

Transmission Workgroup Minutes
Thursday 06 January 2011
Elxon, 350 Euston Road, London NW1 3AW

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Alan Raper	(AR)	National Grid Distribution
Amrik Bal	(AB)	Shell
Antonio Ciavolella	(AC)	BP Gas
Asma Jalal	(AJ)	Centrica
Charles Ruffell	(CR)	RWE npower
Chris Shanley	(CS)	National Grid NTS
Chris Wright	(CW)	Centrica
Colin Thomson	(CT)	Scotia Gas Networks
Debra Hawkin	(DH)	National Grid NTS
Eddie Blackburn	(EB)	National Grid NTS
Fiona Gowland*	(FG)	Total E & P
Graham Jack	(GJ)	Centrica
Jacopo Vignola	(JV)	Centrica Storage Ltd
James Thomson	(JT)	Ofgem
Jeff Chandler	(JC)	SSE
Jill Brown	(JB)	RWE npower
Julie Cox	(JCx)	AEP
Louise McGoldrick	(LM)	National Grid NTS
Malcolm Arthur	(MA)	National Grid NTS
Mark Dalton	(MD)	BG Group
Mike Wassell	(MW)	National Grid NTS
Phil Broom	(PB)	GDFSuez
Rekha Theaker	(RT)	Waters Wye Associates
Richard Fairholme	(RF)	E.ON UK
Richard Miller	(RM)	Ofgem
Ritchard Hewitt	(RH)	National Grid NTS
Roddy Monroe	(RM)	Centrica storage Ltd
Stefan Leedham	(SL)	EDF Energy
Sue Ellwood	(SE)	TPA Solutions
Tim Wyndham*	(TW)	Ofgem
Zori Zafirova *	(ZZ)	GasTerra

**via teleconference*

1. Introduction

Copies of all papers are available at <http://www.gasgovernance.co.uk/tx/060111>.

TD welcomed attendees to the meeting.

1.1 Review of Minutes of Previous Meetings

A minor change to the minutes of 14 December 2010 was suggested and approved. The minutes of the meetings held on 02 and 14 December 2010 were then accepted.

1.2 Review of Outstanding Actions

Action TR1201: 0337 – Establish costs around potential incorporation of system warnings associated to price and volume, to reduce risk of inadvertent User error.

Update: Due at meeting on 11 February 2011. **Action carried forward**

Action TR1202: 0337 – Consider releasing two volume figures (Park and Loan) prior to auction.

Update: Due at meeting on 11 February 2011. **Action carried forward**

Action TR1203: 0337 – Consider adding a rule to clarify what action National Grid NTS may take when assessing a bid stack that contains bids from parties who have indicated that they are not willing to accept partial acceptance of their bid.

Update: Due at meeting on 11 February 2011. **Action carried forward**

Action TR1204: 0337 – Revise the modification based on comments received.

Update: Due at meeting on 11 February 2011. **Action carried forward**

1.3 Review of Live Modifications not covered elsewhere on the agenda

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

TD gave an update on the status of Live Modifications.

0337 – It was proposed to hold a further meeting on 11 February 2011 to progress this.

0276 – JCx observed that the date for implementation was as yet unknown and asked if there was any update. RH responded that the ACS amendments had not yet been agreed and therefore no implementation date had been announced. Responses received to the open letter did not confirm that there would be any significant uptake of the product. Ofgem's feedback regarding suitable charges was awaited, and it may be possible to determine in the next couple of months whether it was viable to continue to implement or to raise a modification to remove it.

1.4 Industry Updates

1.4.1 Industry Meetings

No reports.

1.4.2 Ofgem (www.ofgem.gov.uk)

RM reported on recent activities.

Licence Modification (Exit Substitution) – An Impact Assessment may be published early next month.

Incremental Entry Capacity Release Methodology Statement was approved on 06 December 2010.

Licence Modification (Relevant System Costs/Income Adjusting Events) – Ofgem (POD) had been speaking to the industry on what Shippers needed to do to bring forward an IAE claim; there were preferential windows to use, eg 10-19 January, and 31 January – 11 February.

