

**Transmission Workstream Minutes**  
**Thursday 07 October 2010**  
**Elxon, 350 Euston Road, London NW1 3AW**

**Attendees**

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Alan Raper	(AR)	National Grid Distribution
Andrew Pearce	(AP)	BP Gas
Chris Wright	(CW)	Centrica
Colin Thomson	(CT)	Scotia Gas Networks
David Turner	(DT)	GassCo
Fiona Gowland*	(FG)	Total E & P
Graham Jack	(GJ)	Centrica
Ian McNicol	(IM)	Ofgem
Jacopo Vignola	(JV)	Centrica Storage Ltd
Jill Brown	(JB)	RWE npower
Julie Cox	(JCx)	AEP
Landon Larson	(LL)	ExxonMobil
Lorraine O'Shaughnessy	(LOS)	xoserve
Lucy Field	(LF)	Poyry Energy Consultants
Mark Cockayne	(MC)	xoserve
Mike Wassell	(MW)	National Grid NTS
Nick Reeves	(NR)	National Grid NTS
Paul O'Donovan	(POD)	Ofgem
Rekha Theaker	(RT)	Waters Wye Associates
Richard Fairholme	(RF)	E.ON UK
Richard Miller	(RM)	Ofgem
Ritchard Hewitt	(RH)	National Grid NTS
Shelley Rouse	(SR)	Statoil
Stefan Leedham	(SL)	EDF Energy
Sue Ellwood	(SE)	TPA Solutions
Tim Wyndham	(TW)	Ofgem
Zori Zafirova	(ZZ)	GasTerra

\*via teleconference

**Also Present for Item 6  
(Project TransmiT)**

Debra Hawkin	(DH)	National Grid NTS
Eddie Blackburn	(EB)	National Grid NTS
James Thomson	(JT)	Ofgem
Richard Hounslea	(RH)	National Grid NTS

**1. Introduction**

*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/071010>.*

TD welcomed attendees to the meeting.

**1.1 Minutes of the previous Workstream Meeting**

The minutes of the previous meeting (02 September 2010) were accepted.

## 1.2 Review of Outstanding Actions

**Action TR0901:** Clarify the timing of the 3<sup>rd</sup> Energy Package and report back.

**Update:** RM reported that it came into force in September 2009, to be implemented by 03 March 2011. DECC is responsible for the implementation and its current consultation closes out on 19 October 2010. RM encouraged submission of views; the outcome will inform the next generation drafting (February 2011). **Action closed**

**Action TR0902:** Ascertain the parameters/constraints of the financial year in respect of utilising this as a potential claims period for Manifest Errors and report back to SE and Workstream.

**Update:** See 3.4, below. **Action closed**

**Action TR0903:** Consider and list what mandatory data may be required to be provided in evidence in respect of a manifest error claim.

**Update:** See 3.4, below. **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/>.*

UNC0273 - In response to a question from TD, RF confirmed that meetings were ongoing and that it was still his intention to withdraw this Modification at an appropriate point.

### 1.3.2. Topic Status Report

*The Topic Status Report for the Transmission Workstream is located at: [www.gasgovernance.co.uk/mods/](http://www.gasgovernance.co.uk/mods/)*

### 1.3.3. Related Meetings and Review Groups

**Review Group 0291** – A meeting was held on 10 September 2010; a Review Group Report has been finalised and will be submitted to the October UNC Modification Panel.

POD noted that there was a Transmission Price Control meeting also taking place today.

## 2. UNC Modification Proposals

### 2.1 Modification Proposal 0332: "Removal of a Users ability to allow Quarterly NTS Entry Capacity to lapse"

RH gave a presentation outlining the background to the raising of this modification proposal, and its purpose. He went on to describe and explain

various options under consideration for the application of sanctions when credit was not in place, and pointed out the advantages identified.

RH believed that the arrangements should try to reflect those established for Exit Capacity where appropriate, and acknowledged that this may lead to an increase in security; he was inclined to favour option 2b. TD asked for comments in respect of the options; none were forthcoming, and assent to option 2b was therefore inferred.

