

Transmission Workgroup Minutes

Thursday 09 January 2014

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

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Anna Grant*	(AG)	Total
Anna Shrigley	(AS)	ENI
Andrew Pearce	(AP)	BP Gas
Bethan Winter	(BW)	Wales & West Utilities
Charles Ruffell	(CR)	RWE npower
Chris Logue	(CL)	National Grid NTS
Chris Shanley	(CS)	National Grid NTS
Chris Wright	(CW)	Centrica
Colin Hamilton	(CH)	National Grid NTS
Danielle Stoves	(DS)	Interconnector
David Cox*	(DC)	London Energy Consulting
Dimuthu Wijetunga*	(DW)	RWE npower
Erika Melen	(EM)	Scotia Gas Networks
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
Hilary Chapman	(HC)	Xoserve
Isabelle-Agnes Magne*	(IAM)	GDF Suez
James Thomson	(JT)	Ofgem
Jeff Chandler	(JCh)	SSE
John Costa	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kirsten Elliott-Smith	(KES)	Cornwall Energy
Lisa Martin	(LM)	Ofgem
Marshall Hall	(MHa)	Oil & Gas UK
Martin Baker	(MB)	Xoserve
Martin Connor	(MC)	National Grid NTS
Matt Hatch	(MH)	National Grid NTS
Mike Thorne	(MT)	National Grid NTS
Nick Wye	(NW)	Waters Wye Associates
Rekha Theaker	(RT)	Petronas
Richard Fairholme	(RF)	E.ON UK
Richard Lea	(RL)	Gazprom
Roddy Monroe	(RM)	Centrica Storage
Ryan McLaughlin	(RMc)	Ofgem

*via teleconference

Copies of all papers are available at: www.gasgovernance.co.uk/tx/090114

1. Introduction and Status Review

LJ welcomed all to the meeting.

1.1 Review of minutes and actions from the previous meeting (05 December 2013)

1.1.1 Minutes

The minutes of the previous meeting were accepted.

1.1.2 Actions

TR1201: *With regard to Directions issued to NGGT under the Special Conditions of the gas transporter licence is respect to the Annual Iteration Process for the GT1 price control financial model - Ofgem (RM) to investigate and seek to provide an update on the financial detail behind the direction notice in time for consideration at the next meeting.*

Update: No update available. **Carried Forward**

TR1202: *With regard to RIIO-GT1 PCFM - Ofgem (RM/JT) to provide clarification on the terms and process for notifying stakeholders when such licence changes are being taken forward.*

Update: No update available. **Carried Forward**

TR1203: *EU Interoperability and Data Exchange Network Code - Ofgem (JT/RM) to confirm whom within Ofgem is to replace Mike Jenner on the Interoperability Contract work.*

Update: Post meeting update provided by email (16 December 2013). **Closed**

TR1204: All parties to review the 'EU Code Implementation Programme Phase 2 – Areas of Change December 2013' document and provide their feedback at the January 2014 meeting.

Update: National Grid NTS provided a presentation, delivered at this meeting (see 2.0, below). **Closed**

TR1205: Joint Office (LJ/LD) to ensure that consideration of the 'EU Code Implementation Programme Phase 2 – Areas of Change December 2013' document is included on the agenda for January 2014 meeting.

Update: Included on this agenda. **Closed**

1.2 Review of Live Modifications not covered elsewhere on the agenda

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

0435 - Next steps under consideration; Workgroup reporting date extended to 17 April 2014.

0452V – Varied; Panel recommended implementation; now with Ofgem for decision.

0454 – Final Modification Report to January Panel for consideration.

0461 - To consultation (close out on 27 January 2014).

0465V - Varied; Panel recommended implementation; now with Ofgem for decision.

0471S - To consultation (close out on 27 January 2014).

