Transmission Workgroup (Issues)

Minutes

Tuesday 11 October 2011

By Teleconference

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Charles Ruffell	(CR)	RWE npower
Claire Thorneywork	(CT)	National Grid NTS
Dan Treverton	(DT)	National Grid NTS
Jeff Chandler	(JC)	SSE
Julie Cox	(JCx)	AEP
Malcolm Arthur	(MA)	National Grid NTS
Richard Fairholme	(RF)	E.ON UK
Steve Dixon	(SD)	National Grid NTS (GNCC)

1. Introduction

Copies of all papers are available at www.gasgovernance.co.uk/tx/111011.

TD welcomed attendees to the meeting.

2. Review of Minutes and Actions from previous meeting (24 August 2011)

2.1 Minutes

The minutes were approved.

2.2 Actions

The outstanding actions were reviewed.

TRI001: Confirm whether linepack information is based on DFNs or commercial information.

Update: It was confirmed that linepack information is not based on DFNs. **Closed**

TRI002: Perform further analysis to ascertain if there was likely to be increased frequency of triggers if LNG was to be treated like Storage, and any other effects, and report findings to Workgroup.

Update: See 3.1, below. **Closed**

TRI003: Circumstances relating to a perceived GBA event - Clarify what aspects of, and to what degree of detail, supporting information may be published to justify the issue of a GBA.

Update: See 3.1, below. **Closed**

TRI004: Analysis to be performed for Shipper provided information on other high deficit days and also in respect of DFN provided information.

Update: See 3.1, below. **Closed**

3. Issues

3.1 Review of Systems Alerts

MA and DT gave a presentation. DT recapped on the triggers for Day Ahead and Within Day, and the associated information provision.

Day Ahead

Asked if Shippers preferred the development of a mechanistic ability to withdraw a GBA or that National Grid NTS should have discretion, JCx thought that there was scope for a discretionary approach depending on the view of the Day. Others were in agreement, and MA agreed to develop the methodology accordingly.

Moving on to address issues with the Day Ahead GBA Trigger Level Methodology, MA indicated that National Grid NTS was quite comfortable with the demand, but questioned how the supply side could be determined for the Day Ahead – supply patterns are so volatile - how can what happens tomorrow be forecast with any confidence? The biggest issue was LNG supply and how this could be determined. MA described the information currently used for making the assumptions; the assumptions are updated on an 'as and when' basis. In response to Action TRI002, some analysis had been performed (slide 10) which indicated that GBAs were likely to be called more frequently (red dots showed when a GBA would be called under the new arrangements), and DT believed that a lot more information on the arrival of LNG cargoes was required if potential supply was to be understood. SD commented that LNG stock levels were extremely variable and depended on many factors. The maximum withdrawal at the Grain facility was not known for certain, but was estimated at around 40 metres; stock level is generally around 300 metres. MA asked how the industry might perceive this information and respond to relatively frequent alerts. JCx commented that the approach should be forward looking to see if an imminent supply shortage was looming, and added that last year the system appeared to be a bit stretched but was actually alright. DT observed that this perception was a reason for calling it a notification rather than an alert. MA queried that, unless more information is provided on what LNG is arriving, does it make any sense to change the assumptions? JCx felt a change could trigger too many notifications. MA asked if the methodology should be left as it is, as the information does not quite fit? TD suggested a 'gentle' notification on how the situation may have changed, ie issue or not – depends on what the message can tell you, or how accurate it wants to be. JCx pointed out the EU requirements for an early warning mechanism, and for different levels of alert.

MA asked if Shippers wanted to change the mechanism for the early warning, or would this be overstating the issue? JCx observed that it was probably a crude measure for a facility to be either in or out, rather than a more detailed view, and suggested that differences in status needed to be recognised, and differences between LNG and Storage; more flexibility was required. DT thought that more analysis could be done. JCx suggested that both Storage and LNG should be treated in some way that captures a certain amount of stock. JC pointed out that some facilities could in fact be filled up quite quickly. Storage and LNG should be looked at quite differently and some regard should be given to inherent stock. SD explained that there were some differences between the operations of LNG and Storage. JCX suggested that perhaps there was a need to recognise more categories and treat them differently.

