

Transmission Workgroup Minutes
Thursday 01 December 2016
at Elexon, 350 Euston Road, London NW1 3AW

Attendees

| | | |
|----------------------------|-------|------------------------|
| Andrea Godden* | (AG) | National Grid NTS |
| Andrew Pearce | (AP) | BP Gas |
| Angharad Williams | (AW) | National Grid NTS |
| Anna Shrigley | (AS) | Eni Trading & Shipping |
| Charles Ruffell | (CR) | RWE |
| Chris Shanley (Chair) | (CS) | Joint Office |
| Colette Baldwin | (CB) | E.ON UK |
| Colin Hamilton | (CH) | National Grid NTS |
| Eddie Blackburn* | (EB) | NTS National Grid |
| Gerry Hoggan | (GH) | ScottishPower |
| Graham Jack | (GJ) | Centrica |
| Jeff Chandler | (JCh) | SSE |
| Jen Randall* | (JR) | National Grid NTS |
| John Costa | (JC) | EDF Energy |
| Karen Visgarda (Secretary) | (KV) | Joint Office |
| Lucy Manning* | (LM) | Gazprom |
| Murray Kirkpatrick* | (MP) | BP Gas |
| Nahed Cherfa | (NC) | Statoil |
| Nick Wye* | (NW) | Waters Wye Associates |
| Phil Hobbins | (PH) | National Grid NTS |
| Richard Fairholme* | (RF) | Uniper |
| Ricky Hill | (RH) | Centrica |
| Robin Dunne* | (RD) | Ofgem |
| Sean Hayward | (SH) | Ofgem |
| Steve Pownall | (SP) | Xoserve |
| Steven Britton* | (SB) | Cornwall-Insight |

*via teleconference

Copies of papers are available at: <http://www.gasgovernance.co.uk/tx/011216>

1. Introduction and Status Review

CS welcomed all to the meeting, and overviewed the order of the agenda for the meeting.

1.1 Approval of Minutes from the previous meeting (03 November 2016)

The minutes of the previous meeting were approved.

1.2 Ofgem Update

In providing a brief Ofgem update, SH explained that there were some specific areas that might be of interest to the Workgroup. A high-level overview is detailed below and further details can be found in the update published alongside the agenda for this meeting.

Streamlining Code Governance.

SH said that on the 09 November 2016 Ofgem had published a news blog on steps they were taking to speed up code modifications.

Consultation on changes to industry code governance – implementing the CMA’s recommendations.

SH explained that on 09 November 2016 Ofgem had launched an initial consultation on the future of industry code governance and he wanted to draw attention to the Stakeholder Event that would be taking place on 12 January 2017.

Future Insights – The Decarbonisation of Heat.

SH explained that on the 14 November 2016 Ofgem had published the second paper in their Future Insights series, which outlined the key challenges involved with the decarbonisation of heat. He said it discussed how decisions might be made and what were the potential consumer and regulatory implications.

Minutes and presentations from the 23rd BEIS-Ofgem European Stakeholder Group for Gas.

SH said that on the 15 November 2016 Ofgem had published the minutes and presentations from the 23rd BEIS-Ofgem European Stakeholder Group for Gas which took place in September. He also wanted to draw attention to the next meeting, which had been scheduled for 26th January 2017.

Minutes of the Gas and Electricity Markets Authority - 13 October 2016.

SH drew attention to the fact that on the 21 November 2016 Ofgem had published the minutes of the Gas and Electricity Markets Authority meeting, which took place on 13 October 2016. He explained the minutes included the Authority’s minded to approach with regards to the RIIO Innovation Review.

Review of allowance for gas system entry capacity at Fleetwood.

SH explained that on the 22 November 2016 Ofgem had announced a review of NGGT’s RIIO-T1 allowance in respect of entry capacity at the Fleetwood ASEP.

Modification of the gas transporter and electricity transmission licences for Stakeholder Satisfaction Incentive decision.

SH said that on the 23 November 2016 Ofgem had published a decision to modify the licences of the gas transporter and electricity transmission companies. He explained that the modifications would implement the values that would apply in the stakeholder satisfaction incentive.

1.3 Pre Modification Discussions

1.3.1. Draft Operating Margins Modification (National Grid NTS)

PH explained that National Grid NTS had now simplified the scope to cover an updated process for reprofiling OM gas to include the ability for National Grid NTS to purchase and sell gas by other routes, such as exchanges. He advised that the parallel review of the Section K Legal Text was taking longer than expected, hence why this had not yet been shared with the Workgroup. PH further explained that this change needed to be in place by April 2017 and that Ofgem were aware that this Self-Governance modification was being raised for the December Panel.

