

Workgroup 0373
Governance of NTS connection processes
Minutes
Thursday 02 June 2011
Elxon, 350 Euston Road, London NW1 3AW

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Bob Fletcher (Secretary)	(BF)	Joint Office
Alan Raper	(AR)	National Grid Distribution
Amrik Bal	(AB)	Shell
Antonio Ciavolella	(AC)	BP Gas
Catherine Fay	(CF)	Total
Charles Ruffell	(CR)	RWE npower
Colin Thomson	(CT)	Scotia Gas Networks
Dave Corby	(DC)	National Grid NTS
Derek Jamieson	(DJ)	ESBI
Fergus Healy	(FH)	National Grid NTS
Jacopo Vignola	(JV)	Centrica Storage
Jill Brown	(JB)	RWE npower
Lewis Hodgart	(LH)	Ofgem
Mike Thorne	(MT)	National Grid NTS
Mike Wassell	(MW)	National Grid NTS
Natasha Ranatunga	(NR)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Paul Mott	(PM)	EDF Energy
Phil Broom	(PB)	GDF Suez
Richard Fairholme	(RF)	E.ON UK
Sarah Lloyd	(SL)	National Grid NTS
Steve Pownall	(SP)	National Grid NTS

Copies of all papers are available at: www.gasgovernance.co.uk/0373/020611

1. Review of Minutes and Actions from previous meeting

1.1 Review of Minutes

The minutes of the previous meeting were accepted.

1.2 Review of Actions

WG 0501: All to consider and detail what specific information/data should be provided to the customer in a proposed connection offer.

Update: See 2.1 below. **Closed**

WG 0508: National Grid (SP) to present views on the appropriate content of feasibility studies.

Update: See 2.2 below. **Closed**

WG 0509: National Grid (SP) to present the activities involved in a typical 38 month lead-time project.

Update: See 2.3 below. **Closed**

WG 0510: National Grid (SP) to investigate how National Grid approaches the issue of multiple connection requests (in the same geographical location) which potentially change reinforcement considerations.

Update: SP advised that proposed changes to revenue drivers are likely to set the scope for an approach to multiple connections. There may be a number of issues going forward where a multiple connection applications are in the same geographical location - particularly where one should stop part way through the process and one or more others wish to continue. MT added that parties would be impacted differently depending on whether they wished to continue or cancel. DJ thought there would be a number of issues on the impacts to a number of developers and how they may see their costs escalate relative to previous assumptions, though no one would want a queuing process as in the electricity model. **Closed**

2. Discussion

2.1 Action WG0501

In response to Action WG0501, SP presented National Grid's initial views on what could be included in the connection offer template. SP acknowledged these suggestions might need to be reviewed based on the draft rules provided by EON and British Gas. DJ asked if the study costs are included in the offer and SP agreed these should be.

2.2 Action WG0508

In response to Action WG0508, SP presented National Grid's views and potential requirements for feasibility studies. He clarified that the study included potential impacts on in-situ equipment such as AGIs, valves, pre-heating etc. However, he acknowledged these views might need to be reviewed based on the draft rules provided by EON and British Gas. RF was concerned when National Grid NTS would require a feasibility study, and asked whether guidance/criteria could be provided to help parties understand the process. NR asked if a timeline could also be developed to support any guidance provided. MT clarified that a feasibility study was not provided for reinforcement, only for connections, and hence it can proceed in parallel with the requester's planning process.

MT was concerned that too much emphasis may be placed on what a study is called rather than the provision of an appropriate connection offer. JV asked what the link is between the feasibility study and the offer – does one commit the other? RF indicated that feasibility studies have offered a number of alternatives and highlighted a preferred approach, although any costs would only be estimates at this stage.

DJ asked that clarity be provided so that a feasibility study does not commit any party - circumstances may change following its publication and these may change the approach and/or cost.

