

## Transmission Workgroup Minutes

Thursday 07 November 2013

Energy Networks Association, 52 Horseferry Road, London SW1P 2AF

### Attendees

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Alena Aliakseyeva	(AA)	Ofgem
Charles Ruffell	(CR)	RWE npower
Chris Shanley	(CS)	National Grid NTS
Dave Corby	(DC)	National Grid NTS
Dave Addison	(DA)	Xoserve
Erika Melen	(EM)	Scotia Gas Networks
Gareth Evans	(GE)	Waters Wye Associates
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
Hayley Burden	(HB)	National Grid NTS
Jeff Chandler	(JCh)	SSE
Julie Cox	(JCx)	Energy UK
Kirsten Elliott-Smith	(KES)	Cornwall Energy
Les Jenkins	(LJ)	National Grid NTS
Marie Maurice	(MM)	GDF Suez
Mike Wassell	(MW)	National Grid NTS
Natasha Ranatunga	(NR)	EDF Energy
Phil Hobbins	(PH)	National Grid NTS
Richard Fairholme	(RF)	E.ON UK
Sarah Lloyd	(SL)	National Grid NTS
Steve Catling	(SC)	Scotia Gas Networks
Vanessa Sturman	(VS)	Ofgem

*Copies of all papers are available at: [www.gasgovernance.co.uk/tx/071113](http://www.gasgovernance.co.uk/tx/071113)*

### 1. Introduction and Status Review

TD welcomed all to the meeting.

#### 1.1 Review of minutes and actions from the previous meeting (03 October 2013)

##### 1.1.1 Minutes

The minutes of the previous meeting were accepted.

##### 1.1.2 Actions

**TR1001:** Ofgem to look at the linkages between the allocation method at cross border points and the Tariff Guidelines and provide any relevant details.

**Update:** Observing that this was a very complex area, AA drew attention to Projects of Common Interest (PCIs). She explained that these were projects where it was assessed that there was benefit to a number of countries/parties but also a negative impact (no benefit or actual cost) to another country/party, and in which case ACER would decide on an appropriate way of allocating costs so that a project was not derailed unnecessarily and that no party was financially disadvantaged. Cross Border cost allocation is likely to prove challenging. The compensation regime/movement of monies is likely to be considered under Tariffs.

Details of current PCIs could be found on ACER's website, and AA gave brief details of three concerning GB. Reverse flows at Moffat and market tests were briefly discussed.

JCx asked if stakeholder consultation would take place in respect of PCIs. AA responded that guidance on an appropriate approach to PCIs was still being developed and that industry engagement will follow (potentially through DECC). **Closed**

**TR1002: EU Balancing Code/Nominations:** Provide an overview of what areas/decisions National Grid has autonomy over, and those that must be agreed with other parties.

**Update:** An updated presentation had been provided giving indications where other parties' agreement was to be sought. See 1.4.3, below. **Closed**

**TR1003:** All to consider how to address EU developments going forward and send any identified issues to: [chris.shanley@nationalgrid.com](mailto:chris.shanley@nationalgrid.com) by 18 October 2013.

**Update:** A presentation had been provided giving options. See 1.4.3, below. **Closed**

## 1.2 Review of Live Modifications not covered elsewhere on the agenda

The Modifications Register is at: [www.gasgovernance.co.uk/mods](http://www.gasgovernance.co.uk/mods)

**0407** – To be implemented on 01 December 2013.

**0435** – Next steps remain under consideration; Workgroup reporting date extended to April 2014.

**0452** – Consultation closes on 11 November 2013.

**0465** – Consultation closes on 11 November 2013.

## 1.3 Ofgem Update

AA provided a general update.

Industry Update from Ofgem:

- *Decision to modify gas and electricity licence conditions following the implementation of the Third Package and other house-keeping changes* - We issued notices on 22 October 2013 making a number of changes to the electricity transmission and distribution licences, and to the gas transporters and supply licences. This followed our July consultation on the changes, which were consequential licence changes relevant to the Third Package, as well as changes of a housekeeping nature. The modifications will take effect from 17 December 2013. A copy of the decision and direction modifications can be found on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/decision-modify-gas-and-electricity-licence-conditions-following-implementation-third-package-and-other-house-keeping-changes>
- *Approval of the Entry Capacity Release Methodology Statement* – We approved National Grid's Entry Capacity Release Methodology Statement which will take effect from 2 January 2014. A copy of the approval can be found on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/approval-entry-capacity-release-methodology-statement>
- *Approval of the Generic Entry and Exit Revenue Driver Methodology Statement* – We approved National Grid's Generic Entry and Exit Revenue Driver Methodology Statement which will take effect from 2 January 2014. A copy of the approval can be found on the

