

Transmission Workstream Minutes
Thursday 05 August 2010
Elexon, 350 Euston Road, London NW1 3AW

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Amrik Bal	(AB)	Shell
Andrew Fox	(AF)	National Grid NTS
Andrew Pearce	(AP)	BP Gas
Charles Ruffell	(CR)	RWE npower
Chris Wright	(CW)	Centrica
Clare Cameron	(CC)	Ofgem
Fergus Healy	(FH)	National Grid NTS
Fiona Gowland	(FG)	Total E & P
Graham Jack	(GJ)	Centrica
Graeme Thorne	(GT)	Canatxx
Jacopo Vignola	(JV)	Centrica Storage Ltd
Jill Brown	(JB)	RWE npower
Joanna Ferguson	(JF)	Northern Gas Networks
John Costa	(JC)	EDF Energy
Julie Cox*	(JCx)	AEP
Landon Larson	(LL)	ExxonMobil
Mark Cockayne	(MC)	xoserve
Mark Freeman	(MF)	National Grid Distribution
Mike Wassell	(MW)	National Grid NTS
Paul O'Donovan	(POD)	Ofgem
Rekha Theaker	(RT)	Waters Wye Associates
Richard Cresswell	(RC)	xoserve
Richard Fairholme	(RF)	E.ON UK
Richard Miller	(RM)	Ofgem
Ritchard Hewitt	(RH)	National Grid NTS
Simon Trivella	(ST)	Wales & West Utilities
Sue Ellwood	(SE)	TPA Solutions
Zori Zafirova	(ZZ)	GasTerra

* via teleconference

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/050810>.

TD welcomed attendees to the meeting.

1.1 Minutes of the previous Workstream Meeting

The minutes of the previous meeting (01 July 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, following the change of Government, interaction between Ofgem and DECC is focussed on other areas. As such, there is unlikely to be any progress to report for some time. Given this, the Workstream agreed the action should be closed. **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: RH reported that documents were now available on the Joint Office website, and that National Grid was awaiting the outcome of the consultation before progressing any further. TD reminded RH of the requirement to submit the document to the UNCC for approval prior to any systems changes being implemented. **Action closed**

Action TR0701: JO to obtain progress updates on the recommendations of Review Group 0251.

Update: TD ran through progress with the recommendations – no issues had been put to the CV liaison group for consideration; Ofgem/DECC had not established a policy against which Transporters could legitimately set CV requirements for gas entering the network. POD indicated that some trials were proceeding in relation to CV measuring equipment that it is hoped will prove to be cheaper than the current options and which will then allow for the equipment to be used in appropriate places. However this has yet to be proven and approved. **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/>.

TD gave an update on live and recently closed Modification Proposals.

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/>

TD conducted a brief review of the items and it was agreed that 003TR, 008TR, 022TR, 024TR and 025TR could now be closed, and that 014TR and 019TR would be placed 'On Hold' for the present.

1.3.3. Related Meetings and Review Groups

Review Group 0291 – A meeting had been held on 19 July 2010, with a further meeting planned for 11 August 2010.

POD then gave a brief update on Ofgem's activities.

SO Incentives – An open letter that provided information on the objectives, process and timetable for the development of the SO incentive schemes to be in place from April 2011 was published on 22 July 2010; views were sought and should be submitted as soon as possible.

Current consultation on what constitutes a relevant point on the System (2nd Directive) - there would be a further consultation on the wording around September/October 2010 and this should be borne in mind when responding to the current consultation.

Proposal to add Moffatt as an entry point – consultation closes on 15 September 2010.

GDPCR/TPCR – A couple of letters had been issued regarding the way forward.

Gas Shipper Entry Credit Arrangements – A letter had been issued on 04 August 2010 regarding the way forward, signalling a Licence consultation taking place at the end of August. Views would be welcome by 26 August 2010 in advance of the Licence consultation.

National Grid NTS had approached Ofgem to see if it would consider the regulated LNG prices, and a communication about this will be issued shortly.

