

UNC Transmission Workgroup Minutes

Friday 09 November 2012

at the ENA, 52 Horseferry Road, London. SW1P 2AF

Attendees

| | | |
|-----------------------------|-------|-------------------|
| Tim Davis (Chair) | (TD) | Joint Office |
| Mike Berrisford (Secretary) | (MB) | Joint Office |
| Antony Miller | (AM) | Centrica Storage |
| Bogdan Kowalewicz | (BK) | Ofgem |
| Charles Ruffell | (CR) | RWE npower |
| Chris Wright | (CW) | British Gas |
| David Evans | (DE) | BG Group |
| Felicity Bush | (FB) | ESB International |
| Gerry Hoggan | (GH) | ScottishPower |
| Graham Jack | (GJ) | Centrica |
| Jeff Chandler* | (JC) | SSE |
| Julie Cox | (JCo) | Energy UK |
| Mike Wassell | (MW) | National Grid NTS |
| Natasha Ranatunga | (NR) | Ofgem |
| Rhys Ashman | (RA) | National Grid NTS |
| Richard Fairholme | (RF) | E.ON UK |
| Steve Pownall | (SP) | National Grid NTS |

* *via teleconference*

1. Introduction

TD welcomed all to the meeting.

2. Issues

2.1 Aligning the connections and capacity processes:

2.1.1 End-to-End Process

RA explained that the process flow map has been prepared to support discussion of the business rules.

Discussion focussed on the need for a specific window to allow others to express an interest in capacity when a PARCA was to be signed. MW suggested that this be considered as part of the development of the business rules. MW went on to advise that following Planning Act changes, system capacity is potentially exposed to more risk. JC perceives the issues as being similar to previous industry discussions around transparency and remains keen not to add too much complexity, especially around the ad-hoc processes.

Asked whether or not a second, (or subsequent) PARCA signatory would initiate a second (or subsequent) notification, MW confirmed that it would. However, this would be subject to limits in order to ensure the process was completed. MW acknowledged that further consideration around process timings and Planning Act impacts would be needed in due course. BK suggested that it would be beneficial to also consider developing PARCA application management mechanisms.

TD asked whether the underlying issue revolves around obtaining suitable indications of what capacity parties require, when and where. He went on to point out that there are already annual and ad-hoc auction processes, and

the case for any additional process remained to be made. RA suggested that the new facility would provide Users with an ability to protect capacity holdings and avoid them being substituted away. Asked whether or not the additional window would apply for entry as well as exit capacity, MW felt that, whilst not ruled out, this may add unnecessary complexity.

BK enquired how long the process would be for defining capacity requirements. National Grid suggested this is a question that needs to be put to customers rather than themselves. RA added that National Grid need to know what capacity customers require, as this could trigger a substitution or investment needs case, or to make a decision on ad-hoc release mechanisms. Responding, some felt that the pre-PARCA stage(s) would provide an indication of requirements and that adoption of some form of threshold level could prove beneficial, especially when it is unreasonable to expect Users to commit to capacity when planning timescales potentially run into many years – development of a transitional arrangements mechanism may be appropriate.

Asked whether the unsold capacity step also applied to entry, RA confirmed it did. Asked whether or not in that case, the new ad-hoc process applies for entry, MW confirmed that it does, but that aspects of the substitution elements differ between entry and exit.

When considering how any subsequently released capacity would be made available to the market, SP confirmed that various aspects of the process would fall away and thereafter any reserved capacity would potentially be allocated at a later date – some parties suggested that ‘tagged’ is a better description than ‘reserved’ capacity.

When asked if the ad-hoc process would be open to all Users, MW confirmed it would be. SP agreed to consider enhancing the transparency provisions and adding clarity, especially around the schedule 1a stages of the process.

When asked what the term ‘breakout’ actually meant and what costs Users would be responsible for, MW explained that breakout refers to termination of the contract when PARCA parties do not wish to progress matters any further. Any costs associated with what had been committed so far would be passed to the PARCA party. When asked whether or not National Grid intends to still honour any capacity costs, MW indicated that at this time National Grid does not have a clear view and he would welcome any feedback on the various capacity reduction aspects.

When asked what timescales there are between the two revenue driver steps, RA confirmed that there is no default period envisaged and this would be subject to a case-by-case consideration that can be impacted by Planning Act requirements – SP emphasised that the illustrated timelines should be viewed as the worst case scenario.

