

UNC Workgroup 0407 Minutes
Standardisation of notice periods for offtake rate changes for all
National Grid NTS Exit Users
Tuesday 21 February 2012
at 31 Homer Road, Solihull B91 3LT

Attendees

Bob Fletcher (Chair)	(TD)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
Alison Chamberlain	(AC)	National Grid Distribution
Bethan Winter	(BW)	Wales & West Utilities
Dave Adlam	(DA)	National Grid Distribution
Dave Mitchell	(DM)	Scotia Gas Networks
Dennis Rachwal	(DR)	National Grid NTS
Helga Clarke	(HC)	National Grid NTS
Jakob Forman	(JF)	DONG Energy
James Thomson*	(JT)	Ofgem
Keith Dixon	(KD)	Northern Gas Networks
Lewis Hodgart*	(LH)	Ofgem
Mike Wassell	(MW)	National Grid NTS
Phil Hobbins	(PH)	National Grid NTS
Ritchard Hewitt	(RH)	National Grid NTS
Rob Cameron-Higgs	(RCH)	Wales & West Utilities
Stuart Gibbons	(SB)	National Grid Distribution
Tim Davis*	(TD)	Joint Office

* via teleconference

Copies of all papers are available at: www.gasgovernance.co.uk/0407/210212

1.0 Introduction and Status Review

1.1. Review of minutes

The minutes of the previous meeting were accepted.

1.2. Review of actions

Action 0001: National Grid NTS to provide historical data (where available) on the use of the 5% 2 Hour Rule, including breaches and the system conditions that allowed such a breach and impacts

Update: See discussions in section 2.0. **Carried Forward.**

Action 0002: GDNs to review known breaches the action taken or could have been taken to avoid the breach.

Update: RCH reported that 11 of the 13 LDZs have breached the 5% 2 Hour rules since 2009. He wondered if more should have been done to avoid this, however none of the breaches have been challenged by NTS. He wished to understand why these were not challenged. NTS explained that if the breach does not cause any operational issues at the time, procedures allow them to relax the rule. RCH hoped to collaborate with NTS to establish the impacts of

these previous breaches. BW highlighted that technical breaches may be occurring as computer system configurations may not have been refined to the 2005 rule. RH explained that NTS evaluate the effects of a pressure drop and wouldn't necessarily stop a DN breaching the rule unless there is an affect on neighbouring offtakes. RH explained there might be flexibility to breach but the rules are needed to control risks to the system as they set system design parameters. See discussions in section 2.0. **Carried Forward.**

Action 0003: Workgroup to ascertain the potential consequence on LDZ connected consumers (including any evidence) in relation to the rule and discrimination.

Update: See discussions in section 2.0. **Closed.**

Action 0004: NTS to ascertain any potential impact to the 1,2 and 4 Hour rule.

Update: PH presented this information. **Complete.**

Action 0005: All to consider any potential discreet rules or triggers for LDZs.

Update: RCH's intention is to understand the extent of past breaches to find an appropriate solution. **Carried Forward.**

Action 0006: RCH to provide regular feedback to the Transmission Workgroup.

Update: Ongoing. **Carried Forward.**

2.0 Discussion

JF gave a summary background to DONG Energy, he was particularly interested in the flexibility of the system, the use of power plants and potential future investments. He was concerned about discrimination and how power stations may be treated differently dependent on their location on the system rather than how they operate in practice.

RCH was concerned about the current set of rules placing a barrier on future potential investment. He recognised the broader commercial issues on the placement of power stations. He was concerned about the need for a rule by NTS, which is not backed up by evidence of need and thus constraining DNO connected customers.

LH wanted to understand the flexibility issues. He asked if it would be relevant to consider if DNs didn't have the flexibility what are the solutions and issues. He was particularly interested in what were the investment solutions, required by DNs with the present rules and what this would potentially cost.

It was suggested that the Workgroup understand the materiality of any investment required, whether it is more economic to reinforce the NTS or DN systems. RCH wished to challenge the existing rule. He believed it would be beneficial for the NTS to provide evidence that the rule is required, that breaches are causing problems and how the problems can be addressed. MW suggested it would also be worthwhile considering what problems a breach might cause if the rules were relaxed in the future, not necessarily what problems it caused in the past.

JF explained that consideration should be given to investment to where it provided greater efficiency. He believed that the process is becoming less efficient. He wished to understand what assurances power need to provide. It is crucial system flexibility is required and he wanted to understand where it is most efficient for greater flexibility on the entire system, not just for geographic locations.

PH provided a presentation; he explained NTS could agree to waive the rule provided that this does not cause operational issues. He explained that NTS do not keep records of DN breaches. The key benefit of the rule is to encourage good quality network planning and demand forecasting by DNs in order to prevent problems occurring, they cannot identify what did not happen due to the rule being in place.

DA was also keen to have evidence of the effect of previous breaches of the rule. RH explained that the rule is to protect the system at the extreme; he believed the rule is about setting design parameters. BW believed that the way the rule is written in the OAD it is not in line with the OAD rules. She believed the OAD ruling is not reflective of the current design parameters.

It was noted by the DNs and DONG Energy that flexibility of the system is changing and the rules need to change to market conditions. RCH pointed out this is not about creating more flex but the ability to take flex quicker.