1.3.2. St Fergus CO2 Modification Request

MK provided an overview of the ‘Amendment to Gas Quality NTS Entry Specification at the St Fergus NSMP System Entry Point’ modification, highlighting that the Rhum gas was GSMR compliant and could be up to 6.5mol% CO₂ and that the NSMP Sub-terminal NEA specification was a maximum of 4.0mol% CO₂. MK further explained that the Rhum gas generally commingled with other gas sources to give a combined CO₂ content of <4mol% but interruptions in the Lagan Tormore production rates, risked the NSMP Sub-terminal NEA specification increasing above 4.0mol% CO₂ for a few hours. This scenario would require the Rhum production to be shut, until after re- start of Lagan Tormore.

MK explained the current process of securing the delivery of low CO₂ gas from Norway to St Fergus in relation to Rhum, had become very cost prohibitive in relation to removing the excess carbon dioxide.

MK then moved on to explain this modification proposed an amendment to the existing NEA, to increase the CO₂ limit of gas delivered into the National Transmission System in respect of the St Fergus NSMP System Entry Point to 5.5mol% from the current limit of 4.0mol%.

A general discussion took place and both JC and GJ said that would like to see analytical data in relation to how many times a year there were unplanned interruptions, meaning the CO₂ could be above 4% and the duration of the events. It was also suggested that diagrams/flow charts of the physical operations and site processes, would help participants understand how the Rhum gas commingles with other gas sources. MK agreed to this suggestion and said this would be available for the January meeting.

New Action TR01201: MK (BP Gas) to produce analytical data of the number of occurrences when the CO₂ limit could have been above 4mol%, including diagrams of the operational processes and flows at the site.

1.3.3. NTS Cost Information

CB explained that DN cost information provision is covered by Modification UNC 0186, which required the GDNs to provide a forecast view of their costs over a 5-year period and a standardised report is provided by each DN quarterly. CB said the review of the forecasts takes place in the DNCFM workgroups. The reporting had evolved to provide greater transparency to Shippers, enabling them to better forecast future costs with a higher degree of certainty. CB also highlighted that the amount of queries and debate had greatly reduced over time, making the DNCFM meetings more efficient.

CB then explained that the proposal sought to put in place a requirement on NGGT to publish biannual forecasts (June and December) of the detailed information Shippers require about the core elements of the Gas Transmission price control. She said this report would include entries for all of the main inputs which go into the calculation of the TO and SO allowed revenues for each of the next five years. The reports are expected to reduce the level of risk premia that Shippers build into their forecasts of transmission costs.

CB sought the opinions of the Workgroup in relation to reviewing the existing NTS reports and timetables. CS proposed that CB raised this proposal at the next NTS CMF to get their views and CH also said he would investigate this further to ensure a co-ordinated approach with EU TAR NC transparency requirements. CB agreed that both suggestions were valuable and she would act on them both.

2. European Codes

2.1 EU Codes update

CH gave a brief overview of the current position of the EU Codes, including timelines and the implementation dates.

General Update

CH advised that the 'Code Status Update' table was a 'snap shot; and had been modified since the last meeting, with the CAM and TAR implementation dates; CAM 01 April 2017 and TAR October 2017, with the publication requirements for TAR being applicable from May 2018.

EU Tariffs Code Update

CH advised that in relation to EU Tariff Code Process Steps that this was currently in the parliamentary scrutiny stage from November 2016 to mid February 2017 and this was a fixed 3 month period.

Moving on to the TAR NC Transparency Requirements, CH explained that all the data must be published on National Grid's own website, with a small subset needing to be published on the ENTSOG Transparency Platform, with some of this information not being published until 2019. CH explained that the criteria for what and where to publish information would be available in December 2018.

CH overviewed the New ENTSOG Transparency Task Force (TF) and explained that the TF would develop proposals and solutions to ensure any transparency requirements were met in accordance with the TAR NC. He gave a high-level description of the format for the proposed ENTSOG data and consultation templates.

