

**Transmission Workgroup
Minutes
Thursday 07 July 2011
ELEXON, 350 Euston Road, London NW1 3AW**

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Alan Raper	(AR)	National Grid Distribution
Andrew Fox	(AF)	National Grid NTS
Asma Jalal	(AJ)	Centrica
Charles Ruffell	(CR)	RWE npower
Chris Wright	(CW)	Centrica
Dave Adlam	(DA)	National Grid Distribution
Dave Corby	(DC)	National Grid NTS
Derek Jamieson	(DJ)	ESBI
Dora Ianora	(DI)	Ofgem
Elizabeth Ng	(EN)	E.ON UK
Jacopo Vignola	(JV)	Centrica Storage
Jill Brown	(JB)	RWE npower
Julie Cox	(JCx)	AEP
Lewis Hodgart	(LH)	Ofgem
Malcolm Arthur	(MA)	National Grid NTS
Mike Thorne	(MT)	National Grid NTS
Mike Wassell	(MW)	National Grid NTS
Nick Wye	(NW)	Waters Wye Associates
Paul Mott	(PM)	EDF Energy
Richard Fairholme	(RF)	E.ON UK
Rob Cameron-Higgs	(RCH)	Wales & West Utilities
Steve Howells	(SH)	Scotia Gas Networks
Steve Pownall	(SP)	National Grid NTS

1. Introduction

Copies of all papers are available at www.gasgovernance.co.uk/tx/070711.

TD welcomed attendees to the meeting.

1.1 Review of Minutes and Actions of Previous Meeting (02 June 2011)

1.1.1 Review of Minutes

It was noted that the following comment was attributed to LH in respect of UNC338:

'LH confirmed that Ofgem intend to consult during July and, therefore, there should be no possibility of the modification progressing prior to the Ofgem consultation concluding.'

LH did not consider this to be entirely accurate and TD clarified that the second half of the sentence was not intended to be attributed to LH: progress of the modification is not within Ofgem's control.

The minutes of the meeting were then accepted.

1.1.2 Review of Outstanding Actions

Action TR 0601: National Grid NTS (DC) to provide an amended Modification 0338 in time for preparation of a Workgroup Report for discussion on 07 July.

Update: An amended Modification 0338 had been provided. **Closed**

Action TR 0602: National Grid NTS (MW) to provide a timeline to achieve implementation of 0352 by 01 October 2011.

Update: Under review. **Carried forward**

Action TR 0603: National Grid NTS (MW) to provide an amended Modification 0352 in time for preparation of a Workgroup Report for discussion on 07 July.

Update: Under review. **Carried forward**

1.2 Review of Live Modifications not covered elsewhere on the agenda

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

Of specific note were:

0333 – MA reported that systems were being developed and tests carried out by end of August/September. If all progressed satisfactorily it was likely that an implementation date of 01 October 2011 would be confirmed.

0349 – Ofgem were considering the draft legal text.

0363 – Legal Text still to be provided. Comments on the revised modification would be welcomed in advance of the next meeting (04 August 2011).

0376 - Legal Text still to be provided. It was now intended to complete the Workgroup Report at the next meeting (04 August 2011).

0352 – TD reported that an additional meeting had been arranged for 12 July but this was likely to be inquorate as no Shippers had indicated their intention to attend. It was agreed to cancel the meeting and submit written comments to the Joint Office (Enquiries@gasgovernance.co.uk) by 17:00 next Tuesday (12 July) to enable the Workgroup Report to be completed for submission to the July Modification Panel.

1.3 Industry Updates

LH reported on recent Ofgem activities:

- Project TransmiT – consultation closed on 24 June. A follow up stakeholder event is due to be held in Glasgow on 30 June.
- Direction to modify National Grid Gas' Gas Transporter Licence published on 20 June 2011. The modification introduces new revenue drivers (Tonna and Pembroke Phase 2), updates existing revenue drivers and adds new exit points to the Gas Transporter Licence.