1.3 Ofgem Update

JT provided a general update, as follows:

- **Uniform Network Code (UNC) 0462: Introducing Fast Track Self Governance into the Uniform Network Code.** UNC0462 introduced a new Fast Track Self-Governance modification process into the Uniform Network Code (UNC) following Ofgem's Code Governance Review Phase 2. This process will enable the quick progression and implementation of minor housekeeping changes to UNC. A copy of the decision letter can be found at the following location of the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/uniform-network-code-unc-462-introducing-fast-track-self-governance-uniform-network-code>
- **Consent to National Grid proposal to substitute Baseline National Transmission System (NTS) Exit (Flat) Capacity.** This letter consents to NGGT's proposal to substitute NTS Exit Capacity to meet a request for additional capacity at the Pembroke offtake. A copy of the decision letter can be found at the following location on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/consent-national-grid-proposal-substitute-baseline-national-transmission-system-nts-exit-flat-capacity>

- **Gas Transmission Charging Review - December Stakeholder Event.** Ofgem hosted a Gas Transmission Charging Review stakeholder event on 04 December 2013. Copies of the presentations and other documents discussed at that event can be found at the following location on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/gas-transmission-charging-review-december-stakeholder-event>

2. **EU Code Implementation Programme**

National Grid NTS provided a presentation on the various aspects.

2.1 Introduction

CL introduced the aims for the day, reiterating the extent of industry engagement to date and giving a brief review of the status of the various EU Codes, together with a Road Map illustrating proposed progress. Key areas of change and NTS contacts were noted.

The challenge will be to move forward on appropriate UNC modifications without necessarily being in possession of all the detail at the outset. A 'Concept Document' (interruptibility and other interactive issues) is to be developed and agreed with adjacent TSOs. Interconnector UK is to work with its customers and National Grid NTS will work through this UNC Transmission Workgroup. CL emphasised that 'parallel working' to keep moving forward in all areas that require addressing would be a necessity. It was confirmed that National Grid NTS was in discussion with PRISMA and will feed back details once it is known what needs to be done.

The meeting then departed from the main presentation and gave its attention to two individual presentations provided by Ofgem and the Gas Forum.

2.2 Challenges ahead and approach to implementation - Ofgem

CAM: Next Steps

Referring to the Open Letter (October 2013) and the responses received, LM (Ofgem) gave a brief presentation setting out Ofgem's current view and a proposed way forward in respect of each issue identified. LM pointed out that the role of development and implementation fell to the parties using the system and for Ofgem to facilitate this as appropriate. JCo asked to what extent would Ofgem direct and implement the Codes. LM responded that Ofgem would make the final decision and the finer points of implementation may also rest with Ofgem. The aim was for 'no surprises' and Ofgem will actively engage with parties to encourage and achieve the most appropriate outcomes. CL concurred with the key comment 'no surprises' and added that Ofgem's thoughts and views on certain issues were known and should be taken into account when considering and developing appropriate outcomes. CL welcomed the Authority's continuing engagement in the process and any 'steer' as EU developments progressed so that sound acceptable solutions can be achieved.

The current position and expectations in respect of each issue were then examined in greater detail.

MH raised a number of points regarding *Bacton Exit Capacity*, and asked whether 2018 was the 'appropriate date' for end dating enduring Bacton Exit capacity and observed it needed further thought in relation to CAM and any Bacton split; a modification to stop Exit bookings would be rather ambitious for June 2014. Referring to Bacton and Moffat IPs, MH commented on the need to consider the Moffat interconnection point in terms of what changes are considered/agreed at the Bacton Interconnection point.

In relation to *Bacton Flexibility*, MH commented that this was also in addition to delivering CAM and would add risk to the project.

2.3 Challenges ahead and approach to implementation from Shipper perspective – Gas Forum

EU Codes: Implementation Issues

RF, on behalf of the Gas Forum (GF), presented key issues from a Shipper perspective.

Framework Guidelines on Tariffs

The Ofgem Gas Transmission Charging Review (GTCR) had recently been launched and there was uncertainty of scope of application to a number of parties. The initial view was that this should be focused on Interconnector Points, and that the industry should be wary of trying to cover too much at the same time, ie focus on the minimum requirements to be met. There were also concerns relating to 'interpretation'; examples were given.

