

Transmission Workgroup Minutes
Thursday 04 October 2012
ELEXON, 350 Euston Road, London NW1 3AW

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Andrew Kelly*	(AK)	Bord Gais Eireann
Antony Miller	(AM)	Centrica Storage
Charles Ruffell	(CR)	RWE Npower
Darren Reeve	(DR)	Interconnector
Debra Hawkin	(DH)	National Grid NTS
Erika Melen	(EM)	Scotia Gas Networks
Fiona Gowland*	(FG)	Total E & P
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
Jane Cooper	(JC)	DONG
Jeff Chandler	(JCh)	SSE
Julie Cox	(JCx)	Energy UK
Matthew Hatch	(MH)	National Grid NTS
Mike Wassell	(MW)	National Grid NTS
Natasha Ranatunga	(NR)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Phil Hobbins	(PH)	National Grid NTS
Rekha Theaker	(RT)	Petronas Energy
Richard Fairholme	(RF)	E.ON UK
Richard Miller	(RM)	Ofgem
Sam Moody	(SM)	Xoserve
Shelley Rouse	(SR)	Statoil
Tricia Moody	(TM)	Xoserve

*via teleconference

1. Introduction

Copies of all papers are available at www.gasgovernance.co.uk/tx/041012

TD welcomed attendees to the meeting.

1.1 Review of Minutes and Actions of the previous meeting

1.1.1 Minutes

The minutes of the previous meeting were accepted.

1.1.2 Actions

TR0801: Draft Modification – Development of the capacity and connection processes – Planning and Advanced Reservation of Capacity Agreement (PARCA) - National Grid NTS (MW) to provide worked examples of the PARCA approach under differing scenarios.

Update: MW reported that work was continuing. **Carried forward**

TR0802: *Draft Modification – Development of the capacity and connection processes – Planning and Advanced Reservation of Capacity Agreement (PARCA)* - All to review the draft modification.

Update: Some comments had been received regarding the Business Rules. MW indicated that he would respond on the specific points raised and the modification will be revised as appropriate. Further comments would be welcomed. It was agreed this action could now be closed. **Closed**

TR0901: *Long term non-firm capacity: Draft business principles* - Consider if daily offpeak capacity could be made available via any other product.

Update: MW reported that he was still awaiting the conclusion of internal checks before bringing views to the Workgroup. He gave a brief summary of progress at the previous meeting, and confirmed that the information would be issued for review before the November Workgroup meeting. It was agreed this action could now be closed. **Closed**

TR0902: *Long term non-firm capacity: Produce a draft discussion paper setting out the options for review/comment.*

Update: Work is continuing. **Carried forward**

TR0903: *Capacity and Connections: Produce an expanded document (based on the structure of a modification proposal template) to clearly demonstrate the need for change, how this might be achieved, and giving consideration to wide ranging industry impacts.*

Update: Work is continuing. **Carried forward**

1.2 Review of Live Modifications not covered elsewhere on the agenda

The Modifications Register is at: www.gasgovernance.co.uk/mods

Of specific note were:

0426 – Consultation closes on 02 November 2012;

0415 – With Ofgem for decision;

0376S – Implementation date to be confirmed;

0338V – With Ofgem for decision; and

0276 – Implementation date to be confirmed.

1.3 Ofgem Update

NR reported on recent Ofgem activities, as follows:

- ***RIIO-T1: Responses to Initial Proposals - 28 September 2012***

Following publication of Ofgem's initial proposals headline document on 16 July 2012, Ofgem's Initial Proposals (and its associated documents) was published in July, setting out in full the transmission price controls for NGET and NGGT from 01 April 2013 to 31 March 2021. Alongside these documents Ofgem published a first informal draft licence conditions consultation; the consultation closed on 21 September 2012. All non-confidential responses have now been uploaded and are available at the following location on Ofgem's website:

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=214&referrer=Networks/Trans/PriceControls/RIIO-T1/ConRes>

- ***Open Letter: Call for evidence on the use of the gas interconnectors on Great Britain's (GB's) borders and on possible barriers to trade – 01 October 2012***

This letter launches a review of gas flows on interconnectors between GB and the Continent, seeking stakeholders' views on issues that need to be considered when seeking to remove potential barriers to cross-border trade. Responses are due in December 2012. There will be a public workshop in London on 21 November 2012 and parties interested in attending are encouraged to register their interest with Arina Cosac (Arina.Cosac@Ofgem.gov.uk) by 07 November 2012.

