

Transmission Workgroup Minutes

Thursday 04 June 2015

Energy Networks Association, 52 Horseferry Road, London SW1P 2AF

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont	(LD)	Joint Office
Andrew Pearce	(AP)	BP
Angus Paxton	(APa)	Poyry Management Consulting
Anna Shrigley	(AS)	Eni
Antony Miller*	(AM)	Centrica Storage
Charles Ruffell	(CR)	RWEST
Colin Hamilton	(CH)	National Grid NTS
Colin Williams	(CW)	National Grid NTS
David McCrone*	(DM)	Ofgem
David Reilly	(DR)	Ofgem
Fergus Healy	(FH)	National Grid NTS
Francisco Gonçalves	(FG)	Gazprom
Graham Jack	(GJ)	Centrica
Jeff Chandler	(JCh)	SSE
John Costa	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kirsten Elliott-Smith	(KES)	Cornwall Energy
Laura Butterfield	(LB)	National Grid NTS
Marie Maurice*	(MM)	Engie/GDF Suez
Nicola Cocks	(NC)	KPMG
Paul Brennan	(PBr)	Waters Wye Associates
Paul Orsler	(PO)	Xoserve
Phil Broom	(PB)	GDF Suez
Phil Hobbins	(PH)	National Grid NTS
Richard Fairholme	(RF)	E.ON UK
Sean McGoldrick	(SMc)	National Grid NTS

*via teleconference

Copies of papers are available at: <http://www.gasgovernance.co.uk/tx/040615>

1. Introduction and Status Review

LJ welcomed all to the meeting.

1.1 Approval of Minutes from the previous meeting (07 May 2015)

The minutes of the previous meeting were approved.

1.2 Ofgem Update

In this month's update, DR drew attention to the items relating to:

- Ofgem's Impact Assessment of UNC Modifications 0501V, 0501AV, 0501BV and 0501CV - Responses should be submitted by 17 June 2015; and
- Ofgem's Open Letter on Further Review of Industry Code Governance - Responses should be submitted by 26 June 2015. LJ confirmed that the UNC Modification Panel would be submitting a response (this will be published).

Congestion Management Principles: LT UIOLI Monitoring Report

DR reminded that Modification 0485 obligated National Grid NTS to provide a utilisation report to Ofgem every 6 months; the second one was provided to Ofgem in April. This confirmed that in the preceding 12 months there was under utilisation of capacity by Shippers at most Interconnection Points (IPs). Unsold capacity indicates there is no contractual congestion and therefore there is no requirement for Ofgem to initiate capacity withdrawal proceedings at this time. The position will continue to be monitored, with the next report due in November. It was noted that the April 2016 report would be the first after bundling.

Referring to Ofgem's earlier 'Vision Paper', AS voiced concerns regarding Ofgem's prescription and the position that if Shippers offer their capacity for sale on PRISMA then that will be included in this report, i.e. at this early stage; if it was not offered on PRISMA (such as secondary trades) then it would be taken into account at the later 'demonstration' stage. She was concerned that only capacity registered on PRISMA is included in this monitoring report and felt this was too early for a view on congestion to be taken.

A short discussion ensued. It was noted that secondary trading was not visible to the Transporters; the Regulator and the Shipper would need to have a dialogue to demonstrate that further actions had been taken to manage the capacity utilisation position. FH observed that offering it at a secondary stage would be sufficient justification. JCx asked how this fitted in with the ACER report on congestion. APa believed Ofgem's view was more accurate; AP believed points were probably sold out and no capacity was offered, so therefore the ACER view was one of congestion - it was looking at different things. FG commented on the contradictions that exist and gave a number of examples. APa observed that ACER was not looking at the UK, which has very few problems.

1.3 Pre Modification Discussions

None.

2. European Codes

General

There had been no changes to the Code Status Update information or the Road Map since the last meeting.

2.1 EU Codes update (TAR and INC)

EU Tariffs Code (TAR)

CH gave a presentation updating the Workgroup on the current position. An amended timeline was displayed.

A compromise had been agreed on the majority of issues, revised text had been finalised, with one or two outstanding issues remaining. Approval by the ENTSO Board is likely to be mid-July; the code must be completed for the Madrid Forum in mid-October, with a comitology meeting in December. Responding to questions, CH believed that stakeholders will see a draft once ACER has signed it off. There will be a stakeholder association/members meeting on 19 June 2015 where the high level inclusions will be discussed; agreed compromises should be visible by that date. A number of Shippers voiced their concerns that there was no transparency apart from that provided by National Grid NTS at these Workgroup meetings - Shippers appreciated and thanked National Grid NTS for this, noting that this was far more than was available to other EU parties. CH indicated that once he knew what the text changes were (likely to be August) then he would make these available. He did not think there would be another 'consultation opportunity' for stakeholders, until comitology in December, where parties could then lobby their ministry.

