

Transmission Workstream Minutes
Thursday 07 August 2008
Elexon, 350 Euston Road, London NW1 3AW

Attendees

| | | |
|-----------------------|-----|------------------------------|
| John Bradley (Chair) | JB | Joint Office |
| Lorna Dupont | LD | Joint Office |
| Amrik Bal | AB | Shell |
| Andrew Fox | AF | National Grid NTS |
| Angela Love | AL | Poyry Energy Consulting |
| Bob Fletcher | BF | Joint Office |
| Bogdan Kowalewicz | BK | Ofgem |
| Chris Wright | CW | Centrica |
| Christiane Sykes | CS | Statoil (UK) |
| Craig Purdie | CP | Centrica Storage Ltd |
| David Linden | DL | BP Gas |
| David Simpson | DS | Scotia Gas Networks |
| David Turner | DT | Gassco |
| Esther Sutton | ES | E.ON UK |
| Jeff Chandler | JC | Scottish and Southern Energy |
| John Baldwin | JB1 | CNG |
| John Costa | JC1 | EDF Energy |
| Joy Chadwick | JC2 | ExxonMobil |
| Kirsten Elliott-Smith | KES | ConocoPhillips |
| Leigh Bolton | LB | Cornwall Energy |
| Martin Watson | MW | National Grid NTS |
| Rekha Patel | RP | Waters Wye Associates |
| Richard Fairholme | RF | E.ON UK |
| Richard Street | RS | Corona Energy |
| Steve Rose | SR | RWE Npower |
| Tim Bradley | TB | National Grid NTS |
| Yasmin Sufi | YS | Eni UK |
| | | |
| Apologies | | |
| | | |
| Julie Cox | JC2 | AEP |
| Paul O'Donovan | POD | Ofgem |
| Tricia Moody | TM | xoserve |
| Steve Pownall | SP | National Grid NTS |

1. Introduction and Status Review

JB welcomed the attendees to the meeting.

1.1 Minutes from the previous Workstream Meeting (03 July 2008), Transmission Planning Code Workshop 4 (03 July 2008), and Substitution Workshop 4 (09 July 2008)

The minutes of the Workstream meeting and Transmission Planning Code Workshop 4 held on 03 July 2008 and the Substitution Workshop 4 held on 09 July 2008 were approved.

1.2 Review of Outstanding Actions

1.2.1 Actions from the Workstream

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

Update: POD provided by email: "Ofgem has been liaising with BERR in relation to the CV capping rules. Work on this has stalled due to changes in personnel at BERR and we are awaiting confirmation of the new contact before we can resume discussions. We will keep the Workstream updated as any significant developments arise. It is likely that we will be looking to convene a working group at some stage in the future; if there are any attendees interested in participating, please let us know." **Action carried forward.**

"The action to provide a weblink for further information was added to the original action at the June meeting, as it had been indicated there was a site with the relevant information. However, on further investigation, this does not seem to be the case so a weblink cannot be provided." **Action closed.**

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

Update: Ofgem's European team to present at the September Workstream – no further update. **Action carried forward.**

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

Update: The ExCR had been issued for consultation; SR confirmed that Proposal 0214 should remain on hold. **Action carried forward.**

Action TR1096: National Grid NTS to provide an overview of developments in all groups considering emergency arrangements.

Update: SP reported by email that E3C is not actively exploring this area at the present time. AL pointed out that there were other groups that may be working in this area and their output could be considered. **Action closed.**

Action TR1097: Ofgem to consider and report back whether they would wish to encourage the establishment of a group involving all stakeholders, both Government and industry, to look holistically at gas emergency arrangements.

Update: No further update available. **Action carried forward.**

JC2 asked if an emergency exercise had been planned for this year.

New action TR1098: National Grid NTS to confirm if an emergency exercise will be held this year.

1.2.2 Actions from Substitution Workshop 4

Action SUB001: Ofgem to consider producing a document, prior to the first substitution auction, setting out its rationale for approving substitution applications.

Update: Update to be given at next meeting. **Action carried forward.**

Action SUB005: Ofgem to consider and report back whether it is able to model the effect on gas prices of various substitution scenarios.

Update: Update to be given at next meeting. **Action carried forward.**

Action SUB 008: National Grid NTS to publish a matrix of relevant pipeline distances between ASEPs.

Update: It was recognised that this will be an ongoing task and assurances were given by National Grid NTS that the list will be kept updated. It would be provided ahead of QSEC as it was only applicable when running the auction. **Action closed.**

SUB 012: RoM to provide a list of potential ASEPs where distance data would be required, to add to the distance matrix.