National Transmission System (NTS) Flexibility Capacity - NGG uses system flexibility to manage variations in the rates at which NTS users enter and exit gas from the NTS. This consultation sets out Ofgem's views on the framework for the further development of system flexibility and flexibility capacity and closes out on 04 February 2011.

Transmission Price Control 2013-2021 – A paper setting out the proposed approach to the next gas transmission price control (RIIO-T1) was published on 17 December 2010. The price control will set the allowed revenues that companies are allowed to collect for the eight-year period from 1 April 2013. The consultation closes out on 04 February 2011.

TransMit – An update has been published on key points from the workshops; information on scope is due out later this month.

Significant Code Review (Gas Security of Supply) – A consultation paper will be published shortly. The deadline for responses to the consultation will be confirmed in the Launch Statement, but is anticipated to be in the week commencing 21 February 2011. Observing that attendance at workshops was to be by invitation only RT asked how participants would be selected. RM agreed to clarify any selection criteria and report back.

Action TR0101: Ofgem to clarify any selection criteria for participation in the three workshops relating to the SCR (Gas Security of Supply) and report back to Workgroup.

2. UNC Modifications

2.1 Modification 0333: “Update of the default System Marginal Buy Price and System Marginal Sell Price”

TD explained that the Workstream Report had been returned to the Workgroup by Panel for further assessment, particularly in respect of User Pays issues.

MA gave a presentation, iterating the key points of the changes that would need to be made by xoserve in order to implement this modification. It was noted that the one-off costs would be significant, but that there would be no on-going costs.

PB suggested the alternative of viewing the changes as a data change, which was the way Shippers frequently make such accommodations within their systems. He also suggested it would be useful to see some cost comparisons for different approaches.

RH pointed out that National Grid NTS was concerned to capture data and set the values in an auditable way, and CS added National Grid was reluctant to do datafixes on an annual basis – xoserve was generally resistant to such practice unless it was an emergency situation. RH reiterated that National Grid was looking for an effective and efficient way to make these changes. GJ was concerned that any costs should be shown to be and justified as reasonable costs.

Moving on to consider the proposed User Pays funding split, TD noted that there was a Licence compliance benefit to the Transporters, and questioned why,

rather than follow the User Pays Guidance Document, the perception of 'benefit' had been introduced and then restricted to 'financial' benefit.

If National Grid was in breach of its Licence, SL questioned what options were open to Ofgem? RM responded that Ofgem would have to investigate the circumstances and there may be a potential fine of up to 10% of group turnover. SL observed that avoidance of this position therefore represented a large financial benefit to National Grid such that part of the funding should be attributed to National Grid even on the basis put forward by themselves. He also believed that any benefit to Shippers was doubtful, and that it would be a more honest discussion if National Grid simply said that they did not want to pay. RH understood the Shippers' position and encouraged the bringing forward of alternative proposals.

TD pointed out that the Workgroup had the option of writing to Ofgem to seek its view on the appropriate funding split. SL felt an Ofgem view would be helpful, such as whether the change had been funded as part of the PCR or through SO Incentives. TW answered that it was not part of the PCR or SO Incentives funding. TW also concurred with RH that alternatives with differing charging arrangements would be welcome. SL anticipated that EDF was likely to raise an alternative if the present funding arrangements remained unaltered.

TD asked if the suggested level of costs could be explained. MA believed it was difficult to say, as these were xoserve's costs. RH added that xoserve had been asked to look at various ways of implementing the change to see if the costs were appropriate and each time the costs had come out very similar. This seemed to be the most appropriate route to introduce this particular change. TD asked Shippers if they had any idea how much it might cost their organisations and if it might be reasonable to assume a similar cost to xoserve's in order to derive an industry wide implementation cost?

PB referred back to his suggestion of a data fix remedy as this seemed to be the most straightforward. RH pointed out that a Shipper doing such a datafix in its systems would only expose itself to its own internal liabilities and risks. Gemini is not a single User system and therefore needs wider, auditable, structuring. AB asked if would be outsourced or performed in-house by xoserve. RH believed it would involve a tender and that an offshore agency would complete the work.

