

Transmission Workgroup Minutes
Thursday 06 December 2012
ELEXON, 350 Euston Road, London NW1 3AW

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Anjili Mehta	(AM)	Ofgem
Charles Ruffell	(CR)	RWE Npower
Chris Wright	(CW)	Centrica
Claire Thorneywork	(CT)	National Grid NTS
Danielle Stoves	(DS)	Interconnector UK
Darren Lond	(DL)	National Grid NTS
Erika Melen	(EM)	Scotia Gas Networks
Fergus Healy	(FH)	National Grid NTS
Fiona Strachan	(FS)	Gazprom
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
Jeff Chandler	(JC)	SSE
Julie Cox	(JCx)	Energy UK
Lewis Hodgart	(LH)	Ofgem
Lorna Lewin	(LL)	DONG Energy
Lorraine Weir	(LW)	National Grid NTS
Mark Cockayne	(MC)	Xoserve
Mark Dalton	(MD)	BG Group
Matthew Hatch	(MH)	National Grid NTS
Mike Wassell	(MW)	National Grid NTS
Nick Wye	(NW)	Waters Wye Associates
Phil Hobbins	(PH)	National Grid NTS
Richard Fairholme*	(RF)	E.ON UK
Shelley Rouse	(SR)	Statoil
Tom Farmer	(TF)	Ofgem
Will Cutler	(WC)	DECC

*via teleconference

1. Introduction

Copies of all papers are available at www.gasgovernance.co.uk/tx/061212

TD welcomed attendees to the meeting.

1.1 Review of Minutes and Actions**1.1.1 Minutes (01 November 2012)**

PH requested a change to the minutes (Section 1.4.1, paragraph 5) as follows:

"MD asked if real time flows can be published, he thought they should be now and if not, they should be considered as part of the new process. PH

agreed to raise this ~~as part of the review process~~ but noted that this was not within the scope of the Interoperability Framework Guideline.”

The Workgroup accepted this and the minutes of the previous meeting were then approved.

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: Ongoing; update at meeting on 19 December 2012. **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: To be progressed when a preferred option has been identified. Update at meeting on 19 December 2012. **Carried forward**

TR1101: *Aligning the connections and capacity processes - Long term non-firm capacity:* MW to draft a modification.

Update: Under development; update at meeting on 19 December 2012. **Carried forward**

TR1102: *Aligning the connections and capacity processes - Consider the pros and cons of a specific PARCA window.*

Update: Under consideration; update at meeting on 19 December 2012. **Carried forward**

1.2 Review of Live Modifications not covered elsewhere on the agenda

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

0276 – Implementation date to be confirmed;

0338V – Implementation effective 01 January 2013;

0376S – Implementation date to be confirmed. FH gave a brief presentation updating the Workgroup on the current status. Analysis and testing had identified a number of issues. To implement the changes required under Modification 0376S work will need to be undertaken in parallel with, and as part of, the Gemini Replatforming; this was likely to lead to higher costs than originally envisaged. To include within the GRP and achieve a June 2013 implementation work needs to commence in December; however, although not meeting industry expectation in being available for the July Annual Application Window, an alternative, lower

cost, option might be to deploy in September 2013 as part of a Summer Release. Following a brief discussion, during which customer disappointment with the delays and lack of progress were made clear to National Grid NTS, the group indicated its preference for June 2013. Acknowledging the views expressed, FH confirmed that learning points for future developments had been noted. Implementation for June 2013 would be progressed with Xoserve.

0407 – PH reported that GL Noble Denton’s analysis has been published on the Joint Office website at: www.gasgovernance.co.uk/0407/121212

JCx requested that an update on this be provided at the next Transmission Workgroup meeting.

0415 – Implementation was effective 01 December 2012;

0420 - Implementation date to be confirmed;

0426 – With Ofgem for decision;

0439 – New modification, to be considered by the December Panel.

