

UNC Transmission Workgroup Minutes
Wednesday 27 February 2013
31 Homer Road, Solihull B91 3LT

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Helen Cuin (Secretary)	(HC)	Joint Office
Charles Ruffell	(CR)	RWE npower
Chris Wright	(CW)	Centrica
Graham Jack	(GJ)	Centrica
James Thomson*	(JT)	Ofgem
Julie Cox	(JC)	Energy UK
Louise Aikman	(LA)	National Grid NTS
Mike Wassell	(MW)	National Grid NTS
Rhys Ashman	(RA)	National Grid NTS
Richard Fairholme	(RF)	E.ON UK
Shelley Rouse	(SR)	Statoil
Steve Pownall	(SP)	National Grid NTS

* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/TX/270213>

1. Introduction and Status Review

1.1. Review of minutes

The minutes of the previous meeting were accepted.

1.2. Review of actions

TR0903: 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.

Update: Under development with the expectation that a modification will be raised by April 2013. **Carried forward.**

TR1101: Long term non-firm capacity: Draft a new modification.

Update: Systems impacts are being considered before raising the modification.
Carried forward.

TR1201: Establish the specifications, eg size and delivery capabilities, of available pipes, and any associated caveats relating to potential multi-party use.

Update: MW confirmed that the additional information on unit costs cannot be shared due to commercial sensitivity, however a scale will be provided at the next meeting.
Carried forward.

TR0101: PARCA - Example 1: Produce a Table comparing the impacts on allowed revenue and security requirements of Options 1 and 3.

Update: MW confirmed work continues. **Carried forward.**

TR0102: PARCA – Confirm which instruments of security will be required for participation in this process.

Update: MW confirmed work continues. **Carried forward.**

TR0103: PARCA – Demonstration Information: Shippers to consider what demonstration information is required and how it might be validated. (JC to coordinate Shipper response).

Update: Discussed during presentation of PARCA contract. **Carried forward.**

2. Issues

2.1. Aligning the connections and capacity processes:

2.1.1. PARCA Contract Overview

SP provided a presentation on the PARCA contract. A draft PARCA together with a PARCA Pre Assessment Form had also been provided in advance of the meeting.

SP provided a summary of the information required from the customer for the Pre PARCA Assessment relating to the connection. This is provided prior to the contract being signed. SP confirmed there would be one form, which would need to be completed with different sections applicable for different types of project. It was suggested the Pre-assessment form should be retitled to a PARCA Application Form.

It was questioned at what point should the fee be submitted and whether this ought to be at the time of application or later.

It was acknowledged that the framework would need to be considered to ascertain what elements needed to be inserted in the UNC.

SP was keen to establish a transparent robust process. JC believed it would be ideal to have a standard proforma using similar principles to UNC373 where the framework resides within the UNC but with the forms referenced and available on the National Grid website.

JC was keen for the process to be standardised to alleviate contracting negotiations as this can prolong the process. MW confirmed the intention to publish a standard contract with the principles outlined in the UNC.

SP provided an overview of the phased works, outlining Phase 1 (needs case and technical options) and Phase 2 (statutory planning works). There was a general agreement that there ought to be a short pause/gap after Phase 1 before Phase 2 commences and the rest of the process will roll on until the construction.

The Workgroup considered the use of reservation fees. MW suggested where there were no works a reservation fee would apply after Phase 1 to recognise the securing of incremental capacity. It was acknowledged the Workgroup needed to assess the size of this fee. If works were required security would be requested. The use of the adhoc process was considered, however JC highlighted that this includes a commitment to 4 years worth of charges. TD asked if the existing mechanism could be used but with different rules being applied to effectively remove the 4 year commitment.

SP provided a summary of the PARCA Phase 1 Works and Phase 2 Works.

CR enquired about multiple applications and assumptions and the protection of the first application. He wished to understand if, say, after 6 months of Phase 1 another company submits an additional application, would the original application be protected. SP explained that applications would be assessed independently. However there would be efficiency considerations. If there could be an impact to the first application, decisions would not be made at the detriment of the first applicant.

