Transmission Workstream Minutes

Thursday 04 March 2010

Elexon, 350 Euston Road, London NW1 3AW

Attendees			
John Bradley (Chair)	(JB)	Joint Office of Gas Transporters	
Tim Davis (Secretary)	(TD)	Joint Office of Gas Transporters	
Andrew Pearce	(AP)	BP Gas	
Ben Woodside	(BW)	Ofgem	
Charles Ruffell	(CR)	RWE npower	
Chris Aldridge	(CA)	National Grid NTS	
Chris Shanley	(CS)	National Grid NTS	
Chris Wright	(CW)	Centrica	
David Linden	(DL)	BP Gas	
David Turner	(DT)	GassCo	
Debra Hawkin	(DH)	National Grid NTS	
Fergus Healy	(FH)	National Grid NTS	
Graham Jack	(GJ)	Centrica	
lan Taylor	(IT)	Northern Gas Networks	
Jeff Chandler	(JCh)	SSE	
Joanna Ferguson	(JF)	Northern Gas Networks	
Julie Cox	(JCox)	AEP	
Paul O'Donovan	(POD)	Ofgem	
Peter Mills-Baker	(PMB)	National Grid NTS	
Peter Zeng	(PZ)	National Grid NTS	
Rekha Patel	(RP)	Waters Wye	
Richard Fairholme	(RF)	EON UK	
Ritchard Hewitt	(RH)	National Grid NTS	
Roddy Monroe	(RM)	Centrica Storage Ltd	
Shelley Rouse	(SR)	Statoil	
Stefan Leedham	(SL)	EDF Energy	
Steven Sherwood	(SS)	Scotia Gas Networks	

1. Introduction

JB welcomed attendees to the meeting.

1.1 Minutes of the previous Workstream Meeting

Subject to a few minor amendments to the actions, the minutes of the previous meeting (04 February 2010) were accepted.

1.2 Review of Outstanding Actions

Action TR0201: ExCR Consultation - Check/consider making a change marked version available.

Update: FH confirmed this had been published. Action Closed

Action TR0202: Exit Review Update 3.2.2(a) - SF to check if the current issue applies to just ad hoc or to 01 October as well.

Update: FH reported that the issue applies to the first of any month. **Action Closed**

Action TR0203: National Grid NTS to check if the mismatch between flex zones and linepack zones was being addressed, and consider the interaction between the zones and what triggers changes to locations, and report back.

Update: FH reported that a more detailed update would follow but the flex zones are a subset of linepack zones, which can cross LDZ boundaries. National Grid NTS would welcome further specific questions in this area, which should be sent to FH. **Action Carried Forward**

Action TR0204: Modification Proposal 0273: Establish how many big electricity power stations and how many big gas power stations were included in the number of applications and report back.

Update: CS indicated that 3 to 4 gas power stations applications are typically received each year. In electricity, about 20 additional large projects are seen. **Action Closed**

Action TR 0205: Submit customer experiences (good and bad) to enable a profile to be built up, and a greater appreciation of the customers' perception of the problem(s).

Update: JCox presented a customer viewpoint. **Action Closed**

Action TR 0206: Produce a timeline to overlay against the three phase gas connection process.

Update: CS presented a timeline for a new connection, showing a three to four year process. JCox noted that this suggested capacity being booked before feasibility studies have been undertaken. CS acknowledged capacity booking was often the longest lead time item. **Action Closed**

1.3 Review of Workstream's Modification Proposals and Topics

1.3.1. Modification Status Report (Modification Proposals Register)

The Modification Proposals Register is available to view at: http://www.gasgovernance.co.uk/mods/.

JB gave an update on live and recently closed Modification Proposals. He drew attention to the fact that Ofgem had approved Proposal 0276 but had vetoed the associated ACS change. The UK Link Committee will consider the implementation date for this Proposal – RH indicated that he could not provide a reliable indication of the likely timeframe at this stage.

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.co.uk/mods/

JB gave an update covering topics not otherwise on the agenda.

