

Transmission Workgroup Minutes
Thursday 05 January 2012
Elxon, 350 Euston Road, London NW1 3AW

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Andrew Fox	(AF)	National Grid NTS
Charles Ruffell	(CR)	RWE npower
Chris Shanley	(CS)	National Grid NTS
Colin Thomson	(CT)	Scotia Gas Networks
Darren Reeve	(DR)	Interconnector
Dave Adlam	(DA)	National Grid Distribution
Dora Ianora	(DI)	Ofgem
Erika Melen	(EM)	Scotia Gas Networks
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
James Kerr	(JK)	National Grid NTS
Julie Cox	(JCx)	AEP
Lewis Hodgart	(LH)	Ofgem
Mike Wassell	(MW)	National Grid NTS
Natasha Ranatunga	(NR)	Ofgem
Phil Broom	(PB)	GDF Suez
Phil Hobbins	(PH)	National Grid NTS
Rekha Theaker	(RT)	Waters Wye Associates
Richard Fairholme	(RF)	E.ON UK
Rob Cameron-Higgs	(RCH)	Wales & West Utilities
Tom Purchase	(TP)	National Grid NTS

1. Introduction

Copies of all papers are available at www.gasgovernance.co.uk/tx/050112.

TD welcomed attendees to the meeting.

1.1 Review of Minutes and Actions of the previous meeting (01 December 2011)

1.1.1 Minutes

The minutes of the meeting were accepted.

1.1.2 Actions

TR1201: National Grid NTS (AF) to establish what information will be published and when regarding any proposed Exit Capacity Substitution.

Update: AF confirmed that the NTS Exit Capacity Baseline Statement had already been published on the National Grid website at:

<http://marketinformation.natgrid.co.uk/Gas/ExitCapacityReports.aspx>

(to access the document search under "Application Type" and "Supplement Information" for Year 2011 and press 'Submit query').

AF confirmed that the Statement of NTS Obligated Incremental Exit Flat Capacity and the Statement of Proposed Exit Flat Capacity Substitution were expected to be published no later than 06 January 2011 and could also be located through the link provided above (to access these documents search under "Application Type" and "Supplement Information" for Year 2011 and press 'Submit query').

Closed

TR1202: Ofgem to establish the timetable for Ofgem to respond to any proposed Exit Capacity Substitution.

Update: LH confirmed that Ofgem had 28 days within which to exercise its veto, and added that before Christmas Ofgem had written to confirm that it would not be vetoing, as the proposals were consistent with the substitution methodology.

Closed

1.2 Review of Live Modifications not covered elsewhere on the agenda

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

Of specific note were:

0276 – Implementation date remains on hold; no further update.

0363V – Implementation is effective on 01 October 2012.

0376S/0376SA – Consultation ends on 06 January 2012.

0393S – Consultation ends on 03 February 2012.

0406S – Consultation ends on 03 February 2012.

1.3 Industry Updates

LH reported on recent Ofgem activities:

- ***TPCR4 Rollover: Section 23 Statutory Consultation – National Grid Gas Licence Drafting*** - published on 20 December 2011. Consultation closes on 23 January 2012.
- ***Determining revenue drivers for South East exit capacity – 19 December 2011.*** This consultation sets out how Ofgem proposes to calculate revenue driver values for a number of power station and storage site projects in the South East region. Consultation closes on 31 January 2012.
- ***Uniform Network Code (UNC) 0363: Commercial Arrangements for National Transmission System (NTS) Commingling Facilities – direction to implement published 19 December 2011.*** The proposal modifies the UNC in order to define a new type of connection as an 'NTS Commingling Facility', and to determine the commercial and charging arrangements applying to the use of such connections. Implementation date 01 October 2012.
- ***National Grid Gas System Operator Incentives from April 2012 – 14 December 2011.*** The letter sets out Ofgem's final proposals for National Grid Gas' SO Incentives from April 2012. It also includes the statutory

licence notice. The five incentives schemes that Ofgem are consulting on relate to NTS Shrinkage, NTS Unaccounted for Gas, Residual Gas Balancing, Demand Forecasting and Data Publication. Consultation closes on 18 January 2012.

