

Transmission Workgroup Minutes
Thursday 05 May 2016
Elxon, 350 Euston Road, London NW1 3AW

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Amrik Bal	(AB)	Shell
Andrew Malley*	(AM)	Ofgem
Andrew Pearce	(AP)	BP Gas
Angharad Williams*	(AW)	National Grid NTS
Anna Shrigley	(AS)	Eni
Charles Ruffell	(CR)	RWE
Colette Baldwin	(CB)	E.ON
Colin Hamilton	(CH)	National Grid NTS
Gerry Hoggan	(GH)	ScottishPower Energy Management
Graham Jack	(GJ)	Centrica
Jeff Chandler	(JC)	SSE
John Costa	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kirsten Elliott-Smith	(KES)	Cornwall Energy
Lucy Manning	(LM)	Gazprom
Malcolm Montgomery	(MM)	National Grid NTS
Marshall Hall	(MH)	Oil & Gas UK
Nick Wye	(NW)	Waters Wye Associates
Phillip Hobbins	(PH)	National Grid NTS
Richard Fairholme*	(RF)	Uniper
Sean McGoldrick*	(SMc)	National Grid NTS
Steve Nunnington	(SN)	Xoserve
Terry Burke	(TB)	Statoil

*via teleconference

Copies of papers are available at: www.gasgovernance.co.uk/tx/050516

1. Introduction and Status Review

LJ welcomed all to the meeting.

1.1 Approval of Minutes from the previous meeting (07 April 2016)

The minutes of the previous meeting were approved.

1.2 Ofgem Update

Introducing this month's update, AM drew attention to the following points:

- *Informal consultation on changes to Standard Special Condition A15 (Agency) of the Gas Transporters Licence.* Responses were encouraged, and any specific questions should be directed to Rupika Madhura.
- *Decision on changes to Interconnector UK-National Grid interconnection agreement.* AM hoped to have this published shortly on Ofgem's website.
- *Notice – Modification in relation to RIIO-T1 Gas Transmission Price Control – Regulatory Instruction and Guidance: Version 3.0.*

AM also drew attention to the documents (TAR NC for Comitology, and CAM NC Amendment) published on the Joint Office website that morning (05 May 2016) - see www.gasgovernance.co.uk/tx/050516. Parties were encouraged to review these as soon as possible and to send any comments to AM or CH, or to speak to Sue Harrison at DECC. The deadline for Ofgem's response to the EC is 13 May 2016.

1.3 Pre Modification Discussions

No business for discussion.

2. European Codes

2.1 EU Codes Update

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

2.1.1 EU Tariffs Code Update

CH gave an update on the current position, drawing attention to the draft text documents circulated by AM. National Grid NTS and Ofgem will be meeting to consider any feedback before discussing with DECC.

A number of issues were under discussion, concerning the majority of which National Grid NTS remained neutral.

CH drew attention to those larger issues under discussion which had some impact for all TSOs. These included:

- implementation timescales - this was now slightly less of an issue, with Entry into Force anticipated by 01 April 2017, with first auctions likely to be May 2019. This would mean go live for GB in July 2019. Whilst National Grid NTS would prefer to have this as 2021 to align with the GB charging review, it is less concerned about implementation timescales than it was before.
- Regulatory accounting principles - these have been 'softened'; ACER will give an assessment rather than an opinion.
- Calculation of Reserve Prices for non-physical backhaul - text is to be reviewed again.
- Storage discounts - text is to be reviewed again.
- Multiplier cap - this is not receiving much EU attention, but concerns were raised at yesterday's NTS Charging Methodology Forum meeting. JCx queried the reference in the text to an 'hourly price' within day. MM thought this was probably fine because NTS would apply it as daily, and CH explained that irrespective of how a party flows it did not materially affect what it paid in the daily regime. JCx interpreted it differently and was not persuaded by this. JCh understood JCx's concerns, but welcomed flexibility on interpretations of wordings and indicated it would be helpful if GB can interpret other TAR Articles as loosely. NW asked if there were any other areas like this where National Grid NTS was taking a 'looser' interpretation but was not 100% confident that GB did not need to challenge. Grandfathering rights, definition of transmission service, application of short-haul, treatment of storage and multipliers at IPs were identified as the key issues.
- Deletion of protection for 'grey zone' contracts - Article 39 was going to be rewritten.

