

## Development Work Group Modification Proposal 0090

### Minutes

Thursday 07 September 2006

Elxon, 350 Euston Road, London NW1 3AW

#### Attendees

John Bradley (Chair)	JB	Joint Office of Gas Transporters
Lorna Dupont (Secretary)	LD	Joint Office of Gas Transporters
Alan Raper (alternate)	AR	National Grid Distribution
Alex Thomason (alternate)	AT	National Grid Transmission
Brian Durber (alternate)	BD	E.On Energy
Hydreace Ali	HA	RWE npower
Indra Thillainathan	IT	Ofgem
Julie Cox	JC	AEP
Lewis Hodgart	LH	Ofgem
Liz Spierling	LS	Wales and West Utilities
Martin Baker	MB	xoserve
Mitch Donnelly	MD	BGT
Mark Freeman	MF	National Grid Distribution
Nick Wye	NW	Waters Wye
Phil Broom	PB	Gaz de France
Robert Cameron-Higgs	RCH	Northern Gas Networks
Stefan Leedham	SL	EDF Energy
Shelley Rouse	SR	Statoil
Tim Davis	TD	Joint Office of Gas Transporters

#### Apologies

Anne Young	AY	National Grid Distribution
Helen Bray	HB	Chemical Industries Association
Phil Brown	PWB	National Grid Distribution
Martin Kew	MK	Northern Gas Networks
Nigel Sisman	NS	National Grid Transmission
Christiane Sykes	CS	Statoil

#### 1. Introduction and Status Review

##### 1.1 Minutes from previous meeting (30 August 2006)

The following comment was received:

*Minutes reference 2.2 paragraph 4* – this paragraph should be disregarded.

The minutes of the previous meeting were then approved.

##### 1.2 Review of Actions from previous meeting

MF advised the group that the majority of the outstanding actions would be addressed within the items scheduled for discussion at the meeting on 20 September 2006.

#### 2. Specific Topics

Discussions on the UNC impact of the following topics took place.

## 2.1 Transitional Arrangements

MF explained why transitional arrangements were necessary, what the options were, and how New Supply Points were accommodated.

Transition arrangements were needed because of the length of time between the tender completion and the point at which the rights take effect. Three options were discussed. The DNs acknowledged the risk pointed out by NW that the DNs might have insufficient Interruption in 2009. NW also observed that none of the options remedied the issue of 'stranded assets'.

Ofgem was supportive of the retention of the existing arrangements during the transition period. This was also the preference of both the Proposer and the Transporters, ie to retain the status quo.

Concern was expressed relating to NSLs. SL questioned whether NSLs would go Firm. MF stated that this was to be discussed with Ofgem. LH commented that Ofgem did not currently anticipate that there would be a transitional NSL arrangement.

JC observed that Transporters could offer terms but that Consumers did not have to accept them.

## 2.2 Impact on Emergency Arrangements

MF described the different types of emergency, and the tools available and the arrangements in place to manage an emergency, and the potential impact that Interruption reform was likely to have on these arrangements.

The issues identified in relation to E1 – Network gas Supply Emergency and E2- Local Gas Supply Emergency were:

- Currently a better response from Interruptible customers than Firm
- E1 – potentially discriminates against those LDZs with the most interruption available
- DNs contract for emergency purposes
- Access to commercial interruption to defer emergency
- Changes required to documents E1 and E2.

The group discussed each issue.

### 2.2.1 Currently a better response from Interruptible customers than Firm

JC observed that the reforms would not necessarily lead to an increase in demand side response. It was stated that this did not take account of commercial interruption. BD commented that this was an energy product not capacity, and MD commented that any response would depend on market conditions/movements on a particular day. AR observed that to date sites had not been refused Firm status because the Transporter thought that Interruption *might* be needed for the future.

BD asked whether the DNs had a feel for the percentage increase/decrease of the amount of Interruption that could be required, as this might help to indicate demand side response. MF stated that this was a complex area and that analysis was still being carried out.

SL thought that Firm and Safety Monitors may increase but the Safety Monitor was not likely to be breached as a result of Interruption reform. It could be assumed that a proportion of sites might elect to cease to be DM and change to NDM status.

This would increase the load/duration quantity associated with Supply Points “protected by monitor” and reduce, by the same amount, the quantity associated with Supply Points “protected by isolation.”