1.3 Ofgem Update

Industry update provided by LH:

- ***Avonmouth Liquefied Natural Gas facility price review: Initial Proposals – consultation published 26 November 2012.*** This document presents Ofgem’s Initial Proposals for the price review of the regulated services at Avonmouth. It contains Ofgem’s proposals for the review, along with the costs and revenues that it considers should be allowed. Consultation closes 04 January 2013.
- ***RIIO Newsletter – 20 November 2012.*** The newsletter provides stakeholders with the latest news on Ofgem’s price control reviews. The issues featured include: RIIO-T1 & GD1 at a Glance, RIIO-ED1 Strategy Consultation Proposals and Meet the RIIO ED1 Consumer Challenge Group. Final Proposals for RIIO-T1 will be published in advance of Ofgem’s Christmas publishing moratorium. The moratorium begins on Thursday 20 December 2012.
- ***Notice of approval of the Entry Capacity Substitution Methodology Statement – 05 December 2012.*** Following consultation, NGGT submitted its revised ECSMS to Ofgem for approval on 09 November 2012. No significant changes to the methodology were proposed. The letter approves the revised ECSMS effective from 02 January 2013.
- ***National Grid Grain LNG’s application for exemption from regulated third party access for Isle of Grain phase 4 – consultation letter 13 November 2012.*** This is a consultation on Ofgem’s initial view to grant National Grid LNG an exemption from third party access requirements for the phase 4 expansion at the Isle of Grain LNG terminal. Consultation closes on 04 January 2013. Enquiries to Francesca Caputo at: francesca.caputo@ofgem.gov.uk

MD asked if the exemption application needed to go to the Commission. LH advised MD to contact Francesca Caputo (details as before).

- ***Ofgem's response to government proposals to ensure a better deal for energy consumers – press release 20 November 2012.*** Ofgem welcomes that Government shares its vision of a simpler, clearer, fairer energy market for consumers and Ofgem will work closely with DECC to deliver the most radical change to the retail market for a decade.

European Issues Update Table

Workstream	Status
Capacity Allocation	ENTSOG re-submitted an amended version of the code on 17 September 2012. Following this the Commission has released the initial text for discussion at comitology - Ofgem circulated this at the DECC/Ofgem stakeholder group for comments by 06 November 2012. The first comitology meeting is on 24 January 2013.
Tariffs	Draft Framework Guideline consultation closed on 05 November 2012. ACER now summarising responses. ACER to hold workshop in January in Brussels with VC link to Ljubljana.
Congestion Management	The text was published in the European Official Journal on 28 August 2012 and will be in force 20 days after publication. CMP implementation was discussed at the DECC/Ofgem stakeholder meeting on 14 November 2012. First requirements need to be in place by October 2013. Ofgem is currently working on an implementation consultation.
Gas Balancing	ENTSOG published NC on 26 October 2012. ACER reasoned opinion is due on 26 January 2013. It is then up to the Commission to initiate Comitology procedure.
Interoperability	ENTSOG now holding workshops on individual topics in the code. Gas quality and data exchange covered so far. Draft code to be produced by mid-late January 2013. The commission requests final submission by September 2013.
Incremental Capacity	In the context of the Tariffs FG, ACER has commissioned a study on Incremental Capacity and tariffication issues. A kick-off meeting of the Steering Committee on the consultancy study was held on 29th November, with attendance from the CEER Task Force

	co-chairs (Ofgem, CRE, BNetzA). Next steps include publication of an Evaluation of Responses document by the end of the year (approval by CEER GA in early December 2012); and development of binding rules on incremental capacity in 2013 (to be presented at the Madrid Forum in April 2013).
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1.4 European Developments

National Grid NTS presented on the following areas.

1.4.1 EU Interoperability and Data Exchange Network Code

Providing an update on the current position, PH confirmed that ENTSOG had published draft business rules on each of the topics and that stakeholder engagement sessions (SJWS) had taken place. PH gave high level details of the stakeholder feedback that had been received regarding the following topics:

- Interconnection agreements
- Gas Quality
- Data Exchange and Units.

Taking account of any feedback revised business rules will be published shortly, and PH encouraged UK stakeholders to make their views known to ENTSOG before the final SJWS on 11 December 2012 (Brussels), as following this the legal text will be drafted for the 2 month consultation (February – April 2013).

