

Review Group 0291 Minutes Friday 10 September 2010

at the National Grid Office, 31 Homer Road, Solihull

Attendees

Tim Davis (Chair)	(BF)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Ben Woodside	(BW)	Ofgem
Bethan Winter	(BWi)	Wales & West Utilities
Charles Ruffell	(CR)	RWE npower
Chris Aldridge	(CA)	National Grid NTS
Chris Wright	(CW)	Centrica
Claire Thorneywork	(CT)	National Grid NTS
David Turner	(DT)	Gassco
Jacopo Vignola	(JV)	Centrica Storage Ltd
Jamie Black	(JB)	Ofgem
Julie Cox*	(JC)	AEP
Nick Reeves	(NR)	National Grid NTS
Richard Fairholme	(RF)	E.ON UK
Stefan Leedham	(SL)	EDF Energy
Steve Pownall	(SP)	National Grid NTS
Tim Wyndham	(TW)	Ofgem

* via teleconference link

1. Introduction

TD welcomed all to the meeting.

1.1 Review of Minutes

TW requested an amendment to paragraph 2.1.2 on page 7 of the minutes, as follows:

“RF asked TW to clarify what the expectations were in respect of the Licence Condition with regard to an outcome. TW indicated that the Licence states National Grid should “use reasonable endeavours to introduce updated values” ~~it was expected that there would be an update~~ of the default cashout values rather than just a review.”

Thereafter, the minutes of the previous meeting were accepted.

1.2 Review of actions

Action RG0291/012: National Grid NTS (SP) to consider Linepack Product - Add further key measures in respect of residual balancing, environmental issues.

Update: SP confirmed this would be considered as part of the strawman discussion - item 2.1.1 below.

Closed

Action RG0291/013: National Grid NTS (SP) to consider Linepack Product – Revise key assumptions to include firm status and bidirectional capability.

Update: SP confirmed this would be considered as part of the strawman discussion - item 2.1.1 below.

Closed

Action RG0291/014: National Grid NTS (SP) to consider Linepack Product – Develop a ‘straw man’ based on Option 2.

Update: A draft had been published.

Closed

Action RG0291/015: National Grid NTS (NR) to consider Linepack and Cashout options – National Grid NTS (NR) to present ROM/DCA outputs and consequential User Pays implications.

Update: NR confirmed that details from the ROM were included in the cashout Proposal, 0333. SP said that the linepack product Business Rules needed further development prior to a ROM being produced, but that this would be provided for a formal Modification Proposal.

Closed

2. Review Group Discussion

2.1 Linepack Product

2.1.1 Linepack Product - Strawman

SP presented for National Grid NTS.

Key Measures

Additional key measures suggested were:

- consistency with European Legislation;
- cost targeting – reducing potential misallocation across days;
- valuing linepack;
- maintaining the incentive to balance; and
- National Grid being cash neutral.

RH asserted that the strawman assumes National Grid is cash neutral, although supporting incentive schemes may be developed. In response to questions, TW indicated that he could envisage the linepack incentive being replaced by a different approach were the strawman to be implemented.

Next Steps

Ofgem was asked whether a Modification Proposal based on the linepack product strawman would meet the criteria for an Impact Assessment to be issued. BW said that Ofgem had not considered this internally, but his personal view was that the criteria were likely to be met. TD suggested that this might usefully be built into any timetable.

2.1.2 Review of Linepack Product Option 2 – Draft Business Rules

The proposed Business Rules were considered line-by-line with issues captured on screen. The resulting document has been published alongside these minutes at www.gasgovernance.co.uk/0291/100910.

National grid NTS agreed to take into account the issues raised and produce a revised version of the Business Rules which would be incorporated within the Modification Proposal they anticipate raising. This would include considering:

- Suitability of defining a new UNC role and any potential licence implications;

- FSA exemption maybe required for linepack service due to its potential 'market maker' status;
- Development of ROM(s) to 'match' various provisions which will require quantifiable benefits and costs to reflect the complexity of alternative approaches;
- EBCC position (subject to energy balancing solution);
- Impact of Emergencies;
- Development of validation requirements;
- Setting of appropriate Bid partial acceptance rules;
- Timings associated with the release of the ILP service;
- Whether or not a "Buy Back" product is needed
- Changes to SMPs and PGs.
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2.2 Default Cashout

2.2.1 Progress of Draft Modification Proposal – Update of Default System Marginal Prices

A copy of the draft modification proposal 0333 is available at: www.gasgovernance.co.uk/0333.

NR said the Proposal states:

"A Rough Order of Magnitude (ROM) has indicated that the implementation of this proposal is likely to cost at least £90k but no more than £120k plus an additional 25-30% should project management resources be required.

In addition the ROM has indicated that the ongoing Application Support associated with this proposal is likely to be at least £5k but no more than £20k per annum."

SL raised concern that this is the second time that National Grid have raised a 'related, follow on' modification before a Review Group has completed its work. This potentially results in having to reconsider the subject matter at a later date, which may result in having to raise another Proposal.

In response, RH accepted this was not ideal but that the ROM analysis indicated that a Proposal needed to be raised in order to meet the timetable, in particular the Licence requirements. TD added that further development would be subject to the Panel's decision, and if required would be taken forward by a Workstream or Development Workgroup rather than this Review Group.

3. Any Other Business

None.

4. Diary Planning for Review Group

TD suggested that the next step was development of business rules and a Modification Proposal, the process of Review was complete. If National Grid wished to share a revised version of the Business Rules prior to formally raising a Modification proposal, the Transmission Workstream provided an appropriate forum.

It was accepted that the JO should draft a report on behalf of the Group, and that the meeting scheduled for 20 September should be cancelled. A further discussion would be arranged to consider the Report once drafted.

Appendix 1

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0291 012	19/07/10	2.1.3	Linepack Product - Add further key measures in respect of residual balancing, environmental issues.	National Grid NTS (SP)	Update provided. Closed
RG0291 013	19/07/10	2.1.3	Linepack Product – Revise key assumptions to include firm status and bidirectional capability.	National Grid NTS (SP)	Update provided. Closed
RG0291 014	19/07/10	2.1.3	Linepack Product – Develop a ‘straw man’ based on Option 2.	National Grid NTS (SP)	Update provided. Closed
RG0291 015	11/08/10	4.	Linepack and Cashout options – National Grid NTS (NR) to present ROM/DCA outputs and consequential User Pays implications.	National Grid NTS (NR)	Update provided. Closed