Transmission Workgroup Minutes Thursday 05 July 2012 Elexon, 350 Euston Road, London NW1 3AW

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Andrew Pearce	(AP)	BP Gas
Charles Ruffell	(CR)	RWE npower
Chris Wright	(CW)	Centrica
Erika Melen	(EM)	Scotia Gas Networks
Gareth Evans	(GE)	Waters Wye Associates
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
Harvey Beck	(HB)	Ofgem
Julie Cox	(JCx)	Energy UK
Lesley Ramsey	(LR)	National Grid NTS
Lewis Hodgart	(LH)	Ofgem
Malcolm Arthur	(MA)	National Grid NTS
Matthew Hatch	(MH)	National Grid NTS
Matthew Ramsden	(MR)	Ofgem
Mike Wassell	(MW)	National Grid NTS
Rob Cameron-Higgs	(RCH)	Wales & West Utilities
Roddy Monroe	(RM)	Centrica Storage Ltd
Shelley Rouse	(SR)	Statoil
Steve Pownall	(SP)	National Grid NTS

1. Introduction

Copies of all papers are available at www.gasgovernance.co.uk/tx/050712

TD welcomed attendees to the meeting.

1.1 Review of Minutes and Actions of the previous meetings (07 and 27 June 2012)

1.1.1 Minutes

The minutes of the meetings (07 and 27 June 2012) were accepted.

1.1.2 Actions

TR0401: 0376 - Seek a view as to whether a manual workaround or the systems development will be in place by 01 October 2012.

Update: Following last month's request for any party contemplating using the service to please get in touch with National Grid NTS so options could be discussed and assistance offered, MW confirmed that no parties had been in contact. As no party was intending to use it no arrangements would be in

place for July. Work was continuing with Xoserve and the Workgroup would be kept informed of progress. **Carried forward**

TR0505: (EU Updates) Incremental Capacity Workshop- National Grid NTS to provide an update, specifically an indication of 'the direction of travel'.

Update: Covered in presentation. Closed

TR0506: (Transferred from Workgroup 0412) Review the terminology used to identify an LDZ interruptible customer within UNC and the Safety Case and who would be impacted from a customer perspective.

Update: No update available. Carried forward

TR0507: (NTS Exit Regime Daily Processes Overview) National Grid NTS to check publication format and location in relation to statement "If 13:30 D-1 Demand forecast >80% of 1 in 20 peak day demand then MNEPOR is not released".

Update: No update available. Carried forward

TR0601: Aligning the connections and capacity processes - National Grid NTS to analyse the constraint costs associated with "connect and manage".

Update: To be provided at next meeting. **Carried forward**

TR0602: Aligning the connections and capacity processes - Case 2: National Grid NTS to consider whether the capacity signal is needed or not for planning to proceed, and if it should be decoupled.

Update: To be considered at next meeting. **Carried forward**

TR0603: Aligning the connections and capacity processes – National Grid NTS to work up the detail of the second solution ('the Reservation") and offer a comparison with the first solution; and develop some Business Rules.

Update: Ongoing. Carried forward

TR0604: Aligning the connections and capacity processes – IM to check if an Ofgem presentation could be made at NTSCMF on 20 July 2012 and confirm to National Grid NTS (SF).

Update: LH believed that it was unlikely that Ofgem would be in a position to make a presentation at a July meeting. **Closed**

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 was:

0373 – This will be implemented on 01 August 2012, and an information note has been issued (on 04 July 2012) in respect of publication of a revised NTS Connections Charging Statement. National Grid NTS has revised its Connection Charging Statement to include the new Fixed Fee that is associated to an Application for an Initial Connection Offer; it has also provided guidance as to the level of Application Fees associated to the various categories of Full Connection Offer and updated the examples to reflect the new 0373 NTS connections framework.

SP reported that National Grid NTS had also removed the NTS Connections Charging Methodology from the Statement as this has been embedded within UNC Section Y as a consequence of implementation of Modification 0322V 'Code Governance Review: Inclusion of 'The Gas Transmission Transportation Charging Methodology' and 'The Gas Transmission Connection Charging Methodology' within the UNC'.