CH then provided more detail on progress made with the various issues.

Transmission and dedicated services - CH outlined the current draft definitions and drew attention to the renaming of “dedicated services” to “non-transmission services”.

Option to offer Fixed Tariffs - This has been agreed for price cap regimes and for incremental (floating and/or fixed price allowed). CH confirmed that for existing capacity (in revenue cap regime), it is now floating only; fixed has been removed, but has been retained for incremental though there is no obligation to offer this). The fixed payable price approach must avoid cross- subsidisation between network users where such an offer leads to an increase in under or over recovery of revenues. Responding to questions on cross subsidy, CH confirmed that to mitigate this there would be an indexation (in real terms not nominal); the true fixed price is not known until the cost of the project is known. CH gave more details. The fixed tariff will be indexed and a risk premium to mitigate the cross subsidy risk between fixed and floating tariffs.

Multipliers at IPs - There will be no discounted pricing (minimum multiplier of 1, i.e. annual price). There will be a quarterly/monthly multiplier of 1-1.5 of annual price, and a daily/within day multiplier of 1-3 (the requirement of higher multiplier is to be monitored, with reporting after first 3 years then after the next 2 years; it is anticipated to default from 3 to 1.5 if the requirement for the higher multiplier is not demonstrated. CH had no clarity as to why these numbers had been selected.

Reference Price Methodologies - Previously known as “cost allocation methodologies”, CH observed that only “postage stamp (PS)” and “capacity weighted distance (CWD)” methodologies were described in the code and were the counterfactuals to compare against. He was not sure if comparison could be made against both. Other methodologies, the use of which was still under discussion, can be applied subject to NRA approval.

Alternative Transmission Tariffs - This was still under discussion. These will be allowed for non-standard capacity products, e.g. shorthaul, conditional firm capacity products, and set by applying a discount to the reference price. (This was the Commission’s view.) APa observed that this was open to abuse; as a point to point mechanism it would potentially perpetuate problems. CH commented there was no detail yet (under development) and observed that the EU was not used to thinking about commodity as well as capacity.

Binding Tariffs - No change is required to the code. Further work is to be considered on harmonisation of the Tariff setting year, but this will be external to the code. ENTSOG was of the view that it is not required, however there may be unintended consequences regarding non-alignment of the Tariff year, and CH pointed out there is a risk of harmonisation to a date of 01 January.

Grandfather Clause - There will be a Grandfather Clause for contracts concluded before publication of TAR Framework Guidelines. CH quoted that ‘This Regulation shall not affect the level of transmission tariffs foreseen in the contracts which are concluded **before 29 November 2013** where such contracts foresee no change of their level except for the indexation, if any.’

Interruptible Capacity - There will be an ex-ante discount only; non-physical backhaul will be priced as for interruptible.

Some rules only apply at IPs, but any perceived discrimination becomes an internal discussion for GB. CH explained the formula to be applied, and JCx affirmed this remained consistent with the view originally expounded in 2005. It drives the market to buy firm capacity. It was noted that in GB there was no longer interruptible capacity. It could be questioned, was off peak now going to be classed as interruptible? It may be a GB discussion as what should fit where when being transcribed into Code (an implementation

issue for Ofgem?) JCo observed that the industry needed to know how it is being interpreted and to have the opportunity of lobbying if the perception is that it does not work. JCx observed out that the Transmission Workgroup was identifying potential issues early on and APa suggested that parties might wish to contact DECC and convince it to take these up via comitology - there was a working group to which concerns could be expressed.

Storage - This is to be dealt with separately, and may be looked at in conjunction with the LNG work. There is a concern that when the TAR Code comes in a storage point would have to be treated as entry and exit. A transitional arrangement is being considered so that current arrangements can continue until such time as other arrangements have been developed and agreed.

EU Incremental Amendment Update (INC)

CH presented an illustration of CAM TF's new process for Incremental Capacity Projects.

Incremental Amendment - ACER is developing revised legal text, and will include other amendments to CAM to remove "inconsistencies" and to change the auction calendar. If new legal text is produced there may be a further consultation.

2.2 Phase 2 UNC Modifications - Potential Timescales

PH briefly reiterated the status of the outstanding modifications.

2.3 Planning for Phase II Implementation of the EU Network Codes

PH outlined the current position, and affirmed that contingency arrangements were being developed in case one or multiple parties may be unable to deliver some or all of the necessary changes by 01 October 2015, and so that post 01 October measures should also be in place to handle any potential issues which may arise following the changes.