JCh asked if a letter had been issued regarding the Safety Case changes associated with the Operating Margins procurement changes. RH confirmed that the Safety Case changes had been approved but a note to this effect had not been publicised. POD added that Ofgem had given the go ahead to change in this area and were consulting on lifting the associated price controls. JCox asked if a summary report would be published as in previous years, and RH agreed to clarify this.

Action TR 0301: RH to clarify what information National Grid NTS will be publishing regarding the Operating Margins Tender process

JB reported that the EBCC was actively considering some draft Modification Proposals and National Grid NTS and Corona Energy had indicated that they would be prepared to raise these Proposals.

It was agreed that the Maintenance Planning topic could be closed.

Action TR 0302: JB to close Maintenance Planning topic

1.3.3. Related Meetings and Review Groups

There were no matters arising that required the attention of the Workstream.

2. UNC Modification Proposals

No new Modification Proposals had been raised since the last meeting that required the attention of the Workstream.

3. Topics

Copies of the various presentations are available to view and/or download from the Joint Office web site at: http://www.gasgovernance.co.uk/tx/040210.

3.1 **Project Discovery**

BW presented on behalf of Ofgem.

In the context of enhanced obligations on suppliers and system operators, JCox asked if Ofgem had any details on the Continental European arrangements for public service obligations. BW suggested information on this was not readily available. RM added that arrangements vary and are well known in some cases, such as France. What we were looking at, however, was a need for investment as opposed to the French situation that was about sharing the costs of what was already in place.

RM pointed out that a lead-time of three years on storage appeared to be optimistic – twice that period would be closer to the mark. DT agreed with this statement and referred to six years development in the case of Aldborough. BW acknowledged this point and suggested that this be raised in responses.

SL asked about the interaction with DECC. BW clarified that Ian Marlee is responsible within Ofgem, and that, while Discovery is an independent project, an important aspect is to keep Government informed.

RM observed that for those developing the case for investment, it may not be seen as entirely helpful to have all options opened at this time. BW acknowledged this but felt that it is critical to get the long-term arrangements right even if this was potentially at the expense of increased short-term uncertainty. RM asked when investors would have certainty about the regime going forward, and BW said this would be informed by consultation responses and Ofgem were keen to move forward as quickly as possible. POD added that publication dates may be impacted by the embargo on publishing during a General Election period.

JCox asked if the issues were to be taken forward as a package or as individual items, such as cashout and gas quality. BW said there were some issues Ofgem wished to see taken forward in the immediate future but they had put together some stylised packages to try and clarify themes and how elements might work together.

DT suggested that what he was hearing was that the market arrangements and investment were not going to change significantly for five or six years and asked whether Ofgem was comfortable that customer demands would be met with this approach. BW said that Ofgem was satisfied that the present Winter had demonstrated that the arrangements are effective and that immediate change was not urgent. DT continued that the present climate discouraged investment and it would be unwise to assume that the situation would be satisfactory over a

five to six year horizon. While BW suggested that investment had been seen and was meeting customer needs, DT emphasised that these were investments planned five or six years ago and that lead time was why a clear investment framework is needed now - a clear energy policy and associated regulatory framework is needed to reduce risk and create certainty to support investment, and that framework cannot be delivered quickly.

RP asked whether Discovery had addressed gas quality issues. BW indicated that the scenario work had suggested that gas quality issues were unlikely to be a problem in the medium term. That said, Ofgem recognised the need for a longer term approach to this and some internal work had been started by Ofgem. BW agreed to check the status of this and report back to the Workstream.

Action TR 0303: BW to confirm the work that Ofgem is undertaking on gas quality and the next steps.

RM asked how the projected expenditure of up to £200bn over ten years compared to previous levels, and whether there were sufficient engineers etc to deliver this. BW believed this was significantly more than in the past, and approximately double the last ten years.

Action TR 0304: BW to confirm how the investment projected by Project Discovery compares to recent history

RP asked when DECC's view on the project would be available. BW said that DECC could not ignore the Ofgem publication, but he was not able to speak on their behalf. RM suggested that clarity around responsibilities would be a helpful step forward.

