

Transmission Workstream Minutes
Thursday 03 June 2010
Elxon, 350 Euston Road, London NW1 3AW

Attendees

John Bradley (Chair)	(JB)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Alan Raper	(AR)	National Grid Distribution
Amrik Bal	(AB)	Shell
Charles Ruffell	(CR)	RWE npower
Chris Shanley	(CS)	National Grid NTS
Colin Thomson	(CT)	Scotia Gas Networks
Denis Aitchison	(DA)	Scotia Gas Networks
Fergus Healy	(FH)	National Grid NTS
Fiona Gowland	(FG)	Total E & P
Graham Jack	(GJ)	Centrica
Ian Taylor	(IT)	Northern Gas Networks
Jacopo Vignola	(JV)	Centrica Storage Ltd
Jean-Raymond Rastoul	(JR)	Gaselys
Joanna Ferguson	(JF)	Northern Gas Networks
Julie Cox	(JCo)	AEP
Landon Larson	(LL)	ExxonMobil
Lisa Waters	(LW)	Waters Wye Associates
Mark Dalton	(MD)	BG Group
Paul O'Donovan	(POD)	Ofgem
Phil Broom	(PB)	GDF Suez
Phil Hobbins	(PH)	National Grid NTS
Richard Fairholme	(RF)	E.ON UK
Richard Sarsfield-Hall	(RSH)	Poyry Energy Consulting
Robert Cameron-Higgs	(RCH)	Wales & West Utilities
Roddy Monroe	(RM)	Centrica Storage Ltd
Simon Trivella	(ST)	Wales & West Utilities
Stefan Leedham	(SL)	EDF Energy
Steve Fisher	(SF)	National Grid NTS
Steve Sherwood	(SS)	Scotia Gas Networks
Tim Davis	(TD)	Joint Office of Gas Transporters

1. Introduction

Copies of the various presentations are available to view and/or download from the Joint Office web site at www.gasgovernance.co.uk/tx/030610.

JB welcomed attendees to the meeting.

1.1 Minutes of the previous Workstream Meeting

The minutes of the previous meeting (06 May 2010) were accepted.

1.2 Review of Outstanding Actions

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

Update: POD reported that the meeting with DECC to clarify what falls under Ofgem's remit had yet to take place, and it was unclear as yet as to where the eventual responsibility for emergency market arrangements will be. POD will keep the Workstream updated with progress. **Action carried forward**

Action TR 0501: National Grid NTS (SF) to provide information on bid quantities registered between 0300 and 0400 over the last five years and information on the Exit Capacity implications for achieving 1 in 20 security if Proposal 0287 were not implemented.

Update: See 2.1, below. **Action closed**

Action TR 0502: National Grid NTS (NR) to provide to the June Workstream a list of data items proposed and cross-reference these to the EU Regulation.

Update: CS reported that work was continuing. A system report had been requested and National Grid NTS was hoping to make available an updated Data Dictionary before the next Workstream meeting, which would explain timings, etc for the various items. **Action carried forward**

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. The following were of particular interest:

0246, 0246A and 0246B - POD reported the likely outcome on these three Proposals, and stated that the decision letter which would set out the reasons for the decision would be published this week. He would be happy to take any questions relating to the decision at the next Workstream, and believed that there were valuable elements that might form the basis of a future Modification Proposal. RM requested that this be formally placed on the July Workstream agenda.

Action TR0601: Add discussion of the Authority's decision on Modification 0246, 0246A and 0246B as an agenda item for the July Workstream.

0284 and 0285 – Related to GCM19. POD confirmed that Ofgem would be carrying out an Impact Assessment (IA) and under the current timings a decision would be expected by 31 July 2010.

0295 – Consultation closes on 07 June 2010.

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.

024TR – The EBCC had looked at a draft Modification Proposal at its last meeting. This will be sponsored by Corona Energy and is under revision before going before EBCC for a final review.

The legal text associated with the potential Modification Proposal known as "Son of 0233" had proved to be complex, but would be raised by National Grid NTS when all was ready.

Force Majeure – MD confirmed that he was not in a position to progress any of the areas discussed at the beginning of 2010.

1.3.3. Related Meetings and Review Groups

Ops Forum – POD reported that a simulation energy exercise (with a high level of government involvement) would be carried out by DECC later this month, and a presentation was available on the Ops Forum website.

Commercial Arrangements going forward - PH reported that there was to be an industry workshop in September.

CSS Consultation – POD reminded the Workstream that this consultation on the use of certain assets on CSS ended on Friday 04 June 2010, and more responses would be welcomed.

Review Group 0291 – Two meetings had been held, with a further meeting planned for 21 June 2010.