The revised Connection Charging Statement can be found at: http://www.nationalgrid.com/Ku/Gas/Connections/National+Transmiss ion+System+-+Gas+Connections/

Any questions on the revised Connection Charging Statement may be directed to: steve.pownall@nationalgrid.com.

1.3 Ofgem Update

LH reported on recent Ofgem activities:

 UNC Modification 0373 'Governance of NTS connection processes' decision letter – 04 July 2012. The Authority has approved implementation of UNC0373. A decision on whether licence obligations on National Grid Gas (NGG) in relation to connections will be taken as part of RIIO-T1.

Responding to a question from SP, LH indicated that Ofgem was considering whether there should be licence conditions/obligations on connections and would probably address this as part of the RIIO dialogue.

• Entry Capacity Transfer and Trade Methodology (ECTT) Statement decision letter – 19 June 2012. The methodology outlines the circumstances under which NGG will consider entry capacity transfers or trades at the Rolling Monthly Transfer and Trade System Entry Capacity Auction (RMTNTSEC). NGG proposed no significant changes to the methodology and Ofgem's decision letter approved the methodology for 2012. Ofgem indicated that it would be appropriate for NGG to review the ECTT methodology in 2013 in order to take account of the outcome of the RIIO-T1 price control including any changes to entry capacity arrangements.

- Certification of Transmission System Operators ('TSOs') under the ownership unbundling requirements of the Third Package 19 June 2012 The Electricity and Gas (Internal Markets) Regulations 2011 ('the GB Regulations') require TSOs to be certified as complying with the ownership unbundling requirements of the Third Package. The Authority's final decision is that as of and from the date of this decision, NGG NTS should be certified as independent on the basis that each of the five tests set out in section 8H of the Gas Act was met. A similar decision was reached for the GB electricity TSOs.
- Gas Security of Supply Significant Code Review update. Ofgem remains on course to publish proposed Final Decision in the summer. Implementation timescales will be dependent on what the Authority's decision is, and also on whether or not GEMA decides to use the Energy Act powers (rather than the UNC process) to implement the code changes. There is the possibility of further stakeholder events and Tom Farmer will be in touch with more details when this information becomes available.

Responding to a question from RM, LH did not believe that a draft report would be made to DECC in advance of the final submission.

European Developments – Framework Guideline (FG)/Network Code (NC) 'snap shot' status update:

- Capacity Allocation Mechanism On 07 June 2012, ACER issued its
 Reasoned Opinion on the CAM code. In its Reasoned Opinion, ACER
 states that the CAM NC generally shows a high degree of compliance
 with the Agency's Framework Guidelines. However it also points out
 the fact that some specific provisions of the Network Code are not in
 line with those of the Framework Guidelines or are out of scope.
 ACER's Opinion requests ENTSOG to amend certain aspects
 (particularly, on capacity breakdown, tariffs and sale of unbundled
 capacity in the event of a technical mismatch) and resubmit back to
 ACER. ENTSOG and ACER are currently working together ENTSOG's plan is to return the (amended) CAM NC to ACER in early
 September, following a short two-week consultation process over the
 summer.
- Tariffs Scoping document consultation closed on 26 March 2012.
 ACER is now drafting Framework Guidelines and an Impact
 Assessment (IA) for consultation in the summer. ACER has set up an expert group to assist and hired consultants for drafting the IA. The Expert Group met on 02 April, 04 May and 31 May 2012.
- Congestion Management A final formal comitology meeting took place on 20 April 2012. The text was voted on and agreed and will now be forwarded for translation into various languages and is expected to be published in Journal in 2-3 months and be in force 20

days after publication. First requirements need to be in place by October 2013.