3.2 Topic 003TR Review of NTS Exit Capacity Arrangements

3.2.1. Exit Review Update – National Grid NTS

FH indicated that the four draft Proposals had been amended in light of the discussion at the previous Workstream meeting. This was primarily to provide additional clarity. In addition, xoserve had established that all four Proposals could be implemented at zero cost and this was reflected in the User Pays section of the Proposals. JCh asked whether the Proposals were no longer User Pays Proposals or if a charge could be introduced later. FH explained that they remained User Pays Proposals, but no charge was expected. While there was no prospect of any costs being incurred in three cases, there was the possibility of costs arising, and hence a charge being introduced, for one of the Proposals.

FH offered to walk through each of the Proposals, or for comments to be provided subsequent to the meeting. JCox asked if a change marked version could be published and FH agreed to provide this.

Action 0305: FH to provide a change marked copy of each of the exit related draft Proposals for publication on the JO website.

SL asked if there was an incentive to release additional exit capacity in the same way as there is for entry, and FH said he believed not.

a) Draft Modification Proposal: Change System Capacity Transfers Notification Time Limit from 04:00 to 03:00

FH outlined the changes made to the Proposal. It was clarified that the User Pays section had been amended to show that if costs were incurred, these would be allocated equally between Transporters and Shippers. SL pointed out that this was inconsistent with the User Pays Guidance Document, and JCh

said that if costs did emerge, he would be unlikely to support implementation if he was expected to bear the costs since he saw no Shipper benefits. GJ supported this, but also challenged the proposed allocation of costs and did not feel this was justifiable. RH asked if any party wanted to put forward an alternative allocation of costs, and SL said National Grid NTS should bear all the costs since the purpose was to avoid investment in Gemini, which would be a Transporter, not Shipper, benefit. SL suggested that, to be fully compliant with the Modification Rules, Proposals should include a proposed cost apportionment (which this one did). However, he also suggested that including a decision by date might help to address any implementation uncertainty points. This principle was accepted by National Grid NTS and it will be considering, where relevant, inclusion of these two elements in all their proposals.

b) Draft Modification Proposal: Facilitating the Reduction of Enduring Annual NTS Exit (Flat) Capacity by a value less than 100,000kWh

> FH explained the only changes made were to the defined terms plus an additional clarification that the Proposal only applies to capacity reductions. In Terms of User Pays, while implementation would lead to a change in systems specification, costs would not be affected and no User Pays charge would be proposed. JCox questioned whether this could be dependent on other events, such as if Ofgem failed to issue a direction by the time system specifications had to be finalised. RH confirmed that this was a reason why this had been identified as a User Pays Proposal - in order to accommodate unexpected circumstances. There was some consensus that any cost apportionment should reflect the fact that Shippers would be the primary beneficiaries. FH agreed to reconsider the Proposal in light of the feedback.

c) Draft Modification Proposal: To determine the amount of Annual NTS Exit (Flat) Capacity to be released where the quantity of unsold NTS Exit Capacity fluctuates within the Gas Year

FH explained the only changes made were to the defined terms. For the User Pays section, SL suggested costs might be allocated 50:50 between Shippers and Transporters.

d) Draft Modification Proposal: Introduction of a Discretionary Release Mechanism for Non-Obligated Annual NTS Exit (Flat) Capacity

FH explained that changes had been made to ensure the Proposal was clearly focussed on exit with the appropriate defined terms being used. The User Pays element suggested any costs should be allocated 50:50 between Users and Transporters. FH added that identifying a basis for collecting the costs, in the unlikely event that they arose, would be problematic.

3.3 Topic 008TR Entry Capacity

3.3.1. Entry Charging Review Update

DH indicated that a charging methodology consultation would be issued in the next few days, and the draft Modification Proposals supported the proposed change to the Charging Methodology.

a) Draft Modification Proposal: Removal of the Zero Auction Reserve Price for Within-day Daily NTS Entry Capacity (WDDSEC)

DH confirmed that a change-marked version of the Proposal had been published. To address an issue raised at the previous meeting, the position with regard to within day auctions had been clarified. DH indicated that any further comments on the draft Proposal would be welcome.

RF asked whether the within-day volumes available would be impacted, and DH confirmed this would not change. RF remained unclear whether more auctions would be held or if there would only be auctions if bids were received since he anticipated more bids being made. DH said if bids were received, then these would be considered, and emphasised that the intention of the Proposal was for increased volumes of capacity to be purchased ahead of the day rather than Shippers waiting to purchase capacity at the last minute.