- Decision letter approving National Grid Gas' 2011 Entry Capacity Transfer and Trade Methodology Statement published 15 June 2011.
- Direction to implement UNC 0348 'NTS optional commodity tariff' published on 29 June 2011. In Ofgem's view the proposal clarified and improved the cost reflectivity of the rules used in the application of the tariff.
- Direction to implement UNC 0350 'Combining the NTS entry capacity and exit capacity credit checks' published on 22 June 2011 (implementation date 01 August 2011).
- Proposed disposal of part of NTS for Carbon Capture and Storage. The Authority will consider this at its July meeting.

1.4 European Developments

1.4.1 European Gas Codes Update

MA reported that National Grid will be supporting a workshop on 15 July 2011 on European Network Codes, in conjunction with DECC and Ofgem. The programme will cover both gas and electricity and is intended to highlight the main issues and potential impacts. Papers are expected to be published shortly and a link to the location will be advised.

Attendees expressed concern that there was no forum for discussion of any recognised consequences in greater detail. Conscious that EU developments are progressing, there was a concern that addressing issues in more detail may be left until 'everything' was finalised and about to be adopted: implications for the UNC should be under consideration in parallel, so that options could be considered and potential solutions advanced in good time.

2. UNC Modifications

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

TD reported that a revised modification had been received and published yesterday and this meant that the Workgroup Report would now be out of synchronisation as this was based on the previous version.

DC explained the latest revisions to the modification; TD summarised the key points as being a change to the definition of Trader User, and changes to the User Pays section – this was now a User Pays modification.

2.1.1 Consider Legal Text

The legal text was reviewed. Legal advice sought by DC had indicated that Trader Users should be referenced in the same way as DNO Users. Inconsistency was noted between the modification and the text regarding the inclusion/exclusion of Trader User.

JCx questioned if this modification was all about facilitating new entrants to the gas market, and suggested that new Trader Users might appreciate the provision of a summary of what sections applied to their activities. Transporter Licences

identify individual sections that apply to different parties and the same model would be helpful. DI agreed an additional summary would be useful for new parties, and DC noted this for further consideration. MA pointed out that this might then mean that guidance should be provided for each category of User, not just Trader Users, and questioned who might be responsible for the production of these summaries.

The User Pays section was briefly discussed. DC indicated that the change was to the User Admittance process and the introduction of a transfer process - this would incur costs.

Xoserve had indicated that the cost to change category of User from Trader to Shipper was £0. TD asked if this meant there would be a change to the Agency Charging Statement (ACS) to show a zero charge. DC indicated he was in dialogue with Xoserve regarding the changes required. TD emphasised that an ACS should be provided in time for the UNC Modification Panel to consider (ie by next Wednesday) otherwise the modification may not be issued for consultation.

Action TR0701: 0338 - Provide an ACS for submission to Panel (to the Joint Office by Wednesday 13 July 2011).

DI advised that Ofgem intended to launch a consultation on the licensing policy issue to seek views from the industry on whether they agree that traders should not be required to hold a Shipper Licence if they are simply trading and not involved in the physical movement of gas. Ofgem believed it would be a good idea to run their policy consultation in parallel to the UNC consultation on Modification 0338, and suggested that it would be useful for Panel to agree to set an extended consultation period of 6 weeks with a closing date of 08 September 2011 (assuming that at its July meeting the Panel determines that 0338 should be issued for consultation). The FMR would then be considered at the September Panel meeting and Ofgem would then be in possession of Panel's decision on whether to recommend implementation or not which would enable Ofgem to give more holistic consideration to its decision.

2.1.2 Completion of Workgroup Report

DC explained the revisions made under version 3 of the modification.

It was questioned whether 4 months was sufficient time to allow for changes to be made to the NCORM, and whether implementation needed to await changes in NCORM – as suggested by National Grid NTS.

Action TR0702: 0338 - Establish appropriate timescales to allow for changes to be made to the NCORM, and review as necessary.

Legal Text Review

DC reported that external lawyers, were in the process of producing a more contextually detailed version of the legal text, which would be published when available. TD emphasised that this should be made available for the Panel's consideration at the next meeting, and was therefore required by 13 July.

