

**Transmission Workgroup Minutes**  
**Thursday 03 March 2011**  
**Elexon, 350 Euston Road, London NW1 3AW**

**Attendees**

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Charles Ruffell	(CR)	RWE npower
Chris Wright	(CW)	Centrica
Claire Thorneywork	(CT)	National Grid NTS
Colin Thomson	(CT1)	Scotia Gas Networks
Dave Corby	(DC)	National Grid NTS
Dora Ianora	(DI)	Ofgem
Fergus Healy	(FH)	National Grid NTS
Graham Jack	(GJ)	Centrica
Ian McNicol	(IM)	Ofgem
Jacopo Vignola	(JV)	Centrica Storage Ltd
Jeff Chandler	(JC)	SSE
Jill Brown	(JB)	RWE npower
Joanna Ferguson	(JF)	Northern Gas Networks
Lewis Hodgart	(LH)	Ofgem
Malcolm Arthur	(MA)	National Grid NTS
Nick Wye	(NW)	Waters Wye Associates
Phil Broom	(PB)	GDFSuez
Phil Hobbins	(PH)	National Grid NTS
Richard Miller	(RM)	Ofgem
Simon Trivella	(ST)	Wales & West Utilities
Stefan Leedham	(SL)	EDF Energy
Sue Ellwood	(SE)	TPA Solutions

**1. Introduction**

*Copies of all papers are available at [www.gasgovernance.co.uk/tx/030311](http://www.gasgovernance.co.uk/tx/030311).*

TD welcomed attendees to the meeting.

**1.1 Review of Minutes of Previous Meetings**

The minutes of the meeting held on 11 February 2011 were accepted.

**1.2 Review of Outstanding Actions**

**Action TR0201:** Consider the distinction between a zero release and 'no release' and address what should happen in respect of either position.

**Update:** Covered under 2.1 below. **Action closed**

**Action TR0202:** 0337 Business Rules 2.3 – Confirm if Ofgem approval is required for the Inter-day Linepack Methodology Statement.

**Update:** IM requested that this be carried forward. **Action carried forward**

**Action TR0203:** 0337 Business Rules 2.5.2 – Add further clarity to this paragraph.

**Update:** Covered under 2.1 below. **Action closed**

**Action TR0204:** 0337 Business Rules 2.6.2 – Clarify if the calculation of reserve prices should be part of the transportation charging methodology.

**Update:** Covered under 2.1 below. **Action closed**

**Action TR0205:** 0337 Business Rules 2.9.2 – Check ‘materiality’ is defined in the IDLP Methodology Statement.

**Update:** MA confirmed that it was not defined in the current Statement, and there was no intention to do so. **Action closed**

**Action TR0206:** 0337 Business Rules 3. – Re-examine the treatment of bid remainders.

**Update:** Covered under 2.1 below. **Action closed**

**Action TR0207:** 0337 Business Rules 3.3.3 Netting Off Bid Acceptance Process – Review against the legal text.

**Update:** Covered under 2.1 below. **Action closed**

**Action TR0208:** Confirm whether Modification 0337 meets Ofgem’s criteria for conducting an IA.

**Update:** IM confirmed that it does not meet the criteria. **Action closed**

### **1.3 Review of Live Modifications not covered elsewhere on the agenda**

The Modifications Register is available at: [www.gasgovernance.co.uk/mods/](http://www.gasgovernance.co.uk/mods/).

TD gave an update on the status of Live Modifications.

### **1.4 Industry Updates**

#### **1.4.1 Industry Meetings**

No reports.

#### **1.4.2 Ofgem ([www.ofgem.gov.uk](http://www.ofgem.gov.uk))**

RM reported on recent activities.

*RIIO-T1 - 11 Feb:* Ofgem published timing of stakeholder engagement events. National Grid Gas are holding events on 29 March 2011 and 5 April 2011 in London.

*Exit capacity substitution methodology – 11 Feb:* Ofgem published an Impact Assessment on National Grid Gas’ proposed methodology. The consultation

closes on 11 March 2011. A final decision is to be published by 04 April 2011.

*UNC0347V (Amend NTS exit capacity assignment start date) – 17 March:* Ofgem approved this.

*UNC0336 (The introduction of a balancing neutrality adjustment charge for cost recovery associated with rating services) – 18 Feb:* Ofgem approved this.

*LNG price control – 21 Feb:* Ofgem published Final Proposals published. Ofgem seeks confirmation of proposals from NGG by 21 March 2011.

*Operating Margins contestability – 24 Feb:* Ofgem decided that competition was effective for the provision of two specific OM requirements and so has suspended the application of the relevant C3 prices for these two services.

*Relevant Points under the Third Package:* Ofgem consultation closed 01 March 2011. Ofgem hopes to publish decision soon.

*Significant Code Review –* Ofgem are working through the consultation responses and are expecting to conduct further workshops in March/April with a view to making a final decision in December.