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Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/approval-generic-entry-and-exit-revenue-driver-methodology-statement>

- *Approval of the Entry Capacity Substitution Methodology Statement* – We approved National Grid’s Entry Capacity Substitution Methodology Statement which will take effect from 2 January 2014. A copy of the approval can be found on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/approval-entry-capacity-substitution-methodology-statement>
- *Reasonableness review of energy network operators pension costs* – Consultation on draft terms of reference for independent experts to conduct an initial review of the reasonableness of network operators’ (NWOs) pension costs, to assist and inform our decision in determining whether these costs are reasonable and reset of allowances from 1 April 2015. A copy of the consultation can be found on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/reasonableness-review-energy-network-operators-pension-costs-0>
- *Ofgem’s response to the Government’s Annual Energy Statement* – Our response to the Government’s Annual Energy Statement. A copy of the response can be found on the Ofgem website: <https://www.ofgem.gov.uk/press-releases/response-governments-annual-energy-statement>
- *Improving transparency of energy company profits* - Promoting transparency of energy company profitability is an important aspect of Ofgem’s efforts to rebuild consumer confidence in the energy market and improve competition. This is our consultation on measures to improve the transparency of energy company profits. A copy of the consultation can be found on our website: <https://www.ofgem.gov.uk/publications-and-updates/improving-transparency-energy-company-profits>
- *Xoserve – decision in relation to new funding, governance and ownership arrangements for the gas transporters’ central agent* - We have published our decision on our consultation on implementing new funding, governance and ownership arrangements for Xoserve, the gas transporter central agent. A copy of our decision can be found on the Ofgem website: [https://www.ofgem.gov.uk/sites/default/files/docs/decisions/xoserve\\_decision\\_oct13.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/decisions/xoserve_decision_oct13.pdf)
- *Options for Great Britain’s implementation of the European Union Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems (Regulation 984/2013) at the Bacton entry point* - In implementing the CAM Network Code, there are two Great Britain (GB)-specific issues relating to the Bacton gas terminal on which we are keen to hear industry views. This letter (i) sets out the options for each issue; (ii) explores the advantages and disadvantages of each option; (iii) sets out our preferred approach and the rationale behind it; and (iv) summarises our current thinking on next steps. A copy of the consultation can be found on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/options-great-britain’s-implementation-european-union-network-code-capacity-allocation-mechanisms-gas-transmission-systems-regulation-9842013-bacton-entry-point-0>

## **1.4 European Developments**

National Grid NTS provided an update on various aspects.

### **1.4.1 European Updates Timetable**

A Gas Codes timeline was provided for information, together with a Table indicating the current status of each Code and its fixed/estimated implementation date.

### **1.4.2 EU Interoperability and Data Exchange Network Code – Pre Comitology Impact Assessment**

PH gave an overview of the current status, and highlighted areas of impact on the GB regime. These included:

#### *Interconnection Agreements – ‘Matching’ nominations and allocation rules*

Work was continuing internally. This was discussed. JCx suggested that the CVA might need to be included in the discussions. It was recognised that there was a need to understand the implications of a 3 way bundling scenario on the nomination/allocation regime; GB is different from other EU parties in that as well as 2 way bundling, 3 way bundling is possible. When asked for Ofgem’s view VS responded that Ofgem was still looking for views on this; a decision might be reached in the New Year. PH observed that more clarity on key areas would be needed as soon as possible. AA noted concerns and will endeavour to see if more certainty could be provided. TD suggested that National Grid NTS consider publishing its response well in advance of the end of the consultation period so that other parties may consider/reassess their responses before submission.

Responding to a question from MM, AA confirmed that Ofgem was talking to Belgian parties informally because other decisions are required, but nothing is available publicly at this time.

*Gas Quality* - National Grid NTS will engage with the industry next year to assess demand for forecasting services, and to determine what, if anything, should be delivered. JCx commented that a short-term service may have some value; further thought is required as gas quality fluctuations can be significant over a short timeframe.

*Units* – Differences in reference temperatures were highlighted and PH explained in more detail. No commercial impact was expected to arise from the common set of units, however other views would be welcomed and those present were encouraged to give more thought to this. JCx queried if any difference would be apparent in shrinkage or UAG.