2. UNC Modification Proposals

2.1 Modification Proposal 0287 - Change System Capacity Transfers Notification Time Limit from 04:00 to 03:00 hours

The Modification Report had been received by the UNC Modification Panel in April where it had been subsequently determined that new issues had been raised and had therefore been referred back to the Workstream for further consideration.

FH gave a brief presentation, providing the number of transfers that had taken place over the past 5 years, together with the transfer quantities (in GWh) over the same period. He pointed out that the percentage figures were very small in terms of the total numbers. The figure of 0.0340 in 2009 was a very small volume, ie less than 1%, and in 2010 so far there had been a very small number of trades. He then invited the Workstream to draw its own conclusions in respect of materiality.

In regard to potential implications for 1 in 20 security, National Grid NTS did not believe that there would be any impact whatsoever, and viewed it as more of an operational issue for itself in respect of the network.

The Workstream then reviewed and discussed the draft report that was to be submitted in response to the Panel's referral, and JB incorporated the views and conclusions reached as the discussions progressed.

The Workstream concluded that it had reached no consensus on whether implementation would better facilitate any of the relevant objectives.

The Report will be submitted to the next UNC Modification Panel for its further consideration.

3. Topics

3.1 Connecting Coal Bed Methane to the NTS

PH reported that National Grid NTS had received an NTS entry connection request from a Coal Bed Methane developer. This was the first time that such a request had been received and creative thinking to establish a pragmatic approach had been required. The connection solution design had given rise to some regime questions, and PH proceeded to give a presentation highlighting potential issues and concerns that may need to be considered in greater depth, eg gas quality (CBM gas is low wobbe and therefore not GS(M)R compliant), UNC classification, and transportation charging arrangements.

A proposed pragmatic connection arrangement had been devised to accommodate the comingling of gases, and this, together with a worked example of a potential commercial arrangement, was illustrated to the Workstream.

It was believed that no change was required to the transportation charging regime at the present. However, it was thought that a UNC Modification would be required to give formal recognition to this new connection arrangement, and to clarify the operational contract, establish appropriate energy allocation rules and responsibilities and booking requirement/overrun rules, and to formally describe specific transportation charging arrangements.

Industry views were sought regarding the creation of a new type of System Point and any rules that might subsequently be applied.

PB asked what the projected lifetime of the facility was likely to be. PH responded that it was predicted to have a reasonable lifespan in terms of provision of assets, and in response to a question on ownership from ST, PH explained the technical connections required and what the third party would provide.

There was a brief discussion on what might take place in other scenarios where potentially a site may not be located as close to the NTS as this current project, and where a shorter asset lifespan might be predicted. The implications/liabilities for such investment that may fail to be recovered and may then devolve upon the Shipper community gave cause for concern. From their point of view, DNs were not sure what special arrangements would be required (might apply to DN entry points as well).

LW, declaring an interest in that she represented the project developer concerned, explained that she felt that a most pragmatic solution had been reached with the NTS with regard to the blending. Offtake and input would be almost instantaneous.

ST, whilst recognising that it was a commercial project, pointed out that it should not merit differential treatment. In response to a question from AB, PH confirmed that it was not a free gas blending service. If gas were not to specification then it would not be admitted. AR pointed out that if the specification 'bottom stop' had been reached in respect of blending further upstream, there would be an issue with any further blending taking place, as it would naturally be out of specification.

SL commented that, in the past, NTS had not been able to reach solutions for similar suggested arrangements, eg at Bacton Interconnector and expressed the hope that it should be able to offer comparable arrangements at appropriate sites.

SL questioned the impact on CV shrinkage; PH indicated, for the proposed project, there would be no impact, but no specific network analysis had been carried out yet. SL believed that this should be clarified and known.

AR commented that a Shipper would be required at the exit point and the energy taken off and put back in would require measuring, as the Shipper will have to buy/sell energy. JCo believed it to be an allocation rather than a sale. PH agreed there would have to be an exit measurement and an allocation before gas is returned to the NTS. AR believed it to be a significantly more complex operation than treating it as a net.

ST asked if NTS had considered comingling on its own network. This had been considered but for various reasons had been discounted.

JCo put forward a number of questions for further consideration. Was any compression involved in order to return the comingled gas to the network, in

which case where/how would the fuel gas be sourced from/accounted? Would there be a change in flow direction? Would this contribute to a decline in quality?

SL asked how this would interact with Enduring Exit Regime – potentially there will be no baseline.

LW stated that this would be totally different to a normal exit point, and was unlike any other.

AR believed the energy side needed much closer consideration.

SL believed that this should be reconsidered to make sure that this was not moving away from the firm principles already established, to the detriment of other parties.

GJ referred to the charging arrangements, and was concerned that this should not provide another opportunity for shorthaul arrangements. SF responded that this was something else to consider in respect of definitions.