2. UNC Modification Proposals

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

RF (as Proposer) reported that AEP, Shippers and National Grid NTS met to discuss the connections process and relevant expertise was present to facilitate a good understanding of each party's position. As a result of this positive progress the parties were now looking at revising the connections process in greater depth than envisaged by Modification Proposal 0273 and, subject to further progress, it was likely that 0273 will be withdrawn and replaced by a more comprehensive proposal that covers a wider scope. Essentially this would be creating an acceptable timeline for the connections process - this would be devised in cooperation with National Grid NTS and would be brought to the Workstream at an appropriate point. RF explained that the DNs, as transporters would not be subject these rules, but if they were requesting a feasibility study from National Grid it might apply to DNs as customers. The parties were looking at a similar process to that under CUSC, but making it gas focused. RF would be happy to discuss with interested parties if more detail was required.

POD questioned if this was likely to frame some sort of timeline obligation within the UNC. RF responded that various scenarios were under discussion and this also involved clarifying what should be included within UNC and what should be set out within a guidance document. POD then indicated that consideration might also need to be given to Licence conditions. RF noted this point and, following crystallization of the practical details, would discuss with Ofgem to ascertain what further action, if any, might be required.

2.2 Modification Proposal 0315 – To Enhance Section X of the UNC Transportation Principal Document to improve the Energy Balancing Further Security Process

RC presented on behalf of the proposer Richard Street, who was unable to be present at the meeting due to circumstances beyond his control.

RC outlined the background to, and purpose of, the proposal, highlighting the salient points and explaining the proposed scale-back timeline. Examples following the current and the proposed method were then compared.

ST noted that the 20% adjustment would appear in the Energy Balancing Credit Rules (EBCR) rather than the UNC. MC pointed out that this gives more

flexibility to make adjustments as appropriate, rather than having to propose a Modification to the UNC.

ST believed that the 20 day measurement period and the rebasing period may need to be clarified in the legal text.

There were no further comments.

2.3 Modification Proposals 0318 to 0325 – Codes Governance Review

RH gave a presentation on the suite of Modification Proposals (0318 – 0325) that had been generated by the Codes Governance Review, and briefly addressed the main points of each Proposal.

0318 – This had been the subject of considerable debate at the Governance Workstream, where various concerns had been raised regarding the proposed constrictions and narrowing of the opportunity/timeframe in respect of raising alternative proposals. It was likely that an alternative Proposal would be raised to this particular Modification Proposal.

0319 – The decision on the provision of legal text was to be taken earlier in the process. It was confirmed that there would be no change to the current arrangements for the commissioning/procurement of legal text via the Joint Office.

0320 – In response to a question from ST regarding casting votes, RH confirmed this excluded Panel recommendations on FMRs.

0321 – No comments or questions received.

0322 – The charging methodologies were to be incorporated in the UNC at TPD Section Y. The future structure of Workgroups for progressing changes was briefly discussed, and RH confirmed that he was working with lawyers to define an appropriate structure. RF sought clarification that the legal text would include the full methodology statements that were being incorporated into the UNC, and RH confirmed this was the intention. ST added the same process was envisaged for the DNs, who were looking at incorporating a single, consistent, DN charging methodology as part of the new Section Y. While this would specify the methodology, other present inclusions, such as diagrams and examples, would not be incorporated within the UNC.

0323 – In response to questions on the Self Governance Appeals process, CC described the process in more detail and Shippers welcomed the confirmation that Ofgem was considering issuing some sort of guidance to support the process.

0324 – No comments or questions received.

RH confirmed that the Modification Proposals will be updated where appropriate in light of comments received and will be presented to the August UNC Modification Panel for consideration, with a view to being issued for consultation. RF pointed out that Shippers would not welcome a shortened consultation period. ST stated that Panel Members were likely to prefer the convening of a separate Panel meeting to give consideration to these Modification Proposals rather than have to impose a shortened consultation period. In response to a question from CR, CC explained that the Licence changes giving direction had already been made on 05 July 2010, and indicated that the changes would be effective from 31 December 2010.