When asked why the schedule 4, stage 2 revenue driver was not actually triggered until much later in the process, SP explained that this is to try to take into account the long lead times associated with ordering items of plant and equipment. In cases where the subsequent planning application is rejected, any already acquired plant and equipment might be placed into stock or storage. MW suggested that further consideration around the NPV process interactions is needed.

In considering schedule 4, stage 5 and how best to accommodate ramp rate and or pressure requirement changes, RA noted that these aspects are only covered off at the final stages of any NEXA discussions.

In considering the potential duration of any PARCA windows, MW suggested that the real issue relates to how long schedule 1A actually is and, in his view, this is something that the industry needs to consider. JCo indicated that she would be happy with adoption of a 28 business day window.

2.1.2 Updated PARCA Business Rules - *step through*

The Workgroup ran through the draft business rules paragraph by paragraph, with any suggested changes or queries captured in the change marked version of the document that has been published alongside these minutes.

MW advised that development of a generic PARCA contract is under way. MW also noted that the proposed revenue driver process is consistent with National Grid's business plan, which also proposes adoption of a reputational incentive.

The Workgroup questioned how the proposed approach sits with the CAM proposals (CAM allocates existing capacity via an auction process, which could potentially be an issue). MW did not see any issues between the PARCA and CAM proposals, although he agreed it was important to keep a close eye on consistency issues.

MW asked whether or not to retain references to the process starting at Y+3, rather than earlier or later. The consensus was to leave this as drafted for the time being and consider the matter in due course.

In considering Section 10, Ad-hoc applications for Enduring Annual NTS Exit (Flat) Capacity (i.e. not PARCA triggered), JCo agreed to summarise the potential pros and cons of the options.

TR11/01: Energy UK (JCo) to consider the pros and cons of a specific PARCA window.

2.1.3 Revised PARCA Schedules - *run through*

SP advised that the documentation had been updated since the previous discussion, reflecting the draft PARCA business rules. Development of a draft contract has also started, which is expected to be similar to the existing ARCAs.

In focusing on Schedule 4, NTS reinforcement required (National planning consent required), JCo enquired whether National Grid envisage adoption of a 'holding' option where a break-out clause is triggered. MW suggested that this boils down to the signatory concerned and their requirements. However, from an industry perspective, holding a capacity option open could be seen as tying up market capacity, and that may be of wider concern to other market participants.

Regarding Table 2, Guidelines for National Grid Milestone Information provisions, NR enquired whether any of the steps could be undertaken concurrently. SP suggested that, whilst possible, most are sequential due in part to the need to consult with the various statutory bodies. AM advised that in discussions with the Planning Authority, his colleague Mark Dalton had been led to believe that some of the steps could be undertaken concurrently. SP responded that in National Grid's discussions with the Planning Authority, a subtly different view was proffered - the table is a direct outcome of those discussions. SP added that National Grid intends to provide a Project (Milestones) Plan in due course.

MW thanked the Workgroup for the contributions during the meeting. He felt close to being able to finalise the UNC elements and raise a modification.

The presented documentation would be updated to reflect the discussions at today's meeting, and either published separately or incorporated in a modification.

3. Any Other Business

None.

4. Diary Planning

The following meetings are scheduled to take place:

| Title | Date | Location |
|------------------------|------------|---|
| Transmission Workgroup | 06/12/2012 | Elexon. 350 Euston Road, London. NW1 3AW. |
| Transmission Workgroup | 10/01/2013 | Elexon. 350 Euston Road, London. NW1 3AW. |

Action Log – UNC Transmission Workgroup: 09 November 2012

| Action Ref | Meeting Date(s) | Minute Ref | Action | Owner | Status Update |
|-------------------|------------------------|-------------------|--|---------------------------|------------------------|
| 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) | Carried forward |
| 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) | Completed |
| 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) | Carried forward |
| TR1101 | 01/11/12 | 3.1.1 | <i>Long term non-firm capacity: Draft a new modification.</i> | National Grid NTS (MW) | Pending |
| TR1102 | 09/11/12 | 2.1.2 | Consider the pros and cons of a specific PARCA window | Energy UK (JCo) | Update to be provided. |