

Workgroup 0391 - Distributed Gas Charging Arrangements

Workgroup Minutes

Monday 26 September 2011

at Elexon, 350 Euston Road, London NW1 3AW

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Alan Raper	(AR)	National Grid Distribution
Alex Ross	(ARo)	Northern Gas Networks
Andy Manning	(AM)	British Gas
Bernard Kellas	(BK)	SSE
Brian Durber	(BD)	E.ON UK
Gareth Evans	(GE)	Waters Wye Associates
Joanna Ferguson	(JF)	Northern Gas Networks
Joanne Parker	(JP)	Scotia Gas Networks
John Edwards	(JE)	Wales & West Utilities
Jonathan Wisdom	(JW)	RWE npower
Malcolm Piper	(MP)	EDF Energy
Richard Pomroy	(RP)	Wales & West Utilities
Steve Sherwood	(SS)	Scotia Gas Networks
Steve Armstrong	(SA)	National Grid Distribution
Tricia Moody	(TM)	Xoserve

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0391/260911>.

1. Introduction and Explanation of Workgroup Operation

TD welcomed all to the meeting before providing an overview of the modification rules workgroup process. TD also advised that the inaugural meeting of Ofgem's Biomethane Working Group would be on the following day, 27 September 2011.

2. Outline of Modification

SA explained the rationale for raising the modification and the intended outcome.

3. Consider Terms of Reference

No comments received.

4. Discussion

SA delivered a 'Proposals for DN Entry Charging' presentation.

In considering the deep connection boundary option, AM suggested that, contrary to the statement that this could create high up-front costs and hence create project risk, he believed that developers might not view it as a problem because it provides an element of certainty surrounding project costs. JW noted that provision of more cost reflective information would assist infrastructure investment. Asked whether RHI payments had been set to reflect deep connection costs, SS indicated that these costs had been provided to DECC and he believed they were reflected. However, DECC would need to clarify exactly what was or was not allowed for. It was also noted that Shippers pay Transportation Charges awhile developers receive RHI payments, potentially creating a disconnect. JE also added that whether, and how, Shippers would purchase entry capacity has yet to be considered.

Considering the way forward, SA suggested that options 1 and 3 might carry similar levels of risk, a view supported by historical reinforcement data. AM suggested that the timing of when parties provide their locational signals may be crucial. In agreeing, SA also advised that there could be 'k' impacts involved and that it may be appropriate to review transportation charging elements (i.e. credit associated to exit charges) on a more frequent basis. It was noted that this could increase Delivery Facility Operator (DFO) risks. RP believed under/over recovery aspects associated with option 3 would also merit consideration. SA suggested this would be influenced by which approach was adopted.

When asked about option 2, SA suggested that, whilst it may offer some benefits, it may not provide suitable longer-term resilience or be sufficiently cost reflective. There was general agreement that Option 2 did not appear to be attractive.

It was noted that there may be tensions between the electricity and gas markets should one opt for a shallow based solution and the other a deep solution - having differing regimes may artificially distort decisions. AM felt that the arrangements within electricity connection agreements help to ensure appropriate behaviours.

Summarising, SA argued that option 3 was emerging as the favoured approach, especially as it takes into account future biomethane requirements and is likely to be the most cost reflective of the three options. TD suggested that the early focus of the workgroup could therefore be on developing option 3, with a watching eye on option 1 requirements as a fall-back position if required. This was supported.

When asked, SA confirmed his understanding that option 3 would be consistent with RHI requirements in so far as charges could be passed back to the connectee where appropriate. SS also wondered if DFOs would prefer to have their CAPEX included within their respective plans to facilitate RHI requirements.

SA agreed to provide a revised version of option 3 which adds a further level of detail, and includes some indicative modelling of potential charge levels. This was expected to be available in time to support a Workgroup meeting in about six weeks time.

TD pointed out that the Modification Panel had requested that this Workgroup aligns with progress made by Ofgem's Biomethane Review Group. It was noted that several parties would attend both meetings, and that meeting on the same day was a possibility.

Action WG0391 09/001: National Grid Distribution (SA) to develop and present a more detailed version of option 3.

5. Diary Planning for Workgroup

The Joint office was asked to arrange a further Workgroup meeting in about six week's time, and to coordinate the timing with related meetings.

Action Log – UNC Workgroup 0391

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
WG0391 09/001	26/09/11	4.	Develop and present a more detailed version of option 3.	National Grid Distribution (SA)	Update to be provided.