*Data Exchange* – Interfaces with Gemini were to be considered. PH confirmed that National Grid would be a shareholder in PRISMA from January 2014. PH explained the ‘Toolbox’ and outlined impacts; tools were being assessed to ascertain which was most appropriate for which process.

### **1.4.3 EU Balancing Code Update – National Grid NTS Impact Assessment**

CS drew attention to the web link to the new code and went on to present an overview of areas of potential change and levels of importance (red, amber, green). Ofgem’s views on areas with amber status were still awaited. It was noted that some areas previously included had now been removed from the Final Code. Areas of specific note included Nominations (red, major) and Information Provision (red, medium). Impact evaluation is continuing, and details of suggested proposals to address the information provision changes will be provided at the next Transmission Workgroup.

*Chapter 4 Nominations* - At this point CS gave a presentation in response to Action TR1002.

JCx commented that so many areas seem to require agreement between different parties that surely there should be a clearer perception of more formal ongoing wider discussions/reviews rather than it all sounding so informal. CS responded that he was very conscious of the need to engage with other TSOs, and it was being looked at from the perspective of the concept document, interconnection agreements and the code. It will take time to develop and reach an appropriate landing point. PH observed that it was a 2 way bundling then there would be no problem, but if it was 3 way clarity was needed to understand who National Grid NTS must be talking to. No TSO offers a pre nomination cycle at present. Responding to questions, CS offered to bring examples to the Workgroup to illustrate impacts.

**Action TR1101: *EU Balancing Code/Nominations* – Provide examples to illustrate impacts.**

Returning to the main presentation:

*Chapter 5 Daily Imbalance Charges* - CS drew attention to revised wording relating to the calculation of the SMP buy and sell price.. An interpretation/evaluation of this impact was being carried out and an update will be provided.

*Chapter 11 Final Provisions – Implementation Line* – The phasing of the implementation of the various codes needs careful thought. Implementation and compliance dates are not necessarily the same. PH suggested adding more detail on this to the Code Status Update table (provided as part of this general EU update).

At this point CS gave a presentation in response to Action TR1003. Noting that no feedback had been received from Shippers since the last meeting, CS presented a high level ‘road map’ illustrating how EU developments might be addressed, and details on proposed approaches under the current Phases 1a and 1b. Phase 1b was a ‘small’ release and proposals were being worked on. REMIT will be a FG process early next year as part of the 2014 release (still in its infancy in terms of detail).

CMP requires the introduction of a new long-term use-it-or-lose it (LTUIOLI) mechanism. This will allow a national regulatory authority to require a TSO to withdraw systematically underutilised contracted capacity on an interconnection point. The intention is to introduce a Modification that aligns with the CMP requirement but that requires no system changes and to utilise existing functionality introduced under Modification 0449.

Key areas of change for Phase 2 (2014/15) were outlined together with initial thoughts for industry engagement, which included continuing to provide the Transmission Workgroup with updates; setting up a series of National Grid workshops to examine the EU obligations in phase 2, and setting up a Gas JESG type standing group (consisting of NG and key stakeholders) and use this group to work through the key issues prior to the raising of the associated UNC Mods from Q1 2014 (with recommendations they go to Workgroup for development/discussion with UNC parties).

GJ pointed out the potential impact of Modification 0448 if implemented. Authority raised modifications were likely to be a distinct possibility.

The options for the best approach to industry engagement were considered and discussed, with a preference expressed for option 1 - continuing under the auspices of the Transmission Workgroup. To enable the attraction of the most appropriate participants at meetings it was suggested that a Plan (replicating the Future EU Updates Table) be published to better advertise well in advance what was coming up for discussion at the meetings.

Looking ahead to potential modifications, GJ observed that great care would be needed when defining the scope of the modifications and that ‘linking’ should be avoided wherever possible - it was better to have self contained units - whilst endeavouring to maintain an holistic view as to how all should fit together.

NR suggested that it would be very useful to know the leads for each of the areas and their contact details, as well as a brief description clarifying what is meant and National Grid's intentions, and whether Shippers were impacted or not. A 'Quick Reference' document (live, evolving and regularly updating) would make it easier for Shippers to assess if their review/participation was required. This was considered to be a helpful suggestion.

It was recognised that as EU developments progressed and the scale of what was to be delivered in 2014 was confirmed, it was likely that additional Transmission Workgroup meetings would be required to address increased workload. These would be organised and notified as necessary.