- Gas Balancing Regulators analysed ENTSOG's consultation document and provided detailed comments to ENTSOG in private. These will be presented publicly at ENTSOG's public workshop on 26 July. ENTSOG is to publish the final network code in November 2012, then ACER's Reasoned Opinion within 3 months.
- Interoperability The Draft Framework Guideline went out for consultation on 16 March 2012 and closed on 16 May 2012. A Task Force is now analysing stakeholder submissions on the public consultation and an Impact Assessment is being put together. GWG has approved draft text and has submitted to 10 July BoR for approval. A Task Force is now analysing stakeholder submissions on public consultation.
- Incremental capacity Consultation document published 28 June 2012, with a 14 September 2012 deadline for response. The purpose of the consultation is to consult on options for incremental capacity auctions as well as on possible interactions between incremental capacity auctions and European and national TYNDPs that would support efficient investment in cross-border gas infrastructure and facilitate the development of the single European gas market. A third Task Force meeting plus a second stakeholder roundtable are to take place next week, on 10 July 2012.

1.4 European Developments

MH presented on the following areas.

1.4.1 Gas Balancing Code Consultation - Update

The timeline was displayed. Fifty responses had been received (8 from UK) and some text changes will made as a result of the feedback. A number of issues are being investigated by ENTSOG. Legal text is expected to be finalised in August.

1.4.2 EU Capacity Allocation Mechanism (CAM) Network Code and Congestion Management Procedures (CMP) Guideline Proposal Update

EU CAM Network Code

ACER's published Reasoned Opinion pointed out that some specific provisions were not in line with the Framework Guidelines, or with the objectives, or were out of scope. These items were being discussed. Comitology is expected to start by December 2012. There is an early indication that ACER and the European Commission consider that opinion should be applied and Code amended.

Tariffs

Framework Guidelines are to be produced by 31 December 2012 for ACER to consider. MH has provided a copy of the letter "Invitation to start the procedure on a framework guideline on rules regarding harmonised transmission tariff structures for gas" which has been posted for reference alongside these minutes.

CMP Guidelines

GB has to be compliant by 01 October 2013 (July 2016 for Firm Day Ahead UIOLI). Compliance/Impact Assessment is under discussion with Ofgem and it is understood that Ofgem is also discussing compliance with GB Interconnector Operators.

National Grid is currently considering how it can implement CMP for 01 October 2013, and what the implications might be.

JCx asked if there were any view yet – would it be a full Code process or Ofgem-led. MH responded there were discussions with Ofgem, and there may be an Ofgem update at the next Ofgem/DECC/EU meeting on Friday. Part of the CMP consideration is whether Interconnector TSOs are exempt or not, and the enacting of obligations is under discussion.

1.4.3 Ten Year Network Development Plan 2013-2022 - Update

MH outlined the background and the progress made to date. The various improvements in a number of areas were explained and further details can be found on the ENTSOG website.

http://www.entsog.eu/events/TYNDP5/presented.html

Data is currently being collected, which will be analysed by ENTSOG who will then produce the new report for approval and eventual publication.

1.4.4 EU Incremental Capacity

It was reported that the Council of European Energy Regulators (CEER) has started work on "Identification and Allocation of Incremental Capacity" in the context of the existing Gas Target Model, EC Energy Infrastructure Proposal, and the CAM Framework Guideline. ENTSOG has started preliminary consideration and National Grid NTS will fully participate in the process and look to share experience of GB model.

On 18 June 2012 CEER issued a paper requesting views from industry. The following link has been provided by MH:

http://www.energy-

regulators.eu/portal/page/portal/EER_HOME/EER_CONSULT/OP EN%20PUBLIC%20CONSULTATIONS/Investment%20Procedure s%20for%20Gas%20Infrastructure/BG There was a brief discussion on the scope, which it was believed was limited to interconnection points, and may not cover LNG or other storage points. MH believed it would be in line with CAM.

JCx referred to an Incremental Capacity paper, and issues regarding funding and how it could be decided how big a project might be. MH referred to ACER opinion indicating that 10% of capacity would have to be held back if an incremental signal was received. JCx read this as having to build a 10% bigger capability than any incremental signal, which is inconsistent with the present GB approach and hard to reconcile with the proposals being put forward.