In respect of LNG, MA will consider the practicalities of changing the approach given the information that is potentially available. It was not suggested that more information be requested on shipments, and it was recognised that Shippers did not feel that they would be in a position to request more information. It was noted that LNG loads could 'just turn up'. MA indicated that the hybrid methodology may come up with a number, but other suggestions could be considered.

DT and CT suggested that the Day Ahead notification should not be called an alert, but could somehow be downgraded to give a lower key perception. JCx questioned that if a situation really deteriorated Day Ahead would something different be issued? SD suggested that a different calculation may be required to feed into this; last year there was a lot of gas in reserve, and the system was not seriously under threat but the margins were getting tight. JCx reiterated the need to comply with the EU Security of Supply Plan, which requires the industry to have a phased approach, ie early, advance, and emergency warnings. SD suggested that a notification was needed, and a serious alert tool for Within Day. JCx emphasised the need for consistency with the legislation that would be applied.

MA commented that this was still a pre Day Ahead warning; a more developed mechanism might be better than a 'National Grid view'. How can the methodology be better developed, bearing in mind that there will never be a totally accurate forecast of what is happening tomorrow, and how can a trigger level be devised that offers a reasonable assumption, so that if the demand level exceeds this the industry will be asked to respond.

JCx believed it fitted with the early warning level as set out in UNC.

Within Day GBA

MA drew attention to the fact that Within Day issues were becoming more prominent.

Within Day Imbalance

It was questioned how National Grid NTS should signal to the market a Within Day 'early in the day' system issue. What happens when a supply loss that causes a system issue that is below 25 metres occurs – there is no way of signalling this to the market. SD gave recent examples of the system running and how some losses could be absorbed and others were not so easy to accommodate. The level being set at 25 metres is not logical – it depends entirely where the system opens with stock levels on each day, and also on the potential speed of any loss that occurs. The 25 meter level is restrictive in terms of when National Grid can notify, and MA was looking at addressing this within the methodology. How much in the way of discretion as opposed to a prescriptive mechanism was required? JC thought that the arbitrary numbers were probably historical (set because of the industry's initial nervousness with the concept of discretion) and believed there was scope for redefining. MA thought that a better indication of system condition was probably required, ie was the supply/demand imbalance a better measure? How is a methodology to be devised that gives the industry some comfort as to when a GBA might be called?

Action TRI005: National Grid NTS to devise an alternative method for Within Day.

The renaming of notifications was then briefly discussed. JCx thought that a notification for Day Ahead sounded appropriate, with a GBA for Within Day. TD suggested "Watch" may offer an alternative term, mirroring the concept used by credit rating agencies.

That National Grid should have the ability to withdraw a notification/GBA was accepted.

SD questioned, should National Grid NTS be responsible for offering a forecast of available supply? CT commented that forecasting was only ever as good as the information/sources to which you have access in order to produce it. MA pointed out that it was hard to know what was driving supply and questioned how accurate this could be. TD suggested looking at prices, and how this might be used was briefly discussed.

Some graphs relating to Linepack position were presented, in an effort to understand whether the Within Day issues were getting worse. Some seasonality was present in the swings, and the maximum seemed to be increasing. There were more regular swings Within Day (slide 18). Shoulder months have a minimum rolling average – maximum is in winter (slide 19). Linepack is now seen to be more volatile with bigger swings Within Day, and the belief is that will worsen due to the effect of wind generation on CCGT loads. JCx agreed that it would be different, but did not agree that it would necessarily be worse; it may not go in the direction expected. MA observed that if all CCGTs turned on at a period of minimum linepack it might present a problem; the rolling average may increase with this type of volatility. How should bigger linepack swings be managed and pressures regulated?

The conclusion was that Linepack swings were very evident in recent years (slide 20), and whilst this may not be an issue for the system at present, how can it be signalled to the market that an issue is developing and that a response is required? Does the industry see National Grid resolving it rather than the market? MA described some potential market responses, whilst recognising that the market is not incentivised to resolve Within Day issues. Assuming the market does not make any response then National Grid can buy gas, or request locational bids on the OCM platform, etc. A number of resolution tools are available to National Grid NTS, but costs in using these are passed on to the industry. JCx suggested that this was as it is now – National Grid to inform and resolve.