PH explained the two categories of contingency, i.e. 'Non Readiness' and 'Business as Usual', and how National Grid was supporting industry readiness. The deliverables were extensive, covering contracts, codes, systems and processes and affected many parties. PH drew attention to the differences in contractual arrangements.

It was noted that both the integrated Gas Management System (iGMS) and Gemini were implementing together in readiness for 01 October 2015 and were undergoing a robust integrated testing and deployment regime. The main code drop (functionality) was planned for 06 September 2015 (with contingency dates in the event of faults during implementation); "go live" was anticipated for 01 October 2015. Responding to concerns regarding non-availability of Gemini, PH confirmed there would be no further outage beyond the normal weekly maintenance window.

The contingency arrangements (pre 01 October 2015) for Moffat, Bacton and the Gas Day changes were displayed and reviewed. Gas Day potential contingency arrangements were noted (response to Action TR0402). It was questioned whether Direct Connects were being included in the communications.

ACTION TR0601: Confirm that NTS directly-connected sites are included in the communications and arrangements for 06 September go-live (PH).

PH emphasised that National Grid NTS needs a firm view from entry points as to whether they can meet the 05:00 - 05:00 requirements; some responses were still outstanding. PH indicated that a modification might be required to enable use of telemetered data in a contingency situation, however from his reading of UNC APa did not believe that that would be necessary and explained why; PH noted APa's view/interpretation for reconsideration of the position. Network Entry Agreements (NEAs) and their provisions

were briefly discussed. References to time cannot be changed by a modification. APa asked that he be kept informed should any sub-terminals indicate they are not able to meet the 05:00 - 05:00 requirements. APa understood that there might be some reluctance to renegotiate an NEA unless some 'relief' can be given. Liabilities do not exist in Claims Validation Service Limited (CVSL) agreements. PH believed that generally agreements were negotiated on a non-liability basis. Data was currently provided under the existing NEAs to National Grid NTS, but if a sub-terminal decides it is not going to renegotiate this then National Grid NTS can use telemetered (repeat) data to infer a DQ; it was recognised that DQs are in energy and repeat telemetry is volumetric and this would need to be considered further.

PH affirmed that National Grid would continue to assess contingency arrangements alongside other relevant stakeholders. It was recognised that an Adjacent TSOs' problems may have a repercussive effect.

"Business as Usual" (BaU) contingency (post 01 October 2015) is effectively limited to IT system failure regarding which National Grid is engaging with its adjacent TSOs.

It was noted that any contingency arrangements between TSOs retain a reciprocal element, i.e. one TSO's contingency requirement may result in the other TSO needing to invoke its own contingency. It was believed that all TSOs are on track for systems delivery and are aligned in terms of their delivery milestones.

It was also pointed out that in some areas there may be no feasible contingency, and that consideration was being given to resource requirements for systems failures that result in increased manual processes.

PH encouraged stakeholders to share their contingency plans with National Grid in case these needed to be actioned.

PH indicated that a monthly update would be provided to the Transmission Workgroup. JCx observed that if anything should suddenly go 'off track' a timely alert to Shippers would be appreciated.

2.4 General Updates – EU Implementation Phases 2 and 3

PH gave a presentation.

EIC Codes

An EIC is required when using PRISMA and this can be obtained by application to National Grid (authorised to issue International and Local EIC codes). Further details can be found on the 'Local Issuing Office' page on National Grid's website, at <http://www2.nationalgrid.com/UK/Industry-information/Europe/Local-issuing-office/>

System Impacts

PH reiterated the changes, advising that the business requirements, design and build phases had been completed and that User Acceptance Testing (UAT) had now commenced. User Trials were planned for August 2015, and will provide the opportunity for Gemini and Gemini Exit Users to explore the system using a testing environment that will contain the intended changes, e.g. updated/new screens. PH briefly outlined the planned activities, which included 4 new APIs, and summarised the training proposal (screen changes, an e-training package). The last phase will be implementation.

It was questioned where the new APIs were published, was it on Xoserve's website? PH indicated he would check the location and provide a link. **Post Meeting Note:** *Further details of these APIs and screen changes can be found on the Gemini page of the Xoserve website:* <http://www.xoserve.com/index.php/our-change-programme/eu-changes/>

EU Phase 3 - Project and Scope

PH advised that National Grid had commenced the next phase of its EU system development project on 01 June 2015. The compliance date for the EU Interoperability & Data Exchange Network Code is 01 May 2016 and Phase 3 addresses the implementation of the remaining aspects of the Interoperability Code.