Further updates will be made to the Transmission Workgroup when CEER views/plans are made available.

1.4.1 Interoperability and Data Exchange Network Code - Update

MH reported that ACER's consultation on the Framework Guidelines has concluded and it is expected that ACER's final Framework Guideline proposals, its evaluation of consultation responses, and the Impact Assessment produced by ACER's consultant, will all be completed this month.

ENTSOG is preparing its Project Plan and Launch Documentation.

The 12 month period for the Code development is expected to commence in early September 2012.

1.4.4 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
To be confirmed	02 August 2012 (Venue: Solihull)
To be confirmed	06 September 2012

2. Workgroups

The following individual Workgroup meetings took place:

2.1 0415 – Revision of the Gas Balancing Alert Arrangements

Minutes for this meeting are at www.gasgovernance.co.uk/0415/050712

2.2 0426 – Amendment to the NTS System Entry Overrun Charge

Minutes for this meeting are at www.gasgovernance.co.uk/0426/050712

3. Issues

3.1 Communications – Force Majeure and Emergency

No further update available.

3.2 Aligning the connections and capacity processes

A further meeting took place on Wednesday 27 June 2012 (minutes and other papers available at www.gasgovernance.co.ukl/tx/270612) at which it was agreed to progress the discussions and development work at this Workgroup meeting.

3.2.1 Interactions with the implementation of RIIO-T1 ("Plan B")

MW encouraged parties to read this presentation, pointing out that any commercial changes are highly unlikely to be in place before the start of the RIIO-T1 period (April 2013), and that a Code modification would be required to provide 'exclusivity' to a bi-lateral party.

To manage the interim period, two solutions were proposed:

- Continuation of the existing obligated lead times in the licence with an adjustment to the Permits allowance.
- Implementation of the proposed RIIO-T1 obligated lead times in the licence in conjunction with capacity release conditions specified in the Methodology Statements.

Potential Interim Solution 1 – Permits Allowance

MW explained this option and some examples of how it might apply to various scenarios were discussed, including potential risks involved and when capacity could be released.

Discussing the permit allowance calculation, JCx suggested that it would be helpful to understand any split between Entry and Exit. MH agreed to establish figures for this.

Action TR0605: Aligning the connections and capacity processes – Permit allowance calculation - Establish the split between Entry and Exit figures.

The position regarding Permits going overdrawn was also considered and JCx questioned the period covered and the proportion of National Grid NTS' exposure/risk(s) covered.

Potential Interim Solution 2 – Methodology Statement Drafting

MW explained this option. From the discussions it was clear that the details of the bi-laterals needed to be worked up as did the conditions in the Licence drafting, and MW noted this for further discussion with the RIIO team. Referring to the 24 month period compared to the current, and expressing concern this might be after a 50 month wait, RM questioned if like was being

compared with like from a User's perspective. MW believed it may depend on case by case – the 24 months was to cover reinforcement – and establishing initial contact/dialogue with the customer much earlier in the process should reduce the '90 month' perspective.

3.2.2 Developing capacity and connection processes: A long term non firm capacity product?

MW moved on to outline why a new product might be required and potential advantages. Encouraging the suggestion of any others that parties might identify, MW presented two possible options that National Grid NTS had considered:

- Option A: Non-obligated capacity, with a buyback option that NG can call upon
- Option B: Long term off-peak/interruptible capacity

A table envisaging how Options A and B might work (covering both Entry and Exit) was included in the presentation, which MW encouraged those present to read. It was suggested that customers would need clarity on the product/interruption rules and the likelihood of any interruption, and any risks that might impact it, eg substitution, and it would be very important to keep customers up-to-date with changing scenarios. GE queried if all capacity would be treated the same, or would there be a 'hierarchy'? RM questioned how it affected National Grid's 'bottom line' and would this affect any decisions made, ie would it be likely to be a revenue-based decision.

The advantages and disadvantages of Options A and B were explored and MW explained the assumptions.