Consumers and Shippers questioned whether the proposed reforms and impacts had been brought to the attention of the HSE, especially as there was apparently more likelihood of an emergency situation escalating more rapidly to Stages 2 and 3. LH stated that the HSE were aware and LS also confirmed that informal discussions had taken place with the HSE, however the HSE was not likely to express its views until after the Safety Case. JC reiterated her concerns regarding the increased likelihood of an emergency situation and also the potential increase in duration of such a situation.

BD asked whether giving consideration to protecting the NTS’ asset would form part of the DNs’ assessment – would this be factored in, or would an assessment be based on a DN’s own network. The DNs thought it more likely to be based on the latter.

### **2.2.2 E1 – potentially discriminates against those LDZs with the most interruption available**

MF stated that under E1 if one LDZ has more Interruption available than another there was potential for discrimination, in that that LDZ may be called upon more frequently to provide action on interruption, rather than other LDZs with less capability. MD thought that it was the NEC’s decision which to interrupt. AT confirmed that the NEC decided what to interrupt and where in relation to the type and location of the particular emergency. BD observed that as a consequence there was also potential for discrimination with regard to Consumers. JB commented that there was no concept of ‘fairness’ under the current procedures and this did not seem likely to change.

### **2.2.3 DNs contract for emergency purposes**

MF asked whether DNs should contract for emergency purposes and at what price? JC wanted to know how costs would be recovered. Currently an Interruptible contract gives a discount, but Interruption for emergency purposes does not count. It was questioned should some compensation be paid to a site for interrupting in an emergency. Being on an Interruptible contract means that the site may be called off earlier. LH asked if currently a payment was made to Firm customers who were interrupted in an emergency, and MF confirmed there was no such payment.

### **2.2.4 Access to commercial interruption to defer emergency**

There was a short discussion on access to commercial interruption to defer emergencies. Shippers and Consumers may not choose to offer this. It would depend very much on the variable factors of a particular day. JC mentioned the “Reserve” debate where similar discussions had taken place, and commented that some customers only wanted to be interrupted in an emergency.

### **2.2.5 Changes required to documents E1 and E2**

LS confirmed that the NEC makes the changes to the E1 and E2 documents. No changes would be required except to numbers of customers.

E2E (ie the external issue version of E2) was circulated to UNC signatories and was due to be published soon.

The Transporters confirmed that there would be no change to these processes.

Shippers were more concerned that the speed of moving through the stages of an emergency would be increased.

SL questioned if a site had used up its contracted Days of Interruption would it still be considered to be available for emergency Interruption purposes. The DNs confirmed that it would. JC observed that the NEC could make a decision to bypass Stage 1 and go straight to Stages 2 or 3 if it deemed this appropriate, but that there would have been 'pre-emergency' indicators and warnings going on. It was confirmed that Stage 1 would become more likely and could be of shorter duration.

LH questioned whether Stage 4 (Isolation) would also become more likely. The DNs thought not as there would be more Firm load shedding in Stages 2 and 3, and this would go down as far as 25,000 therms (same as currently). Stages 2 and 3 may be of longer duration because it is more difficult to shed Firm loads. If load shedding happens too slowly it is more probable that Isolations would occur.

Concerns were expressed as to how Local Constraints would be managed. If access to Interruption availability were negligible, then selected Firm load shedding would be very quickly utilised if there were no mitigation through the market. BD asked would less Interruption lead to a Local Emergency rather than a constraint, and how would this be applied using the example of the interruption that took place during the summer of 2004? It was pointed out that the constraint during the summer of 2004 was not an emergency and was handled under normal commercial arrangements.

### **3. Any Other Business**

None.

### **4. Diary Planning for Work Group**

The Programme for the next two meetings were reviewed and discussed. It was agreed to make the following changes:

- **14 September 2006 (please note new start time of 13:00 hrs)**
  - Pricing
- **20 September 2006**
  - Interaction with NTS Exit Arrangements
  - Information, Publication, and Transparency
  - Review of re-drafted Business Rules

Date		Venue	Time
<b>Thursday 14 September 2006</b>	<b>Meeting 6</b>	<b>Elexon, 350 Euston Road, London NW1 3AW</b>	<b>13:00</b>
Wednesday 20 September 2006	<b>Meeting 7</b>	Elexon, 350 Euston Road, London NW1 3AW	10:00
Wednesday 27 September 2006	<b>Meeting 8</b>	Elexon, 350 Euston Road, London NW1 3AW	13:00
Thursday 28 September 2006	<b>Meeting 8 (continued if necessary)</b>	Elexon, 350 Euston Road, London NW1 3AW	13:00
Thursday 05 October 2006	<b>Meeting 9</b>	Elexon, 350 Euston Road, London NW1 3AW	13:00

