

Workgroup 0363
Commercial Arrangements for NTS Commingling Facilities
Minutes
Thursday 07 April 2011
ELEXON, 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
Antonio Ciavolella	(AC)	BP Gas
Charles Ruffell*	(CR)	RWE npower
Chris Wright	(CW)	Centrica
Christiane Sykes	(CS)	Statoil
Colin Thomson	(CT)	Scotia Gas Networks
Fergus Healy	(FH)	National Grid NTS
Jacopo Vignola	(JV)	Centrica Storage Ltd
John Costa	(JC)	EDF Energy
Julie Cox*	(JCx)	AEP
Lewis Hodgart	(LH)	Ofgem
Phil Broom	(PB)	GDF Suez
Phil Hobbins	(PH)	National Grid NTS
Rekha Theaker	(RT)	Waters Wye Associates
Richard Fairholme	(RF)	E.ON UK
Richard Miller	(RM)	Ofgem
Simon Trivella	(ST)	Wales & West Utilities
Steve Pownall	(SP)	National Grid NTS

* via teleconference

1. Introduction and Explanation of Workgroup Operation

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0363/070411>.

TD welcomed attendees to the meeting.

2. Review of Minutes and Actions from the previous meeting

2.1 Minutes

The minutes were approved.

2.2 Actions

Action 0301: Review and revise Business Rules.

Update: See 3, below. **Action closed**

3. Review of Business Rules and Legal Text

Before reviewing the changes made to the Business Rules, PH gave a presentation addressing key issues that had arisen from the previous meeting. He reiterated the factors that would make an NTS Commingling Facility unique and set it apart from other bi-directional facilities, and the different charging arrangements for various categories of storage facilities were illustrated to provide a comparison to those proposed for NTS Commingling Facilities. A summary of NTS charging principles was provided.

TD questioned whether the definition should be limited to the activity of commingling and gave an example involving meter testing that may also meet the criteria. It was suggested that it might be better to make it as generic as possible (by not specifying what may be done with the gas upstream), and this would help to guard against unintended discrimination.

The differences between this activity and that of storage behaviour were briefly discussed. The main difference put forward was that with storage there was no expectation or guarantee that gas would be delivered back into the system on the same day that it was offtaken, whereas this was guaranteed under the commingling activity. However if a fast cycling storage site did guarantee to do this then it was acknowledged that it should be treated in the same way. PH pointed out that same day turnaround would be very exceptional, but if it became commonplace the new concept and the current regime may need reconsideration, to reflect how costs are recovered according to behaviour and impact on the network.

No volume limit had been proposed, but it was envisaged that the arrangement would be most appealing to smaller projects. That this might be designing a single purpose modification gave CW cause for concern. He suggested that it might also be applied to a scale as large as an interconnector (blending on/off the NTS).

When asked if it might be applied to the DNs or if it was just an NTS concept, PH responded that there was no appetite for the concept to be applied to the DNs, and there was no apparent project in prospect to change this view, therefore it had been limited to the NTS. ST confirmed that it could be physically accommodated but that the DNs had no current intention of raising an alternative to this modification.

ST suggested that it was potentially a modification more closely predicated on charging arrangements. TD understood that the intention was that cost reflective charges would be delivered by this proposal. Costs are zero and this was a way of getting to that point. PH added that this was a reflection of expectation; one particular project was driving this proposal.

PH then summarised the 3 key differences between an NTS Commingling Facility and other bi-directional facilities, and believed that these resulted in different cost drivers for NTS transportation and that the charging approach should reflect this.

Potential impacts on CV quality were briefly discussed. LH questioned if the proposal should take account of the dilution effect and if this could be scaled up. PH confirmed that dilution will take place but the volume affected will be negligible across the total, and this will only be relevant for this particular project. Any further projects would be looked at on their own merits. Any new supply coming onstream from whatever source will change the CV to some extent, and provided it meets Wobbe and all other parameters no other specific provision is made.

PH pointed out that this was very location/volume specific so it would be very difficult to provide any theoretical examples. If the project did not meet the entry

specification requirements at the measurement point then it would be TFA'd. If another project were proposed that could meet the same criteria then it would also have to adhere to the same rules.

Business Rules

PH explained that he had reflected the comments made at the previous meeting in the subsequent amendments made to the Business Rules, and had also made some other minor adjustments that NTS had thought relevant. Some worked examples had been added as Appendices. The changes were briefly considered with no concerns raised.

Paragraph 12 was pivotal to these rules, and TD suggested that attendees might give close consideration to the definitions before the next meeting to make sure they are happy with what is proposed. LH suggested that the proposal might work just as well with the removal of 12(b); PH noted this for further consideration.

Attendees were encouraged to submit any further suggestions/views to PH before the next meeting. PH will review and revise the Business Rules in light of today's discussions and any further comments received.

Legal Text

PH confirmed that it might be two or three months before the legal text could be provided, and this would not be available before the June Workgroup meeting. TD pointed out that an extension would therefore need to be requested from the UNC Modification Panel.

4. Completion of Workgroup Report

Prior to the meeting, two complementary explanations of how the modification might be described as facilitating the relevant objectives had been published for the Workgroup's consideration. These were briefly reviewed and would be used as the starting point for completing the Workgroup Report at the next meeting.

LH commented that it was the behaviours that were justifying the charging route and not the activity of commingling, and suggested that perhaps the modification should be looked at more closely to address this and redefine it in terms of unique behaviour rather than centring on the activity of commingling, and thus being non-discriminatory. PH noted this for further consideration.

JCx requested more explanation on the system impacts. PH confirmed that discussions had taken place with Xoserve and Gas Operations and the implementation method that it was planned to adopt should mitigate any impacts. Gemini has not got the capability to accommodate netting off and the cost of so doing would be significant; the solution therefore envisages using existing functionality within iGMS, with a slight adjustment to processes. It was not anticipated that any system changes would be required to facilitate this.

Referring to the User Pays element, CW observed that there was potential for discrimination as it would appear that the first 4 or 5 such sites would be able to connect without much additional financial impact. However, any subsequent connections might then attract system development charges. PH noted these concerns and would endeavour to add further clarity to the proposal.

Action 0401: Consider suggested revisions to modification, and produce revised modification.

Development of the Workgroup Report will commence at the next meeting.

5. Any Other Business

None raised.

6. Diary Planning for Workgroup

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

The next Workgroup 0363 meeting will be accommodated within the business of the Transmission Workgroup on Thursday 05 May 2011 at ELEXON, 350 Euston Road, London NW1 3AW.

Action Log – Workgroup 0363: 07 April 2011

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
0301	03/03/11	3	Review and revise Business Rules.	National Grid NTS (PH)	Closed
0401	07/04/11	4	Consider suggested revisions to modification, and produce revised modification.	National Grid NTS (PH)	