Link to open letter:

http://www.ofgem.gov.uk/Europe/Documents1/120928_Interconnector_Open%20Letter%20Final.pdf

- ***RIIO-ED1: Price control proposals consultation – 28 September 2012***

Ofgem has published its consultation on the next price control for Britain's 490,000 miles of electricity distribution network that delivers power to homes and businesses. The control, known as RIIO-ED1, is designed to encourage companies to deliver safe, reliable and sustainable services at value for money to consumers. The new price control is proposed to run from 2015 until 2023. Responses are due by 23 November 2012. It is available at the following location on Ofgem's website: <http://www.ofgem.gov.uk/Networks/ElecDist/PriceCtrls/riio-ed1/consultations/Documents1/RIIOED1SConOverview.pdf>

- ***Transmission Planning Code 2012 Approval letter – 28 September 2012***

This letter gives Ofgem's approval to the 2012 Transmission Planning Code. The code informs parties wishing to connect to and use the National Transmission System (NTS) of the key factors affecting the development of the system.

- ***Ad hoc ExCR Approval letter – 02 October 2012***

This letter gives Ofgem's approval to National Grid Gas's Exit Capacity Release Methodology Statement, which has been revised to align it with Uniform Network Code Modification 0417S.

- **Avonmouth Liquefied Natural Gas facility C3 price review – Open Letter – 25 September 2012**

This open letter sets out Ofgem's initial proposals on the scope, form and duration of the price review, along with the costs and revenues that Ofgem considers should be allowed in setting the price. It is available to view at:

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=63&refer=Networks/Trans/GasTransPolicy/LNGPriceControl>

Ofgem would welcome any views on the approach it intends to adopt or issues it should address by 23 October 2012.

1.3.1 Gas Transmission Tariff Structures Framework Guideline (FG)

RM gave a presentation. The process was outlined, the current phase reached being ACER's consultation on the draft FG.

The general provisions (scope, objectives, etc) were detailed and the principles to be included in respect of:

- Cost allocation and Reference Price
- Flow based charges and storage
- Revenue recovery
- Reserve price on short-term and non-firm
- Virtual Interconnector Points (VIPs), bundled capacity and payable price.

Questions were raised and discussed as the presentation progressed, and it became clear that diametrically opposed views were held regarding the implications of some of the proposed wording.

Slide 4 - Cost allocation and Reference Price

TD asked for a definition of exit points. RM clarified that this covered DN offtakes as well as directly connected loads.

TM questioned if DM embedded entry points were included, and RM confirmed they are not covered.

Slide 5 - Flow based charges and storage

Responding to a question from JCx on compressor charges at St Fergus, DH believed it would not be affected as it is levied as a separate charge for a very specific service, while RM felt the charge would be contrary to the FG. JCx believed that further clarity was needed regarding issues such as this and particularly from an exit point perspective. DH acknowledged that there was much room for confusion at this stage of EU discussions, and it was not yet clear how much of GB's regime may have to change; the biggest issue appeared to be what were fixed costs, and what were variable costs.

Slide 6 - Revenue recovery

Referring to Option 1, GJ asked whether the proposed charging arrangements were expected to apply to capacity that has already been

bought? RM responded that it would apply to existing bookings as well as that allocated through subsequent auctions, and this raises the question of an implementation period. DH was less sure that his was the correct interpretation. JCx observed there seemed to be an element of confusion again, and GJ then asked if there would also be equal treatment for under/over recovery.