RP asked if the Proposal would be updated to reflect the overrecovery seen in the present winter period, and DH said no.

b) Draft Modification Proposal: "Use it or lose it" (UIOLI) Interruptible Capacity only to be released when firm entry capacity is [90%] sold out

DH indicated that changes had been made in response to comments received to clarify that daily quantities would not be included in the calculation prior to releasing UIOLI capacity.

POD asked about the case of a zero baseline. DH explained that, by definition, there would be no UIOLI since no baseline capacity would have been sold. POD suggested that this could be difficult in cases such as Moffatt, and FH responded that discretionary interruptible would remain as an option in such a case. SL asked if this meant no UIOLI capacity is made available at new entry points, and PZ clarified that the obligations apply at new entry points based on obligated capacity not solely baseline.

SL noted the assertion in the Proposal that "Due to the close out of the Day Ahead Auctions (DADSEC) at 0200 at D-1 there is insufficient time remaining, prior to the 0600 close of day, to hold the interruptible auction (DISEC) and so it would not be possible to include the full DADSEC allocation within the calculation of the at least 90% sold figure" He questioned why four hours was insufficient. DH clarified that, allowing for the processes involved, the time actually available was closer to an hour between auctions and this meant it was impractical. SL emphasised that assurance was necessary that the quantities of capacity available would not be reduced if the Proposal were implemented. DH agreed to look again at this aspect of the Proposal to see if it would be possible to remove the constraint.

Action TR 0306: DH to confirm it would not be possible to include the full DADSEC allocation within the calculation to determine if UIOLI capacity should be released

SL suggested that changes to UIOLI should not be rushed and deserved careful consideration, as had been the case when the

present obligations were introduced. AP asked whether the Proposal is contrary to ERGEG's approach which required interruptible capacity to be available. FH did not believe there was a contradiction and that interruptible capacity could continue to be made available, although the practical system constraints for when this could happen would need to be clarified.

Finally, DH added that a third Proposal may be raised to address capacity neutrality, but this was not imminent.

JB asked, given the desire for all the draft Proposals to be issued to Consultation, if legal text would be included in all cases. DH suggested that text would be provided as and when requested.

4. Any Other Business

4.1 Exit Substitution

FH confirmed that Workshops had been held and were continuing. The information presented had shown that exit substitution was likely to offer less benefits than entry substitution and the consensus was that any mechanisms developed should reflect this.

4.2 Linepack Service – Conceptual Issues

CA presented this "trailer" for National Grid NTS, emphasising that views would be welcome. He anticipated a consultation process starting on 1 April.

DT asked if the proposal related to the NTS only, and RH confirmed that DN linepack was excluded.

JCox suggested the proposed service raised issues about the ability of National Grid NTS to predict closing linepack on the following day and requested some analysis of projected closing linepack against actual in order to assess the proposal. RH suggested that there was more analysis and work than this to do, although recognising that this was an important facet. He would also wish to know more about how Users would value the service and whether they would use it. DT suggested predicting value was impossible because of the range of factors involved, especially in terms of the cost of cashout as opposed to the cost of the new service.

SR requested clarity on the timescales, and CA said implementation in October 2011 was the initial target set out in the Licence drafting. RH emphasised that the deliverability of this would be dependent on the service that was developed and the associated systems requirement.

JCox asked if demand for this service had been indicated in the SO Incentive responses, and RH confirmed that some interest had been expressed.

JCh questioned the impact on system pressures and within day flexibility. PZ suggested the impact would be minimal, if any, since the two were separate - the bar could be moved for flat without flexibility being impacted. SS questioned this since there would, by definition, be less pressure in the system. RH used the example of netting off, such that pressure would not be altered, but also noted that the proposal gave National Grid NTS discretion such that the service would not be offered if flexibility would be adversely impacted.

RP questioned whether there would be a locational aspect, and RH said that his was also an issue that would need to be considered as the service was developed.

To help gauge any benefit of the service, DT asked what maximum linepack might be available. PZ suggested 2mcm was the likely order of magnitude of the upper limit.