Moving on to the most recent version of the modification, RH explained that most of the changes made reflected the previous discussions and the fundamental nature, principles and methodology had not changed; the result of the equation stayed the same.

The Workgroup Report was then discussed and updated. TW suggested that, in general, a better-represented value of linepack would lead to more efficient and economic operation of the pipe-line. More efficient use of linepack as a balancing tool means that balancing actions are more efficient. JCx commented that no one could confidently say that this modification will actually facilitate efficient and economic operation of the pipe-line so this should not be included in the Report.

RH referred to the value of absorbing Shipper imbalance. National Grid had tried to reflect the cost of linepack and give it as accurate a valuation as possible. It had also tried to clarify and quantify if Shipper imbalance behaviour would be influenced by this modification. However, at this stage no one can actually quantify/justify what effects might happen, and this has been the difficulty.

While there was no consensus regarding the impact of the modification, the Workgroup Report reflects the differing viewpoints and it was agreed that the modification was sufficiently developed to go to consultation. The Workgroup considered that the UNC Modification Panel should request legal text.

TD confirmed that the Workgroup Report would be submitted to the UNC Modification Panel.

2.2 Modification 0348: NTS Optional Commodity tariff – update to application rules

DH and GJ confirmed that NTS and Centrica were now in agreement that this should remain a single modification and not be separated into three.

A draft Workgroup Report had been published and TD asked that any further comments, particularly in relation to the relevant objectives, be forwarded to the Joint Office as soon as possible for incorporation into the draft prior to the next Workgroup meeting. This would then quicken the process at the next meeting where it was intended to review the Report (focusing on the relevant objectives) and approve for submission to the UNC Modification Panel.

2.3 Modification 0350: “Combining the NTS Entry Capacity and Exit Capacity Credit Checks”

CS gave a brief presentation outlining the background. Analysis on the option of combining the entry and exit capacity checks had indicated there was merit in combining both calculations into one process but had also highlighted that four Shippers would be required to provide an extra £14.75m credit/security. CS confirmed that none of the four parties affected could be considered to be ‘small’ Shippers.

CS then explained the proposed changes to the UNC and the effects.

Advantages and disadvantages were briefly discussed. RF disagreed with National Grid and contended that, in the immediate circumstances, the risk to the Shipper community of increased Entry Capacity Commodity charges was not reduced because there was no change to National Grid’s revenue drivers. However, there was greater exposure as Shippers would face the continuing cost of any defaults.

Implementation was proposed for the 1st of a month, and CS illustrated this with an example. In response to questions, CS pointed out that Shippers might need to look at providing extra credit cover for exit. It was expected that exit capacity bookings would be reduced in July. All credit processes were run ‘in house’ and would attract no User Pays elements.

CS confirmed that legal text was currently under development.

TD confirmed that a draft Workgroup Report would be published and asked that any further comments, particularly in relation to the relevant objectives, be forwarded to the Joint Office as soon as possible for incorporation into the draft prior to the next Workgroup meeting. This would then quicken the process at the next meeting where it was intended to review the Report (focusing on the relevant objectives) and approve for submission to the UNC Modification Panel.

2.4 Modification 0351: “Enduring Exit Overruns – Deemed Applications”

MW reported that the modification had not changed radically since August 2010. However, a User Pays issue had been identified on which the Workgroup’s views were sought. The issue was described and, pointing out that National Grid was unable to forecast who will pick up overruns, MW explained how the apportionment of costs was envisaged and illustrated this with an example.

GJ observed that there was no correlation between a User’s capacity holding and the likelihood of overrunning, and no assumptions that a close correlation exists should be made.

RF suggested that the apportionment could be carried out in the following year since impacted Users could then be identified. RH considered that this presented a heightened risk that there might be only one User who had overrun and who would therefore be liable to pick up all the costs for this modification.