- Capacity Weighted Distance (CWD) as the counterfactual (Article 8) - NTS was happy to use as a counterfactual.
- Cost allocation assessments (Article 5) - under review.

EC and ENTSOG timelines were displayed, and briefly discussed. There may potentially be a staggered implementation of some aspects.

2.1.2 EU CAM Amendment (Incremental) Update

MM recapped on the amendments notified to date; further CAM amendments were anticipated and MM explained the latest in more detail.

- *Types of Firm Capacity, including Definitions (Article 3)* - Referring to the definitions, AB asked how 'path-based firm capacity' worked with short haul. MM explained that it would depend if short haul was classed as a transmission service or not whether it can continue to be offered as a commodity based product. CH added that the terms would be kept but the definitions may have to be revisited. MH asked if GB was therefore seeking a definition that would enable the retention of shorthaul tariffs and preserve rights.

A discussion ensued, during which Shippers indicated that they felt detached and disconnected from how DECC eventually decides what it will champion for GB at comitology. It was appreciated that National Grid NTS, Ofgem, DECC were asking for Shippers' views ahead of 13 May 2016, but then Shippers do not know what happens to their comments following submission, and are unsure in some areas what to recommend if there is uncertainty about interpretation, i.e. the industry wants to have a clearer understanding of where challenge needs to be made and what issues it does not have to worry about.

JCx observed that National Grid NTS might be content to see shorthaul disappear, and did not want to see Ofgem taking an approach in future to extend some EU rules to all points on grounds of non-discrimination but not others because it suits them not to. LJ pointed out that it was for DECC to take GB views to EU. NW added it was important to understand what National Grid NTS thinks it can do, and how changes can be influenced; DECC's ultimate position must be informed by Ofgem and National Grid NTS. Greater transparency is needed; Shippers want the code to preserve as much of the current regimes/methodologies as possible. It would be appreciated if National Grid NTS and Ofgem were able to provide a legal view on what can be interpreted to be a non- transmission service - an explicit view was what was required.

Noting the concerns expressed by Shippers regarding a perceived lack of clarity on GB positions, LJ suggested that AM organise a cross-party teleconference (Ofgem, Shippers, DECC) prior to 10 May to discuss topics of concern: short haul, grandfathering rights, multipliers at IPs - because of implications for non-IPs, and storage).

Action 0501: AM to organise a cross-party teleconference (Ofgem, Shippers, DECC) prior to 10 May to discuss topics of concern: short haul, grandfathering rights, multipliers at IPs - because of implications for non-IPs, and storage).

Post meeting note: A meeting was arranged for 09 May 2016 and details circulated to the Transmission Workgroup participants (on 06 May via the Joint Office).

- *Alignment of terms and conditions for bundled capacity products (Article 19a)* - MM drew attention to and summarised the red text on Slide 19; impacts were to be determined
- *Market Demand Assessment (Article 20A)* - MM explained amendments.

- *Annual Quarterly Auctions (Article 12)* - MM explained amendments, noting there may be a later change.

The timelines will be as for the TAR NC.

2.1.3 EU Phase 3 Update

PH reported there had been a successful implementation on 01 May 2016, and that National Grid NTS was happy to take feedback regarding the running/communications of Phase 3 - comments to Sarah Carrington (01926 655560):

Box.GasOps.BusinessC@nationalgrid.com

SN observed that whereas for Phase 1 a number of contacts had been received, for this Phase Xoserve had only received a couple of contacts through the Helpdesk. NW commented that this Phase 3 had been a simpler release/implementation.

SN indicated that for the next stage a more collaborative approach would be looked for. NW pointed out that parties had made suggestions for improvement following previous Phases, but had received no communication; there appeared to be no contact in National Grid to whom questions could be fielded that were not Xoserve related. PH noted these comments for internal discussion and suggested that the Workgroup might consider a topic at a future meeting, i.e. Key Lessons from Phase 2, in readiness for approaching Phase 4.

Action 0502: *EU Gas Change Phase 4* - National Grid NTS to provide an update on progress at July Transmission Workgroup.

2.1.4 EU Gas Quality Update

PH drew attention to the publication of a set of informal notes from the ENTSOG meeting, and outlined key points. In PH's view there had been an apparent shift of position by EC regarding an amendment to INT NC, however caution was required. ENTSOG had published its online questionnaire (see press release issued today via the Joint Office) for parties to respond to. PH provided the following link to further information:

<http://www.entsog.eu/events/workshop-on-interopability-network-code-regarding-gas-quality#downloads>.