RH clarified that the service was an obligation to park a specific quantity – it was not a tolerance. DT questioned, given this, why it would not be better to simply renominate. RH suggested that the key was identifying the value of the service and if Shippers could identify a use and value, the service could be developed to capture that. JCox suggested that it may be possible to see value at 0300 when options are otherwise restricted, and SL mused whether anticipated changes in daily cashout prices might encourage use of the service.

DT asked whether a tolerance service would be of more use to a Shipper, given that the service was intended to be designed to meet Shipper requirements. SL believed this was likely to be the case. RH argued that a fixed service had been proposed partly because of the settlement timescales - Shippers would not know their position at the start of each day with a tolerance as opposed to a fixed quantity being parked/loaned.

SL asked how it would be demonstrated that NTS was not selling a service that, in reality, was being provided by a DN, with NTS linepack being stable but DN linepack varying. RH agreed this merited consideration and SS confirmed that the DNs would want to understand this. SS emphasised that assured pressures and flexibility are critical to the DNs and sought assurance that this would be covered in the anticipated analysis.

4.3 Trade and Transfer Methodology

FH said that the Trade and Transfer Methodology was due to be reviewed, but National Grid NTS had no changes to put forward. The mechanism appeared to be working satisfactorily.

CW asked whether data on usage would be presented to the Workstream, and FH confirmed it could be. CW said that this may be helpful as interpretation of the data may be that low utilisation suggests a different mechanism is needed rather than that the approach is meeting all needs. RM suggested adding an update on the release of non-obligated capacity release, being part of the same picture.

Action TR 0307: FH to consider presenting data on usage of Trades and Transfer opportunities and on non-obligated capacity release to a future Workstream.

5. Diary Planning

The next Transmission Workstream meeting is due to be held at 10:00 on Thursday 01 April 2010, at Elexon, 350 Euston Road, London NW1 3AW.

Details of all planned meetings are on the Joint Office website at: www.gasgovernance.co.uk/Diary.

6. Modification Proposal 0273 - "Governance of Feasibility Study Requests to Support Changes to the Network Exit Agreements"

6.1 Examine potential solutions to specific problems identified in Session 2 and the associated costs and benefits

6.1.1. DN Process

IT presented a DN view, running through the process from an initial enquiry to investment. In the case of NGN, he noted that the number of enquiries received for large loads is small, and the majority do not proceed. Flexibility and dialogue were relied on, and generally welcomed.

RF asked what a typical timetable was when no new pipeline was needed. IT said that if NTS could provide the assured pressures and no investment was needed, the timeline could be very short. SS added that the customer's approach impacted the timetable, for example whether just a minimum connection was requested and the design agreed quickly. Equally, IT emphasised that others could provide new connections, which is not a monopoly service.

SL asked if the DN entry and exit processes are the same, and IT confirmed that they are, being covered by the same methodology.

RF asked if the DN Licence condition included any timescales. IT confirmed that, beyond an initial response, timescales were not prescribed.

6.1.2. Examples of customer experience

JCox presented on behalf of AEP, indicating a general feeling from customers that the present arrangements would benefit from some development and improvement. She concluded, and there was general agreement, that there was scope for:

- Better project management approach
- Standardisation of information requirements
- Cost control
- Improved communications and understanding

CS then presented some views on how the existing NTS process could be adapted in response to the issues raised.

CS noted that National Grid NTS has a set of Standard Terms and Conditions that they wish to ensure are fit for purpose, and asked whether consultation on potential changes to the T&Cs would be helpful. SL said this would be appreciated. However, it would be hard to get legal teams to focus on this when there was no need to sign an agreement. It was also the case that organisations would have different standard T&Cs and finding an acceptable compromise was potentially difficult.

On the range of improvements suggested by CS, RF argued that the clock should start as it does in the CUSC example – when the agreements necessary to start the studies have been signed.

RF questioned the suggestion that use of fixed price quotations is rare in the electricity market – his understanding is that different companies adopt different approaches. IT suggested that offering fixed prices would be difficult for a DN when so few applications are received – this would be different if dealing with, say, a thousand each year rather than one or two.