RT was concerned that there may be some misalignment from the original intentions of Modification 0351 to arrive at a cost that appeared to be levied on all parties. This User Pays element destroys what the modification was attempting to achieve. JCx added that in accepting the industry’s assistance in solving the difficulties brought forward, the benefits appeared to be all with National Grid NTS.

RH said that 0195AV produced an effect that it was thought the industry would not appreciate, so 0351 was raised to ameliorate this. The proposal was raised so that Shippers could get their bookings to the right level, rather than picking up the deemed applications. Customers would have had to pay for that capacity whether utilised or not. Charges would still be incurred.

SL commented that costs seemed to be targeted at those parties who had acted prudently to avoid overruns; this could not be justified.

JCx asked how many exit overruns there had been this year. MW agreed to find out and report back.

Action TR0102: 0351 – Report on how many exit overruns there had been this year.

RH pointed out that the physical linkage would be removed going forward, and how parties respond to this will be dictated by Shippers’ booking behaviour.

JCx suggested that perhaps the first 10 to 20 might attract an apportionment of these charges, possibly over a period of 5 years. It was not good to target prudent Shippers.

RH pointed out that this was also the first modification to involve a User Pays split between Users (DNs and Shippers), and that consideration would be given to the views and suggestions put forward in this discussion.

TD questioned whether the costs being quoted were still relevant, as the timescales for implementation cannot be met. MW thought they might be double what had been discussed today.

Confirming that a draft Workgroup Report would be published (with all references to April 2011 removed) TD asked that any further comments, particularly in relation to the relevant objectives, be forwarded to the Joint Office as soon as possible for incorporation into the draft prior to the next Workgroup meeting. This would then quicken the process at the next meeting where it was intended to review the Report (focusing on the relevant objectives) and approve for submission to the UNC Modification Panel.

2.5 **Modification 0352: “The Introduction of an Interruptible Reverse Flow service at Moffatt Interconnector”**

MW gave a short presentation on the rationale and explained why National Grid had chosen this route. There was a brief discussion as to why there was reference to a firm product in the Irish consultation whereas National Grid was treating it as interruptible. RH pointed out that rights to deliver depended on equal flows in the opposite direction. Referring to EU requirements CW added that all interruptible points must offer a two-way service. MW confirmed that the BBL reverse flow product is interruptible. EB added that allocation rules govern how much can be used and reflect that it is not firm from an allocation perspective, because it is a commercial flow service and default allocation arrangements mean it is more appropriate to have an interruptible product.

MW indicated that more work needed to be done on what quantities might be available.

The key point was that the final legal text couldn't be submitted until the amended CSA has been signed and agreed by Gas Link. This is dependent upon the conclusions of the Irish Regulator (CER) following its consultation on the reverse flow service.

In view of this there is no current urgency to pursue implementation, and the submission of any further comments for consideration would be appreciated so that any appropriate revisions can be made. It was anticipated that it would then be returned to the Workgroup for further discussion.

2.6 **Draft Modification: Alignment of CV and Wobble Limits at NTS System Entry Points**

LM outlined the background and explained that it had been agreed with Ofgem that the process should be voluntary for DFOs and should only cover Calorific Value and Wobbe Number parameters.

She added that National Grid had contacted 16 DFOs/SFOs with the offer to expand their limits and had received responses from 5 DFOs and 1 SFO. In view of the lack of response from other parties National Grid followed up with a second communication, however no further responses were received. No reasons had been established for this.

SL observed that an SCA covered entry and exit flows, and asked National Grid if both specifications would therefore be changed. RH believed there to be a single gas quality table in the SCA, but would confirm the details.

Action TR0103: Draft Modification: Alignment of the CV and Wobbe Limits at NTS Entry Points - Confirm whether specifications for both entry and exit flows in SCAs would be changed.

LM confirmed that any changes made would only apply to those 6 organisations that had responded. TD asked what happened if there was a 'late joiner'. RH responded that the CV shrinkage analysis would have to be revisited to reassess any changes to what is at present deemed to be no material increased risk.

National Grid intends to present a report on the CV shrinkage analysis at the next Workgroup meeting. It is anticipated that the Modification will be formally raised and submitted to Panel in January, with a request that it be released for assessment at the Transmission Workgroup.