The Workgroup considered security and the revenue driver. MW believed more security may be requested to cover any termination risk and ensure the costs are covered. JC believed there is the potential for large reinforcements with a low revenue driver such that the certainty requirements are small but costs would be exceeded.

The Workgroup considered if there should be a change in security requirements if costs change upwards, with a review every 6 months. It was questioned whether the revenue driver should cover costs or come up with something different.

MW believed there were two questions to bottom out; Is it right to chase for costs where a contract is terminated (the consensus being Yes); and should the security requirements change or be based on the revenue driver.

NTS offered to consider an appropriate fee structure and the use of a fixed fee.

Action 0203: National Grid NTS to consider the requirement for security.

MW clarified the outputs timetable and that the contractual reservation date is when there is a commitment to Phase 2. It was believed as part of the pricing aspect it would be useful to provide indicative capacity prices as early as possible. MW confirmed that the price might be subject to change but still gives an indication. MW believed NTS might have to approach Ofgem for approval for incremental capacity in order to get an early view.

JT expressed some concern about the consistency of fine-tuning. MW believed the key is to demonstrate information in support of a request and as long as there is proof and it is justifiable, fine-tuning will be considered.

CW had some concerns about future charges and future revenue recovery, referring to how elements are carved up, in particular the effect on Bacton, storage and congestion management.

SP summarised the Customer Fees and financial commitments.

JC enquired about daily variations and if the NTS SOQ 1:24 SHQ rule still exists. MW believed that it exists in Section J (capacity holding and OPN rules). SP suggested the group might want to consider within day ramp rates as part of the consideration of reinforcement requirements. It was suggested this information is included within the application form. However, JC was concerned about the limitations of such an indication, although she recognised that the early provision of this information could assist with understanding the requirements and potential investment requirement.

Action 0204: National Grid NTS to confirm the rules around how flow rates link back to exit capacity.

GJ believed the Workgroup needs to consider the peak daily rates feeding in and how the right reinforcement will be achieved. SP believed there would be a need to consider the ramp rate and Mega Watts per minute requirements.

SP provided a draft list of proposed demonstration information and data categories. He invited comments on the published document.

The management of significant variations was considered and how any change in the configuration would be dealt with. CR enquired if capacity requirements have changed over time in the past.

MW asked parties to read the draft contract document provided and provide feedback.

2.1.2. Incentive schemes

MW provided a presentation on the proposed capacity delivery incentive.

MW explained invitation letters would indicate the necessary lead times; he confirmed that the 24 months only applies to incremental capacity release.

National Grid sought views from the Workgroup on the capacity delivery incentive. MW confirmed allocation was dependent on the DCO. The Workgroup briefly discussed National Grid's timetable commitments post Phase 1 and that the dates are contingent on meeting the terms and conditions within the PARCA.

JC was concerned that the process didn't appear to allow for National Grid failures, particularly where there is a need for rescheduling. MW agreed to consider how the original commitment date is used when rescheduling

JT confirmed that Ofgem have been considering the incentive scheme and allowing National Grid NTS to extend project specific lead times beyond 24 months without requiring Ofgem consent. This is for independent scrutiny. JC was concerned about how the buy back scheme and Ofgem scrutiny would interact.

MW explained that the incentive scheme is to ensure National Grid is incentivised not to delay the release of capacity. However there were some concerns about incentives being paid to National Grid for releasing capacity that already exists on the system.

JC enquired about the different kind of incremental capacity and the scenario where there is not always a need for investment. She pointed out that the capacity could already exist and if the capacity is available without going through PARCA or Phase 1, where would National Grid set the implementation date when releasing incremental capacity, and how the incentive scheme would account for this. MW explained that by default the allocation date would be 24/35 months ahead of the capacity delivery.

Action 0206: National Grid NTS to consider how incentives work where capacity is already available.