These aspects included a new Common Units solution at IPs (to be introduced under Modification 0519), the Disapplication of Scheduling Charges at IPs (to be introduced under Modification 0510), and the creation of a new Shipper to TSO interface, as well as new Transparency requirements (Regulation 715/2009 Annex). It was also noted that in the event that Modification 0501C was approved then additional functionality for splitting Bacton would be required.

Referring to the outcome of the recent consultation on Common Units, PH confirmed that National Grid NTS would be formally submitting a letter to the Regulator.

For more information parties were encouraged to contact National Grid NTS via box.gasops.business@nationalgrid.com.

2.5 Matters Arising

None.

3. Workgroups

No business to consider.

4. Issues

None raised.

5. Any Other Business

5.1 Funding, Governance and Ownership (FGO) of Xoserve - Update

Advising that KPMG had been appointed as Programme Manager to this project, SMC introduced NC to the Transmission Workgroup. It was anticipated that NC would be providing a monthly update.

SMC gave a presentation on Ofgem's review of Xoserve's funding, governance and ownership, outlining the background and current arrangements. The initial review had concluded with a recommendation for a Co-operative Business Model.

The intention is for Xoserve to become the Gas Industry's "Central Data Service Provider" (CDSP). The scope of central data services provided by the CDSP is to be kept whole, with the Transporters' costs for Central Data Services (CDS) to be recoverable via a "Pass Through" mechanism. The CDS requirements will be subject to cross-industry governance. Service outputs and funding requirements will be determined through industry-facing business planning processes, and ratified by the CDSP Board. CDS will be provided on a 'not-for-profit' basis.

The CDSP Board will be reconstituted to include both Transporter and Shipper nominated members. Xoserve is expected to retain the freedom to develop/provide additional services. The Distribution Networks and NTS will continue to hold shares in Xoserve; ownership and control will be separated. It is anticipated that implementation will be 01 April 2016.

Funding

Reallocation of CDSP costs to each party will be based on the services received. The Transporter costs will be recoverable via Pass Through and removed from RIIO. An annual business plan will be agreed. It is anticipated that costs will only change in exceptional circumstances and that Ofgem approval would be required. There would be carry-over to a subsequent Financial Year, and the invoicing mechanisms were still to be determined.

The potential realignment of control/obligations across stakeholders was illustrated, together with CDSP funding options. The new arrangements need to provide for an enduring financial model, and at the point of switch over to the new model, the current funding and financing arrangements will need to be closed down.

Governance and ownership

New contractual arrangements will be required. The Transporters will retain ownership of the CDSP, which will become a "Not-for-profit" organisation. The Board will comprise Transporter and Shipper membership, and details had yet to be defined.

Potential composition of the Board was discussed; concerns were expressed that this had not yet been determined at this late stage given implementation was for April 2016, together with the apparent lack of information/communication to the Transmission oriented section of the community. JCx believed that the board could be enacted earlier than the implementation date to effect a soft-landing and learning period.

Development of the CDSP - Industry engagement and current progress

NC explained where information could be accessed (via Sharepoint), and what progress was being made across the various areas that were being reviewed.

Attention was drawn to the meetings schedule published on the Joint Office website at:

http://www.gasgovernance.co.uk/sites/default/files/FGO%20Meetings%20v2.0_0.pdf

It was suggested that a link to the rest of information be made available on the JO website.

The final business plan will be ratified in January. Deliverables were being drafted and issued for comment and NC encouraged all to become involved and provide their views.

Parties were encouraged to engage with the Programme Overview Board (POB) meetings - the next two were planned for 12 June 2015 and 10 July 2015. Parties noted that the schedule of meetings gave insufficient information on which to base a judgment as to whether a Transmission party should invest time to attend.

NC advised that the workgroup leads had produced workgroup framework documents to steer agendas and suggested that interested parties could become acquainted with the requirements/progress and thereby assess level of Transmission interest by reviewing these to help decide whether these were important opportunities for Transmission engagement. NC and SMC would be happy to take any feedback, comments, concerns etc, to raise in FGO discussions and an issues log is also maintained.

NC and SMC encouraged parties to seek regular updates on the position, and to contribute to informal and formal consultations as well as engage proactively in the development workgroups; teleconference facilities were available for participation in meetings should attendance in person not be possible.

It was agreed that monthly updates on the FGO would be welcomed at the Transmission Workgroup, and that this should be added to the regular agenda.

5.2 National Grid Gas Customer Seminar - 08 September 2015 (Warwick)

PH encouraged parties to provide suggestions on what areas they would like to see included in the next Gas Customer Seminar, planned for 08 September 2015 at Warwick.