CR pointed out errors on pages 6 and 7 of the Modification (relating to changes required in TPD E). DC noted that the reference (page 6) to '1.6 Information' should be removed, and that the reference to 'Section 9' (on Page 7) should apply. DC confirmed that, while the text did not match the modification, the legal text was correct and the modification incorrect on these points.

TPD Q - TD was not convinced that the text proposed matched the words/intent of the modification. CW agreed, and commented that there was an SCR on Security of Supply and this seemed to be at odds with that; Trader Users should

not be capable of jeopardising the safety and the operation of the network. DI believed that having to go to court and face fines and pay damages may be a strong disincentive. MA pointed out that other views on sanctions might be elicited through Ofgem's consultation. MW believed that an implied 'request' was not strong enough and that the UNC wording needed to be more robust. TD added that any conditions might usefully include both Shipper Users and Trader Users, making it clear that all must comply. DC noted the points raised and would consider a redrafting of this section.

TPD V – References to System/systems were queried and should be reconsidered. AR pointed out that Trader Users would be trading on the entire or total System.

- *V2.1.6* – CW believed this sounded as if there was a limitation to this system and no other anywhere; it should not preclude activity on other systems. This should be reconsidered.
- *V11.3* – This implied that Shipper Users can be 'reckless', and revision should be considered.

TD Part IIB – It was suggested that definitions should be checked to see if they applied just to the National Grid systems.

DC noted these points and would revise the text accordingly.

Action TR0703: 0338 – Revise/expand the legal text and amend Modification

TD advised that, based on the discussions, a Workgroup Report would be produced (based on version 3 of the modification) and submitted to the Modification Panel, with a recommendation that Panel requests formal legal text for inclusion within the Draft Modification Report before issuing for consultation.

Responding to questions on the role of the FSA, DI believed this was primarily an issue for Ofgem's consultation and the FSA were expected to provide a response to this. The Gas Act did not need to be changed. DI also added that the EU Passport is a recommendation and not binding legislation; there will be a register.

2.2 Draft Modification Proposal: "Amendment to the Enduring Annual NTS Exit (Flat) Capacity Application Processes"

MW gave a brief overview of the draft proposal. The rationale was the same as that underlying Modification 0376, but with a few minor differences, ie 'reasonable endeavours' remains (as opposed to 'best endeavours'), and the 10 GWh threshold remains (as opposed to 100,000 kWh).

LH asked if there were any views on a legal interpretation of the difference between the concepts of 'best endeavours' and 'reasonable endeavours'. It was believed that 'best endeavours' indicated that a party would take all steps possible regardless of cost, whereas 'reasonable endeavours' indicated the taking of such actions as would be undertaken by a reasonable man taking into account cost. LH then suggested that this might need to be reconsidered to be consistent with the Gas Act, etc.

MW pointed out that there were likely to be costs associated with system changes (for this proposal and Modification 0376). A ROM may be available within the next couple of weeks.

It was the intention to formally raise this modification for submission to either the July or August UNC Modification Panel, with a recommendation from the proposer that it be sent directly for consultation. Legal text was still to be produced.

3. Workgroups

The following individual Workgroup meetings took place:

3.1 0373 – Governance of NTS connection processes

Minutes for this meeting are at www.gasgovernance.co.uk/0373/070711.

3.2 0381 – Removal of the NTS Exit (Flat) Capacity “deemed application” process

Minutes for this meeting are at www.gasgovernance.co.uk/0381/070711.

4. Issues

4.1 Review of System Alerts

MA gave a short presentation outlining the background to the issue. The concept of the Gas Balancing Alert (GBA) was explained and its purpose and use described. It is proposed to look at different aspects of GBAs, with a view to developing proposals for change.

In respect of the ‘Day Ahead GBA’ options include a potential name change, clarifying the assessment methodology used and looking at the introduction of the ability for National Grid to recall an alert.

In respect of the ‘Within Day GBA’ options include the introduction of the ability for National Grid to recall, developing the ability to signal a Within Day issue as well as an End of Day (EOD) issue, and what the industry’s information requirements might be.

LH confirmed that Ofgem was happy for this issue to be considered as separate to the present SCR.

