

Transmission Workstream Minutes
Tuesday 14 December 2010
Elxon, 350 Euston Road, London NW1 3AW

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Andrew Pearce	(AP)	BP Gas
Charles Ruffell	(CR)	RWE npower
Chris Wright	(CW)	Centrica
Claire Thorneywork	(CT)	National Grid NTS
Colin Thomson*	(CT)	Scotia Gas Networks
Fiona Strachan	(FS)	Gazprom
Ian McNicoll	(IM)	Ofgem
Jacopo Vignola	(JV)	Centrica Storage Ltd
Malcolm Arthur	(MA)	National Grid NTS
Rekha Theaker	(RT)	Waters Wye Associates
Richard Fairholme	(RF)	E.ON UK
Ritchard Hewitt	(RH)	National Grid NTS
Rob Cameron-Higgs	(RCH)	Wales & West Utilities
Shelley Rouse	(SR)	Statoil UK
Stefan Leedham	(SL)	EDF Energy
Tim Wyndham	(TW)	Ofgem

*via teleconference

1. Introduction

Copies of all papers are available at www.gasgovernance.co.uk/tx/141210.

TD welcomed attendees to the meeting.

1.1 Review of Minutes of Previous Meetings

The minutes of the previous meeting were accepted.

1.2 Review of Outstanding Actions

Action TR1103: CT to review the role of the linepack manager and provide an update to the next meeting.

Update: RH confirmed that this did not need to be established as a separate identity, and that inclusion in the UNC will suffice. No special FSA exemption is required for this role or any netting-off role. **Action closed**

Action TR1104: CT to amend the business rules based on changes/comments made at the Workstream.

Update: Amended and reissued. **Action closed**

2. UNC Modification Proposals

2.1 Modification Proposal 0337: "Introduction of an Inter-Day Linepack Product"

The amended Modification Proposal was displayed onscreen and RH explained

the changes that had been made following the discussions on 09 November. The revisions were discussed and further amendments will be undertaken as agreed.

Page 3 Methodology Statement

RH confirmed that this was to be published in January to form part of the initial consultation alongside a proposed open letter. Its purpose is to describe the factors influencing release. It will not be a regimented set of rules nor will it dictate what is done or guarantee how much is to be released.

Page 5 Business Rules

Introduces references to the Methodology Statement and introduces the concept of 'gate closure' (period when bids are fixed).

2.1.4 – RH commented that this introduced confidentiality of User identity

2.3 – TD suggested adding in that UNCC will be informed before any change to the Methodology Statement commences. RH noted this.

2.7(b) - RH commented that this had been set to 4 decimal places, as was consistent with other systems.

2.9 – RH commented that the final release was now scheduled for 23:00hrs; TD suggested that it should state 'at least 30 minutes' to avoid any inadvertent breach of UNC. RH noted this.

2.9.3 – TD pointed out the capability for different interpretations regarding the statement that there would be a maximum of 4. This may require rewording. RH noted this.

CW pointed out that the reference 'see 2.8.7 below' was now obsolete and required amendment/deletion as appropriate. RH noted this.

Asked if Users would be notified if a zero quantity were to be released, RH confirmed that it would be if that were what Users wished.

2.10.1 – It was suggested that "accepts" was no longer required and should be removed. RH noted this.

2.10.4 – There was a brief discussion to clarify the Workstream's understanding of when a bid could be amended or should be withdrawn and resubmitted.

RF raised manifest errors. TD suggested that this might be a prudent opportunity to build in some warning triggers or mechanisms to deal with extremes and/or inadvertent User errors. What can be done might very well depend on what the cost might be. RH pointed out that it may be that Users may intend to add checks and balances to their own systems and he would therefore perhaps be a little reluctant to look at over engineering National Grid's systems if this was likely to be unnecessary. In the meantime CT agreed to discuss this with the Capacity Team in respect of adding in warnings associated to price and volume.

Action TR1201: 0337 - Establish costs around potential incorporation of system warnings associated to price and volume, to reduce risk of inadvertent User error.

3.2 – There was a brief discussion to clarify the earliest point at which a User will know the volume.

3.4 – RH commented that this covered the stacking process and the netting off process.

It was suggested that 3.4.2 be subsumed into 3.4.1, and subsequent paragraphs be renumbered. RH noted this.

TD suggested that National Grid could announce two volume figures – a park volume and a loan volume - rather than just one; RH had not previously considered that concept and a wider discussion ensued on the announcing of one or two figures prior to auction. RH concluded that he would like some flexibility that quantities were not absolutely fixed if it was required to make both available.

Action TR1202: 0337 - Consider releasing two volume figures (Park and Loan) prior to auction.

SL pointed out that it was only really necessary to deal with the 4 bid options. Different options on bidding were then briefly discussed, and RH described the stacking process and how the netting off might work.

CW believed that more detail might be required at 3.4.4 to explain how the netting off was going to work. RH pointed out that the complications might arise when a party might have indicated that it would not accept partial acceptance of its bid. Would National Grid NTS have to cease at the point it reached that party's bid or would it bypass that and continue on with the next in the stack? CW was of the view that National Grid NTS bypass and continue, because a party would have been fully cognisant of these outcomes, if it did not want partial acceptance, when it posted the bid. Should a rule be added in to clarify this?

Action TR1203: 0337 - Consider adding a rule to clarify what action National Grid NTS may take when assessing a bid stack that contains bids from parties who have indicated that they are not willing to accept partial acceptance of their bid.

