

Transmission Workgroup Minutes
Thursday 07 June 2012
Elxon, 350 Euston Road, London NW1 3AW

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Bogdan Kowalewicz	(BK)	Ofgem
Charles Ruffell	(CR)	RWE npower
Colin Thomson	(CT)	Scotia Gas Networks
Erika Melen	(EM)	Scotia Gas Networks
Fiona Gowland*	(FG)	Total E & P
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
James Thomson*	(JT)	Ofgem
Jeff Chandler	(JC)	SSE
Julie Cox	(JCx)	Energy UK
Lesley Ramsey	(LR)	National Grid NTS
Lewis Hodgart*	(LH)	Ofgem
Malcolm Arthur	(MA)	National Grid NTS
Martin Connor	(MC)	National Grid NTS
Mike Wassell	(MW)	National Grid NTS
Rekha Theaker	(RT)	Waters Wye Associates
Rhys Ashman	(RA)	National Grid NTS
Richard Fairholme*	(RF)	E.ON UK
Robert Cameron-Higgs	(RCH)	Wales & West Utilities

* via teleconference

1. Introduction

Copies of all papers are available at www.gasgovernance.co.uk/tx/070612

TD welcomed attendees to the meeting.

1.1 Review of Minutes and Actions of the previous meeting (03 May 2012)**1.1.1 Minutes**

The minutes of the meeting 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: MW read out an update provided by Fergus Healy. In summary, alternatives were being considered, but it would be a struggle to get anything in for July. MW requested that if any party was contemplating using the service to please get in touch with National Grid NTS so options could be discussed and assistance offered. Conversely, if no party was intending to

use it, then it may be that the urgency factor may be somewhat diminished. The Workgroup would be kept informed of progress. **Carried forward**

TR0402: EU Update/Data Exchange - Clarify if there is to be a common language for data exchange.

Update: Covered under 1.4, below. **Closed**

TR0504: DH to provide a link to the existing information and establish if publication of the information at this location/in this format can be continued (or provide a reason why it could not continue).

Update: A link had been provided following the previous meeting. MW confirmed that the functionality appeared to be there, but the legal position on publication was being checked. A further update would be provided at the next meeting. **Carried forward**

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

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

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: To be provided at next meeting. **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: To be provided at next meeting. **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:

0407 – The Workgroup's Report has been concluded and will be submitted to the June Panel.

0423S – Formal legal text is being prepared following a request from Panel, and this will be reviewed at the June Panel meeting. If no concerns arise it is likely that this modification will then be issued for consultation.

1.3 Ofgem Update

LH reported on recent Ofgem activities:

- *Modification of Special Condition C8E of National Grid Gas's gas transporter licence: revenue drivers for South East exit capacity* – 30 May 2012. This direction implements the licence changes necessary to remunerate National Grid Gas for the costs identified in Ofgem's December 2011 South East revenue driver consultation, in the event that incremental exit capacity is booked in the South East area of the NTS.
- *Approval of Gas Exit Capacity Substitution and Revision Methodology Statement* – 11 May 2012. The letter approves the statement submitted to Ofgem on 13 April 2012, including National Grid Gas' proposed amendment to the definition of Substitutable Capacity at GB interconnectors. The amended definition introduces the exclusion of all exit capacity at interconnectors, whether sold or unsold, up to the quantity of Technical Capacity (in the NTS exit/interconnector entry direction) of the connected system as published by the interconnector operator.
- *NTS Exit Capacity Release (ExCR) Methodology Statement decision letter* – 29 May 2012. The letter approves the Exit Capacity Release Methodology Statement that National Grid Gas will apply from 01 June 2012. As part of Ofgem's decision to approve the methodology it directed that the next ExCR Methodology Statement, due in 2013, be accompanied by a statement from appropriate auditors, confirming they have carried out an investigation and giving their opinion as to the extent to which the proposed methodology is in line with its objectives. Ofgem would expect that an appropriate auditor would be a company independent and separate from National Grid Group. The auditor need not be the auditors of National Grid's accounts.
- *Ofgem's Retail Market Review update and next steps* – 21 May 2012. The consultation period for the RMR domestic and non-domestic proposals closed in February 2012. A wide range of views was evident in responses to both the domestic and non-domestic consultations. Ofgem continues to study all the responses and will look to develop its proposals in the light of these alternative perspectives where it sees fit. Ofgem aims to publish its updated proposals for consultation before the winter. This will include an updated version of its proposals setting out its way forward and draft impact assessments. If you wish to discuss any of the issues raised in this open letter, please email rmr@ofgem.gov.uk or contact David Hunt on 020 7901 7429.