SL pointed out that in the past Centrica Storage Ltd had raised a Modification Proposal relating to netting off, and this might be worth looking at before proceeding any further.

JB queried if the potential Proposal would address the NTS only or DNs as well. PH responded that it had been planned in relation to the NTS, but did not see any problem in expanding it to include DNs. However, LW interjected that she would prefer to see the sole focus on NTS for this Proposal as there was a clear understanding as to how it would work, and then look at DN arrangements afterwards to see if that was appropriate.

JPR asked how many other such facilities there might be, and would there be an effect on balancing and prices, pointing out that taking gas off also increases the risk of an inability to return it to the system. LW believed this risk to be of low order as the volumes concerned would be relatively very small. PH agreed that in NTS terms the volumes involved were very small.

In order to establish whether there would be any impact on the provision of flexibility capacity, ST asked if the facility's operations were 24/7 for 365 days a year. PH believed they were quite flat.

PH noted the points raised and acknowledged that further consideration would be required. Some concepts could be extended to the DNs. This was not the only solution, but perhaps may be the most appropriate for this project to move forward. PH thanked the Workstream for providing the opportunity to discuss this new concept. Any further questions/suggestions for taking this forward would be welcomed, and a Modification Proposal will be produced.

3.2 Review Group 0252 Proposals – UNC Credit

A presentation was given, covering the suite of Modification Proposals (0298 – 0311) that had been recently raised to address the recommendations put forward as a result of the work carried out to review current credit arrangements and processes (UNC TPD V3 and V4) under the auspices of Review Group 0252. The objectives were to remove any redundant/incorrect terms and close any identified loopholes, thereby giving greater clarity and consistency and providing appropriate credit/security terms for all parties concerned. It was believed that individual proposals would enable Users to more easily identify any issues that may affect them.

The rationale for each individual change and the recommendations and associated Modification Proposals were briefly described and summarised. RCH gave an overview of Modification Proposals 0298, 0299, 0302, 0303, 0308, 0309,

and 0311. JF gave an overview of Modification Proposals 0300, 0301, 0304, 0306, and 0307. CS gave an overview of Modification Proposal 0305. DA gave an overview of Modification Proposal 0310.

RCH added that some feedback had already been received from various parties and this would be considered and addressed; some of the Modification Proposals may be revised marginally, but the intent of each will not be changed.

3.3 Topic 003TR Review of NTS Exit Capacity Arrangements

3.3.1 Exit Substitution Update

FH gave a brief presentation pointing out the key dates and obligations. It was intended to commence informal consultation in late June, the findings from which together with National Grid NTS's initial response would be presented at a fifth Workshop scheduled to take place on Tuesday 07 September 2010. Formal consultation on National Grid NTS's proposals would then commence in early November.

4. Modification Proposal 0273 – Governance of Feasibility Study Requests to Support Changes to the Network Exit Agreements

RF reported that work on the revision of the draft Modification Proposal was continuing.

A Workstream Report would be produced once the revised Modification Proposal had been made available.

5. Any Other Business

5.1 Modification Proposal 0312 – Introduction of Two-Thirds Majority Voting to the UNC Modification Panel

RF briefly explained the intent and the voting principles proposed. ST questioned had it been considered removing the ability of the Panel to make a recommendation and giving flexibility for all Proposals to go to the appeals process.

5.2 Retirement

JB confirmed that he was taking retirement at the end of June, and thanked those present for their contributions to the good positive working relationship that had been built up within this forum.

6. Diary Planning

The next Transmission Workstream meetings are scheduled as follows:

10:00, 01 July 2010, at Elexon, 350 Euston Road, London NW1 3AW.

10:00, 05 August 2010, at Elexon, 350 Euston Road, London NW1 3AW.

10:00, 02 September 2010, at Elexon, 350 Euston Road, London NW1 3AW.

Further details of planned meetings are available at:
www.gasgovernance.co.uk/Diary.

Action Log – UNC Transmission Workstream: 03 June 2010

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
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 01 July Carried forward
TR 0501	06/05/10	2.1	Provide information on bid quantities registered between 0300 and 0400 over the last five years and information on the Exit Capacity implications for achieving 1 in 20 security if Proposal 0287 were not implemented.	National Grid NTS (SF)	Closed
TR 0502	06/05/10	3.2	Provide to the June Workstream a list of data items proposed and cross-reference these to the EU Regulation.	National Grid NTS (NR)	Update due 01 July Carried forward
TR 0601	03/06/10	1.3	Add discussion of the Authority's decision relating to Modifications 0246, 0246A and 0246B as an agenda item for the July Workstream.	Joint Office (TD/LD)	Pending