CAM Implementation

A number of concerns were expressed in this area and the GF believed there were a number of questions to be considered and taken into account relating to treatment of arrangements at Bacton, and how the Gas Day changes would be handled across the different regimes pertaining to onshore and offshore. If CAM was to be implemented in 2015 and Tariffs in 2017 what was to happen in terms of Tariffs at Bacton? RF believed that further industry consideration and discussion was necessary.

Governance Process

The various timetables for implementation needed closer consideration, to avoid affecting the markets in adverse ways. There was always the option to defer.

CS observed that there were options for seeking extensions in some cases, should that be appropriate. NW commented that the industry does not want to implement in a half-hearted or an imperfect way and any such routes should be kept open.

Gas Day Change

MHa drew attention to the fact that Upstream parties have no obligation to do anything under CAM but will be seriously affected by the 05:00 – 05:00 change. The impacts were under discussion and it was not yet clear if differently structured Gas Days could be accommodated. MHa gave figures illustrating the number of affected parties and pointed out that reviews of processes and commercial agreements and the costs of changing these were many times that of costs to Downstream parties. The issue was therefore greatly magnified from this perspective, and these wider industry impacts had not been taken into account.

MHa advised that Upstream parties were considering raising a modification to the EU CAM to allow Member States to return to a Gas Day that may differ to a standard harmonised day if it could be demonstrated that there would be no detriment to any other EU party by so doing. There was a strong belief by Upstream parties that this case should be made to the EU. It was unnecessary and costly to Upstream and Downstream because of the unique nature of UK interconnecting points to the Continent. Upstream parties believed this to be an action worth pursuing fully and it has been brought to the attention of DECC and Ofgem at the highest levels. MHa asked the Workgroup to consider how this action might then affect the process of proceeding with requirements of CAM and UNC Modification 0461.

The meeting then returned its attention to the main presentation (slide 15).

2.4 Phase 1

Referring to Congestion Management Procedures (CMP) CH gave this part of the presentation, observing that Phase 1 had already been implemented. The mechanism for Long Term Use-it-or-lose-it (LTUIOLI) was included; an interim solution was required for the pre-CAM world (monitoring, reporting, and withdrawal mechanism) by October 2014. CH then set out a number of considerations for implementation, and focused on the 3 key areas.

Reporting was briefly discussed. CH explained that National Grid NTS will publish how it is measured, ie a methodology will be made available, and will alert/inform any Shipper if it has triggered an 'amber' signal.

Looking at the determination of withdrawal quantity, CH suggested there were a number of choices to be considered. Responding to questions, CH confirmed it was based on the existing surrender process, apart from the voluntary nature of the surrender process. It did not impact in the short term – it was about freeing up the long term unutilised capacity and making available for another User. LM pointed out the potential for a timing mismatch.

CH explained the withdrawal process hierarchy. There was an emphasis on Shippers managing their own positions. AS gave an example scenario relating to congestion creation and MH explained about the information provision that would be given (this already existed). CH recognised there would need to be further consideration given post CAM to the Bacton split.

CH then described a proposed approach to addressing perceived requirements (Licence, a monitoring methodology, and the UNC). The content of a potential modification was

illustrated and what it might aim to achieve. CW asked if it would be Ofgem's role to act as an arbiter on 'Shipper justification'. MH confirmed that National Grid NTS would not give an opinion; Ofgem would consider the report and advise on action to withdraw. RMc added that Ofgem's views on this were not yet finalised. CW asked how a Shipper would be financially reimbursed if it loses capacity and observed this could prove to be quite a contentious process. CH indicated this required further discussion. If it was not sold elsewhere the Shipper gets to keep it. JCx then gave some example scenarios and believed that the process would not hang together very well; perceived contractual congestion at the present time may not then apply when that 'perceived point in the future' is actually reached. CH indicated there would be a monitoring/utilisation process in place, and capacity can in effect be returned if not required. National Grid NTS was devising mechanisms where it can use existing functionality/processes. JCx commented that that the industry would not want to go through the same pain twice, with a short term and then a long-term modification. CH hoped to find a solution that would be flexible enough to be adaptable.