JC enquired about the buy back provision. MW confirmed that if National Grid have not delivered by the PARCA date, then buy back would apply. JC expressed concern about the incentive and buy back provisions and believed more work was required with the consideration of some scenarios.

Action 0207: National Grid NTS to consider the incentive trigger points, at what point does the measure get set and how National Grid earn the incentive.

2.1.3. Potential Licence Changes

RA gave a presentation on the potential Licence changes, outlining approaches for consideration.

2.1.4. PARCA – Anticipated Timeline and Next Steps

RA provided a presentation on the high-level anticipated timeline and next steps.

JC believed a 56 day window be required between April 2014 and the end of the license consultation. With this in mind National Grid agreed to reconsider the timeline.

It was agreed that a draft modification should be prepared for discussion before being raised for the April Panel, with the need to consider reservation fees further for inclusion in the modification at a later point

4. Any Other Business

JT confirmed that Ofgem are happy to meet and discuss any concerns.

JC enquired about the transitional arrangements for projects that are in already in progress and whether these would have a choice to continue with PCA or not. MW anticipated that if parties want to go through the PARCA route it would effectively transfer over from the stage reached at PCA to the PARCA. However it would be the customer's choice to continue with a PCA or transfer to the PARCA process.

5. Diary Planning

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

Transmission Workgroup meetings will take place on:

Date	Time	Location
Thursday 07 March 2013	10:00	Via teleconference
Thursday 04 April 2013	10:30	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 02 May 2013	10:30	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Thursday 06 June 2013	10:30	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF

Action Log – UNC Transmission Workgroup

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR0903	18/09/12	2.1.4	<i>Capacity and Connections:</i> 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.	National Grid NTS (MW/SP)	Carried forward
TR1101	01/11/12	3.1.1	<i>Long term non-firm capacity:</i> Draft a new modification.	National Grid NTS (MW)	Carried forward
TR1201	19/12/12	3.1.1	Establish the specifications, eg size and delivery capabilities, of available pipes, and any associated caveats relating to potential multi-party use.	National Grid NTS (MW)	Carried forward
TR0101	31/01/13	3.1.1	<i>PARCA - Example 1:</i> Produce a Table comparing the impacts on allowed revenue and security requirements of Options 1 and 3.	National Grid NTS (CW1)	Carried forward
TR0102	31/01/13	3.1.1	<i>PARCA – Credit:</i> Confirm which instruments of security will be required for participation in this process.	National Grid NTS (MW)	Carried forward
TR0103	31/01/13	3.1.3	<i>PARCA – Demonstration Information:</i> Shippers to consider what demonstration information is required and how it might be validated.	All Shippers (JCx to coordinate Shipper response)	Carried forward
TR0201	07/02/13	3.2	Changing the Gas Day - Raise awareness of a potential change to the Gas Day at the next UK Link Committee meeting and gather views on how this might be approached and what timescales might be necessary.	Xoserve (MC)	Carried forward Update due 07/03/13
TR0202	07/02/13	4.3	Gas Days 18 and 21 January 2013 (Capacity scaleback) – Check details of events on	National Grid NTS (FH)	Carried forward Update due

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
			these days and report an explanation to Workgroup.		07/03/13
TR0203	27/02/13	2.1.1	PARCA - National Grid NTS to consider the requirement for security	National Grid NTS (SP/MW)	Pending
TR0204	27/02/13	2.1.1	PARCA - National Grid NTS to confirm the rules around how flow rates link back to exit capacity.	National Grid NTS (SP/MW)	Pending
TR0205	27/02/13	2.1.1	PARCA - National Grid NTS to consider the treatment of significant variations.	National Grid NTS (SP/MW)	Pending
TR0206	27/02/13	2.1.2	PARCA - National Grid NTS to consider how incentives work where capacity is already available.	National Grid NTS (SP/MW)	Pending
TR0207	27/02/13	2.1.2	PARCA - National Grid NTS to consider the incentive trigger points, at what point does the measure get set and how National Grid earn the incentive.	National Grid NTS (SP/MW)	Pending