MA asked if informing the market could be done differently, ie describing the issue and what was being done to address it, what format the communication should take, and how, etc. JCx suggested: Inform, review market responses, and then take any necessary action. RF suggested providing associated timescales during which the market could take action if appropriate. CT mentioned that the vehicles through which National Grid currently communicate might not be best suited to this type of communication. SD suggested a communication that explained the issue, what response was required and by when. This could be issued at anytime there was a perceived issue (and not be constrained to a Gas Day, etc). There was still the question of whether National Grid should rely on the market to respond even though it was not incentivised to do so. JCx pointed out that an appropriate length of time for response would need to be allowed, and this might vary according to the type of response required and the time taken to implement it to achieve any desired effect. Lead times can naturally vary, depending on the issue being addressed, and expectations would need to be realistic.

Additional Information

MA drew attention to potential areas for improved information from the System Operator (slide 24), which could be provided to give a better picture. No additional suggestions were received. The improvements did not require a UNC change and will be addressed as soon as possible.

Nomination Imbalance

A number of graphs were presented and discussed. The system started off with huge imbalances; by 17:00 – 18:00 it was generally back to a reasonably balanced position. It was noted that Shipper nominations are not updated very accurately until much later in the day, so these were not very good to use for forecasting purposes. TD queried if random days had been chosen for the analysis; MA was not sure if these were 'typical' days. TD observed that the original question was, *Can nominations be relied on or improved?* DT pointed out that inaccurate information made it very difficult to manage the system, and there was often conflicting information from various industry parties. Further work might be required regarding analysis of Shipper nominations and their levels of accuracy, and how the information could be used. It was not certain whether the level of accuracy was becoming worse. Having posed the question, *Are the nominations a good indication of what the supply is going to be in the next 36 hours?* MA had concluded that no reliance could be placed on nominations given the evidence so far.

It was acknowledged that inaccuracies associated with nominations could not be resolved under this review of GBAs, but it was recognised that this may need to be reviewed at some point. It was confirmed that this aspect would be divorced from this review.

Next Steps

National Grid NTS will produce a strawman for presentation to the December Transmission Workgroup, with the intent of raising a formal modification in January 2012.

JCx reiterated the requirement to be consistent with EU developments.

3.2 Review of Safety Monitors

Reiterating that changes to the classification of some DN load to Firm meant that this must be included in the Firm Monitor and would result in changes to the storage requirement, MA proceeded to give a brief update.

All storage is needed to meet Firm Load in a 1-in-50 winter. Mixed feedback had been received from industry but no suggestions had been offered for improvements. National Grid NTS will develop an internal view and present a draft modification.

It was believed that 94% level will be breached at some point in the very near future and the industry will be notified. (Information will also be presented at the next Operations Forum.) MA asked the group to consider that if the level is breached and continues to breach daily, should National Grid NTS raise a notification each day? JCx suggested that the industry be notified that it had breached and would remain so until further notice; then it could be notified when status had been reset/reverted to normal. TD suggested that the severity of the breach might also be indicated, with change beyond certain thresholds being notified. Noting this, MA will proceed with this approach for now and will also seek views at the Operations Forum.

In the meantime, current information will continue to be published. National Grid NTS will produce a strawman for presentation to the December Transmission Workgroup, with the intent of raising a formal modification in January 2012.

4. Any Other Business

None raised.

5. Diary Planning

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

It was agreed that a separate meeting was not required and that these issues will now be reviewed at the Transmission Workgroup meeting on 01 December 2011.

Action Log – UNC Transmission Workgroup (Issues Group): 11 October 2011

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TRI 001	24/08/11	2.1	Confirm whether linepack information is based on DFNs or commercial information.	National Grid NTS (DT)	**Closed**
TRI 002	24/08/11	2.1	Perform further analysis to ascertain if there was likely to be increased frequency of triggers if LNG was to be treated like Storage, and any other effects, and report findings to Workgroup.	National Grid NTS (DT)	**Closed**
TRI 003	24/08/11	2.1	Circumstances relating to a perceived GBA event - Clarify what aspects of, and to what degree of detail, supporting information may be published to justify the issue of a GBA.	National Grid NTS (MA)	**Closed**
TRI 004	24/08/11	2.1	Analysis to be performed for Shipper provided information on other high deficit days and also in respect of DFN provided information.	National Grid NTS (DT)	**Closed**
TRI 005	11/10/11	3.1	National Grid NTS to devise an alternative method for Within Day.	National Grid NTS (MA)	**Pending**