2.5 Phase 2

CAM Code

MH gave an overview of the integration of CAM and CMP and the key areas of change, together with an indication of whether or not a UNC modification would be required.

In relation to Cross Border Bundling Arrangements, MH confirmed that discussions were ongoing with PRISMA as to how this works now, and the industry would be updated with further details in due course. At Moffat there may be a technical mismatch. DS commented that unbundled capacity sources will need to be clarified (contractual or physical) and may lead to different rules.

Balancing Code

CS gave an overview of the Balancing Code and the key areas of change, together with an indication of whether or not a UNC modification would be required.

It was noted that under the Nominations Process at IPs, multiple nominations may now be required. The Nomination Rules were under discussion with the TSOs.

Some examples of the impacts on GB SMP Buy and Sell price were given. JCo suggested this may be a backward step as a long Shipper may be better off at cash out rather than trading, and the incentive to balance is thereby reduced.

CS went on to explain three options and the advantages/disadvantages of each. JCx suggested just doing the EU changes and 'fix' anything else later, ie minimum change. JCo was of the same view, but believed there was an opportunity to 'push back' on this one and point out that it is a retrograde step. CS noted that Option 2 (move to the EU definition) appeared to be the most favoured.

Interoperability and Data Exchange Code

MC gave an overview of this Code, its current status, and the key areas of change, together with an indication of whether or not a UNC modification would be required. There was a slight risk that the proposed implementation date might move forward, but Ofgem, DECC and National Grid NTS all prefer 2015.

At this point JCo referred to the User Pays elements of any new modifications and asked how costs were to be apportioned. CS responded that the Transporter will be funded for a number of EU changes and has the ability to approach the NRA to ask for more money. This is an ongoing discussion and the modifications are potentially not classified as User Pays. CL referred to the Third Package, whereby NRAs should allow TSOs to recover 'reasonable costs' – under discussion and it needs to be demonstrated that they are appropriate. JCo advocated close consideration of cost targeting.

Gas Day

CS gave an overview of the key areas of change and the areas impacted. UNC Modification 0461 had been raised to address the requirements and the consultation period closes out on 27 January 2014. Assuming it is approved, the implementation date is proposed as 01 October 2015. The Ofgem project looks at much wider impacts; it was not certain by when Licence/other document changes must be made. It was suggested that Clare Cameron (Ofgem) might have access to more detail.

MHa reiterated that the significance of wider industry impacts should not be underestimated – some legacy items may not be capable of change, and there is no obligation for outside parties to comply. Issues of safety and efficiency also arise. A potential modification to CAM may be submitted before the EU and National Grid NTS might want to avoid what could be unnecessary internal effort. CS noted these points but under the present circumstances National Grid NTS must work towards compliance. It was suggested that it would be prudent to build in a ‘retrievable’ position, in the event that a change in circumstances presages a different outcome.

2.6 Phases 3 and 4

Tariff Code and Incremental Capacity Amendment

CH gave an overview of the scope of this Code and its current status. There was to be an impact assessment to consider the validity of harmonising the tariff setting year. CH explained this could be set to 01 October or to 01 January; the latter would reflect most TSOs’ calendar year, and may or may not have to change.

The scope of the Incremental Capacity Proposal was explained. A draft timeline for the Code and the amendment was displayed together with web links to key documents.

Interconnector UK (IUK) as a member of the ENTSSOG tariff Workgroup was encouraging ENTSSOG to consider including, in the development of the tariff network code, the optionality to allow fixed as well as floating prices at interconnection points. IUK was arguing for this and other issues to be consulted in the development process and urged those present and the wider industry to make their views known because this was a very relevant issue for Bacton.

2.7 Systems Development

A high level release plan was displayed. More details would be brought to the February meeting. CS confirmed that this related to Gemini and UK Link. Ofgem was considering wider system changes.

2.8 UNC Modification Plans

MT described potential approaches to modification and sought views on the best way to achieve the necessary changes.