In addition, CH explained that ENTSOG were in the process of producing the implementation document on TAR NC and that this would be in two parts; what to implement and when to implement, and that ENSTOG would be hosting two implementation workshops in 2017 to inform Stakeholders of the impact of TAR NC and have the TSO's informed of the requirements for the tariff methodologies. CH then overviewed the timeline schematics, one for the current tariffs for 2018 and one for the new tariffs for 2019. JC asked if there were any concerns in relation to the timeline for this implementation plan. CH responded by saying it was tight, but that it was achievable.

CH then overviewed the new ENTSOG Best Practice Group, which would become active during the TAR NC implementation period and he stated this would be a 'knowledge sharing' group. He then briefly overviewed the specific proposed aims of the group, adding that he would share these with the Workgroup in more depth once these had been formally approved.

Moving on, CH gave an update on the GB Charging Review status in relation to the work that had been carried out in the NTS Charging Methodology Forum, highlighting that a UNC and ACER consultation had to take place before the target completion date of December 2018.

JC asked would the ACER submission have gone through the formal Ofgem sign off prior to the final decision being made. CH said that there may well be a number of different options but ACER may be asked to provide a view prior to the final Ofgem decision, although Ofgem may have provided their 'minded to' position to ACER. GJ also sought clarification regarding this approvals process and said a timeline document would be helpful. CH agreed to provide an updated Project Timeline of the Tariff Code approval process to aid further understanding.

New Action TR01202: National Grid NTS (CH) to produce an updated Project Timeline document of the proposed TAR NC changes/approvals.

EU CAM Modification Updates 0597, 0598 and 0599

CH explained that good progress had been made reviewing **Modification 0597** – Rules for the release of incremental capacity at Interconnection Points, with a preference being expressed for a PARCA based allocation approach at IP's rather than auctions. A number of actions are being addressed by National Grid NTS including, providing an example of how CAM proposals would align to PARCA binding aspects and other annual NTS capacity processes.

CH explained that due to CAM text changes **Modification 0598**, had now been simplified and **Modification 0599** had now been withdrawn.

EU Gas Programme – CAM & TAR Code Changes

CH provided a brief overview of the work that was being carried out by the Business Change Team. CH said that the programme was currently analysing the impact of the

EU obligations on the industry and he drew attention to further updates being provided at both this Workgroup and the Gas Operational Forum that would be taking place in January 2017.

2.2 EU Gas Quality update

PH provided a brief overview of the National Grid NTS 'CEN Standard – Feedback from 3rd ENTSOG Gas Quality Workshop' slides from within the main presentation pack.

Focusing attention on the fact that it was probably the last gas quality update for a while, as the Commission confirmed that it did not propose to make the CEN standard legally binding at this stage, due to limited stakeholder support and the lack of identified benefits.

PH then said that ENTSOG had presented the results of its second consultation, which had received 68 responses and 39 of these preferred 'voluntary adoption'. PH said there had been a good mix of replies from across the gas chain and all the UK responses preferred 'voluntary adoption'.

PH then explained that a brief update had been given on CEN's Sector Forum Gas work to harmonise the Wobbe Index, and noted that other parameters may be considered later in the process.

EU Gas Quality Outlook

PH moved on to explain that Article 18 of the Interoperability Code required ENTSOG to produce an outlook identifying potential trends and variability of gas quality parameters (at least Wobbe Index and CV). He explained that ENTSOG's approach had been to model historic gas qualities with its Ten Year Network Development Plan (TYNDP) and that the report would be published in December 2016. Stakeholders would have an opportunity to provide feedback on the report.

JC wanted to know what pressure data was made available by NTS with regards to exit points. PH said he would supply some information regarding this matter.

New Action TR01203: National Grid NTS (PH) to provide detail of the end of day pressure information made available for NTS exit points.

Future Topics

PH said that the table would no longer have the topic area of 'EU Gas Quality' as it had now been removed.

3. Workgroups

3.1 Modification 0600S – Amend obligation for the acceptance of EPDQD revisions made after D+5

The minutes of the meeting are available at: <http://www.gasgovernance.co.uk/0600/011216>

The Workgroup's Report is due to be made to the February UNC Modification Panel.

4. Issues

4.1 ISS066 – Implications of decommissioned Exit/Entry points

CS advised that there was no specific update on this issue at this time and that the item would remain on the agenda for the time being.

5. Any Other Business

5.1 Negative Implied Flow Rate Update

JR provided an overview of the 'NIFR' situation and she explained that there was not a lot to expand upon on the email update recently issued, which she apologised for, explaining that National Grid NTS were still working with Xoserve. To date, National

Grid NTS and Xoserve continue to work collaboratively to further explore options for the NIFR change delivery. JR said she would report back in January with a firm update.