- ***RIIO-GD1: Gas Distribution Networks' (GDNs) business plans - publication and next steps – 9 December 2011.*** The GDNs have submitted and published their RIIO-GD1 business plans. Ofgem will publish its initial assessment of these plans in March 2012. Ofgem welcomes initial stakeholder views on the business plans by 20 January 2012. RIIO-GD1 business plans are available to view at the following links:

National Grid Gas plc (NGG) <http://www.talkingnetworksngd.com/>

Scotia Gas Networks – Scotland

http://www.sgn.co.uk/index.aspx?id=6553&rightColHeader=87&rightColContent=15&rightColFooter=237&TierSlicer1_TSMMenuTargetID=565&TierSlicer1_TSMMenuTargetType=4&TierSlicer1_TSMMenuID=6

Scotia Gas Networks – Southern

http://www.sgn.co.uk/index.aspx?id=6557&rightColHeader=87&rightColContent=15&rightColFooter=237&TierSlicer1_TSMMenuTargetID=565&TierSlicer1_TSMMenuTargetType=4&TierSlicer1_TSMMenuID=6

Wales and West Utilities

<http://www.wvutilities.co.uk/stakeholders.aspx>

Northern Gas Networks

<http://www.northerngasnetworks.co.uk/>

- ***Project TransmiT - Electricity transmission charging: assessment of options for change – 20 December 2011.*** The document discusses potential options for change to the TNUoS charging arrangements and Ofgem's assessment of the impacts. Ofgem's initial view, for consultation, is that improved ICRP is the right direction for transmission charges. Ofgem welcomes responses to its initial views. Should Ofgem's final recommendations identify that change is necessary, it will issue a direction to NGET to bring forward an appropriate modification to the charging approach. Consultation closes 14 February 2012.
- ***Ofgem announces fines for National Grid Gas and Northern Gas Networks for failing to attend gas escapes on time – Press Notice 21 December 2011.*** Ofgem proposes fines of £4.3m for National Grid Gas (NGG) and £900,000 for Northern Gas Networks (NGN). The different levels of penalty reflect the fact that NGG owns four networks and NGN one. Penalties would have been higher had it not been for the companies' cooperation with the investigation and action taken by them ahead of this winter.

European Developments – Framework Guideline (FG)/Network Code (NC) status update:

- **Capacity Allocation Mechanism - ENTSOG submit final NC to ACER in March 2012.** ACER has 3 months to opine before submitting to the Commission for adoption into the Regulations. ENTSOG consulted in Summer 2011, re-consulted in October 2011, and will publish draft NC in February 2012 with stakeholder engagement.
- **Tariffs - Scoping consultation to be published in January 2012.** ACER is to develop the Framework Guideline in April 2012.
- **Congestion Management** – The Commission are developing congestion management procedures to be included in regulations. The first formal comitology meeting is expected on 26 January 2012.
- **Balancing** - ENTSOG scheduled to hold a development workshop in late December 2012.
- **Interoperability** –Draft Framework Guideline to go out to consultation in March 2012. Next Task Force meeting is to be held on 19 December 2011. Consultants soon to be engaged to undertake an initial impact assessment.

1.4 European Developments

1.4.1 European Gas Balancing Code Development Project

CS gave an update on ENTSOG's Project Plan consultation. A timeline was displayed together with a diagram indicating the participants and the interactions between the parties. National Grid have representatives on all the Kernel groups and all the material developed and produced would be shared with the stakeholders. CS confirmed that considerable effort was being made to involve and encourage parties based in Eastern Europe to participate.

An introductory event in December is to be followed by the Balancing Network Code launch document. CS outlined the key points of the document, encouraging its perusal, and also urging GB stakeholders to take an active part in the consultations.

1.4.2 Transparency Compliance Monitoring

CS gave a brief update on the examination of compliance of TSOs against the new gas transparency requirements. In order to provide an assessment of TSOs' compliance, the Regulators were now seeking stakeholder views on the content of the TSOs' responses. ACER welcomed industry views, by email, to: TransparencyNW@Acer.europa.eu. These should be provided by 20 January 2012.

1.4.3 ENTSOG Winter Outlook 2011/12

The report had now been published, the key conclusions being that gas stocks available on 01 October 2011 were sufficient to cover at least a 10% increase in European Winter demand in comparison with an average winter (this is equivalent to about 365 TWh of additional consumption, which is as high as the total French Winter demand); and that the European gas network was deemed sufficiently robust in all parts of Europe to offer significant flexibility even under High Daily Demand conditions.