The group was asked for their views and suggestions. JCx pointed out that whatever is developed would need to be considered as part of a much wider picture. RM observed there were storage developments that are waiting to see what DECC and Ofgem are going to decide. A more streamlined, efficient process would be welcomed (with deletions rather than additions to timelines). It was acknowledged that it would be difficult to make any changes to the Planning Act. SP understood customers' concerns, and that '5 year blocks' needed to be aligned rather than be sequential.

RM commented that, eg taking it off at Easington might not be a problem but at IUK it might be. TD summarised the storage concerns.

It was agreed a long term non firm capacity product should be developed and parties were asked to consider which option they might prefer (or suggest an alternative) and advise National Grid NTS.

Action TR0606: Aligning the connections and capacity processes: A long term non firm capacity product - Consider which option might be preferred (or suggest an alternative) and advise National Grid NTS.

3.2.3 Planning and Advanced Reservation of Capacity Agreement (PARCA) – Term Sheet

SP gave a brief presentation on an alternative approach whereby the current 'ARCA' (Advanced Reservation of Capacity Agreement) principles might be expanded. In essence, capacity would be reserved following signature of a

bi-lateral contract whilst planning activities are undertaken. The 'demonstration date' concept would be retained, whereby the contract can be terminated and the capacity no longer reserved if the project does not progress, and a formal user commitment would be made at a defined point following receipt of a Development Consent Order (DCO).

A bi-lateral contract could be developed that includes the principles of both the existing Pre-Capacity Agreement (PCA) and the ARCA; this approach would raise a number of questions to be discussed and explore, but might provide a viable alternative.

The group was asked how they wished to proceed.

JCx believed there were concerns about transition and the possible requirement for Code modifications. JCx observed that what was really needed was Ofgem's view on reserving capacity, and taking it out of the market, etc, as that would influence what may/may not be done to develop anything further.

There was a brief discussion on how capacity needs might be met, and the attributed meanings of the words 'booked', 'reserved', etc. TD observed that long term bookings are a feature of the system and have long been encouraged. MW suggested that consideration should be given to what is the appropriate level of User Commitment to underpin a reservation. SP commented that a PARCA would only reserve capacity up the acquisition of planning consent, then it can be formalised. JCx pointed out that this did not mean that there would be an immediate start on building the project; market conditions can change, and financing may be initiated after that point. There were various views on how it might fit together, but these needed to be disentangled to understand how it might work through a PARCA. It needs to be clear how firm the capacity is and how it can be given up, etc. Referring to EU perspective, MH pointed out that that CAM does not recognise anything less than a firm product and how it might fit with this would require consideration; any additional capacity had to be the same either side of a border, eg 100 and 100. JCx reiterated that different solutions may be required for different points on the system; some will not be touched by the EU.

LH suggested that the PARCA be developed to the same degree as the split auction options.

Attention was then given to the PARCA Term Sheet.

SP, who emphasised that it was an initial draft brought forward for discussion, reviewed the document, observing that if the principles for this could be established, then it may also be possible to apply them to Entry and Storage. Some of the content may duplicate what was in Modification 0373.

The key points and breakout opportunities would be accommodated in the Schedules. Shippers were requested to give some thought to what should be included and National Grid NTS will develop a draft in greater detail.

Action TR0607: Aligning the connections and capacity processes: PARCA - Shippers to give some thought to what should be included and National Grid NTS to develop a draft in greater detail.

Next Steps

It was agreed to continue progressing the discussions and development work at this Workgroup meeting. Should specific areas of development warrant an extended time allocation then additional meetings would be arranged as appropriate.

3.2.4 Substitution

It was suggested that there would be more benefit in discussing this once a solution had been developed, and it was agreed to defer consideration to a later date pending further developments.

3.3 New Issues

None raised.

4. Any Other Business

4.1 System Management Principles Statement 2012 Interim Review

MA gave a brief presentation drawing attention to the planned interim review necessary to reflect changes in circumstances resulting from the impact of Exit Reform. An external consultation will commence on 16 July 2012, closing out on 10 August 2012. The intention is to submit changes for Ofgem's approval and to publish the final version towards the end of September 2012.

