 above. <b>Closed</b>
TR 1071	01/11/07	1.5	National Grid NTS 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 (CL)	See 1.2 above. <b>Closed</b>
TR 1085	03/04/08	1.2	Provide updates to the Workstream on progress with The Gas (Calculation of Thermal Energy) Regulations.  Provide a weblink to enable access to further information.	Ofgem (POD)	See 1.2 above. <b>Carried Forward</b>
TR 1087	03/04/08	2.1.3	Provide some clarity on the issue of potential discrimination in the provision of information necessary under European transparency requirements.	Ofgem (POD)	See 1.2 above. <b>Carried Forward</b>
TR 1088	01/05/08	2.2	European Transparency Requirements: Gas Forum members to be consulted on the key deliverables of the GRI so that they can participate in any response.	The Gas Forum (CT)	See 1.2 above. <b>Closed</b>
TR 1089	01/05/08	2.3	Proposed Guidance – Environmental Issues and Code Objectives: Compliance date to be verified.	Ofgem (POD)	See 1.2 above. <b>Closed</b>
TR 1090	05/06/08	1.2	European Transparency Requirements: AB to provide a link to the GRI website.	BG Group (AB)	
TR 1091	05/06/08	2.2	CL to investigate current status of E3C related work in respect of Emergency scenarios and report back.	National Grid NTS (CL)	

<b>Action Ref</b>	<b>Meeting Date(s)</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
TR 1092	05/06/08	2.2	An EBCC representative be asked to attend the next Workstream to address the credit issues and an item added to the next EBCC agenda.	Joint Office (JB)	
TR 1093	05/06/08	2.2	Emergency cashout: An Ofgem representative to attend the next Workstream to give a view on emergency cash out.	Ofgem (DS)	
TR 1094	05/06/08	2.2	Check with the NEC for consistencies of the proposals with NEC Safety Case, etc.	National Grid NTS (CL)	
TR 1095	05/06/08	3.1	National Grid NTS to work with RWE to develop Modification Proposal 0214 and return it to next Workstream.	National Grid NTS (MW) and RWE (SR)	