### Action Table (Appendix 1)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
D9002	03/08/06	2	Ascertain the progress of any charging methodology discussions and provide an update to the group.	NGN (RCH)	Update provided see Minutes ref 1.2.  To be discussed under Pricing on 14/09/06  <b>Action carried forward</b>
D9004	10/08/06	3.1	Business Rules paragraph 1.3 DNs to consider how Firm Capacity booking arrangements may be managed in the future.	DNs	<b>Action ongoing</b>
D9007	10/08/06	3.3.1	Business Rules paragraph 5.1.1 DNs to look at the advance provision of information to a potential incoming Shipper (what, when, availability, route, required response times, etc)	DNs	Scheduled for presentation/discussion at Meeting 4 on 30/08/06.  Agreed to carry forward. <b>Action ongoing</b>
D9008	10/08/06	3.3.2	Business Rules paragraph 5.2.7 DNs to review wording.	DNs	Scheduled for presentation/discussion at Meeting 4 on 20/09/06. <b>Action ongoing</b>

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
D9009	10/08/06	3.3.3	Business Rules paragraph 5.3.4 DNs to provide clarity on Customer Charge ratchet and LDZ CSEP Overrun components.	DNs	<b>Action ongoing</b>
D9010	10/08/06	3.3.4	Business Rules paragraphs 5.3 and 5.4 DNs to review the inclusion of ratchets and CSEP overruns, and consider segregating and raising as separate modification proposals.	DNs	<b>Action ongoing</b>
D9012	10/08/06	3.3.5	Business Rules paragraph 5.5 DNs to revise Business Rules to permit multiple bids.	DNs	<b>Action ongoing</b>
D9013	10/08/06	3.3.5	Business Rules paragraph 5.5.4.2 DNs to provide indicative pro forma that reflects information set out in this paragraph.	DNs	Provision to next meeting 30/08/06. Agreed to carry forward. <b>Action ongoing</b>
D9015	10/08/06	3.3.5	DNs to consider charging methodology in relation to provision of SOQs.	DNs	Scheduled for presentation/discussion at Meeting 5 (07/09/06) <b>Action carried forward</b>
D9017	16/08/06	2.1	Consider making “application window” a Defined Term within UNC.	DNs	<b>Action carried forward</b>
D9018	16/08/06	2.1	DNs to consider the validation required at the point of application submission.	DNs	<b>Action carried forward</b>
D9020	16/08/06	2.1	DNs to discuss with Ofgem the level of disaggregation at which to make information available.	DNs & Ofgem	<b>Action ongoing</b>
D9022	16/08/06	2.1	DNs to consider what may happen if not enough Capacity is made available through the tender process.	DNs	<b>Action carried forward</b>
D9024	16/08/06	2.3	Business Rules 4 and 5 – contradiction between sections. DN to review and consider referencing.	DNs	<b>Action carried forward</b>
D9028	16/08/06	3.5	Annual Application Process – Shippers and DN to consider number	DNs & Shipper	Following discussion 30/08/06 action

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			of days required within Annual Application Process. Reworded to: Shippers and DNs to consider once the Application window closes how quickly a Transporter has to respond or a Shipper to resubmit.	rs	reworded. <b>Action carried forward</b>
D9029	30/08/06	2.1	Shared Supply Meter Points - xoserve to confirm and advise the number and location of all sites currently designated as SSMPs.	xoserve	<b>Action carried forward</b>
D9030	30/08/06	2.1	Shared Supply Meter Points - The DNs to consider the role of the Allocation Agent within the bid process.	DNs	<b>Action carried forward</b>
D9031	30/08/06	2.3	FTI - DNs to review the use of SMP and consider if this was appropriate for charging in all cases.	DNs	<b>Action carried forward</b>
D9032	30/08/06	2.3	The DNs to consider gas prices, barring, modifying the '5 strikes' rule and appropriate discretionary elements, in relation to the FTI process.	DNs	<b>Action carried forward</b>
D9033	30/08/06	2.4	New Supply Points - DNs and xoserve to look at what happens in the current process whereby the SOQ increases through the ratchet and the increased flow cannot be accommodated immediately.	DNs and xoserve	<b>Action carried forward</b>
D9034	30/08/06	2.4	New Supply Points - DNs to consider UNC G5.5.4 and any impacts, and how to manage an increase/decrease in capacity in an existing site.	DNs	<b>Action carried forward</b>