Referring to Option 2, it was then asked if a commodity charge would apply at DN Offtakes. DH responded that this does not translate well into our current system; the Regulators seem to want a choice of either Option 1 or Option 2, not both. It was not obvious how this could be implemented and needs further clarity – however, the higher level principles need clarifying first before getting into a lower level of detail which flows from those principles. JCx expressed concern that there appears to be very little opportunity to change anything once the Framework Guidelines are drafted, and questioned how changes to high level principles would be managed should further discussion indicate they should be revised. RM noted these concerns and would feed back to ACER discussions.

Slide 7 - Reserve price on short-term and non-firm

Disparate views were apparent. Responding to a question on short term capacity and cross subsidy, RM believed the wording to be open at this time - no particular 'pot' was available at the moment. DH believed it might be saying quite categorically that we should or should not be doing something, but acknowledged this was open to interpretation. Multipliers may not work depending on the circumstances. DH emphasised that, although it looks like our regime, it is not entirely a reflection of our regime.

DH urged parties to ask for clarity in their submitted responses to highlight these issues where uncertainty is evident regarding how to interpret the FG.

NW observed that National Grid and Ofgem play key roles in the FG discussions, and sought clarity on National Grid's view, and a greater understanding on how it represents GB. DH responded that there was a considerable amount of work and detail to assess and feed into this, and there were areas that National Grid may wish to defend more strongly than others. National Grid could share its response with the industry, subject to internal governance. MH pointed out that it is also up to individual parties to submit views/responses to EU developments, not just National Grid. NW observed that the TSO has a special interest/influence.

DR indicated that IUK has significant concerns regarding tariffs and the Framework Guidelines that may not be shared by National Grid.

Slide 8 - Virtual Interconnector Points (VIPs), bundled capacity and payable price

RM gave examples of merging markets to illustrate VIPs. MH believed this was mainly aimed at points on the German borders, but there may be potential effects on the SNIP that may require consideration.

RM encouraged parties to submit their responses through other industry bodies as well, and reminded all that Ofgem and DECC have a monthly meeting to discuss Framework Guidelines and Codes which parties could attend and discuss any issues or concerns in more detail (there was one being held on the next day and parties were advised to let RM and NR know if interested in attending).

DH offered to discuss parties' potential responses and it was suggested that a meeting might be facilitated to offer assistance, depending on other commitments.

1.4 European Developments

National Grid NTS presented on the following areas.

1.4.1 EU CAM Network Code and CMP Guideline – Update

EU CAM Network Code

MH reported that a revised second version of the CAM code had been submitted to ACER together with a supporting document detailing the revisions, and pointed out that the new version was not fully in line with the ACER Opinion provided to ENTSOG earlier in the year. The revisions had fully addressed a number of the points raised by ACER; two of the remaining 4 points had been partially addressed. The remaining differences were then detailed.

A bar chart was displayed to illustrate the market support for ENTSOG's positions in various areas. MH went on to explain the Technical revisions to the Code and provided a further illustration of the market support for ENTSOG's changes.

DR observed that unbundling capacity has been brought back to 5 years rather than 15 years by ENTSOG, and referred to Bacton and the obligations on the TSOs to maximise cross border capacity. He gave an example of the practicalities of bundling and not being able to offer unbundled capacity at interconnection points, pointing out there was a risk that capacity may not be available when required.

A number of issues were evident in relation to bundling/unbundling. MH confirmed that National Grid had also raised concerns in this area and was awaiting ACER's response.

ENTSOG and ACER will be working together to agree a resolution on the four remaining differences before the Comitology process commences in January 2013 (this may slip to February 2013). Adoption is likely to be 4-5 months following this (similar to the CMP timescales). The possible start date had yet to be confirmed (it has to be a March date because that is when long term auctions start). MH then briefly reported on other recent developments (Sunset Clause - new draft text developed by the Commission; Capacity Calculation section removed from the Interoperability Framework Guideline and moved into CAM and will be dealt with via the Comitology process).