CW asked if it would be appropriate to simultaneously consider a User's Exit credit position when looking at Entry. RH noted this point for further consideration.

In response to RF, RH confirmed that credit assessment would be based on all entry capacity holdings. RF considered this to be potentially harsh; RH responded that this was why options had been put forward – would a User really want to be trading with a party that did not have credit in place?

RH agreed to amend the Modification Proposal in light of the discussion. It will be returned to the November Workstream for the production of a Workstream Report.

## **2.2 Modification Proposal 0333: “Update of the default System Marginal Buy Price and System Marginal Sell Price”**

NR gave a presentation outlining the background, the purpose of the proposed changes and to address the points raised by the September Modification Panel.

Looking at recovering costs, RH believed it was better to recover these through the energy balancing process rather than User Pays. RH believed this was an energy balancing charge, but if there was any doubt then it may have to be redefined as User Pays and the Modification would be amended.

Notice periods were briefly discussed. Responding to questions, RH believed compressor costs would be available in early August. JCx pointed out that the timelag is a significant issue that potentially undermines cost reflectivity. NR responded that National Grid NTS was trying to access the best available data.

JCx asked if the total annual compressor fuel costs were to be published, and suggested that greater transparency would be more useful and welcome going forward. RH was unclear what use the information would be in respect of the development of this particular Proposal, but believed it could be looked at more generally at some point.

TD pointed out that the Proposal said that National Grid would publish all the inputs; that Incentive Year is not a defined UNC term, and that other periods were also referred to – should these be reviewed for consistency and clarity as to which period was being assessed?

Referring to the proposed start date, TD also pointed out that, if left as written, the Proposal could time out.

Returning to the presentation, NR explained that different methodologies had been considered, and examples were given. There was a discussion during which RH explained what was being charged for, ie the pipeline capability was being used to manage an imbalance and it was appropriate to charge relevant parties for utilising capacity paid for by another party. He recognised that smearing back was not perfect, but believed it would be accurate enough.

CW challenged National Grid's view, and suggested that if one Shipper's imbalance causes a problem for the system, an opposite imbalance would be helping to balance the system and so should not be charged. RH believed that

the best and most efficient position for a Shipper was maintaining a balanced position throughout the day; although balanced at the end of the day, a Shipper could often be long or short at various times throughout the day. CW pointed out that it needed to be recognised that the cost to the system is different depending on whether it is long or short; the methodology appeared to be trying to justify an arbitrary number rather than developing a truly cost reflective price.

RH asked, to be cost reflective on days where compressors were not used, should cashout be at SAP? Some Shippers thought that perhaps it should.

RH explained that he was seeking to minimise the balancing role of National Grid, and was open to other Proposals for achieving this. CW responded that this Proposal needed further development to test the concepts set out. RH reiterated that he would welcome Alternative Proposals being raised to take forward ideas and so give Ofgem more choice, rather than limiting their decision to one Proposal - Ofgem would be able to look at cost reflective cash out in relation to EU rules, and decide on which was the most appropriate option.

NR then gave a brief overview of an alternative methodology, using NTS Capacity charges to derive cost reflective default SMP. JCx questioned whether actuals should be used rather than forecasting. RH explained what was being put forward, which would be made clearer in any Proposal.

NR asked for views on whether this might be a robust method for defining this element of space. RF suggested that the resulting level was the most important thing and would influence any assessment against the relevant objectives.

SL then referred to GCM19 and potential inconsistencies with the Proposal and Ofgem's decision, which said that cost reflective charges should be based on marginal costs. TD and POD did not believe there was necessarily any contradiction since the decisions were judged against different relevant objectives.

RH reiterated that all the options came down to the same point, which was what costs do parties think should be included; there would be more than one potential Modification arising from these, and RH emphasised that he was keen to meet the Licence Conditions. The Proposal needed further work based on the views expressed today and it will be revised and brought to the next Workstream. RH added that if parties believed that other Modifications were required National Grid NTS would be happy to assist in the drafting to facilitate the widest choices being available to Ofgem.