- *Project TransmiT - Electricity transmission charging arrangements Significant Code Review conclusions* – 04 May 2012. The document confirmed the view set out in December 2011 that Ofgem should not progress a socialised approach to charging and that an improved form of ICRP is the best way forward. Ofgem issued a direction to NGET on 25 May 2012 to give effect to this decision. This will require NGET to raise a Connection and Use of System Code (CUSC) Amendment Proposal to amend the TNUoS charging methodology to address the issues within the charging methodology that Ofgem has identified.
- *Gas Security of Supply Significant Code Review* – At 14:00 on 22 June 2012 Ofgem will host a Gas SCR workshop at its offices in Millbank. The purpose of the workshop is to discuss updated business rules concerning the reform. Further details will be available ahead of the meeting. Any queries about the workshop should be directed to Thomas.Farmer@ofgem.gov.uk (0207 901 1862).

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

- *Capacity Allocation Mechanism* - ENTSOG submitted final network code to ACER in March 2012. ACER has 3 months to opine, and is currently drafting its reasoned opinion on the network code, working to a 06 June 2012 deadline. Early indications are that ACER may send the code back to ENTSOG for amendment.
- *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* – Framework Guidelines were published in October 2011. The ENTSOG public consultation closes on 13 June 2012. ENTSOG is to publish the final network code in November 2012; then ACER 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 public consultation.

1.4 European Developments

1.4.1 Interoperability and Data Exchange Network Code - Update

MC gave a presentation, outlining the current position and summarising National Grid's responses to the Framework Guidelines in a series of tables related to each of the ACER proposals concerning Interconnection Agreements, harmonisation of units, gas quality, odourisation, data exchange, capacity calculation, and cross border co-operation.

ACER is preparing an 'evaluation of comments' paper. An Impact Assessment and final Framework Guidelines will be provided to the Commission at the end of July. Code development will take place between September 2012 and September 2013.

Referring to interruptibility, LH asked if it was known if other operators shared National Grid NTS' concerns. MC believed they did – the Spanish representative had voiced similar concerns – and that a number of responses were similar to that made by National Grid NTS; ACER will take these into account and it would be very surprising if they were ignored. MC confirmed that every party would have to comply once the Framework Guidelines come into force.

1.4.2 Gas Balancing Code Consultation - Update

MC reminded parties that the consultation closes on 12 June 2012 and encouraged parties to respond. Responses should be made using the formal consultation response form, and should be focused and concise and provide supporting evidence where available.

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

EU CAM Network Code

MW presented and confirmed that discussions had continued between ENTSOG and ACER relating to :

- Capacity duration of 15 years
- How much Capacity is withheld for the medium and short term auctions
- The sale of unbundled capacity resulting from Technical Interconnection Point Mismatches; more Capacity already sold on one side of an IP; and additional incentive release.
- Inclusion of Tariffs in CAM Code
- Establishing Virtual Interconnection Points (at two or more adjacent entry/exit systems).

A more detailed update will be provided once National Grid NTS has

had the opportunity to view and digest ACER’s recently published views.
Post Meeting Note: ACER have launched a new website and published the document. MW has provide the following link:

www.acer.europa.eu/Pages/ACER.aspx

CMP Guidelines

The Guidelines are currently progressing through the Commission’s internal processes including transposition into all Member States’ languages. The expectation is that this will take until September.