Asking if the new text would be available to view, JCx commented that

visibility on this would be welcomed. MH believed the new draft text was under review and may be considered at the Stakeholder Pre-Comitology meeting on 08 October 2012 in Brussels.

For any further information in this area please contact:
matthew.hatch@nationalgrid.com

Constraint Management Principles (CMP) Guideline

MH commented that National Grid believes the current arrangements to be reasonably compliant.

For any further information in this area please contact:
matthew.hatch@nationalgrid.com

1.4.2 EU Gas Balancing Code – Update

MH reported there are early indications that the majority of stakeholders support the revised code. The code is being redrafted to address some of the comments received and will be submitted for ENTOSOG Board approval in October, following which the final Draft Code and AoD document will be submitted to ACER on 05 November 2012. A final formal opinion on the Code is expected by 04 February 2013.

1.4.3 EU Interoperability and Data Exchange Network Code

PH explained the current position, reporting that ACER's Framework Guideline had been accepted by the EC, and that ENTOSOG has been commissioned to draft a Network Code and an impact assessment (by September 2013). The Topic areas to be covered were reiterated.

The EC's preference is for Capacity Calculation to be removed from the scope of Interoperability and included within the CAM Code. It is considering making a text proposal at the comitology stage for CAM. The EC has provided draft text for ENTOSOG to review.

PH advised that ENTOSOG's 'Launch Documentation' for the Interoperability Code is scheduled for publication on 10 October 2012. ENTOSOG will begin development of draft business rules and the Stakeholder Joint Working Sessions (SJWS) will commence in November. ENTOSOG's Project Plan on Interoperability closes on 11 October 2012.

The final report on the Gas Quality and Harmonisation cost/benefit analysis has been published (this takes into account work done in phase 1). Link provided:

http://ec.europa.eu/energy/gas_electricity/studies/doc/gas/2012_gas_quality_harmonisation_cost_benefit_analysis_.pdf

1.4.3 European Updates Timetable

The programme of updates to be given to the Transmission Workgroup over the next few months is detailed below:

Topic	Workgroup Date
<ul style="list-style-type: none"> Balancing Updates on Codes 	01 November 2012
<ul style="list-style-type: none"> ENTSOG Winter Outlook Report 	06 December 2012
<ul style="list-style-type: none"> To be confirmed 	10 January 2013

1.4.4 Forward Planning

TD asked those present for views on whether there were any relatively certain EU changes in respect of which the Workgroup might undertake some early groundwork.

It was suggested that the proposed change to the timing of the Gas Day be considered, as this was likely to have far reaching impacts across many aspects of gas business, eg any systems that send readings will need to be closely reviewed. MH reported that National Grid had already commenced an internal review of physical and commercial systems and to identify any references in the UNC that will need changing.

JCx observed that some areas may experience considerable impact(s), and these might need to be set out at some length and suggested that a draft modification be started to begin to collect these thoughts together; perhaps a specific group could be set up to consider and analyse identified impacts. There was a brief discussion on potential ways forward, and there was a suggestion that perhaps compilation of a 'To Do' list of areas/items where there was a high degree of certainty that changes would have to be made and the industry would have to react would be a sensible starting point.

It was questioned how the wider GB industry would be involved as there would clearly be impacts that extended across very wide areas. MH suggested that Ofgem/DECC meetings would be the appropriate forums to consider the GB position.

It was suggested that there might be changes under CMP and also Tariffs for early consideration.

It was agreed to accept 'Changing the Gas Day' as a new issue (medium priority) and place it on the agenda for the next Workgroup meeting. Other EU issues will be added as they are identified.

2. Issues

2.1 Aligning the connections and capacity processes

2.1.1 Long term non-firm capacity

For updates on various aspects see related Actions above (at 1.1.2).

2.2 New Issues

2.2.1 Gas Security of Supply Significant Code Review (SCR)

GJ (on behalf of C Wright, Centrica) gave a brief presentation to raise awareness of the possibility of energy balancing credit implications of Ofgem's emergency cash-out SCR.