The Workgroup commented that this had been 'in progress' for a very extended time period and a resolution was required. SP then explained that the Renominations process was based on the business requirements arising from the earlier EU Modifications and that Transmission were unable to override the nomination due to the matching rules. LM and JR confirmed that discussions regarding the matching process had been undertaken with the adjacent TSO's. JR reiterated she would provide an update at the January 2017 meeting on this and the discussions with Xoserve.

5.2 NTS Connections Charging Update

AG provided an overview of the presentation in relation to the NTS Connections Charging Update, explaining that National Grid had conducted a review of the current Connection Application Fees and Category Structure, looking at the Minor Modifications, Re-applications and Disconnections areas. She said the aim was to improve the 'Customer Experience' regarding the fee structure, and explained the current A20 Application structure was implemented in 2012 under Modification 0373 and the fee's were developed using fully absorbed costs from the Transmission Investment Handbook for Labour Rates 2011/12.

She said the new proposal was to introduce a new Category for Minor Modifications and the cost would be £52K.

AG then moved on to overview the Principles for the Re-assessment of an FCO/Application Offer. Currently an offer lapses after 3 months and there is no route for re-assessment. It is proposed that where Re-assessment requests <12 months from date the FCO lapsed, National Grid will guarantee a minimum 25% discount subject to meeting certain assessment criteria.

Any re-assessment requests >12 months from date FCO lapsed customers are required to re-apply and pay the fully application fee.

AG overviewed the schematic slide in the presentation regarding the Disconnections and Decommissioning criteria in relation to the Category Definitions, before explaining that the proposed fee for the six application types. For the other new categories the fee would be; Disconnection £73k and Decommissioning £157k. The fees for Complex, Medium and Simple applications would rise from £400K, £121K and £62K to £449K, £151K and £73K (respectively).

JC said he was surprised at the level of this increase, and he had been hoping for a decrease, and he said that the amount of increase was inconsistent with the level of inflation over the last 4 years. In view of this fact, he said he wanted to see more analysis on the reasoning and decision making process on the increased amount.

EB said this level of increase was due to the increase in resource rates over the last 4/5 years, but he agreed to provide a more detailed account in the Charging Statement and confirmed this could go out to Consultation, if this was required. The Workgroup all agreed that this should be sent for Consultation and EB confirmed it would be raised prior to the Christmas break and the responses would be required by the end of January 2017.

NW also asked that the consultation covered the level of discount applied to re-assessments; rationale for the minimum discount for 25% and clarity of when a larger discount may be applied.

New Action TR01204: National Grid NTS (EB) to provide further detailed documentation in the Charging Statement on the proposed fee increases/discounts and for the consultation to be issued prior to the Christmas break, with responses due by end of January 2017.

6. Review of Actions Outstanding

No outstanding actions to consider.

7. Diary Planning

Further details of planned meeting are available at: <http://www.gasgovernance.co.uk/Diary>

Agenda items (and any associated papers) for the 05 January 2017 meeting should be submitted to the Joint Office by close of play on 28 December 2016.

| Time/Date | Location |
|---------------------------------|---|
| 10:00, Thursday 05 January 2017 | Elexon, 350 Euston Road, London NW1 3AW |

Action Table (01 December 2016)

| Action Ref | Meeting Date | Minute Ref | Action | Owner | Status Update |
|------------|--------------|------------|---|------------------------|----------------|
| TR01201 | 01/12/16 | 1.3.2 | MK (BP Gas) to produce analytical data of the number of occurrences when the CO2 limit could have been above 4mol%, including diagrams of the operational processes and flows at the site. | BP Gas (MK) | Pending |
| TR01202 | 01/12/16 | 2.1 | National Grid NTS (CH) to produce an updated Project Timeline document of the proposed TAR NC changes/approvals. | National Grid NTS (CH) | Pending |
| TR01203 | 01/12/16 | 2.2 | National Grid NTS (PH) to provide detail of the end of day pressure information made available for NTS exit points. | National Grid NTS (PH) | Pending |
| TR01204 | 01/12/16 | 5.2 | National Grid NTS (EB) to provide further detailed documentation in the Charging Statement on the proposed fee increases/discounts and for the consultation to be issued prior to the Christmas break, with responses due by end of January 2017. | National Grid NTS (EB) | Pending |