Action TR0101: *UNC Modification Plans – All to consider the best approach and provide views to Chris Shanley by 14 January 2014.*

A timescale for Phase 2 changes was displayed. MT confirmed that National Grid NTS would be looking to implement a single release into the NTS system. It was recognised that some changes would be relatively simple while others would be more complex. CW observed there might be an obstacle in that the Panel examined a modification against the relevant objectives, one of which related to “Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.” – how would the Panel assess the modification’s compliance if it does not know what the final EU Code says?

MT reported that the Balancing and CAM Codes were now in force and potential modifications could be expected relating to these areas. The approach to implementation could be managed in a number of ways.

2.9 Next Steps

CL gave a closing address.

On National Grid’s website there was a dedicated web page to provide a comprehensive resource for all EU Code implementation issues:

<http://www2.nationalgrid.com/UK/Industry-information/Europe/>

This will be maintained to assist the communication process, and further updates to this UNC Transmission Workgroup will continue. CL encouraged all parties to remain engaged and contribute to the process and progress of the changes.

National Grid NTS recognised the need to continually examine areas for flexibility where at all possible, whilst bearing in mind the necessity of avoiding infractions. CL noted the concerns that the offshore industry voiced in relation to changes in the Gas Day and would be happy to engage with parties to examine potential solutions to problems.

Modifications need to be properly developed to comply with the new obligations, and the User Pays elements are to be considered.

CL reiterated the necessity for early engagement of all parties in the Tariffs Code and Incremental Capacity change, and urged those present to become involved at the outset.

Uncertainties relating to some Codes and the potential for change was recognised, but CL believed there to be sufficient stability for National Grid NTS to commence work to meet the obligations.

In conclusion, CL indicated he would be interested to receive feedback on today’s presentations and approach, and would be happy to offer something similar going forward if wanted. Review points might be useful to assess progress/status, or it can be delivered differently if other forums are suggested as being more appropriate.

3. Workgroups

No business to discuss.

4. Issues

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

Next update due at the February 2014 meeting.

4.2 New Issues

No new issues raised.

5. Any Other Business

5.1 PARCA Contract Development

LJ had been advised by Steve Pownall (National Grid NTS) that the final review stage was approaching and that National Grid NTS could arrange a separate meeting for review purposes for interested parties. A number of parties indicated their interest. LJ noted this and will contact SP to request that a meeting be arranged. (This meeting will not be supported by the Joint Office.)

6. Diary Planning

Transmission Workgroup meetings scheduled for 2014.

Date	Time	Location
Thursday 06 February 2014	10:30	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 06 March 2014	10:30	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF

Thursday 03 April 2014	10:30	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 01 May 2014	10:30	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 05 June 2014	10:30	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF

Action Table – UNC Transmission Workgroup: 09 January 2014

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR1201	05/12/13	1.3	<i>With regard to Directions issued to NGGT under the Special Conditions of the gas transporter licence in respect to the Annual Iteration Process for the GT1 price control financial model - Ofgem (RM) to investigate and seek to provide an update on the financial detail behind the direction notice in time for consideration at the next meeting.</i>	Ofgem (RM)	Carried forward
TR1202	05/12/13	1.3	<i>With regard to RIIO-GT1 PCFM - Ofgem (RM/JT) to provide clarification on the terms and process for notifying stakeholders when such licence changes are being taken forward.</i>	Ofgem (JT/RM)	Carried forward
TR1203	05/12/13	1.4.3	To confirm whom within Ofgem is to replace Mike Jenner on the Interoperability Contract work.	Ofgem (JT/RM)	Closed
TR1204	05/12/13	1.4.3	To review the 'EU Code Implementation Programme Phase 2 – Areas of Change December 2013' document and provide their feedback at the January 2014 meeting.	ALL parties	Closed
TR1205	05/12/13	1.4.3	To ensure that consideration of the 'EU Code Implementation Programme Phase 2 – Areas of Change December 2013' document	Joint Office (LJ/LD)	Closed

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
			is included on the agenda for January 2014 meeting.		
TR0101	09/01/14	2.8	<i>UNC Modification Plans</i> – All to consider the best approach and provide views to Chris Shanley by 14 January 2014.	ALL parties	Pending