The next Interoperability workshop was expected in September.

MH explained the four options to consider regarding the standard; there seems to be an option for voluntary adoption. ENSOG will express its view and ACER will then consult/propose a formal amendment to the code. However, there were other ways in which to impose an amendment to the code and GB would be well advised to maintain awareness.

Responding to Action TR0201 (*Reference EU Gas Quality Update* - National Grid NTS (PH/FH) to consider producing analysis that would show what volume of gas would have been locked out of GB in the last 12 months if the CEN standard had been applied at all NTS entry points, assuming base levels of O₂ and CO₂) PH presented the analysis on two graphs, and explained the results in more detail. Referring to the results, the data shows that approximately 13.8 bcm of gas with a CO₂ content above 2.5% was delivered to the NTS over this period out of c.84bcm, or approximately 16%. Supporting this assessment, producers had previously reckoned that 20% of GB supply would be locked out if the CEN standard were to be applied. MH observed that oxygen and sulphur could also be a constraint.

Responding to Action TR0202 (*Reference EU Gas Quality Update* - National Grid NTS (PH/FH), in conjunction with Action TR0201, to consider the potential implications for

transportation charges if supply patterns changed due to gas with higher levels of CO₂ and O₂ being locked out.), PH explained the implications for transportation charges (exit and entry capacity charges).

Referring to oxygen data, PH reported that historic O₂ data had not yet been analysed because it is more difficult to access than CO₂. This data is held on a number of different National Grid systems, and for some terminals the data is stored 'on site'. National Grid NTS will continue to try to gather O₂ data if the Workgroup so requests; JCx felt it would only be useful if it could be obtained prior to the consultation closing, and PH noted this for clarification.

In addition, PH reported that ENTSOG will have to produce a 'gas quality outlook over the next 10 years', and will have to gather and model data. It was suggested this be added to the June meeting agenda (under Any Other Business).

2.1.5 Information Provision Consultation

PH drew attention to the feedback received following presentation at the Ops Forum, and said that other feedback would be welcomed.

MH reiterated that it was not clear what data is currently available, what the baselines were, what the sources were, how it is derived and provided, and how the current reports relate to each other, and where it is available to access. LM said the meeting notes helped with this but perhaps did not address all the queries. JCx suggested it would be helpful to know what data NGG has, as well as what it currently publishes. PH noted these comments.

The consultation closes on 20 May 2016; all responses, questions or queries should be directed to Jennifer Randall (jennifer.randall@nationalgrid.com).

2.1.6 Future Topics

Monthly updates will continue to be provided in respect of the EU Tariffs Code, the Incremental Code, EU Gas Quality, and updates on EU Phase 4 implementation will also be included.

2.2 Matters Arising

None raised for discussion.

3. Workgroups

No business for consideration.

4. Issues

4.1 ISS066 – Implications of decommissioned Exit/Entry points (*transferred from NTSCMF*)

Referring to Action TR0401 (*Implications of decommissioned Exit/Entry points - National Grid NTS (FH) to discuss with Ofgem if this matter should be discussed at the next Ofgem period review*), CH reported that FH was awaiting confirmation of National Grid's legal position before discussing with Ofgem. Action TR0401 will be carried forward to the June meeting.

Referring to substitution, JCx asked whether this was an issue that needed to be thought about in this context, in that most incremental capacity is delivered by substitution rather than by physical investment, and that National Grid NTS would follow its methodology which does

not currently recognise whether a site has been decommissioned or not. She questioned if there should be a distinction between live and closed sites. CH noted this for consideration.

5. Any Other Business

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

SMc gave a brief update on the current position. Phase 1 was implemented on 01 April 2016. Meetings of the Change and Contract Steering Groups have been held, with variable attendance from industry; parties were encouraged to participate.

The scope of Workgroup 0565 (Modification 0565 - Central Data Service Provider: General framework and obligations) had been widened to absorb charging and cost allocation discussions, and an FGO Workgroup has been set up to provide an 'umbrella' forum for these discussions.

The High level Contractual framework has been agreed; details will sit in a separate Data Services Contract. It is aimed to deliver this in parallel with Modification 0565.

Change Governance options have been presented to Workgroup 0565; there is potential for a sub-committee to take decisions on behalf of the industry. Parties were directed to: <http://www.gasgovernance.co.uk/FGOWG> for further information.