LH questioned what was meant by significant flexibility being available, and definitions and disparities in their meanings were remarked on. CS indicated that he would be happy to arrange for a National Grid representative who was active in this area to address the Workgroup and explain what was meant by the statement "that the European gas network was deemed sufficiently robust in all parts of Europe to offer significant flexibility even under High Daily Demand conditions".

1.4.4 EU Capacity Allocation Mechanism (CAM) Network Code and Congestion Management Procedures (CMP) Guideline Proposal Update

CAM - Work to finalise the Code is continuing.

CMP - A revised version was issued in December and DECC was now seeking GB Stakeholder views on the current version. The first comitology meeting for Member States is to be held on 26 January 2012 and the final version needs to be in place by then.

CS confirmed that Matthew Hatch (National Grid NTS) would attend next month to give a more detailed update.

1.4.5 Interoperability Network Code Update

PH recapped on the aim of Code and advised that the Framework Guideline (FG) had yet to be issued for consultation.

On being questioned if there was any sort of process going on, PH confirmed that it was with ACER at the moment; there was a National Grid representative on the expert group representing GB.

1.4.6 Gas Quality

Discussions were taking place in respect of key issues relating to gas quality and a cost/benefit analysis should be concluded by February. Further views will be invited and a smaller group will be convened to establish a 'roadmap'.

The CEN Phase 1 Final Report was published in December and describes the results of the appliance testing programme in a 'step' format, ie the wider the wobble range the more appliances are impacted. There is to be a period of national assessment of the results although the process for this is currently unclear. Work on Phase 2 (non-combustion parameters and development of the European Standard) has commenced but this will require a definitive conclusion from Phase 1.

Responding to questions, PH confirmed that DECC had been very clear that the UK's position had not changed.

1.4.7 European Updates Timetable

The programme of updates to be given to the Transmission Workgroup over the next few months is detailed below:

Topic	Workgroup Date
<ul style="list-style-type: none"> • CAM and CMP Update 	02 February 2012
<ul style="list-style-type: none"> • Interoperability – National Grid NTS response to FG consultation • Gas Regional Investment Plan (GRIP) Consultation Feedback 	01 March 2012
<ul style="list-style-type: none"> • To be confirmed 	05 April 2012

2. Workgroups

The following individual Workgroup meetings took place:

2.1 0338V – Remove the UNC requirement for a ‘gas trader’ User to hold a Gas Shipper Licence

Minutes for this meeting are at www.gasgovernance.co.uk/0338/050112

2.2 0373 – Governance of NTS connection processes

Minutes for this meeting are at www.gasgovernance.co.uk/0373/050112

2.3 0407 – Standardisation of notice periods for offtake rate changes for all National Grid NTS Exit Users

Minutes for this meeting are at www.gasgovernance.co.uk/0407/050112

2.4 0408S – Moffat and Bacton Interconnectors: Changes to Agreements to Align to UNC Modification 0195AV

Minutes for this meeting are at www.gasgovernance.co.uk/0408/050112

2.5 0409S – Removing the restriction on the Users’ application quantity for Annual NTS Exit (Flat) Capacity

Minutes for this meeting are at www.gasgovernance.co.uk/0409/050112

3. Issues

3.1 Exit Capacity Substitution: Alternative Definition of Substitutable Capacity for Interconnector Points

AF gave a presentation outlining the background to the development of the Exit Capacity Substitution Methodology, and drawing attention to the obligations to be consistent with various requirements of European legislation.

Various options had been identified to define the quantity that will be excluded from exit capacity substitution, ie that which is not Substitutable Capacity, and these had been discussed with Interconnector Operators.

It was noted that for all options sold capacity will not be substituted, even should this quantity be higher than the quantity determined from the option. A table was displayed, comparing the advantages and disadvantages of each option.

Subject to further responses from Interconnector Operators, Ofgem and industry participants, National Grid proposed to amend the definition of Substitutable Capacity in the Exit Capacity Substitution Methodology Statement to exclude any capacity, whether sold or unsold, at interconnector points, up to the published Technical Capacity of the connected system. TD questioned if BBL were happy with the proposed approach, and whether BBL would be captured by the definition of Technical Capacity. This was briefly discussed. DR believed it to be more aligned with physical capability; complexity was added, however, for this to be presented in energy as opposed to volume terms. No concerns were raised.