Update: CP confirmed that the information had been provided and agreed to provide a weblink to the GSE website for inclusion within these minutes.

Link to the GSE storage investment database: http://www.gie.eu.com/maps_data/database.html

Action closed.

SUB 013: National Grid NTS to provide an expanded matrix of ASEP distances incorporating additional potential ASEPs.

Update: MW confirmed that an expanded matrix will be provided. **Action carried forward.**

SUB 014: Joint Office to publish, alongside these minutes, expanded matrix of ASEP distances.

Update: When provided to it the Joint Office will publish the expanded matrix. **Action carried forward.**

SUB 015: National Grid NTS to update the consultation document or produce an addendum that reflects the Workshop discussion.

Update: Completed. **Action closed.**

SUB 016: National Grid NTS and Ofgem to consider conducting any consultations either in parallel or as a combined consultation.

Update: BK confirmed that Ofgem will consider it. **Action closed.**

1.3 Review of Workstream's Modification Proposals and Topics

1.3.1 Modification Status Report (Modification Proposals Register¹)

JB gave an update on the current status of the Live Modification Proposals.

Ofgem's NTS Exit Reform Impact Assessment was issued on 21 July 2008 and the Workshop took place on 22 July 2008; the deadline for responses is 29 August 2008.

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

A Workstream Report on 0214 was not required until the December UNC Modification Panel meeting.

Legal text had been requested and provided for both 0216 and 0216A and these were now awaiting the Authority's decisions.

A presentation on 0219 was to be made by E.ON at this meeting and would be included under Any Other Business (see 4.1 below).

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/Code/Modifications/>. Other than agenda items, there were no changes to report.

1.4 Related Meetings and Review Groups

1.4.1 Ofgem Workshop 22 July 2008

On 22 July 2008 Ofgem held a workshop to discuss its Impact Assessment on the proposed gas enduring offtake arrangements.

The Impact Assessment and consultation document "Gas National Transmission System Offtake Arrangements Initial Impact Assessment on modification proposals" (Ref: 103/08) was published on 21 July 2008. Responses should be submitted to: gas.transmissionresponse@ofgem.gov.uk by 29 August 2008.

1.4.2 Review Group 0217: Gemini Code Contingency Arrangements

The first meeting of Review Group 0217 had taken place and the second is scheduled to take place on 14 August 2008 following the UK Link Committee meeting. JB reported that nothing had been raised which needed to be brought to the Workstream's attention.

1.4.3 GB Gas Entry Capacity Auctions: QSEC 2008 Presentation

An invitation had been circulated to the industry in relation to this seminar to be run by National Grid. Responses were required by 15 August 2008 and should be sent to: capacityauctions@uk.ngrid.com.

2. Topics

2.1 008TR Entry Capacity

2.1.1 Substitution Update – National Grid NTS

AF presented an initial analysis of the 13 responses received (no confidential responses had been received).

Finalisation of the proposed Entry Capacity Methodology Statement and the formal consultation was likely to be early November; the initial timeline had changed because National Grid NTS wanted to leave its option open to bring forward the QSEC next year, and it will look to raise a Modification Proposal to push back next September's auction to March 2010. MW confirmed that after this September's QSEC there would not be another until March 2010. Responding to a question from CW, MW was agreeable to running another Substitution Workshop nearer the time if that would be helpful.

National Grid NTS will run an AMSEC auction in February/March 2009 and August 2009, and will need time to review the systems and the consequences of the auctions.

Centrica's option was included in its response, which was available to view on National Grid's website.

BK observed that Ofgem was pleased to note, and was not at all surprised, at the level of industry engagement with the consultation; it had also noted the strong view that there should be an Impact Assessment, and was giving all responses close consideration before commenting further.

2.1.2 Potential review Proposal: Long Term Entry Capacity and User Commitment – National Grid NTS

TB gave an overview of the current Gas Entry Auction and security arrangements and pointed out areas that required review as market participation was changing, ie the translation of risk across periods and users. Of concern was that security is only in place after the majority of investment spend has occurred and that single entry point user scenarios were on the increase; current UNC credit/default arrangements were previously appropriate for existing portfolio players, but did not appear to have the same impact on new parties.

There was a brief discussion on the potential for applying any changes retrospectively to current projects. It was confirmed that if a party defaulted the liability would fall on other Shippers, and that Shippers would be subject to this even if no investment had been made. In response to a question from JB1, MW confirmed that NPV is based on estimated project value. Any changes that could be brought into the UNC would only apply from the date of implementation and would not apply retrospectively. MW reiterated that single user scenarios were becoming more common and therefore the risk was increasing.