2.3 Action WG0509

In response to Action WG0509, SP advised that they National Grid NTS require a signal through the commitment to capacity as a trigger for investment for reinforcement. MT added that planning permission timelines, driven by new regulations, need to be factored into any project and that there are no simple

timescales for gaining such permission. MT explained that it is likely to take about 5 years to gain permission for large-scale pipeline works, and this is why National Grid NTS is keen to consider new approaches, such as shaping the regime to support starting planning activities at an earlier stage.

NW asked if the 5 years could be broken down. MT provided an explanation of each stage:

Stage 1 – understand likely requirements (pipeline, AGIs etc) – 3 months. NW asked if this is the conceptual design, and this was agreed.

Stage 2 – Seek a view from planning authorities etc to develop a strategic objectives report. – 9 months

Stage 3 – initial route corridor consultation, including public consultation - 12 months

Stage 4 – environmental impact assessment of every option – 12 months

Stage 5 – Detailed design, including further public consultation and planning – 24 months

Stage 6 – Submit plans through the IPC process. However, this requires a User Commitment to capacity prior to this stage. – 12 months.

Once completed, time needs to be allowed for the build season, based on completing roughly 60kms per annum with one team.

MT confirmed the IPC consider applications against set criteria including environmental screening. DJ was concerned that the nature of the criterion meant that any pipeline work may fall within the IPC definition.

MT explained recent experience in responding to a request for an electricity connection to a wind farm in Central Wales and how the rules were applied – requiring plans to be developed for connections to the North and South Wales grid as well as Western England. DJ asked for clarity as to when the 38 months start in the process. MT advised that this would depend on whether reinforcement is required and when user commitment is provided – work will not commence without commitment, as National Grid need assurance that their costs will be covered should the user walk away from the project. Once a party has committed to capacity, the monies for studies are returned by National Grid NTS as it is assured it will be recovering costs through the revenue driver.

RF asked if there is a conflict between the new planning regulations and licence/code commitments. SP advised that, currently, it is unlikely that code and licence commitments could be met following implementation of the new planning regulations. NW was concerned that National Grid NTS was trying to de-risk its position and that smaller parties in particular may be disadvantaged by any requirements to provide additional commitment to a project in order to protect National Grid's costs. MT responded that the industry is likely to pick up additional costs without user commitments, and it does not seem appropriate for National Grid or the rest of the industry to subsidise a parties development costs. HOWEVER, DJ was concerned about the timing of the payments to support the planning process, as these may be at a stage where a party is still trying to understand the viability of a project.

JV welcomed dialogue at an early stage, though he did not see how the IPC decision and the developer's requirements trigger an investment decision - they do not align. MT explained how the developer's requirements feed into planning

and drive an offer/indicative costs prior to the IPC process, though there won't be a commitment to a route and hence costs at this stage. There is a need for parties seeking a connection to start their planning process either prior to or at the same time as National Grid to reduce potential delays caused by the extended planning process. However, this impacts conceptual design (and its cost) as it cannot be provided until the actual connection point is known following the planning process.

NW raised a concern that other industry reviews, such as price controls, may set the agenda for the connections process. It would be helpful if all related considerations were brought together to ensure any package of change is fully reviewed. NW particularly wanted to understand the aspects of securitisation in more detail, and thought a shallower connection policy may be appropriate as an adjunct to a securitisation approach.

LH suggested that a summary of options should be provided regarding the connections process.

2.4 Rules for an Application Process

RF presented E.ON's draft application process as amended by British Gas, emphasising he was keen to understand any views held by others. MT advised that National Grid NTS is supportive of the approach, though it may be necessary to tailor the application forms to meet the requirements of specific connection types/requests. MW asked if the rules could be amended throughout to clarify that National Grid refers to National Grid NTS. MT asked if SLAs could be put in square brackets until agreed.

TD suggested clarifying that the rules ensure applications are treated equitably and in the order received – not that others should be delayed until an earlier request has completed the process. MT clarified that requests would not be processed should information be considered to be commercially sensitive and not provided when it is needed to help understand the application requirements. He also advised that it might not be possible to assess the impacts of applications within 3 months when they are located in close geographic proximity to each other – creating interactivity.