## **2. UNC Modifications**

### **2.1 Modification 0337: “Introduction of an Inter-Day Linepack Product”**

MA and CT explained the changes made to the Business Rules and to the User Pays section of the modification.

User Pays charges will have to be governed through the ACS, on a separate invoice, paid monthly and with implementation costs recovered over 2 years. It is anticipated that by the end of year 1 there will have been more credits through the neutrality process, which will have covered the charges. CT confirmed that all Users, with 1/24th of the cost being apportioned each month, would pay the charges proposed to recover implementation costs. CR expressed concern that this was moving away from the principle that only users of the service should pay. MA reiterated that if no party used the service, all Users will be charged every month. SL questioned how that was targeting costs (in accordance with Licence conditions) and how it was reflective of costs. MA responded that the cost per month was based on not recovering the money for use of service, but based on having to provide a service even if no one used it. SL expressed incredulity, reiterating that no one had indicated a demand for this service; why should anyone be required to pay for a service to be provided that no User had requested?

CT responded that, based on responses to an open letter, this point had been reached, and National Grid NTS had conservatively assessed what it believed might theoretically be available to the market and the likely extent of use. SL pointed out that this approach was flawed because it was not based on any real assumptions, and suggested that the Panel should be requested to seek a formal view from Ofgem on the appropriate funding arrangements. He repeated his strong belief that this modification is being driven by the existence of a Licence Condition rather than through any demand for the product.

Shippers supported SL’s view that this should not be funded entirely by Users as a User Pays service.

CR queried the ongoing costs and their recovery. CT confirmed that these costs would arise even if no one enters the auction. ST suggested that, given the low

level, this cost might be added to the application support costs and billed over the next 2 years. However, MA confirmed that National Grid NTS had no intention of revising the modification.

The statements made relating to the relevant objectives were then discussed.

SL was convinced that APX would have swiftly developed this service had there been any appreciable benefit for Shippers, and noted again that Shippers were not indicating support for this modification and its proposed service. PB pointed out that it was not a product that had been developed in response to Shipper requirements, and would therefore have no material impact on competition.

TD asked Ofgem if they believed any further analysis was required, and IM confirmed that it was not required.

TD pointed out that Suggested Text had not been provided for the Workgroup to consider and assess, and referred to Ofgem's (Mark Cox) letter giving advice regarding expectations in respect of assessment of legal text. National Grid NTS indicated that the modification would be amended to include Suggested Text prior to the March Modification Panel meeting.

When asked for Ofgem's view in respect of this particular modification, IM declared that the advice set out by Mark Cox could be disregarded and the modification could proceed without legal text having been considered by the Workgroup. The Workgroup therefore agreed to recommend it should proceed to consultation and the Workgroup Report, as amended during the meeting, was approved for submission to the Modification Panel.

The Workgroup recommended that the UNC Modification Panel should request the provision of legal text, and also recommended that Panel seek a formal view from Ofgem on the appropriateness of the proposed User Pays charges. National Grid NTS were also asked to arrange a Workgroup meeting with their lawyers present to provide an opportunity for the legal text to be explained.

The outstanding actions were then reviewed in light of the discussion.

## **2.2 Modification 0338: "Remove the UNC requirement for a 'gas trader' User to hold a Gas Shipper Licence"**

DC gave a presentation detailing the approach National Grid NTS plan to use in drafting the modification, the UNC sections that would be impacted and the proposed timescales.

DI explained that a distinction would need to be made between Traders and other Users, assuming that Ofgem decided not to issue Traders with a Shipper Licence. CW suggested that some indication would be welcome of the benefits of removing the Shipper Licence as a requirement for Traders. DI indicated that Ofgem was questioning the issue of such a licence to these particular parties (which may better fit under FSA for regulation purposes) and DC added that a reduction in the administration of the UNC could be achieved.

NW pointed out that trying to understand what is necessary for a Trader in respect of UNC compliance was very complex and time consuming. Most credit requirements were completely irrelevant to a non-physical player apart from energy balancing credit arrangements, and simplification could bring benefits.

ST pointed out that the UNC applies to Traders anyway, and it may be as simple as changing the requirement to hold the licence.

Given that many sections of UNC might require review and change, SL suggested that it might be a better idea to consider creating an entirely new

section to apply to Traders only. NW agreed this would be easier from a compliance perspective. DC noted this suggestion for further consideration.

SL believed that it would be essential that the legal text for this modification be discussed at a Workgroup with lawyers present to confirm whether or not changes would be made. MA responded that it was not yet certain whether internal or external lawyers would be used to provide the text. TD reminded all that Ofgem had requested that a commentary should also be provided by the lawyer (in association with the text) to explain the changes made, and how these reflected the intent of the modification. This should assist Workgroup considerations of the text.

DC confirmed that an extension to the timetable for reporting would be requested at the March Modification Panel, and that he would look at the feasibility of putting all changes/requirements into a separate UNC section. The modification will be revised and legal text will be provided as appropriate.