Formal consultation on the revised methodology statement is expected to commence late February 2012.

3.2 Review of System Alerts - Update

Firm Monitor – Next Steps

PH recapped on National Grid NTS' obligations in respect of the provision of Firm monitor information, the reasons for the proposed changes, and the options that had been considered.

Following discussions at previous meetings it was proposed to remove the requirement (in the UNC) to publish a Firm monitor (the safety monitor requirement will remain). The intention was to have the change in place for winter 2012/13, and an appropriate modification will be raised for the January 2012 Panel meeting.

GBA Developments - Next Steps

In respect of Day Ahead GBA, it was proposed to rename this to a 'notification' or 'warning', and align the UNC with the calculation methodology undertaken by National Grid NTS during the GBA. The notification will remain in place until the end of the applicable Gas Day.

PH then drew attention to an 'Alert' which, when issued, will supersede the 'notification'. This can be issued at any time from Day Ahead to On the Day with information on the applicable day; it will be issued with additional information on the reason why and can also be withdrawn at any time, with an explanation as to why.

In respect of Additional Information provision there would be publication of NSS breakdown with supporting notes when changed; publication of additional information via the ANS message service on rationale for the publication of an 'Alert'. More detailed information post 'Alert' would also be published, and the 'Alert' would be discussed at the Gas Customer Forum.

RCH asked if the use of ANS was still seen to be most appropriate method of communication going forward. PH had not seen any proposal to make a change to this but it was under internal discussion.

JCx again raised points concerning compliance with EU legislation and indicated her frustration that, despite numerous discussions and assurances that they would be, inconsistencies with European requirements did not seem to have been addressed. PH noted this.

PH confirmed that it was now National Grid NTS' intention to submit a modification proposal to the February, rather than January, Modification Panel, with the aim of implementing any changes for winter 2012/13.

The Workgroup agreed that these Issues should now be closed.

3.3 Aligning the connections and capacity processes

MW gave a presentation detailing the background, illustrating the issue, and setting out five options that National Grid NTS have been considering. It was noted that there were advantages and disadvantages associated with each and they were not necessarily mutually exclusive. Further development is required to fully understand the impacts of each option on all parties and it was proposed that a separate discussion be held up to assess and develop options/processes for future Gas Access.

The Transmission Workgroup gave its approval for this approach and arrangements will be made for a first meeting in January 2012. Parties were requested to consider and bring any potential solutions to the meeting.

3.4 Network flexibility

Presenting on behalf of National Grid NTS, MW reminded that Network Flexibility has been discussed throughout the Talking Networks process and that 'Network flexibility' did not relate to 'Flexibility' products under the exit regime but was concerned with system integrity/resilience and the way the network will be used.

In response to stakeholder feedback, the majority of the funding had been removed from National Grid NTS' ex ante plan. It was proposed that flexibility-related funding be triggered by the 'uncertainty mechanism' proposed under the RIIO framework. In December, stakeholders were asked for opinions on whether current processes meet everyone's needs and whether new products are required.

MW indicated that there were a number of elements to be considered. It was proposed to develop requirements for new products or services at the Transmission Workgroup, and also to present how the uncertainty mechanism will work, including the process for liaising with stakeholders and the trigger for funding, before National Grid NTS' final RIIO submission in March.

National Grid NTS were currently assessing how the 1 in 20 planning obligation should be developed to take account of future requirements of the network and interactions with other obligations.

It was suggested that a separate meeting be set up to more fully explore this area and receive any related presentations. The Transmission Workgroup gave its approval for this approach and arrangements will be made for a first meeting in January 2012.

3.5 New Issues

No others raised.

4. Any Other Business

None raised.

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 02 February 2012, at ELEXON, 350 Euston Road, London NW1 3AW
and subsequently

10:00 on the first Thursday of each month, at ELEXON, 350 Euston Road, London NW1 3AW

EXCEPT (in light of the Olympic Games):

10:00 02 August 2012, at National Grid, 31 Homer Road, Solihull B91 3LT

Action Log – UNC Transmission Workgroup: 05 January 2012

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR 1201	01/12/11	3.3	Establish what information will be published and when regarding any proposed Exit Capacity Substitution	National Grid NTS (AF)	Closed
TR 1202	01/12/11	3.3	Establish the timetable for Ofgem to respond to any proposed Exit Capacity Substitution	Ofgem (DI)	Closed