

## Transmission Workgroup Minutes

Tuesday 18 September 2012

31 Homer Road, Solihull B91 3LT

### Attendees

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Alison Chamberlain*	(AC)	National Grid Distribution
Antony Miller	(AM)	Centrica Storage
Charles Ruffell	(CR)	RWE Npower
Graham Jack	(GJ)	Centrica
Julie Cox	(JCx)	Energy UK
Lewis Hodgart*	(LH)	Ofgem
Mike Wassell	(MW)	National Grid NTS
Natasha Ranatunga	(NR)	Ofgem
Steve Pownall	(SP)	National Grid NTS

\*via teleconference

### 1. Introduction

Copies of all papers are available at [www.gasgovernance.co.uk/tx/180912](http://www.gasgovernance.co.uk/tx/180912)

TD welcomed attendees to the meeting.

### 1.1 Review of Minutes and Actions of the previous meeting

#### 1.1.1 Minutes

The minutes of the previous meeting were accepted.

#### 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:** MW reported that work was continuing and that some end-to-end processes would be mapped out. **Carried forward**

**TR0802:** *Draft Modification – Development of the capacity and connection processes – Planning and Advanced Reservation of Capacity Agreement (PARCA)* - All to review the draft modification.

**Update:** Review continuing. **Carried forward**

**TR0901:** *Long term non-firm capacity: Draft business principles* - Consider if daily offpeak capacity could be made available via any other product.

**Update:** This was discussed at length – see 2.1 below; no conclusion was

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reached on what to do with the long term non-firm product. **Carried forward**

## **2. Issues**

### **2.1 Aligning the connections and capacity processes**

#### **2.1.1 Long term non-firm capacity - Discussion**

The review of Action TR0901 generated a lengthy debate. MW believed there was no reason why daily offpeak capacity could not be released earlier and suggested putting together an end-to-end process to clarify when this might be released. Potential triggers and release points were discussed.

GJ questioned if the capacity would be available to all or just the PARCA applicant? Would everyone get scaled back or would preference be given to certain parties? Would there be equal treatment in interruptibility? MW believed that all would be treated equally; if it became a 'more firmish' product the order might change; if more dynamic, then offpeak would come off first. GJ believed more clarity was required so that the implications could be better understood. JCx asked how these 3 products would be sorted out and progressed – how was the Workgroup going to be able to narrow them down? GJ commented that if looking for firm capacity you were generally looking for long-term and price needs to be thought about. National Grid NTS should clarify how all are going to be treated while remaining consistent with licence obligations. Various scenarios were discussed and MW responded with a view on how each case might be treated by National Grid NTS. MW indicated that a modification could be produced, but pointed out that defining the requirements for long term non-firm capacity really has to be driven by the industry.

JCx suggested that more definition was required around the pros and cons of each option. TD commented that what was required from a customer standpoint was the most practical and easiest way to give early network access, pending delivery of firm capacity.

Referring to Option B, GJ indicated he was erring more towards this (and explained why he felt that might be developed) whereas Option A begged the question of preference and merit order. EU requirements and buyback principles were then briefly discussed.

LH raised concerns about the ability to define differences in the probability of interruption - defining clear criteria to demonstrate non-discrimination and provide clarity might be problematic. Also user commitments relate only to when the firm product is delivered and this gives rise to question about the signal for non-firm capacity and who picks up any costs that arise under a range of scenarios. GJ added that it would seem inappropriate if an offpeak user may be dipping in and out of the market but paying nothing.

TD suggested that next steps might be to consider the product development and how each might work, taking into account any system development required and associated costs. It will be a niche product so simplicity would be an advantage. Scenarios and degrees of certainty/uncertainty were discussed and whether any additional value was evident from a Shipper's point of view. GJ believed that Entry might raise particular issues, and suggested potentially limiting the range of products offered.

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JCx asked if the same principles could be applied to interruptible as well as firm during its reservation period/the period of time in which it might be held outside of the market? MW explained how the principles in the draft modification had been drafted. JCx asked for Ofgem's view on the principle of reserving capacity outside of the market. NR responded that at this stage Ofgem would not expect to be opposed to any such proposal in principle. However, any proposed changes would need to be well justified and should clearly demonstrate that there would be no detrimental impact on other Users or consumers. MW explained how the PARCA principles drafted might work – as soon as the PARCA was signed capacity would be taken off the market, but it had not yet been determined how it would be delivered.

NR reiterated that Ofgem would need to know and understand the interactions with other areas, eg substitution, before reaching a point of view. Any change should be considered holistically from start to finish, including all the interaction points. JCx pointed out that the Planning Act has given rise to the need for change; the market has therefore changed and the context needs re-assessment to reflect that development timescales will be more protracted. LH pointed out that there was a material difference between the proposed options and the existing processes eg ARCA and standard allocation entry/exit processes and these should be compared. MW explained what these processes/models permitted, in terms of taking capacity out of the market.