NR reported that xoserve had produced a ROM indicating a 20 week lead time for implementation, such that 01 April 2011 might be a bit tight.

TD then suggested the Workstream Report would need to address the impact on the relevant objectives and would need to demonstrate well argued cogent cases, whether for or against. Ideally the analysis would make it clear which should be the best way forward. To help Ofgem assess if there is a case for change, provision of evidence would be helpful – for example, as to whether and how balancing behaviour would be influenced by the proposed changes.

RH asked, does setting imbalance prices encourage Shippers to balance, as National Grid NTS have no evidence to support this? TD suggested that Shippers might usefully provide evidence as to how default cash out prices affect their behaviour.

It was noted that the Workstream Report is expected to be completed at the November Workstream, and that provision of thoughts or evidence ahead of the meeting would be helpful.

NR added that a Supporting Information Pack had been provided and was available on the JO website.

POD agreed to identify any analysis required by Ofgem in respect of this Proposal and to email the JO and National Grid NTS accordingly.

**Action TR1001: Shippers to provide evidence regarding the influence of default cash out arrangements on balancing behaviour.**

**Action TR1002: National Grid NTS to reconsider the impact of Proposal 0333 on the Relevant objectives.**

**Action TR1003: POD to identify any analysis particularly required by Ofgem in respect of Proposal 0333.**

### 3. Topics

#### 3.1 C27 Linepack Product

Acknowledging the differences of opinion in respect of the hybrid option expressed at Review Group 0291, National Grid NTS had decided to reopen, develop, and bring forward the approach for wider discussion/comment. TW recognised there had been strong feedback that the retrospective element was not supported, but there was also scope for different charges depending on the length/shortness of the system, and for potential consideration in parallel with a linepack product. Other areas, eg a cumulative approach, may also be worth taking forward either in the Workstream or offline between National Grid NTS and Ofgem.

RT clarified her view of the cumulative option, and TW confirmed that if the product was worthy but the October 2011 deadline was going to be hard to achieve, that should not automatically be regarded as an impediment. RT reiterated her concern that Shippers appeared to be obligated/forced to participate under a cumulative approach - there appeared to be no choice allowing for being cashed-out on an individual day rather than becoming part of the cumulative mechanism. RH confirmed this view. RT was of the opinion that, if all parties were compelled to participate, time needed to taken for the rules to be perfectly understood and this should not be rushed into. JCx also evinced concern relating to any options that automatically rolled imbalances forward.

##### 3.1.1 Draft Development Modification Proposal – Introduction of an Inter-day Linepack Product

Referring to the Licence obligation placed on National Grid NTS by Ofgem and the consequential formation of Review Group 0291, RH gave a presentation briefly outlining the options discussed, and the conclusion reached by the Review Group that a recommendation could not be made in support of a Modification. It was, however, recognised that potential Modifications could be assessed and developed on their own merits.

RH then proceeded to give an overview and description of a draft Proposal relating to an inter-day linepack product, which will be raised for the October Modification Panel meeting. RH emphasised that further views or any comments would be welcomed by National Grid NTS.

CW asked if National Grid NTS was looking at whether Financial Services Authority exemption would be required to provide this product, and RH confirmed this was being considered.

RH confirmed that the Proposal was currently defined as User Pays and, based on the Business Rules developed, xoserve has been asked to provide feedback by early November (there is not yet enough detail to seek a formal ROM).

### 3.1.1 Cumulative Imbalance Option

A presentation has been made available on the Joint Office website.

### 3.1.2 Hybrid Option

A presentation has been made available on the Joint Office website.

## 3.2 MIPI ETP update, including related UNCORM updates

NR presented an update on the position of MIPI ETP, including a timeframe for implementation and a summary of the changes. Testing was progressing well.

The proposed UNCORM/Data Dictionary changes were also summarised; these would be discussed at the UK Link Committee prior to seeking final approval for the changes from the Uniform Network Code Committee.

RF asked if National Grid NTS was going to backfill five years of data. RH explained this was not the intention; the functionality was there to provide this going forward and it would thereby eventually become a five-year history. RH was satisfied this met any compliance requirements.