For further information in this area please contact:
philip.hobbins@nationalgrid.com]

1.4.2 EU CAM Network Code and CMP Guideline – Update

EU Capacity Allocation Mechanism (CAM) Network Code

MH reiterated the key principles relating to all Interconnection Points (IPs) within the EU, and pointed out that the CAM will affect how National Grid and the UNC will operate at these points. Identified differences and impacts were outlined.

The EU Commission converted the CAM Network Code into an informal draft Regulation and issued it to Member States in November.

A Table illustrating the issues and comparing the position of various bodies in relation to these was displayed. Responding to a question from NW referring to the first item “Application of quotas for new capacity”, MH confirmed that Incremental was a new, separate workstream and this was being discussed – some users supported and others did not. Current discussions were on

combining both auctions and long term products, and were focussed on the mechanics and how the process would work.

Preparation for Comitology is now underway. The Comitology timeline is expected to follow a similar path to CMP and the first Comitology meeting is to take place in January 2013, with a second meeting in April 2013; adoption is likely to be 4-5 months later.

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

Constraint Management Principles (CMP) Guidelines

MH reiterated that GB has to be compliant by 01 October 2013 (July 2016 for Firm Day Ahead UIOLI), and that National Grid NTS continues to discuss Compliance/Impact Assessment with Ofgem. An Ofgem consultation is planned for December – February (to be confirmed).

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

1.4.3 ENTSOG Winter Outlook 2012/13

PH gave a brief update. The Outlook and Review were published in November. Methodologies were consistent with previous Outlooks, and MH outlined the scenarios considered and illustrated the outcomes.

The Winter Supply Outlook confirmed the ability of the European gas network to face Winter 2012/13 with significant flexibility. Import and UGS stock level were sufficient to face at least a winter demand as high as 110% of the average winter demand. The European gas network will provide significant flexibility when facing High Daily Demand conditions in most parts of Europe. In case of a Ukraine disruption during a 2-week period of High Daily Demand, the ability of Europe to face such an event will greatly depend on the levels of UGS and LNG terminals prior to the event.

PH confirmed that the report was available on the ENTSOG website.

Referring back to the Ukraine disruption scenario, NW questioned the extent of diversification in the EU peak scenario, and PH undertook to provide a response following the meeting.

Post Meeting Response: PH provided the following:

ENTSOG adds together all the peak day demands supplied to it by the Member States. Therefore GB's would be based on '1 in 20', but others may have different design standards and may or may not apply diversity nationally. ENTSOG does not apply any diversity assumptions itself.

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
<ul style="list-style-type: none"> • CAM update – Comitology • Tariffs update – Framework Guidelines 	10 January 2013
<ul style="list-style-type: none"> • Changing the Gas Day • To be confirmed 	07 February 2013
<ul style="list-style-type: none"> • Balancing update – ACER opinion 	07 March 2013

MH reported that there had been over 40 responses to the Tariff Guidelines consultation. There was to be a Tariff meeting in January 2013 (Brussels/Ljubljana) and teleconference facilities would be available.

A Gas Codes timeline was displayed for information, together with a Table indicating the current status of each Code and its estimated implementation date. PH drew attention to an error in the Code Status Update Table, under item 4 'Interoperability' – the estimated implementation date was likely to be in 2015. (The date given in the Table referred to the submission date of the Network Code to ACER.)

1.4.5 General Observations

LH commented that there appeared to be a degree of overlap, particularly around interconnection points, and asked if this was something about which National Grid NTS was concerned and was giving closer consideration? Of specific concern might be where the developments in one area might interact and contribute to delays in another area?

Responding, MH confirmed that it remained a concern for National Grid NTS, especially where subsequent codes make changes as progression through the processes is made, and because Comitology is then the only route by which any required change can be effected (there is no comparable individual modification process like that which exists for the UNC). National Grid NTS has raised its concerns regarding this also.

Any developments, concerns, and options will be brought to the attention of the industry and the Workgroup for discussion and the seeking of views. Conversely, if the Workgroup has any concerns or views, National Grid NTS would also welcome these.

2. Workgroups

The following individual Workgroup meeting took place:

2.1 0435 – Arrangements to better secure firm gas supplies for GB customers

Minutes for this meeting are at: www.gasgovernance.co.uk/0435/061212

3. Issues

3.1 Aligning the connections and capacity processes

Reiterating the objectives, the key aspects of the PARCA contract, and the potential changes to existing Entry and Exit Capacity release mechanisms, MW gave an update on progress.