JCx observed that an application for a PARCA somehow needed to set in motion a trigger for parties to look at/review their capacity requirements. Concerns were expressed regarding who should be able to participate in an 'open season' or 'review' process, and how a PARCA party would buy/reserve capacity and at what point. It was suggested that close attention be given to implications for substitution. Various scenarios were discussed, including timing issues, in relation to any 'open season/review'. It was concluded there might have to be 'suspension' or 'dead' times; that 'open season/review' should not delay the PARCA process; that 'reserved' capacity would have to be 'tagged' and communicated to the market.

It was clear from the discussions that there were many aspects that required further deliberation and clarity to reach an understanding of what was being committed to and when; if a PARCA should fall away at some point if no longer required; what happens to the 'reserved' capacity if no longer required and how/when should this be returned to the market; etc.

A PARCA should only end when both parties agree to end it. It was important that both parties communicate regularly to establish and understand where each is in the process; a high level of transparency should exist. The need case for the capacity will be required to be fully justified, otherwise it should be returned to the market to be made available to others as early as possible.

No conclusion was reached on what to do with the long term non-firm product. JCx suggested producing a discussion paper describing the various scenarios for parties to comment. TD suggested this should be kept brief and should highlight the purposes of (eg making capacity available where it otherwise would not be) and differences between the options, including any potential system implications and a high level estimate of implementation

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costs and timescales; also identification of any issues, and if licence changes or UNC changes were required. A draft of this was to be targeted for the October Transmission Workgroup but, failing this, it was agreed that it could be cascaded via email for comment.

**Action TR0902: *Long term non-firm capacity: Produce a draft discussion paper setting out the options for review/comment.***

### **2.1.2 Planning and Advanced Reservation of Capacity Agreement (PARCA) - Draft Outline Framework**

SP gave an overview of the document's purpose, structure and context.

Responding to a question from JCx, SP said that a party can apply to National Grid NTS for a PARCA, or could link it to the connections offer process; it was meant to be flexible and give options. JCx observed that a party might know not all its parameters at a sufficiently early stage to be confident of entering into a PARCA. It was recognised that commercial capacity and technical capacity may not always match in the early years. Various scenarios were discussed and the order of what could be done and when. It was noted that all parties seem to have to work out what will be needed at a much earlier stage than is currently the case. It was reiterated that a plant's capability might not be known at the outset and that circumstances could change. There needs to be opportunities for some 'fine tuning' of the actual booking at appropriate points. JCx asked if there was any way of reviewing past projects to gain an understanding of how numbers might change through the evolution of a project, ie how this affects commercial capacity booking rather than the physical connection.

The document was then reviewed and the Schedules were discussed; suggestions and comments were noted for consideration. NR queried whether the 'open season/review' period would be limited to UNC signatories only and expressed concern that developers would be unable to participate unless they had formed a relationship with a Shipper. MW referred to the Business Rules and explained how this had been addressed. JCx suggested that the 'open season/review' could be redefined to permit developer participation. CR questioned what would actually be the purpose of this 'open season/review', what would be expected to be done and how would this be communicated and to whom? TD believed that National Grid NTS would already be aware of any parties that needed to be cognisant at this time.

MW advised that the signing of a PARCA should be a precursor to this part of the process; some parts may run in parallel with others. NR reiterated that the concept of 'open season/review' and who may participate should be clearly defined. JCx suggested that visibility should be given to the signing of a PARCA and provide the opportunity to allow other parties to reassess their positions and take action if appropriate.

TD observed that some parts looked very similar to the process developed under Modification 0373. MW added that a mapping process might be

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required as some pieces of work might fit under more than one Schedule. SP noted these comments for consideration of any synergies.

JCx questioned at what point would National Grid NTS know the maximum cost for any of its options. How would any change in the view of estimated costs be refined, ie become more accurate, and be communicated throughout the process? A reasonable cost estimate upfront would be needed to assist development parties obtain Board approval for projects. It would help to understand what was required from the developer's standpoint.

JCx suggested that appropriate drop out points should be included in each of the Schedules. Reviewing Schedule 6, SP pointed out that all of the information in its stages will feed into the DCO, and there were drop out points in each stage. Timelines were consecutive, but with more experience gained these might be able to be shortened or adapted.

Referring to Stage 1a, JCx believed that greater understanding of what a 'Technical Options Report' was would be helpful, and SP noted this for further clarification.