Page 11 User Pays

At this point RH gave a presentation on two potential User Pays options.

TD observed that National Grid NTS had chosen not to follow the User Pays Guidance document; RH pointed out that the document was for guidance only and did not dictate the course of action. SL strongly questioned if National Grid NTS would actually have raised this Modification Proposal if a Licence Condition had not been imposed upon it.

FS asked if there was a minimum threshold for initiating this proposed service. RH clarified the ROM figures and it was pointed out that in Section 4 page 14 of the Modification Proposal the figures were incorrectly shown and required amending. RH noted this. It was suggested that it would be very useful to include the ROM alongside the proposed open letter.

SR queried if this Modification Proposal would go through even if there is no industry support, just because it is an imposed Licence Condition. RH responded that Ofgem would need to take into account all responses before determining what decision is appropriate. ~~TW added that if National Grid NTS has used reasonable endeavours, the obligation is fulfilled.~~ TW noted that the obligation required reasonable endeavours.

RH returned to the presentation, described the suggested options for the recovery of development and implementation costs, and of ongoing annual system support costs, and indicated that any other suggestions would also be very much welcomed. He thought there might be a slight problem with Option 2 as it may not be classed as a User Pays charge.

The options were discussed. FS observed that if no party took up the service then Shippers could end up paying for everything anyway. Assuming this Proposal was implemented despite the evident lack of industry support, and if there were no Shipper utilisation of the service then it would be sensible to raise another Modification Proposal to withdraw the service. This would have created

costs to many parties to no benefit, and could not be seen to be efficient or economic.

Shippers were not impressed by either option, and failed to see why they should be expected to pay for a service that they did not want and had no intention of using. For argument's sake, SL posed the scenario that very few Shippers, eg 4, intimated that they were likely to use the service - if this was the case surely then the scale of providing the service would have to be reassessed and the costs either downgraded or potentially not need to be incurred at all or by all. RT sought confirmation as to whether National Grid NTS intended to amend the Proposal to reflect industry feedback or would simply press ahead with the modification as it stands.

Action TR1204: 0337 – Revise the Modification Proposal based on comments received.

RH then moved on to the presentation relating to a proposed open letter and briefly explained the purpose and what information was being sought. There was discussion on what Shippers would like to see included either in the open letter itself, or attached as an appendix. The suggestions included:

- Modification Proposal
- ROM
- Proposed ACS charges for each of the options (including the unit rate and the transaction rate for each option)
- A detailed explanation of the User Pays elements and what the payback period is based on
- Some idea of the risk/cost exposure to a party should the service not be taken up, or taken up by very few parties.

SR observed that while it was understood that National Grid was likely to make reference in the open letter to the fact that this Proposal had been extensively discussed at industry meetings, including Transmission Workstream, and that both it and the industry had worked hard and spent much time and attention on it, National Grid should not give any impression that this co-operation meant or implied that the industry was supporting this Proposal and thought that it was a good idea. RH noted this concern and indicated that the open letter was to be composed from a National Grid perspective.

RT added that including numbers will elicit more concrete responses from parties, and thought that including a clear indication of what the open letter was trying to achieve would be helpful to its audience, ie influencing and contributing to the structure of the finalised Modification Proposal.

RF and SL suggested that the timescales should be reconsidered, as the intervention of the Christmas period was likely to have an effect; in their view it would be more effective to issue the letter after the New Year. TD pointed out that, to meet the suggested timetable under the revised modification process, legal text must be provided at the latest by the March Transmission Workstream; having the text in place will be critical to achieving national Grid's timetable.

TD pointed out that the Methodology Statement is not part of the UNC but could be commented on through responses to the open letter or to the Modification Proposal.

RH confirmed that responses to the open letter would be published, unless they are clearly marked as being confidential.

3. Any Other Business

3.1 Modification Proposal 0341 – Manifest Errors in Entry Capacity Overrun

TD reported that in the interim following the previous Transmission Workstream no further comments had been received regarding this Workstream report. Those present indicated that no further comments would be made. TD confirmed that the Workstream Report would therefore be considered by the Modification Panel, as previously agreed.

4. Diary Planning for Workstream

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

The next Transmission Workstream meetings are scheduled as follows:

- 10:00 06 January 2011, at Elexon, 350 Euston Road, London NW1 3AW
- 10:00 03 February 2011, at Elexon, 350 Euston Road, London NW1 3AW
- 10:00 03 March 2011, at Elexon, 350 Euston Road, London NW1 3AW

Action Log – UNC Transmission Workstream: 14 December 2010

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR 1103	09/11/10	2.1.2	0337 - review the role of the linepack manager and provide an update to the next meeting.	National Grid (CT)	Closed
TR 1104	09/11/10	2.1.2	0337 - to amend the business rules based on changes/comments made at the Workstream.	National Grid (CT)	Closed
TR 1201	14/12/10	2.0	0337 - Establish costs around potential incorporation of system warnings associated to price and volume, to reduce risk of inadvertent User error.	National Grid (CT)	Pending
TR 1202	14/12/10	2.0	0337 - Consider releasing two volume figures (Park and Loan) prior to auction.	National Grid (CT)	Pending
TR 1203	14/12/10	2.0	0337 - Consider adding a rule to clarify what action National Grid NTS may take when assessing a bid stack that contains bids from parties who have indicated that they are not willing to accept partial acceptance of their bid.	National Grid (CT)	Pending

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR 1204	14/12/10	2.0	0337 – Revise the Modification Proposal based on comments received.	National Grid (CT)	Pending