**Action TR0301: UNC0338 – Consider putting all changes/requirements associated with removal of the licence requirement from Traders into a separate UNC section, revise the modification and provide legal text together with explanatory commentary.**

DI confirmed that Ofgem was in dialogue with the FSA regarding the position of Traders. TD observed that if it was agreed that there was no longer any requirement for Traders to hold a licence, this may impact the current User Admission process, and it would need to be clearly understood how such parties would be admitted to the market and be permitted to act.

CW suggested it would be prudent to understand what current requirements were placed on a potential Shipper when applying for a licence; this would enable the identification of any gaps/exposures/void in regulation. DI outlined the status and record checks made by Ofgem. She was not sure what checks were made by FSA in respect of financial trading parties.

FH and SL commented that Shippers already carry out their own checks regarding potential trading counter parties. However, an understanding was required of the risks associated with removing the licence requirement.

TD summarised that there was clearly a concern regarding the issue and associated risks, but also an acknowledgement that any solution should not be too complex. SL observed that removal of the licence requirement might allow DNOs to trade. ST questioned if there were other 'hurdles' that warranted safeguarding and further consideration in case of unintended consequences.

CW then questioned if Ofgem have formal information gathering powers under the current Shipper Licence - would removal of the requirement to hold a licence negate any current formal sanctions and in effect create a discriminatory compliance regime? If this were the case, how would the disappearance of traditional powers currently held under the licence/UNC be addressed/mitigated? It might be that Ofgem does have other powers that it may invoke, but this needs to be clearly stated and understood by all.

**Action TR0302: UNC0338 – Ascertain if Ofgem has formal information gathering powers under the current Shipper Licence, and also whether removal of the requirement to hold a licence would then negate any current formal sanctions open to Ofgem.**

NW suggested to DI that the FSA might be invited to attend the Workgroup such that the industry could better understand its processes. DI noted this and would welcome any further comments and suggestions.

**2.3 Modification 0352: “The Introduction of an Interruptible Reverse Flow service at Moffatt Interconnector”**

No further update provided.

**3. Issues**

No new Issues were raised.

**4. Any Other Business**

**4.1 Exit Reform Phase 3 – Application Interface Programming (API) Requirements**

FH reported that this had been explored through the UK Link Committee; five APIs had been proposed based upon the relevant existing Entry Capacity processes. Only one Shipper response had been received and it was agreed to extend the request to the Transmission Workgroup and the Gas Operational Forum. Once the level of interest has been gauged, National Grid NTS will advise as to its plans.

**5. Diary Planning**

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

The next Transmission Workgroup meetings are scheduled as follows:

10:00 07 April 2011, at Elexon, 350 Euston Road, London NW1 3AW

10:00 05 May 2011, at Elexon, 350 Euston Road, London NW1 3AW

10:00 02 June 2011, at Elexon, 350 Euston Road, London NW1 3AW

**Action Log – UNC Transmission Workstream: 03 March 2011**

<b>Action Ref</b>	<b>Meeting Date(s)</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
TR 0201	11/02/11	2.1	0337 - Consider the distinction between a zero release and 'no release' and address what should happen in respect of either position.	National Grid (CT)	Closed
TR 0202	11/02/11	2.3	0337 Business Rules 2.3 - Confirm if Ofgem approval is required for the Inter-day Linepack Methodology Statement.	Ofgem (IM)	Carried Forward
TR 0203	11/02/11	2.3	0337 Business Rules 2.5.2 - Add further clarity to this paragraph.	National Grid (CT)	Closed
TR 0204	11/02/11	2.3	0337 Business Rules 2.6.2 – Clarify if the calculation of reserve prices should be part of the transportation charging methodology.	National Grid (CT)	Closed
TR 0205	11/02/11	2.3	0337 Business Rules 2.9.2 – Check 'materiality' is defined in the IDLP Methodology Statement.	National Grid (CT)	Closed
TR 0206	11/02/11	2.3	0337 Business Rules 3. – Re-examine the treatment of bid remainders.	National Grid (CA)	Closed
TR 0207	11/02/11	2.3	0337 Business Rules 3.3.3 Netting Off Bid Acceptance Process – Review against the legal text.	National Grid (CA/CT)	Closed
TR 0208	11/02/11	2.3	0337- Confirm whether Modification 0337 meets Ofgem's criteria for requiring an IA.	Ofgem (IM)	Closed
TR 0301	03/03/11	2.2	UNC0338 – Consider putting all changes/requirements associated with removal of the licence requirement from Traders into a separate UNC section, revise the modification and provide appropriate legal text together with explanatory commentary.	National Grid NTS (DC)	

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR 0302	03/03/11	2.2	UNC0338 – Ascertain if Ofgem has formal information gathering powers under the current Shipper Licence, and also whether removal of the requirement to hold a licence would then negate any current formal sanctions open to Ofgem.	Ofgem (DI)	