When considering 2.4 of the draft rules, DJ asked if permission is needed to proceed from Ofgem and – if so - should the rules describe the sanctions or how it is to be vetoed?

Responding to questions, MT explained that a detailed design is produced prior to going out to tender - this is not provided as part of the conceptual design and is therefore not included in the cost of the conceptual design. They are expensive to undertake and therefore not produced until a firm order for construction is provided. RF asked if this approach is likely to impact the completion date. MT advised this is unlikely - timings would be provided as part of the conceptual design.

DJ asked for clarification that it is possible for the costs referred to in the conceptual design to include fixed and variable costs, and MT confirmed this was correct.

Attendees accepted that the rules could be developed to include liabilities for late provision of quotations and amendments to schemes, seeking to ensure appropriate incentives are in place to maintain performance and reduce overall industry costs.

JV was concerned that the commitment to dates for physical works does not include a first gas date that commits to capacity availability – this uncertainty is a disincentive to investment by the industry. MW advised it is possible to provide timescales for physical connections works. However, National Grid NTS still required the applicant to make a capacity commitment through the UNC processes, and these trigger the revenue driver. JV was still concerned at the lack of incentive to ensure a project is delivered, and suggested that any delay between connection completion and capacity delivery should be compensated by buy-back. SP argued that it is difficult to accept such an incentive when the uncertainty largely relates to the planning process - this is where any delays are likely – the outcome of which National Grid NTS cannot guarantee or hedge against.

NW was concerned that capacity might not be made available to purchase at the target date. FH advised that it is only an issue where a revenue driver is required; capacity within baseline would be available on the connection date. Incremental capacity would also be available through the established mechanisms. He added that an alternative to buy-back should be considered as an incentive in order to ensure the desired behaviours are incentivised. RF suggested that an incentive regime similar to that used in electricity might be appropriate to meet aspirations for connection and capacity. However, this is likely to need direction from Ofgem in order to establish the arrangements that sit outside the UNC. PB suggested that a form of daily-liquidated damages may be required to provide the incentive; this is a recognised approach within contracts.

RF agreed to provide an amended version of the rules for discussion at the next meeting. SP agreed to provide an application template and to provide a timeline commencing from the initial enquiry to gas on date (high level and including planning process steps). JV agreed to provide a similar timeline from a storage perspective.

WG0373 0601: Amend connection process rules (RF)

WG0373 0602: Provide draft application template (SP)

WG0373 0603: Provide a connection process timeline from a National Grid NTS perspective (SP)

WG0373 0604: Provide a connection process timeline from a GSOG perspective (JV)

3. Any Other Business

None raised.

4. Diary Planning for Workgroup

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

The next meeting will take place as part of the Transmission Workgroup meeting scheduled to commence at 10:00am on Thursday 07 July 2011 at Elexon, 350 Euston Road, London NW1 3AW.

Action Log - Workgroup 0373

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
WG 0501	05/05/11	5.	Consider and detail what specific information/data should be provided to the customer in a proposed connection offer.	ALL	Closed
WG 0508	18/05/11	3.1	Present views on the appropriate content of feasibility studies.	National Grid NTS (SP)	Closed
WG 0509	18/05/11	3.2	Present the activities involved in a typical 38 month lead-time project.	National Grid NTS (SP)	Closed
WG 0510	18/05/11	3.3	Investigate how National Grid approaches the issue of multiple connection requests (in the same geographical location) which potentially change reinforcement considerations.	National Grid NTS (SP)	Closed
WG 0601	02/06/11	2.4	Amend the connection process rules	E.ON UK (RF)	Pending
WG 0602	02/06/11	2.4	Provide draft application template	National Grid NTS (SP)	Pending
WG 0603	02/06/11	2.4	Provide a connection process timeline from a National Grid NTS perspective	National Grid NTS (SP)	Pending
WG 0604	02/06/11	2.4	Provide a connection process timeline from a GSOG perspective.	Centrica Storage (JV)	Pending