RCH agreed it was important to look forward however, the modification should be judged upon evidence, historical data, the use of the rule and the relevance of the rule. He believed the modification should consider the non-compliances and the impact of the non-compliance. PH challenged how past data could inform the importance of the system in the future. RH also challenged the point of historical assessment when it needs to consider the design of the system based on changes to the rules.

DA expressed concern that if NTS enforced the rule across the network then there would be big problems.

LH asked if the Workgroup could consider a relaxation of the parameters.

RH explained the system is designed for peak conditions to protect all Users and hence the need for the rule.

JF questioned if NTS apply the same restrictions on DNs as direct connects. RH explained the ramp rates are set out in the NExA. However, requests can be received to waive the ramp rates but NTS have the option to enforce. PH noted that the rule is always on for DNOs, conceding that the rule is off for direct connects as other factors in the NExA compensate.

RCH asked LH if Ofgem would be interested in the historical use of the rule to help with the assessment of the modification and the consequences of breaches to establish if tolerances need to be brought into question. PH was concerned that any individual case may not reach the limits of the system design. He believed to better articulate the potential impact the Workgroup would need to look at the future planning of the NTS and potential demand changes. RCH was keen to understand the pinch point – what would have happened in previous breaches if the rule had not been in place. PH believed that if DNs can more readily cater for demand changes then NTS flex would reduce. BW believed this would be marginal but accessing the flex already booked can be an issue at short notice.

RCH was keen to understand if investment was necessary. How to provide a system to enable greater flexibility? Where should the investment be placed?

JF challenged if NTS only need to enforce the rule sometimes, why should it be in place and enforced all the time. RH explained the rule will and can be relaxed when a request is made, it doesn't place a risk to the system. RH explained that this is not only a peak issue but also a shoulder issue.

RCH was still keen to have an understanding that the current position is the status quo.

MW explained that breaches have been accepted in the past as the system conditions have allowed a relaxation of the rule. DA believed that if the rule has always been waived it would suggest that the system is being operated without the rule.

BW was concerned that NTS were not prepared to provide any evidence of why NTS need the rule either using past or hypothetical scenarios.

RH believed a 1% change in the margin could cost the industry £10s of millions. PH believed a more rapid response from NTS would result in greater depletion of linepack, more frequent balancing actions, and increased requirement for operating margins. He believed this could result in greater pressure depletion and potential capacity constraints. Nevertheless the DNs wanted to see evidence of this to substantiate the claim made by NTS.

JF asked how NTS would price the cost of creating extra flexibility. He asked if NTS have an alternative solution.

LH expressed to NTS that WWU were challenging the need of the existing rule, he acknowledged that there would be a cost to this piece of work and that a 1% increase of flow margin would result in potentially £m's of investment. LH understood that the current drafting of the modification is to remove the rule but asked about an alternative to relax the rule to a fall back position. He believed there must be an assessment of removing the rule completely. LH believed it would be worth looking at the instances of breaches and to further understand the system circumstances at the time.

PH agreed that where data was available NTS would look at historical breaches and the system circumstances that allowed the rules to be relaxed. He acknowledged that NTS need to quantify their statements but currently can't support a blanket removal of the rule.

It was agreed to amend action Action 0001 for National Grid NTS to provide historical data (where available) on the use of the 5% 2 Hour Rule, including breaches, the impacts and the system conditions that allowed such a breach.

BW provided a scenario and highlighted that having the rule to try and recover a rate change over 12 hours resulting in numerous request may not be as efficient as having a larger changes, which may also be feasible.

PH asked if DNs concerns would be alleviated if the rule were reverted back to the original rule. BW explained some of the concerns would be alleviated.

PH addressed the discrimination issues raised he believed the current arrangements can be objectively justified.

JF asked if NTS had an opinion on another solution. PH believed it would be beneficial to consider other potential solutions one of which may be individual bilateral agreements. WWU was keen to engage with NTS on other potential solutions.

Action 0007: National Grid NTS and WWU to work offline and report back to the Workgroup on potential solutions.

3.0 Any Other Business

None raised.

4.0 Diary Planning for Review Group

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

The next meeting of this Workgroup will take place within the business proceedings of the Offtake Arrangement Workgroup on 19 March 2012, 31 Homer Road, Solihull B91 3LT.

Workgroup - Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0001	18/01/12	2.0	National Grid NTS to provide historical data (where available) on the use of the 5% 2 Hour Rule, including breaches and impacts.	National Grid NTS (PH)	Carried Forward
0002	18/01/12	2.0	GDNs to review known breaches the action taken or could have been taken to avoid the breach.	All GDNs	Carried Forward
0003	18/01/12	2.0	Workgroup to ascertain the potential consequence on LDZ connected consumers (including any evidence) in relation to the rule and discrimination.	Workgroup	Closed
0004	18/01/12	2.0	NTS to ascertain any potential impact to the 1,2 and 4 Hour rule.	National Grid NTS (PH)	Complete
0005	18/01/12	2.0	All to consider any potential discreet rules or triggers for LDZs .	All	Carried Forward
0006	18/01/12	2.0	RCH to provide regular feedback to the Transmission Workgroup.	Wales & West Utilities (RCH)	Carried Forward
0007	21/02/12	2.0	National Grid NTS and WWU to work offline and report back to the Workgroup on potential solutions.	Natioanl Grid NTS (PH) and Wales & West Utilities (RCH)	Pending