Ofgem has signalled its intention to press ahead with changes to the GB emergency cash-out arrangements, which will see the "short" cash-out price set at £20/therm. Centrica believes these proposals could have far reaching implications for the financial exposure faced by many industry parties. The credit implications stemming from this proposal have not been modelled in Ofgem's Regulatory Impact Assessment.

The document 'Gas Security of Supply Significant Code Review - Proposed Final Decision' (responses are due by 24 October 2012) is at:

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=85&refer=Markets/WhIMkts/CompandEff/GasSCR>

Following a preliminary discussion at the September meeting of the Energy Balancing Credit Committee (EBCC) it was suggested that the issue merited a fuller industry discussion.

The issue will be added to the November Transmission Workgroup's agenda and any prior comments/thoughts should be submitted to Mark Cockayne, the Energy Balancing Credit Manager, who has agreed to lead the debate: mark.cockayne@xoserve.com.

3. Any Other Business

3.1 Proposed Modification: Consequential changes to the UNC resulting from RIIO

PH gave a presentation, explaining that, as part of the RIIO-T1 price control process, the GT Licence will need to be amended to reflect the Final Proposals. The RIIO-GD1 price control process was also making changes to the DN Licences. A second informal consultation on licence drafting is due on 30 October 2012. The plan is to issue the formal Section 23 notice alongside the Final Proposals in December 2012, so that the Licence is changed from 1 April 2013.

As a consequence, amendments will be required to all references to the NTS and DN GT Licences in the UNC, and this will require a modification to be raised.

Whilst it is recognised that final details of the proposed Licence changes will not be fully known until the formal Section 23 notice, National Grid NTS proposes to start the process earlier to ensure delivery in a timely manner.

Once Ofgem's second informal consultation is issued, there will be more certainty over the Condition numbering and work on the updating of references and development of legal text can then move forward.

It is National Grid NTS' intention to raise a modification to amend Licence references in UNC, which are changing due to RIIO, and at the same time address some identified potential inaccuracies in referencing (unrelated to RIIO). The draft modification will be prepared for discussion at the November Transmission Workgroup, with a view to then formally submitting to the November UNC Modification Panel for its consideration.

PH envisaged that the modification was likely to include any changes required to references to the NTS/DNs common Conditions. EM indicated that the DNs were likely to put forward a separate Consent to Modify (CtM) to facilitate any changes to references to the DN Licences, which were likely to be very few.

3.2 Update on National Grid Gas's response to Ofgem's Initial Proposals (IPs) relating to the provision of incremental capacity

MW gave a presentation outlining the background to the changes being proposed.

National Grid Gas (NGG) had responded to the consultation relating to Ofgem's IPs for the price control settlement to apply for the RIIO-T1 period, and highlighted its concerns regarding details within the IPs, in particular the proposals relating to the provision of incremental capacity.

In order to enable drafting of the licence changes needed for implementation on 01 April 2013, it is important that there is agreement regarding the proposed way forward. MH drew attention to the changes being proposed and outlined the main points of concern (relating to the process, the setting of revenue drivers, and the funding arrangements) and National Grid's current understanding of the position.

National Grid had included a draft of the Generic Revenue Driver Methodology within its May 2012 SO External incentives submission (Annex B) and planned to issue an updated draft for industry consultation in the near future, so that it can be in place for the start of the RIIO-T1 period.

All Users will be written to, to ask that they contact National Grid advise as soon as possible if they intend to bid for incremental capacity, in particular for the July 2013 Application Window, and also for the March 2014 QSEC, or for capacity at any New NTS Exit Point or New ASEP. MW added that views will need to be sought and consideration given to confidentiality issues, and also the position when Revenue Drivers (RDs) are deferred.

Revenue Drivers were discussed in more detail. JCx asked if the Licence should require the earlier devising of a RD methodology, so that it was already 'in place' for Ofgem's approval. If the Generic RD was not in place what would happen? MW responded that National Grid was looking at options, and gave a few examples. The aim was to get the Methodology Statement ready for April.