GB has to be compliant with the Guidelines by 01 October 2013. National Grid’s compliance is being discussed with Ofgem.

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"> • Output from SJWS on TYNDP/Final ENTSOG TYNDP proposal • More detail on incremental • ACER position on CAM 	05 July 2012
<ul style="list-style-type: none"> • To be confirmed 	02 August 2012
<ul style="list-style-type: none"> • To be confirmed 	06 September 2012

2. Workgroups

The following individual Workgroup meetings took place:

2.1 0412 – Changes to the Stages of Emergency Resulting from Changes Introduced by Exit Reform

Minutes for this meeting are at www.gasgovernance.co.uk/0412/070612

2.2 0415 – Revision of the Gas Balancing Alert Arrangements

Minutes for this meeting are at www.gasgovernance.co.uk/0415/070612

2.3 0426 – Amendment to the NTS System Entry Overrun Charge

Minutes for this meeting are at www.gasgovernance.co.uk/0426/070612

3. Issues

3.1 Communications – Force Majeure and Emergency

JC indicated that a potential modification was under development. It was agreed this item should remain on the agenda until further notice to help maintain visibility.

3.2 Aligning the connections and capacity processes

The Workgroup agreed to accept a presentation (“RIIO-T1 and associated commercial changes – Summary”) provided at short notice, which MW then proceeded to deliver. He outlined the background, the high level principles, and how it could all be brought together and addressed under the RIIO-T1 price control review.

It was questioned whether the Advance Reservation Capacity Agreement (ARCA) would remain or be incorporated into, or be superseded by, the PCA. MW believed National Grid NTS was considering incorporating the ARCA provisions into the PCA, but it was unclear how this might be done at this point. JCx observed that more detail would be welcomed. This will be considered at the meeting planned for the end of June.

TD questioned how customers would know if they required incremental capacity. MW believed this would be established in the discussions with customers to clarify all their requirements. TD reiterated that customers really only want capacity – they are not concerned whether it needs to be ‘incremental’ - and suggested deleting the word ‘incremental’. MW pointed out the complexities of the process and believed it would be difficult to remove the distinction. Clarity and transparency in customer discussions were to be welcomed and through such discussions there were potentially different options to be considered depending on the established requirements, and National Grid NTS has discretion in how to meet these.

RF asked about the level of User Commitment being considered. MW responded that this would be phased and will ramp up through the process – works to date would be paid for as they progress. There will be ‘drop out’ points for both customers and National Grid NTS. Responding to a question from LH, MW stated that if reinforcement is needed it has to be through this route. JCx raised concerns regarding the reservation of substitution. GJ suggested it should be made explicit that capacity will be made available within the agreed timescales.

JCx observed that it would have been better for National Grid NTS to have brought issues and potential solutions to the industry for earlier discussion and involvement; opportunities seem to have been missed and there was a sense of being ‘overridden’, with the RIIO process running away with everything without the industry feeling included.

TD asked if National Grid NTS had considered just allocating capacity, rather than using an auction where one is guaranteed to get it, and then run the existing process as it is? MW thought that perhaps calling it an 'auction' may not be appropriate. Responding to other questions, MW said that a long-term non-firm product may have to be introduced until the investment is in place. RT reiterated that there remained concerns that all the work is done and paid for and then capacity is still *not* available.

JCx commented that there might be parallel running of different processes for some considerable time. MW believed this would be handled on a case-by-case basis, and each might be different.

Other potential changes to the commercial framework were being reviewed and a draft modification was being developed for the Workgroup to consider.

A further meeting has been arranged for Wednesday 27 June 2012 (see 5, below, for details) to progress these discussions and an appropriate agenda will be devised. MW encouraged parties to read National Grid NTS' proposals and to contact himself or Steve Fisher with any concerns.