Key discussion points were outlined together with an overview of the changes currently envisaged to be required; the Workgroup considered these.

User commitment - It was questioned why the potential introduction of a reservation fee might be under consideration. MW responded that it might help to prevent 'speculation' and also provide a demonstration of confidence in and commitment to a project – he reiterated the currently envisaged staged percentage payment levels that a project would incur at various points. JC suggested that Ofgem's view on a reservation fee might be confirmed before progressing further.

Establishing a stable need case - JCx suggested that some general principles needed to be written down.

EU compliance – The need to continue monitoring developments was recognised.

Demonstration Information – It was suggested that the application of a default date might be simpler but this required further discussion. Ofgem might be the arbitrator in any dispute process but it was not clear how this would fit.

Additional Items - JCx suggested adding 'Interactive Projects and how these should be handled' to the list of items for further consideration and discussion. MW noted this.

MD observed that building in too long timescales would potentially drive projects away from the UK because of the adverse economic effects on bringing a project to completion. FH responded that timescales were based on interpretation of the Planning Act and, given that National Grid NTS has no hard experience of this yet (on the gas side), it was still aiming to work as efficiently and economically as possible. MW explained the high level timeline and reiterated that there would be a reputational incentive around the first stages. JCx felt this area required more discussion to more clearly establish the degrees of flexibility/fastness and how it all fits together. How/who can cause delays to dates and cause drift? Lack of clarity caused nervousness.

MD reiterated that current timeframes would stifle a lot of projects early on; reducing timeframes could have the opposite effect and make it economically desirable for a project to proceed. FH responded that National Grid NTS is obligated to deliver as well and as quickly as possible, whether that is by

build or non-build methods. MD repeated that small changes in National Grid NTS' views/attitudes to risk taking can make the difference to a customer between a viable or non-viable project. JCx added that perhaps more attention could be given to working at smoothing away potential obstacles, and a more pragmatic approach could be developed to provide 'adequate' rather than 'elaborate' services.

Returning to the presentation, a Table was displayed, setting out the programme of work required over the next 6 months to achieve a solution that could be implemented in April 2014.

Responding to a question, MW confirmed that Long Term Non-Firm will be a modification in its own right and could be produced prior to any capacity/connection modification.

MW then reported that a website had been launched to provide a central source for anything related to capacity and connections. Please see: www.nationalgrid.com/uk/Gas/Connections/CapacityandConnections

3.2 Changing the Gas Day

An update was included as part of the EU Developments presentation. MH explained the scope of National Grid NTS' internal review of the proposed change and detailed the sections of the UNC under review. It was anticipated that the initial review would be complete by the end of the year. Further analysis will then be done to ascertain the implications.

MH advised that a further update would be provided at the February Workgroup meeting.

3.3 Gas Security of Supply Significant Code Review (SCR) Proposals: Credit Implications for the GB Gas Market

Awaiting developments; no further update.

3.4 New Issues

None raised.

4. Any Other Business

None raised.

5. Diary Planning

A Transmission Workgroup meeting will take place at 10:30 on Wednesday 19 December 2012, at the Energy Networks Association (ENA), 6th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF, to progress work on the issue 'Aligning the connections and capacity processes'.

For 2013 – Please note:

The January 2013 Transmission Workgroup will take place at 10:00, on Thursday **10 January 2013**, at ELEXON, 350 Euston Road, London NW1 3AW, and will be followed by a meeting of the NTS Charging Methodology Forum.

Action Log – UNC Transmission Workgroup: 06 December 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
TR0903	18/09/12	2.1.4	<i>Capacity and Connections: 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.</i>	National Grid NTS (MW/SP)	Carried forward
TR1101	01/11/12	3.1.1	<i>Long term non-firm capacity: Draft a new modification.</i>	National Grid NTS (MW)	Carried forward
TR1102	09/11/12	2.1.2	<i>Aligning the connections and capacity processes Consider the pros and cons of a specific PARCA window.</i>	Energy UK (JCo)	Carried forward