3. Topics

3.1 Topic 008TR Entry Capacity

3.3.1 Draft Modification Proposal: Manifest Errors Procedure related to Overrun Charges

SE recapped on the issue, which had been brought to the previous Workstream for consideration and views. GasTerra acknowledged that previous attempts to change the overrun regime had been unsuccessful, so had focussed on introducing Manifest Error Provisions into the UNC. Promoting active warning signals within Gemini was also being considered. SE proceeded to elucidate GasTerra thinking in terms of scope and administrative arrangements.

MW believed that a 5 year rolling cut-off felt too long for manifest errors related to overruns; arguably the cut-off should be before the invoice was received, but certainly shortly after. TD asked if others agreed with this view and received assent; SE noted this.

FH asked if there was any concept of the definition of a Manifest Error; SE believed there should be a very narrow entry point into the process, ie a genuine administrative error as distinct from errors of commercial judgement. FH pointed out that this could conceivably cover a wide spectrum, and would have to be constrained quite tightly. SE said the definition would probably exclude errors in allocations because these were unlikely to arise, and referred to the electricity experience/process. It was likely to include errors that had occurred because the Shipper has not booked enough capacity through an administration error which, of course, must be demonstrated by the Shipper. POD asked how delineation between manifest error and business process failure could be determined; this could be quite an important hurdle to address. RF observed that if the error was continuous/continued to be made it was more likely to be business process failure. SE believed that the wording associated with the concept as defined in the electricity industry may be helpful and similar definitions may be drawn upon to clarify what is required in the gas industry, and to try and define circumstances in which a legitimate claim can be justified. FH referred to TPD Q7 as being potentially useful in this respect.

Administrative fees

SE explained a possible approach whereby a non-refundable administration fee was paid at the commencement of a claim. The fee would go to the Transporter to cover the costs of providing analysis and supporting information as appropriate to the claim. MW agreed that a separate materiality threshold would be sensible. POD assumed that the process would have to be self-funding and outside the User Pays framework. Following a suggestion from SE, MW agreed to provide a view on the cost of providing data/analysis to support the Materiality Threshold, and also where a cut-off point might best lie.

Action TR0801: Proposed Manifest Error Procedures - National Grid NTS to provide data/analysis to inform the materiality threshold, and also where a cut-off point might best lie.

Determining Body

SE described the existing entities considered and other options, together with the purpose and possible process that might be adopted by a determining body.

MW commented that, in light of confidentiality issues, National Grid should notify the deciding body and not all Users. RH suggested a non-Code User Pays service, and questioned if Transporters would be involved. SE suggested perhaps this may be the case where the User cannot pay or refuses to pay. RH thought there may be involvement in the outcome and where funds flow, but believed any hearings would not necessarily require the involvement of the

Transporter, ie factual evidence would be used to decide if a claim was appropriate and any adjustment to be made.

POD observed that there may not be an appeal role on the electricity side and SE may need to verify this and reflect as appropriate in the proposed process.

Moving on to the process, MC referred to UNC TPD Section X and suggested that this provided some useful guidance and precedents from the energy balancing arena which might be reflected in any proposal.

FH asked how it would be determined what should be requested in terms of information to be provided to support/refute a claim. MC added that the requesting of specific information would aid in the timely provision to a deciding Committee who may have to make a speedy decision. MC explained that the sudden occurrence of adverse financial issues meant that ad hoc meetings were sometimes a feature of EBCC and, to support rapid and sound decision making, the EBCC had developed templates to cover the type of information that it may require to be sourced and provided at short notice. SE noted this, suggesting that perhaps a track record of booking capacity and associated levels might be helpful. She believed the data should be readily accessible but that there was value in leaving some discretion for the determining body.

JF pointed out that there may need to be a balance between confidentiality and what was made available within a public meeting such as the UNCC. SE wondered if provision could be made for 'private' meetings of such a body. MC said that EBCC meetings had to address issues of non-disclosure of identity and the claimant may have to agree to identity exposure.