3. **Topics**

No new topics were raised.

4. Any Other Business

4.1 Potential Appeals Process associated with Modification 0341 - Manifest Errors for Entry Capacity Overruns

SE introduced the concept of an Appeal route that could be used in the event of a party's dissatisfaction with the outcome of the process currently being put forward in Modification 0341. Primarily it would provide a mechanism to address and amend biased or procedurally flawed decisions should a UNCC decision in relation to a claim made under 0341 be called into question. The proposed Appeals process was described at high level and possible outcomes outlined. It appeared preferable that Ofgem take on the role of adjudicator in the event of any appeal.

Views were now being sought on whether a fee should be payable to fund such a process and what reporting obligations might be required.

RF pointed out that it was not generally a good idea to raise a modification that was contingent upon another modification that had yet to be approved/rejected by Ofgem, and that it would be trying to change/add to what was at present purely 'fictitious' text. Recognising RF's concerns, SE reiterated her commitment to draft this modification as clearly as possible and to point out that this was contingent upon the implementation of 0341. It was the intention that a modification will be formally submitted to the February UNC Modification Panel.

4.2 Additional Workgroup Meeting

National Grid NTS had requested that an additional Workgroup meeting be convened in mid February to facilitate progress on Modification 0337. TD pointed out that, depending on the amount of work required, it might also be possible to cover some additional items at this meeting, ie some of the usual Workgroup business. There were no objections to this arrangement.

4.3 Twitter

During the recent period of adverse weather conditions, the Joint Office had used a variety of communication routes to let the industry know about changes to meeting arrangements and the availability of various documents, etc, on the JO website. In conjunction with the usual routes, and as an 'experiment', Twitter had been used for the first time to communicate and responses received so far indicated that it worked well for those parties who were able to access it. It was pointed out that although some corporate systems blocked this route it might be possible for individuals to sign up and receive JO messages as standard texts to any mobile phone, and that this was an additional way of keeping abreast of developments. TD emphasised that the Twitter route would only be used for communication of additional information, and not, for example, communicating the publication of a new modification which would continue to be via email.

5. Diary Planning

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

The next Transmission Workgroup meetings are scheduled as follows:

10:00 03 February 2011, at Elexon, 350 Euston Road, London NW1 3AW

10:00 11 February 2011, at Energy Networks Association, Dean Bradley House, (specifically Modification 0337; additional items as appropriate)

10:00 03 March 2011, at Elexon, 350 Euston Road, London NW1 3AW

10:00 07 April 2011, at Elexon, 350 Euston Road, London NW1 3AW

10:00 05 May 2011, at Elexon, 350 Euston Road, London NW1 3AW

Action Log – UNC Transmission Workstream: 06 January 2011

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR 1201	14/12/10	2.0	0337 – Establish costs around potential incorporation of system warnings associated to price and volume, to reduce risk of inadvertent User error.	National Grid (CT)	Due on 11/02/11
TR 1202	14/12/10	2.0	0337 – Consider releasing two volume figures (Park and Loan) prior to auction.	National Grid (CT)	Due on 11/02/11
TR 1203	14/12/10	2.0	0337 – Consider adding a rule to clarify what action National Grid NTS may take when assessing a bid stack that contains bids from parties who have indicated that they are not willing to accept partial acceptance of their bid.	National Grid (CT)	Due on 11/02/11
TR 1204	14/12/10	2.0	0337 – Revise the modification based on comments received.	National Grid (CT)	Due on 11/02/11
TR 0101	06/01/11	1.4.2	Clarify any selection criteria for participation in events relating to the SCR (Gas Security of Supply) and report back to Workgroup.	Ofgem (RM)	
TR 0102	06/01/11	2.4	0351 – Report on how many exit overruns there had been this year.	National Grid NTS (MW)	
TR 0103	06/01/11	2.6	Draft Modification: Alignment of the CV and Wobbe Limits at NTS Entry Points - Confirm whether specifications for both entry and exit flows in SCAs would be changed.	National Grid NTS (LM)	