CS then ran through some examples of typical requests received by National Grid NTS. SL suggested a power station example may be helpful, and CS said he would welcome suggestions of examples or other information that might usefully be published. RF felt the existing matrix could usefully be expanded to include further categories, with the CUSC providing a potential model. CS pointed out that this partly reflects the

fact that the two markets are different, with electricity applications running in the low hundreds compared to a handful of gas applications each year.

6.1.3. What information is required from applicant and when

CS ran through a form designed to capture the necessary information and invited feedback. JCox thought the key information was not that complicated – what was to be connected and where. IT added that ramp rates tended to be an issue and that even using consistent units would be a step forward. SL suggested that the Companies House reference can be problematic – EDF may initiate an enquiry through EDF Energy but then establish a standalone company to take a project forward. PMB confirmed that a change of company name could create difficulties.

6.2 Identify any necessary UNC changes

RF confirmed, as Proposer, that EON were pleased with the efforts being made by National Grid NTS to address the concerns that had been raised. However, there remained a case for a UNC Proposal to encapsulate some of the elements that had been put forward.

6.3 Confirmation of tasks for Session 4 (Thursday 01 April 2010)

It was agreed that the next session would cover:

- (a) Review of draft documentation to be published by National Grid NTS (CS).
- (b) Review revised draft Modification Proposal to be provided by EON (RF).
- (c) Talk through project timescales (network design expert may be needed) National Grid NTS (CS)

In closing, JB noted that the development process was likely to take longer than initially anticipated and it was agreed that the Panel should be asked to endorse an extension to the timetable.

Action 0308: JB to ask the Panel for an extension to the date by which a report should be provided on Proposal 0273.

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update		
TR 0201	04/02/10	3.2.1	ExCR consultation – consider making a change marked version available.	National Grid NTS (SF)	Published Closed		
TR 0202	04/02/10	3.2.2	SF to check if the current issue applies to just ad hoc rather or to than 01 October as well	National Grid NTS (SF)	Applies to first of any month Closed		
TR 0203	04/02/10	3.3	National Grid NTS to check if the mismatch between flex zones and linepack zones was being addressed, and consider the interaction between the zones and what triggers changes to locations, and report back.	National Grid NTS (SF)	Update due on 1 April Carried Forward		
TR 0204	04/02/10	6.2	Establish how many big electricity power stations and how many big gas power stations were included in the number of applications and report back.	National Grid NTS (CS)	Complete Closed		
TR 0205	04/02/10	6.2	Submit customer experiences (good and bad) to enable a profile to be built up, and a greater appreciation of the customers' perception of the problem(s).	JCox, RSH, & SL	Complete Closed		
TR 0206	04/02/10	6.2	Produce a timeline to overlay against the three phase gas connection process.	National Grid NTS (CS)	Complete Closed		
TR 0301	04/03/10	1.3.2	Clarify what information National Grid NTS will be publishing regarding the Operating Margins Tender process	National Grid NTS (RH)	Update due 1 April		
TR 0302	04/03/10	1.3.2	Close Maintenance Planning topic	Joint Office (JB)	Update due 1 April		
TR 0303	04/03/10	3.1	Confirm the work that Ofgem is undertaking on gas quality and the next steps.	Ofgem (BW)	Update due 1 April		

Action Log – UNC Transmission Workstream: 04 March 2010

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR 0304	04/03/10	3.1	Confirm how the investment projected by Project Discovery compares to recent history	Ofgem (BW)	Update due 1 April
TR 0305	04/03/10	3.2.1	Provide a change marked copy of each of the exit related draft Proposals for publication on the JO website.	National Grid NTS (FH)	Update due 1 April
TR 0306	04/03/10	3.3.1	Confirm it would not be possible to include the full DADSEC allocation within the calculation to determine if UIOLI capacity should be released	National Grid NTS (DH)	Update due 1 April
TR 0307	04/03/10	4.3	Consider presenting data on usage of Trades and Transfer opportunities and on non- obligated capacity release to a future Workstream.	National Grid NTS (FH)	Update due 1 April
TR 0308	04/03/10	6.3	Ask the Panel for an extension to the date by which a report should be provided on Proposal 0273	Joint Office (JB)	To be on Agenda for 18 March