4.2 NTSCMF Meeting - July

Although Ofgem was unlikely to be in a position to deliver a presentation at this time, National Grid NTS indicated that it would have sufficient material available for discussion and there would be benefit in holding an NTSCMF meeting, potentially covering charging volatility and RIIO.

It was agreed that a meeting would be arranged to commence at 10:30 on Friday 20 July 2012, at 31 Homer Road, Solihull B91 3LT. Teleconference arrangements will be available on request.

5. Diary Planning

Please note the change of venue (in light of the Olympic Games) for the AUGUST meeting:

10:00 02 August 2012, at National Grid, 31 Homer Road, Solihull B91 3LT. Teleconference facilities will also be available.

Further Transmission Workgroup meetings are scheduled as follows: 10:00 on the first Thursday of each month, at ELEXON, 350 Euston Road, London NW1 3AW.

Action Log – UNC Transmission Workgroup: 05 July 2012

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR0401	05/04/12	1.3	0376 - Seek a view as to whether a manual workaround or the systems development will be in place by 01 October 2012.	National Grid NTS (MW)	Update due at next meeting. Carried forward
TR0501	01/05/12	3.1	National Grid NTS to develop more detailed Connections and Capacity processes (commercial changes, pros and cons) for review and discussion.	National Grid NTS (MW/EC)	Closed at meeting 27/06/12.
TR0502	01/05/12	3.1	National Grid NTS to provide more detail and worked examples of how exit capacity was to be made available in different circumstances.	National Grid NTS (MW/EC)	Closed at meeting 27/06/12.
TR0503	01/05/12	3.1	National Grid NTS to provide more detail and worked examples of the incremental processes and management of any transitional requests/arrangements.	National Grid NTS (MW/EC)	Carried forward
TR0505	03/05/12	1.4	EU Developments Updates: Incremental Capacity Workshop - National Grid NTS to provide an update, specifically an indication of 'the direction of travel'.	National Grid NTS (DH)	Closed

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR0506	03/05/12	2.1	Action 001 transferred from Workgroup 0412: Review the terminology used to identify an LDZ interruptible customer within UNC and the Safety Case and who would be impacted from a customer perspective.	National Grid Distribution (AR)	Update due at next meeting. Carried forward
TR0507	03/05/12	4.2	National Grid NTS to check publication format and location in relation to statement "If 13:30 D-1 Demand forecast >80% of 1 in 20 peak day demand then MNEPOR is not released".	National Grid NTS (MW)	Update due at next meeting. Carried forward
TR0601	27/06/12	2.2	Aligning the connections and capacity processes - National Grid NTS to analyse the constraint costs associated with "connect and manage".	National Grid NTS (MW/SF)	Carried forward
TR0602	27/06/12	3.1	Aligning the connections and capacity processes - Case 2: National Grid NTS to consider whether the capacity signal is needed or not for planning to proceed, and if it should be decoupled.	National Grid NTS (MW/EC)	Carried forward
TR0603	27/06/12	3.1	Aligning the connections and capacity processes - National Grid NTS to work up the detail of the second solution ('the Reservation") and offer a comparison with the first solution; and develop some Business Rules.	National Grid NTS (MW/EC)	Carried forward
TR0604	27/06/12	3.1	Aligning the connections and capacity processes - IM to check if an Ofgem	Ofgem (IM)	Closed

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
			presentation could be made at NTSCMF on 20 July 2012 and confirm to National Grid NTS (SF).		
TR0605	05/07/12	3.2.1	Aligning the connections and capacity processes — Permit allowance calculation - Establish the split between Entry and Exit figures.	National Grid NTS (MW)	
TR0606	05/07/12	3.2.2	Developing capacity and connection processes: A long term non firm capacity product - Consider which option might be preferred (or suggest an alternative) and advise National Grid NTS.	ALL	
TR0607	05/07/12	3.2.3	Aligning the connections and capacity processes: PARCA - Shippers to give some thought to what should be included and National Grid NTS to develop a draft in greater detail.	ALL	