It was National Grid NTS' intention to raise a Review Proposal at the August UNC Modification Panel. JB explained that once the Review Proposal was submitted the UNC Modification Panel would decide on its route (Review Group or Workstream); MW was of the view that the formation of a Review Group would allow for a concentrated focus on the issues and would enable wider participation from parties who did not normally form part of the Workstream audience.

2.2 003TR Review of NTS Exit Capacity Arrangements

2.2.1 ExCR Consultation Update - National Grid NTS

MW reported that the Exit Capacity Release Methodology Statement (ExCR) was published on 18 July 2008. Although it looked complex, the amendments had only really resulted in the loss of the interim period, and the proposed amendments would enable the implementation of the intent of Modification Proposal 0214 "Reservation of Firm NTS Exit Capacity at new NTS Exit Points in the transitional period" without the need for a UNC amendment. A copy can be found on the Joint Office website at: <http://www.gasgovernance.com/Publications/Misc> .

Responses to the consultation should be submitted by 17:00 on 15 August 2008 to: box.transmissioncapacityandcharging@uk.ngrid.com

and copied to: Andrew.fox@uk.ngrid.com .

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 confirmed that consideration should be deferred and the Modification Proposal should remain on hold.

4. Any Other Business

4.1 Modification Proposal 0219: Publication of UK Wholesale Gas Market Liquidity Data – E.ON UK

RF gave a brief presentation on new Modification Proposal 0219, and a discussion ensued.

All data is currently published but is contained within separate reports. TB reported that in response to the Modification Proposal, National Grid NTS had performed some internal analysis and this would appear to have some implications for the MIPI systems. The agreed approach with MIPI was that D+1 data would be published on D+2, therefore publishing on D+1 would require a significant modification. It had also been agreed with the industry that 2 years of historical data would be available (not 10 years). RS thought that under Review Group 0140 greater periods of data were to be available as downloads.

TB commented on the graphic within the presentation and the danger of using this out of context as the data had been produced for the Ops Forum and was therefore manipulated and set within a particular context; it would carry more meaning than was apparent from the graphic itself. National Grid NTS thought that the data was more of a presentation issue that could be dealt with differently and TB pointed out that there was a Workshop in September that was to cover MIPI issues and requirements.

RF observed that the implementation dates for MIPI would take this data another year away, if it were placed under MIPI.

DT questioned how much over 12 months did this 10:1 ration change, and suggested that 'snapshots' may help rather than expensive system development. TB said that this highlighted problems with the graphic – the physical element is a mathematical assessment rather than straightforward measurement. Responding to a question from JC1 as to whether it showed all the trades for that day, TB said that a lot of information was notified to National Grid NTS by Shippers, and that this could be the minimum trading that was going on.

RS understood the reasons why E.ON had raised the Modification Proposal - because of the high profile and confusion over liquidity in the industry.

TB emphasised that National Grid NTS does not want to be placed in the position of having to source data from elsewhere. RF reiterated that this was predicated on using existing data and developing it further; drawing on other sources of data was out of scope. TB confirmed that the Modification Proposal in its current form would have consequences if developed further.

JC2 asked if it was possible to publish data at D+2. TB responded that the individual items are already available but located in different reports; if they can be incorporated into MIPI users would be able to configure the data for themselves. The data is currently available in daily reports and inputs published at D+2 and D+15, but are not currently in the data explorer. SR asked if this data would be in 2009 to which TB replied that once MIPI was fully connected if there was a need it could be part of the scope.

JB commented that at Review Group 0140 Paul Gallagher stated that National Grid NTS wanted to move from fixed data/reports to data capable of manipulation. SR observed that the issue appeared to be one of timing and also what should be shown on the summary page on the website. JC2 asked if the net sell gas could be published.

RS thought that what was wanted was one published source to give a reasonable view of the liquidity of the market and that this would be of benefit for end consumers. However DT questioned this view and doubted whether access to this data would influence consumers to change their behaviour. He suggested that it should be seen as an opportunity for a party to develop a piece of software capable of data scraping

and producing a report. He could see no reason for involving National Grid NTS in a lot of expense solely to convert raw data that was clearly available to all users for their own manipulation.

LB questioned who was the target market; was this a way to respond to wider comments (eg Parliamentary Select Committee) relating to the liquidity of the gas market?

CW asked if any costs associated with this would be captured under the User Pays concept. JB thought not, as the website on which the data would sit was outside the UK Link system. He went on to point out that the DSWG had been scrutinising available information and that it may be of some value for the DSWG to receive this presentation; however RF thought that the next meeting was too far in the future to warrant deferring any further development as an implementation date of 01 January 2009 was proposed. JB then pointed out that the Proposal may need to 'stay in the system' while National Grid NTS examine what can be done, and may be returned to the Workstream for further development.