JCx then raised a point regarding 'surrender' in the 'open season/review' – would a licence change be required to enable buyback (entry) and for capacity to be able to be sold on? (Surrender exists at Exit.) Conceptually might this be a possibility? SP noted this for consideration.

The document will be revised to reflect suggestions and comments received.

### **2.1.3 Draft Demonstration Information**

SP gave a brief overview, and explained the items set out in Tables 1 and 2. It was commented that the items in Table 2 were key milestones rather than 'demonstration' information.

The following suggestions were made:

- the addition of costs information;
- the capacity reservation process needs to be integrated together with this information;
- include an indication of where in the public domain the required information is located (an obligation on the customer to provide this?)

SP pointed out that some of the information might be included in the UNC and some might be included in the contract; there was a need to be mindful that nothing was lost sight of in the process. TD suggested that some information might usefully sit in a UNC Related Document. JCx questioned if a methodology statement might also be required.

It was acknowledged that a good start had been made and that it was good to see the structure. The document will be revised to include more detail and reflect suggestions and comments received.

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### 2.1.4 Planning and Advanced Reservation of Capacity Agreement (PARCA) - Draft Business Rules for discussion

MW summarised that these had been based on the draft proposal and included the principles of the reservation of capacity and its process; the next step would be to incorporate contractual aspects. It was suggested that the surrender of entry capacity and the reservation of capacity might need redefinition and further clarification.

NR reiterated the primary requirement for an end-to-end process demonstrating the need for change, and that there were no adverse impacts on new parties or consumers; impacts on the revenue driver process also required consideration. Failing to justify the need for change would be the major obstacle to the change being approved. Business Rules and consequential changes need to be identified and clarified, and it is recognised that this will take time to evolve and produce.

GJ asked if there was an Ofgem 'items to consider' list available that would help the Workgroup to address areas that Ofgem believed might give rise to concern. NR reiterated that the major concern is that this is currently an 'incomplete picture' and that far more detail was required to enable an understanding of how everything would be integrated. A PARCA was turning out to be significantly different to a PCA and the benefits and implications needed to be clearly specified and the case for change needed making.

It was suggested that an overarching document be produced that described and justified the proposed changes, perhaps initially based on the format or structure of the UNC modification template and expanded to capture and address industry views/concerns as they arose through discussion.

**Action 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.**

### 2.1.5 Next Steps

TD asked for views on how the work might be progressed.

GJ suggested adding more description into the draft modification proposal to address Ofgem's concerns, giving more detail as to why it was believed necessary and what potential benefits had been identified, and then send out a Word version for parties to review and include any additional comments. TD suggested that consideration would also need to be given to how the DNs will interact with this.

A separate Workgroup meeting will be arranged to discuss and progress the work once the document has been reviewed and commented on.

It was agreed that the discussion/work on long term non-firm would be continued at the 04 October Transmission Workgroup meeting.

## **2.2 New Issues**

None raised.

## **3. Any Other Business**

### **3.1 Combining the Constraint Management Incentive Schemes**

MW explained that the presentation provided some hypothetical examples to illustrate the impact of combining the constraint management incentive schemes. The purpose was to show how the decisions regarding managing constraints on the system would be affected by adopting National Grid NTS's proposed combined scheme for constraint management compared with the current arrangements.

Participants were encouraged to read the presentation that had been made available on the Joint Office website and to forward any comments or questions to MW.

## **4. Diary Planning**

The next Transmission Workgroup meeting will take place at 10:00 on Thursday 04 October 2012, at ELEXON, 350 Euston Road, London NW1 3AW.

Further Transmission Workgroup meetings in 2012 are scheduled as follows:

10:00, on Thursday 01 November 2012, at ELEXON, 350 Euston Road, London NW1 3AW.

10:00, on Thursday 06 December 2012, at ELEXON, 350 Euston Road, London NW1 3AW

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**Action Log – UNC Transmission Workgroup: 18 September 2012**

<b>Action Ref</b>	<b>Meeting Date(s)</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
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)	<b>Carried forward</b>
TR0802	02/08/12	3.2.2	<i>Development of the capacity and connection processes – Planning and Advanced Reservation of Capacity Agreement (PARCA) – All to review the draft modification.</i>	ALL	<b>Carried forward</b>
TR0901	06/09/12	2.2.1	<i>Long term non-firm capacity: Draft business principles - Consider if daily offpeak capacity could be made available via any other product.</i>	National Grid NTS (MW)	<b>Carried forward</b>
TR0902	18/09/12	2.1.1	<i>Long term non-firm capacity: Produce a draft discussion paper setting out the options for review/comment.</i>	National Grid NTS (MW)	For October Transmission Workgroup
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)	