Determining Financial Adjustments

SE explained what happened in such circumstances on the electricity side. However, there was not an immediately obvious reference cost on the gas side. Therefore she had made suggestions to allow for eg UNCC to come to a conclusion as to what was appropriate.

MW asked how it would be defined what the capacity should have cost. MW also suggested that claims should be excluded from days where capacity buy-backs have occurred, or if an overrun has caused a constraint.

RF pointed out that the determining body members may have contracts in place with a claimant and there may be conflicts of interest. There may also be issues of personal liability associated with decision making in these circumstances as unsuccessful claimants may then seek to pursue their claim through other routes. Some protection may be required along the lines of that given to EBCC members. FH added that a body would need to demonstrate that it had followed the industry agreed process and had exercised due care in its decision-making and outcome.

In light of today's discussions further work would be carried out on the proposal and SE would welcome detailed views from any interested party and any further suggestions for inclusion/exclusion as appropriate.

3.2 Topic 003TR Review of NTS Exit Capacity Arrangements

3.4.1 Exit Overruns in the Enduring Regime

MW referred back to the previous Workstream where this issue was initially discussed, and where it had been ascertained to be an unintended consequence of the deemed application business rules. He then gave a brief presentation, reminding the Workstream of the current deemed application rules and offering some initial thoughts on a draft modification proposal, explaining the principles

supported by some examples comparing the current position and the cumulative effect.

MW said it was the intention to include the changes within Phase 3 of the exit regime system changes, with no change in the cost of delivery. National Grid NTS therefore expected to raise this as a User Pays Modification Proposal with costs of zero. MF pointed out that there were wider reservations about User Commitment overruns and flow swaps, and that the timing of the modification may need closer consideration.

3.3 Carbon Capture and Storage (CCS) – Incremental Cost Methodology

Whilst recognising that this was not a UNC issue, AF gave a presentation on this topic in order to raise industry awareness of the position. A methodology statement was being issued in the next month or so, and POD confirmed that the Authority would be issuing a statement in September relating to the asset release. Consultation was expected to commence either mid-September or mid-October.

RF asked if the methodology statement would define what the incremental costs were. AF responded that this was still being worked on and the models would change to reflect the actual conditions on the day. RF had concerns regarding the risk of cross subsidies. AF stated that it would not be easy to get an exact number; a reasonable approximation was more likely.

4. Any Other Business

4.1 Gemini Code Contingency Exercise “Exercise Star”

RH gave a presentation and encouraged those Shippers present to make their organisations aware of the forthcoming exercise - as 100% participation of all Shippers is expected.

The Code Contingency Guidelines Document and supporting forms can be found on the Joint Office website at <http://www.gasgovernance.co.uk/OtherDocs>, and contains procedures setting out the responsibilities of Shippers, National Grid and xoserve in the event of a failure of the Gemini System. The Guidelines state that the procedures are to be tested at least every 2 years, and xoserve is co-ordinating the first planned test exercise to take place on 08 September 2010. Notice of this test has been given via the UK Link Committee and a document pack containing the details of “Exercise Star” will be made available on the Joint Office website prior to the Exercise. A feedback questionnaire will also be available after the Exercise for all Shippers to complete.

There were no questions in relation to the Exercise.

4.2 Ofgem departure

POD reported that Steve Smith would be departing Ofgem at the end of September.

5. Diary Planning

The next Transmission Workstream meetings are scheduled as follows:

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

10:00, 07 October 2010, at Elexon, 350 Euston Road, London NW1 3AW.

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.

Action Log – UNC Transmission Workstream: 05 August 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)	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)	Closed
TR 0701	01/07/10	3.2	Obtain progress updates on the recommendations of Review Group 0251.	Joint Office (LD)	Closed
TR 0801	05/08/10	3.1.1	Proposed Manifest Error - provide data/analysis to inform the materiality threshold, and also where a cut-off point might best lie.	National Grid NTS (MW)	Pending