Action TR1099: National Grid NTS to examine what can be done in relation to the data described in Modification Proposal 0219.

In response to a question from JC1, TB replied that the MIPI data dictionary explains the basis and source of the information. JC1 then asked if National Grid NTS could provide data over and above this, such as the number of parties trading on a day.

Action TR1100: National Grid NTS to consider further information that could be used to give more substance to the graphic, and produce a graphic showing the data trend over one year and how it has been derived.

DL pointed out that in Europe this sort of information is published on a 12 month basis so there should be no reason why it should prove to be a problem in Britain.

BK acknowledged that, given the level of scrutiny, Ofgem can see value in having better quality information that is visible to all. Although it would seem to address concerns within Government, it is not certain how much value there is for traders and other users. However for those parties involved in scrutinising the market it may give a good view of what is going on in the market. TB responded that National Grid NTS does download and send a lot of information from MIPI to Ofgem.

5. Diary Planning

The next Workstream will be held at 10:00 on 04 September 2008 at Elexon, 350 Euston Road, London NW1 3AW, and will be followed by the Gas Transmission Charging Methodology Forum (TCMF).

(Details of future meetings may be found on the Joint Office website at: www.gasgovernance.com/Diary).

Action Log – UNC Transmission Workstream: 07 August 2008

| Action Ref | Meeting Date(s) | Minute Ref | Action | Owner | Status Update |
|-------------------|------------------------|-------------------|---|-------------------------------------|--|
| 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) | Carried Forward Closed |
| 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) | Ofgem to present at the September Workstream Carried Forward |
| 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) | On hold while ExCR consultation progresses. Carried Forward |
| TR 1096 | 03/07/08 | 2.2.2 | National Grid to provide an overview of developments in all groups considering emergency arrangements. | National Grid NTS (CL) | Closed |
| TR 1097 | 03/07/08 | 2.2.3 | Ofgem to consider and report back whether they would wish to encourage the establishment of a group involving all stakeholders, both Government and industry, to look holistically at gas emergency arrangements. | Ofgem (DS) | Carried Forward |
| TR 1098 | 07/08/08 | 1.2 | National Grid NTS to confirm if an emergency exercise will be held this year. | National Grid NTS (MW) | |
| TR 1099 | 07/08/08 | 4.1 | National Grid NTS to examine what can be done in relation to the data described in Modification Proposal 0219, and produce a graph showing the data trend over one year. | National Grid NTS (TB) | |
| TR 1100 | 07/08/08 | 4.1 | National Grid NTS to consider further information that could be used to give more substance to the graphic, and produce a graphic showing the data trend over one year and how it has been derived. | National Grid NTS (TB) | |

Action Log – Substitution Workshop 4 (09 July 2008) – Outstanding Actions

| Action Ref | Meeting Date(s) | Minute Ref | Action | Owner | Status Update |
|-------------------|------------------------|-------------------|---|--------------------------------------|---|
| SUB 001 | 08/04/08 | 3.0 | Ofgem to consider producing a document, prior to the first substitution auction, setting out its rationale for approving substitution applications. | Ofgem (POD) | Carried Forward |
| SUB 005 | 07/05/08 | 4.0 | Consider and report back whether it is able to model the effect on gas prices of various substitution scenarios. | Ofgem (POD) | Ofgem to consider including this in any Impact Assessment Carried Forward |
| SUB 008 | 11/06/08 | 3.0 | National Grid NTS to publish a matrix of relevant pipeline distances between ASEPs. | National Grid NTS (MW) | Closed |
| SUB 012 | 09/07/08 | 1.2 | Provide a list of ASEPs where distance data would be required. | Centrica Storage (RoM) | Closed |
| SUB 013 | 09/07/08 | 1.2 | National Grid NTS to provide an expanded matrix of ASEP distances incorporating additional potential ASEPs. | National Grid NTS (MW) | Carried Forward |
| SUB 014 | 09/07/08 | 1.2 | Joint Office to publish, alongside these minutes, expanded matrix of ASEP distances. | Joint Office (JBr) | Carried Forward |
| SUB 015 | 09/07/08 | 2.2 | Update the consultation document or produce an addendum that reflects the Workshop discussion. | National Grid NTS (MW) | Completed. Closed |
| SUB 016 | 09/07/08 | 3 | Consider conducting the final consultation and the associated document either in parallel or as a combined consultation. | National Grid NTS (MW) Ofgem (BK) | Ofgem will consider this. Closed |