## 3.3 Draft Modification Proposal: “Introduction of Balancing Neutrality Charge for Cost Recovery Associated with Rating services”

LOS outlined the background to the events that precipitated a review of UNC TPD Section X and the Energy Balancing Credit Committee Rules, and advised that several proposals had been put forward to address various aspects that had been identified for improvement.

LOS then explained the purpose of the Proposal and the benefits. There were no comments. It was confirmed that the Proposal would be formally raised by National Grid NTS and submitted to the October Modification Panel.

## 3.4 Draft Modification Proposal: Manifest Errors Procedure related to Overrun Charges

SE briefly recapped on the issue experienced by GasTerra, and then gave a presentation that had taken account of the discussions and suggestions made at previous meetings and summarised the proposed process, the criteria for a valid Manifest Error, the Principles for an Adjustment Process, the Determination of Adjustment – reference costs and factors, and how these might be taken into account and operate - and timescale limits. Various points were discussed as SE sought the views of the Workstream.

### *Process Summary*

*Threshold* - SE asked if it should be a daily threshold or the sum of consecutive days; was £50k an appropriate limit? It was suggested whatever was agreed should apply per ASEP.

*Fee* – RF said that it was not clear who should perform the analysis. SE thought that very little would be required, and would already be covered by the claimant.

*Notification* – MW suggested notice should be given to the Transporter and to the UNC Panel at the same time. SE said that delivery of notification would be expected to all UNC parties, and made via the Joint Office.

*Appeals* – GJ suggested that appeal rights should be open to any User to contest the decision made in respect of any claim, depending on how the

decision had been arrived at. SE would welcome other views on this point, and also the time limits for submission of any claim, and an appropriate threshold.

*Time Limits* – MW believed 30 days to be more reasonable than 60 days; SE responded that she had also received views expressing the opposite opinion. TD asked for the views of any UNCC members present. RF suggested it might depend on how quickly the required information on which a decision could be made was delivered to the Committee. SE was happy to write some rules to set timeframes for this if needed by the UNCC. MW thought it needed to be done as soon as possible. CW suggested including a ‘stop the clock’ principle to cover the situation where additional information is required by the UNCC at some point, with the ‘countdown’ being resumed once this was received. SE suggested a 10 day notice period to call a UNCC meeting and provide the initial information, plus 30 days to reach a formal conclusion. RF suggested including a provision for extension, bearing in mind that this would be an entirely new process and UNCC members might need more time to fully understand what is expected of them and the process. SE suggested perhaps the provision for an extension ‘in exceptional circumstances’.

#### *Principles for Adjustment Process*

MW believed the minimum price to be too low. AR believed that prime costs should be considered; otherwise there could be too many ‘consequential’ to be considered, which could not be unravelled. The principle is ‘Has a genuine mistake been made?’ Costs should not be unduly penal.

#### *Determination of Adjustment – Factors*

TD asked if any further inclusions should be made to help UNCC members. SE offered to provide some worked examples to make this clearer if required.

ZZ asked if greater discretion should be permitted to the UNCC to go outside of the reference costs or if the criteria should be made more absolute. RF and AR were of the opinion that a more mechanical and structured approach was to be preferred because any decision involved financial implications.

MW queried if there was an issue relating to quantity, for example there might be £10m at stake, only £1m of which might be genuinely attributed to this type of error. SE noted this for further consideration.

#### *Timescale Limits*

Invoicing was then discussed, and MW agreed to ascertain National Grid’s preference.

#### **Action TR1004: GasTerra Manifest Error Draft Modification Proposal - Ascertain preference for invoicing purposes.**

TD pointed out that some time allowance needed to be built in for any appeals.

#### *Guidance Document*

SE stated that views/comments on the Guidance document would be welcomed.

RF referred to the Trading Dispute Panel in Electricity and suggested the UNCC might appoint a sub-committee to deal with manifest errors; existing UNCC members may not be expert in this area or be comfortable with allocating money/exercising commercial judgement. AR pointed out that there were subtle nuances in the area of entry capacity that could pose problems for the non-expert, and the more mechanical the process the better since UNCC members might not have the appropriate level of expertise to sit in judgement. SE suggested she could include the ability to appoint a sub-committee, and pointed out that, as with EBCC, there would be no personal liability for committee members.