Any suggestions can be sent to: Abby.Hayles@nationalgrid.com and Claire.Gumbley@nationalgrid.com.

5.3 Gas Day Option A Implementation Project - *Poyry Management Consulting*

APa gave a brief overview. Phase 1 took place in March, and Phase 2 had now commenced, funded by 11 Shippers through Oil & Gas UK. Various agreements were being drafted.

Phase1 had initially indicated that a company 'X' should be constituted to manage Option A, but this view had been revised, and it was now considered better to change CVSL operations to manage these activities. (CVSL was a 'not for profit' organisation and had restricted operations under defined agreements.) Seventy Shippers were principals to the Claims Validation Services Agreement (CVSA), which will need amending (90% majority to agree).

APa encouraged Shippers who were CVSA principals to contact him if there were any concerns.

5.4 Demand Side Reduction (DSR) Trials

FH reported there was to be a trial next month (July). A survey had been issued to provide information, and to seek views as to how it should be undertaken. FH outlined the options:

- A paper-based trial
- A one day event
- A web-based trial (period of days).

Concerns were expressed regarding communication of information relating to the survey. FH noted these for verification that the information had been communicated appropriately.

LJ explained that the production of the required output/report for consideration by Ofgem must be provided within tight timescales, and that the next meeting date (September) had to be rearranged due to a clash with other industry events; LJ intended to issue a note when the new date had been confirmed. **Post Meeting Note:** *DSR meeting date has been confirmed as 22 September 2015.*

6. Outstanding Actions

TR0402: National Grid NTS (JM) to explain what/how contingency arrangements might work, relating to the new Gas Day.

Update: See 2.3, above. **Closed**

TR0404: Energy UK (JCx) to provide a list of areas of concern relating to SMPS rejection (visibility related) issues to Ofgem.

Update: It was agreed this could now be closed since discussions had moved on to the wider issue of visibility of a decision-making timetable and a repository for the myriad of documents that are subject to Ofgem approval. **Closed**

TR0406: National Grid NTS (FH) to request that S McGoldrick provides a brief FGO presentation (15 minutes maximum), at a future Transmission Workgroup meeting in May/June time.

Update: See 5.1, above. **Closed**

TR0501: *TAR Code PwC/Strategy& Impact Assessment* - Identify which Stakeholder parties had been engaged with to provide the evidence/preliminary findings in the draft Report.

Update: CH reported that all non-confidential submissions to ENTSOG (from stakeholder support parties) had been used as the database. **Closed**

TR0502: *EU system changes* - SN to confirm the repository/s for EU system change documentation.

Update: PO confirmed that the repository/s for EU system change documentation was located at: <http://www.xoserve.com/index.php/our-change-programme/eu-changes/>

Closed

7. Diary Planning

Agenda items (and any associated papers) for the July meeting should be submitted to the Joint Office by 23 June 2015.

Please note: The next meeting is likely to be compressed to an hour's duration, i.e. 10:00 - 11:00 only (standard agenda), in order to accommodate the BBL and IUK Interconnection Agreement meetings (organised by National Grid NTS) that have been provisionally planned to follow on from the July Transmission Workgroup meeting. Details will be confirmed when known.

Time/Date	Location
10:00 - 11:00 only , Thursday 02 July 2015	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
10:00, Thursday 06 August 2015	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
10:00, Thursday 03 September 2015	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
10:00, Thursday 01 October 2015	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
10:00, Thursday 05 November 2015	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
10:00, Thursday 03 December 2015	ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF

Action Table (04 June 2015)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
TR0402	02/04/15	2.2	To explain what/how contingency arrangements might work, relating to the new Gas Day.	National Grid NTS (JM)	Closed

Action Table (04 June 2015)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
TR0404	02/04/15	5.2	To provide a list of areas of concern relating to SMPS rejection (visibility related) issues to Ofgem.	Energy UK (JCx)	Closed
TR0406	02/04/15	5.3	To request that S McGoldrick provides a brief FGO presentation (15 minutes maximum), at a future Transmission Workgroup meeting in May/June time.	National Grid NTS (FH)	Closed
TR0501	07/05/15	2.1	<i>TAR Code PwC/Strategy& Impact Assessment</i> - Identify which Stakeholder parties had been engaged with to provide the evidence/preliminary findings in the draft Report.	National Grid NTS (CH)	Closed
TR0502	07/05/15	5.3	<i>EU system changes</i> - SN to confirm the repository/s for EU system change documentation.	Xoserve (SN)	Closed
TR0601	04/06/15	2.3	Confirm that NTS directly-connected sites are included in the communications and arrangements for 06 September go-live.	National Grid NTS (PH)	Pending