3.3 New Issues

3.3.1 Exit Capacity Charging Volatility

RT noted dramatic changes between the numbers, eg the indicative reserve price at Bacton; with the disappearance of the reduction window there was no way to hand back capacity. RT suggested consideration could be given to the provision of an ad-hoc reduction window, as there seems to be a lack of opportunity for parties to shed capacity in light of dramatic price increases and this was causing concern. MW believed this perceived problem should be a subject for discussion for the Transmission Charging Methodology Forum (TCMF).

It was also suggested that National Grid NTS could provide an earlier indication that charges are likely to go up. JCx observed that better quality indicative information is going to be required as a result of RIIO, and this will have to bear a much closer relationship to what actually pertains. Referring to summer injections at Rough and the volatility of charges, GJ commented that such levels of volatility make it very difficult for a business to plan appropriately and the current opportunities to shed capacity are not flexible enough. MW noted these concerns for discussion with the National Grid NTS charging team.

TD and BK urged parties to respond to Ofgem's consultation on charging volatility and make their views known. BK added that Ofgem would be happy to accommodate one-to-one discussions if concern regarding commercial sensitivities made this a preferred route for expressing views.

4. Any Other Business

4.1 National Grid Regulatory Frameworks – Functions and Organisation Structure

MC presented a slide showing the organisational structure and responsibilities of various personnel. RT welcomed this very useful information and thanked National Grid NTS for its provision.

4.2 Annual Review of Incremental Entry Capacity Release (IECR) and Entry Capacity Substitution (ECS) Methodologies

MW gave a brief presentation. The annual review of these methodologies will commence in June 2012 and National Grid NTS requested that any issues with the methodologies, which may require review and revision to the statement(s), be notified by 05 July 2012 to:

mark.j.lyndon@nationalgrid.com and sarah.lloyd@nationalgrid.com

Formal consultation on any proposed changes to the Methodology Statements is expected to begin in September 2012.

Currently, it is anticipated that changes will be made to better align capacity release timescales to the requirements of the Planning Act. There may also be a requirement to consider the possible outcome from RIIO and how these changes are to be reflected as part of the methodologies.

4.3 Minutes of Workgroup 0419 – 03 May 2012

Richard Hounslea had requested an amendment to the minutes of the 0419 Workgroup held on 03 May 2012. As this Workgroup had now concluded the request has been brought to the Transmission Workgroup for consideration. The change requested was at Section 1.0 Outline of Modification and initial discussion, paragraph 3:

“RH confirmed that, at most NTS Exit Points, the MNEPOR would be equal to or greater than that currently used”.

Following a brief discussion the Workgroup declined to permit the change to be made since they clearly recalled the discussion and believed the minutes accurately reflect what was said at the time – that MNEPOR would be equal to or greater than the measure currently used at all, not most, exit points.

5. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

The next Transmission Workgroup meetings are scheduled as follows:

10:30 – 14:00 (Transmission Workgroup – Issues) Wednesday 27 June 2012, at 31 Homer Road, Solihull B91 3LT

10:00 05 July 2012, at ELEXON, 350 Euston Road, London NW1 3AW

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

and subsequently

10:00 on the first Thursday of each month, at ELEXON, 350 Euston Road, London NW1 3AW.

Action Log – UNC Transmission Workgroup: 07 June 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.
TR0402	05/04/12	1.4	EU Update/Data Exchange - Clarify if there is to be a common language for data exchange.	National Grid NTS (PH)	Closed
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)	Update at next 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)	Update at next 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)	Update at next meeting 27/06/12.
TR0504	03/05/12	1.1.2	NTS Shorthaul Issue (Modification 0419) – Availability of MNEPOR information: Provide a link to the existing information and establish if publication of the information at this location/in this format can be continued (or provide a reason why it could not	National Grid NTS (DH)	Update due at next meeting.

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
			continue).		
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)	Update due at next meeting.
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.
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.