#### 1.4.4 EU Updates Programme

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"> <li>Balancing Code – information provision update</li> <li>Interoperability Code – ACER 'Reasoned Opinion'</li> </ul>	05 December 2013
<i>To be confirmed</i>	09 January 2014

## 2. Workgroups

The following Workgroup meetings took place:

### 2.1 0454 – Introduction of a Long Term Non Firm Capacity Product

Minutes for this meeting are available at: [www.gasgovernance.co.uk/0454/071113](http://www.gasgovernance.co.uk/0454/071113).

### 2.2 0461 – Changing the UNC Gas Day to Align with the Gas Day in EU Network Codes

Minutes for this meeting are available at: [www.gasgovernance.co.uk/0461/071113](http://www.gasgovernance.co.uk/0461/071113).

## 3. Issues

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

TD drew attention to a short presentation provided by Xoserve. The Energy Balancing Credit Committee (EBCC) has initiated work to look in more detail at the impacts of Ofgem's SCR on its ability to operate should Emergency arrangements be invoked. The committee has focused its work in four key areas: Operation of processes; priority of scoring for EBCC meetings; EBCC's operation; and relaxation of current arrangements/Business rules. Xoserve had given some thought to what step/actions might need to be contemplated/undertaken in an emergency situation and had captured these thoughts in the first instance as 'mind maps' (see presentation) with individual box status showing as red, amber, and green for consideration. For details of the EBCC's discussions see Minutes at [www.gasgovernance.co.uk/ebcc/251013](http://www.gasgovernance.co.uk/ebcc/251013).

It was recognised that contingency plans would be needed such that the EBCC could call upon these 'off the shelf' in the event that a rapid response was required. The EBCC are now

working on a set of rules to enable the EBCC to function in large-scale emergencies.

Updates on progress made will be provided.

### 3.2 New Issues

None raised.

## 4. Any Other Business

### 4.1 NTS Exit Capacity Map

To help inform the proposed PARCA arrangements (Modification 0452 currently under consultation) an interactive map had been provided to illustrate where NTS capacity can be made available without investment including substitution (ie in less than 36 months); with simple medium term investment (ie at 36 months); and with long term lead times (ie more than 36 months required).

MW said that National Grid NTS also intended to produce an 'Entry' version and these will also be included the Ten Year Statement. The maps will be amended/updated as/when necessary. NR suggested that some more detail would be useful.

MW encouraged parties to review the information and all feedback would be welcomed. To provide more comments/suggestions please contact: [Eddie.j.blackburn@nationalgrid.com](mailto:Eddie.j.blackburn@nationalgrid.com)

### 4.2 The Future Energy Market

NR drew attention to a recent presentation given in Brussels on the Future Energy Market. Engagement from consumers and distribution networks was being looked for; the pre-consultation phase commenced yesterday (06 November 2013) and the deadline for responses is Tuesday 17 December 2013. A Green Paper will follow in Q1 2014.

For more details on "Energy Regulation: A bridge to 2025" please go to:

[http://www.acer.europa.eu/Official\\_documents/Public\\_consultations/Pages/PC\\_2013\\_E\\_05.aspx](http://www.acer.europa.eu/Official_documents/Public_consultations/Pages/PC_2013_E_05.aspx)

## 5. Diary Planning

***Please note the different venue for the December meeting.***

Date	Time	Location
Thursday 05 December 2013	10:30	<b>Energy UK, Charles House, 5 - 11 Regent Street, London SW1Y 4LR</b>

### For 2014

Transmission Workgroup meetings scheduled for 2014.

**Please note the January meeting is NOT on the first Thursday in the month.**

Date	Time	Location
<b>Thursday 09 January 2014</b>	10:30	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF

Thursday 06 February 2014	10:30	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 06 March 2014	10:30	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 03 April 2014	10:30	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF

### Action Table – UNC Transmission Workgroup: 07 November 2013

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR1001	03/10/13	1.1.2	Ofgem to look at the linkages between the allocation method at cross border points and the Tariff Guidelines and provide any relevant details.	Ofgem (RM)	Closed
TR1002	03/10/13	1.4.1	EU Balancing Code/ Nominations: Provide an overview of what areas/decisions National Grid has autonomy over, and those that must be agreed with other parties.	National Grid NTS (CS)	Closed
TR1003	03/10/13	1.4.4	All to consider how to address EU developments going forward and send any identified issues to: <a href="mailto:chris.shanley@nationalgrid.com">chris.shanley@nationalgrid.com</a> by 18 October 2013.	ALL parties	Carried forward
TR1101	07/11/13	1.4.3	<i>EU Balancing Code/ Nominations</i> – Provide examples to illustrate impacts.	National Grid NTS (CS)	Pending