It was agreed that a separate Transmission Issues Group should be convened to consider the issue and whether improvements could be made in this area - a day would be arranged in August.

Action TR0704: Convene a Transmissions Issues Group (in August) to conduct a review of System Alerts.

4.2 Review of Safety Monitors

MA gave a short presentation explaining National Grid’s current UNC obligations in respect of Safety and, specifically, Firm Monitors. Changes to the classification of some DN load to Firm means that this must be included in the Firm Monitor and results in changes to the storage requirement. Graphs were provided to illustrate the position.

Firm monitor requirements were likely to increase again for 2012/13 as all NTS connected demand will be Firm and would have to be included in the calculation.

MA sought views on what the community used the Firm Monitor information for, and whether there was any value in the continuing production of such

information. If there were no benefit to the industry in continuing to produce this, then removal of the obligation could be proposed; a revised methodology could also be developed if considered appropriate. A formal modification would be required to achieve removal of the requirement to publish the information.

Any feedback received on this item will be reported to the August Workgroup.

4.3 Interruptible to Firm – NTS Supply Point Transition

AF gave a brief presentation outlining the background to the classification of all NTS Points as Firm with effect from 01 October 2012. To facilitate the changes in status, National Grid NTS intend to raise a modification to create an obligation on Users to reconfirm their Interruptible Supply Points to Firm status, except in certain circumstances for which withdrawal is a more appropriate action.

It was the intention that the modification would be consistent with Modification 0367 – Interruptible to Firm - Supply Point Transition.

Any comments would be welcomed by National Grid NTS .

5. Any Other Business

5.1 Revenue Drivers – Ofgem Consultation

SP asked when this would be formally launched. LH responded that a specific date had yet to be confirmed, but it was likely to be late summer.

5.2 Inconsistency within UNC with regard to the quantity of NTS Exit (Flat) Capacity that may be applied for

MW reported that National Grid NTS recently became aware that there is an inconsistency within the UNC with regard to the quantity of Annual NTS Exit (Flat) Capacity that Users may apply for in the Annual Application Window. A note was issued, via the Joint Office on 05 July 2011, bringing this to the industry's attention. Any enquiries relating to this should be directed to the Capacity Auction Team on 01926 654058, or nts.exitcapacity@uk.ngrid.com.

6. Diary Planning

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

The next Transmission Workgroup meetings are scheduled as follows:

10:00 04 August 2011, at ELEXON, 350 Euston Road, London NW1 3AW

10:00 01 September 2011, at ELEXON, 350 Euston Road, London NW1 3AW

10:00 06 October 2011, at ELEXON, 350 Euston Road, London NW1 3AW

10:00 03 November 2011, at ELEXON, 350 Euston Road, London NW1 3AW

10:00 01 December 2011, at ELEXON, 350 Euston Road, London NW1 3AW

Action Log – UNC Transmission Workgroup: 07 July 2011

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR 0601	02/06/11	2.1	Provide an amended Modification 0338 in time for preparation of a Workgroup Report for discussion on 07 July	National Grid NTS (DC)	Closed
TR 0602	02/06/11	2.2	Provide a timeline to achieve implementation of 0352 by 01 October 2011.	National Grid NTS (MW)	Carried forward
TR 0603	02/06/11	2.2	Provide an amended Modification 0352 in time for preparation of a Workgroup Report for discussion on 07 July.	National Grid NTS (MW)	Carried forward
TR 0701	07/07/11	2.1.1	0338 - Provide an ACS for submission to Panel.	National Grid NTS (DC)	Due with JO by Wednesday 13 July 2011
TR 0702	07/07/11	2.1.2	0338 - Establish appropriate timescales to allow for changes to be made to the NCORM, and review as necessary.	National Grid NTS (DC)	
TR 0703	07/07/11	2.1.2	0338 – Revise/expand the legal text and amend Modification	National Grid NTS (DC)	Due with JO by Wednesday 13 July 2011
TR 0704	07/07/11	4.1	Convene a Transmission Issues Group (in August) to conduct a review of System Alerts.	Joint Office	