### *Next Steps*

SE would review comments and suggestions from today's discussions and any further feedback would be appreciated, before updating the Guidance document. Legal text will also be developed. The aim is to submit the Modification Proposal to the Panel. A separate Modification Proposal in relation to Appeals is likely to be raised, with one relating to changes to Gemini to follow.

## **4. Any Other Business**

### **4.1 SO Incentives Consultation Document**

RH reported that this document was due to be released later this month, and he encouraged the Workstream to respond to it.

## **5. Diary Planning**

The next Transmission Workstream meetings are scheduled as follows:

10:00, 04 November 2010, at Elexon, 350 Euston Road, London NW1 3AW.

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

Further details of planned meetings are available at:  
[www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary).

## **6. Project TransmiT**

A presentation was given by POD regarding Ofgem's review of transmission charging and associated connection arrangements. An open letter was issued on 22 September 2010, setting out the context and the objectives, etc, together with a timetable, and inviting industry views on the scope and priorities of the review.

POD recapped briefly on key points of gas Transmission charges and developments over the past year, and pointed out related issues and how these might affect gas charging. JCx had concerns that the industry should continue to work within the framework that had been developed rather than go right back to first principles.

Responding to questions, POD said that TCMF should continue to operate and raise proposals to Ofgem for decision. EB pointed out that there was a risk that potential changes in electricity charging would have an indirect impact on gas. SL queried if there would be crossover issues. POD believed the review would take into account and would address any similar issues while recognising the differences between the gas and electricity markets. He reiterated that he was not expecting any radical change in gas, and that TCMF should continue and would be kept aware of development through regular updates from Ofgem.

POD then outlined what information was being sought from Ofgem's perspective, and gave an indication of the timetable and process for industry engagement. It is intended to hold Stakeholder events during October/November 2010, with a consultation planned for Spring 2011. JCx requested that any meeting organisers in Ofgem take account of already planned industry meetings in order to avoid a clash of dates.

Responding to questions, POD explained that there would be a fact gathering exercise first, following which Project TransmiT would identify any issues and determine whether a SCR was needed or to raise topics at TCMF. SR asked what the outcomes for the Project were likely to be; would there be any



recommendations to be looked at? POD said this was dependent on progress and the nature of any conclusions.

Responses to Ofgem's call for evidence should be submitted by Wednesday 17 November 2010 to: [Project.TransmiT@ofgem.gov.uk](mailto:Project.TransmiT@ofgem.gov.uk).

**Action Log – UNC Transmission Workstream: 07 October 2010**

<b>Action Ref</b>	<b>Meeting Date(s)</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
TR 0901	02/09/10	1.3.3	Clarify the timing of the 3 <sup>rd</sup> Energy Package and report back.	Ofgem (RM)	<b>Closed</b>
TR 0902	02/09/10	3.2	Ascertain the parameters/ constraints of the financial year in respect of utilising this as a potential claims period for Manifest Errors and report back to SE and Workstream.	National Grid NTS (FH)	<b>Closed</b>
TR 0903	02/09/10	3.2	Consider and list what mandatory data may be required to be provided in evidence in respect of a manifest error claim.	National Grid NTS (FH)	<b>Closed</b>
TR 1001	07/10/10	2.2	Provide evidence regarding the influence of default cash out arrangements on balancing behaviour	Shippers	Pending
TR 1002	07/10/10	2.2	National Grid NTS to reconsider the impact of Proposal 0333 on the Relevant objectives	National Grid NTS (RH)	Pending
TR 1003	07/10/10	2.2	Identify any analysis particularly required by Ofgem in respect of Proposal 0333	Ofgem (POD)	Pending
TR 1004	07/10/10	3.4	GasTerra Manifest Error Draft Modification Proposal - Ascertain preference for invoicing purposes	National Grid NTS (MW)	Pending