Following questioning on what was in place and whether all points have RDs, it was confirmed that Entry already has RDs in place. In Exit there would be

ongoing discussions if not in place already. DH encouraged parties to contact National Grid NTS as soon as possible if it was thought there was not an RD in place already and that one was required.

RT asked if there were to be opportunities for further discussions for impacted parties. DH responded that charging would be looked at by the NTSCMF after the RIIO conclusions are available. An earlier meeting could be considered to discuss any concerns.

MW confirmed that the South East RD was expected to stand 'as is'.

NR assured parties that Ofgem would help to establish any RDs if needed.

JCx then suggested moving the Methodology Statement into the UNC, consistent with the approach adopted for charging methodologies. MW believed this impacted allowed revenue so that UNC governance seemed inappropriate. GJ pointed out the problem of keeping Licence and UNC synchronised, giving IECR as an example. NR noted the suggestion that consideration be given to moving the Methodology Statement into the UNC, and potentially other licence required methodologies.

At the conclusion of the discussion, NR then responded to the presentation made by MW.

Recognising that this was National Grid Gas's commentary on its own response, NR stated that Ofgem would consider NGG's response alongside all of the other responses that have been received. Ofgem had a few points that it wished to highlight:

- Ofgem has been actively involved throughout the RIIO process; part of its role has been to review all the business plans that the TOs have submitted and Ofgem has commented on each business plan in its Initial Proposals where appropriate.
- Ofgem will continue with its engagement in the RIIO process with the publication of the licence drafting consultation at the end of October and then followed by Final Proposals later this year.
- Looking forward, Ofgem welcomes the continued engagement with industry within this forum that NGG has embarked on since issuing its business plan.
- In line with Ofgem's role in the UNC process, it will review all proposed industry changes once they have been submitted to Ofgem.

NR added that other respondents were also able to provide commentary on their responses to Ofgem's IPs (as NGG has done) if they so wish.

3.3 Change of Meeting Date – January 2013

Due to the way the Bank Holidays fell over the Christmas/New Year period 2012/13, it was agreed that the date of the first Workgroup in 2013 should be changed from Thursday 03 January 2013 to Thursday 10 January 2013.

4. Diary Planning

The next Transmission Workgroup meeting will take place at 10:00 on Thursday 01 November 2012, at ELEXON, 350 Euston Road, London NW1 3AW.

Further Transmission Workgroup meetings are scheduled as follows:

- 10:00, on Thursday 06 December 2012, at ELEXON, 350 Euston Road, London NW1 3AW
- 10:00, on **Thursday 10 January 2013**, at ELEXON, 350 Euston Road, London NW1 3AW (**please note agreed change of date**).

Action Log – UNC Transmission Workgroup: 04 October 2012

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR0801	02/08/12	3.2.2	<i>Development of the capacity and connection processes – Planning and Advanced Reservation of Capacity Agreement (PARCA) – Provide worked examples of the PARCA approach under differing scenarios.</i>	National Grid NTS (MW)	Carried forward
TR0802	02/08/12	3.2.2	<i>Development of the capacity and connection processes – Planning and Advanced Reservation of Capacity Agreement (PARCA) – All to review the draft modification.</i>	ALL	Closed
TR0901	06/09/12	2.2.1	<i>Long term non-firm capacity: Draft business principles - Consider if daily offpeak capacity could be made available via any other product.</i>	National Grid NTS (MW)	Closed
TR0902	18/09/12	2.1.1	<i>Long term non-firm capacity: Produce a draft discussion paper setting out the options for review/comment.</i>	National Grid NTS (MW)	Carried forward

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR0903	18/09/12	2.1.4	<p><i>Capacity and Connections:</i> Produce an expanded document (based on a modification proposal template) to clearly demonstrate the need for change, how this might be achieved, and giving consideration to wide ranging industry impacts.</p>	National Grid NTS (MW/SP)	Carried forward