LJ added there were likely to be 4 meetings per month in this area. Noting that a decision needed to be made on which option to take forward, SMC encouraged parties to input into the process and contribute to the debate, e.g. by participating by teleconference at the next FGO Workgroup meeting on 18 May 2016.

5.2 Negative Implied Flow Rate and Deemed Flow Faxes

Responding to Action TR0402 (National Grid NTS (PH) to investigate Negative Implied Flow Rate and Deemed Flow faxes with the adjacent TSOs and suggest possible ways forward) PH reported on the Ops Forum discussions. Both GNI (UK) and National Grid NTS were considering the possibility of an amendment to the matching rule at Moffat as part of a potential solution to the issue. A response was awaited from GNI (UK). There could potentially be a change to tripartite agreements to facilitate this solution.

LM asked if the fax process could be reinstated for time being for the Bacton IPs. PH explained the process for Gemini rejections and Shipper faxes - previously seen to be exceptional, but has over time become an acceptable thing, and so the administrative burden on National Grid NTS has grown and there was a need to find a way forward.

TB reported on discussions at meetings with Irish parties, where GNI (UK) noted there is an interaction with GNI's new within day virtual reverse flow service, and that if National Grid NTS were to implement change then it could no longer offer the reverse flow product; this would be of concern to Shippers. TB was keen that any decision made does not compromise this service.

5.3 Notification of the System Flex Workshop on 02 June 2016

In response to Action TR0302 (National Grid NTS (JD) to organise and confirm a System Flex Workshop meeting on 02 June 2016 following the Transmission Workgroup meeting) PH advised that this had been arranged.

5.4 Demand Side Response (DSR)

PH confirmed that core functionality was on track, however there were (financial) regulatory issues regarding non-core elements, and it was proposed to make

consequential changes to the DSR methodology. The proposals will be consulted on to gain views, and a webinar arranged to discuss/clarify. Full details of the proposals were to be issued in the next week. Any queries should be directed Gareth Davies (gareth.davies5@nationalgrid.com).

LJ added that this was likely to result in a self-governance modification to effect whatever DSR Methodology changes were required into the UNC.

5.5 Publication of Guides by National Grid NTS

PH drew attention to the recent publication of two guides, which may prove useful to 'new starters' and 'new customers':

- End-to-end balancing guide (an overview of the commercial elements of GB gas balancing activity)
- Gas Transmission capacity guidelines (a customer's guide).

These were available as hard copies or could be downloaded from National Grid's website:

<http://www2.nationalgrid.com/UK/Industry-information/Supporting-information/>.

Shippers welcomed the production of the guides, and suggested similar would be welcomed for gas quality and charging.

6. Review of Actions Outstanding

TR0101: *Reference EPDQD revisions after D+5* - National Grid NTS (AW) to consider the various options raised at the Workgroup and to attend a future Transmission Workgroup with a proposed solution.

Update: AW gave a short presentation, recapping on the issue raised at January's meeting. Following discussion with Ofgem, an information gathering exercise was being carried out and Terminal feedback received to date was outlined. The intention is to complete the collation of evidence from contacted terminals, review and make a recommendation for resolution and agree this with the industry and Ofgem. The Terminals have confirmed they are happy for this to be taken forward via the Ops Forum (the next meeting is 15 June 2016).

GJ was concerned to ensure that all Terminals be involved in these discussions, and not just a random sample; AW noted the concerns expressed and affirmed that National Grid NTS would ensure that all others were contacted.

NW asked if Claims Validation Services Ltd (CVSL) had been asked to elucidate its concerns as to why extending D+5 might be a problem. AW affirmed that CVSL has been actively involved and had discussed its processes with National Grid NTS. There would be further discussion when the information gathering exercise was completed. LJ suggested there should be greater transparency to clarify CVSL's position; AW noted this, and agreed to provide updates on progress (either by teleconferencing in or via slides) to the Transmission Workgroup as well as the Ops Forum.

In the meantime, all queries and questions should be directed to the following contacts: Angharad.Williams@nationalgrid.com and Justin.Goonessinghe@nationalgrid.com.

Carried forward

TR0201: *Reference EU Gas Quality Update* - National Grid NTS (PH/FH) to consider producing analysis that would show what volume of gas would have been locked out of GB in the last 12 months if the CEN standard had been applied at all NTS entry points, assuming base levels of O₂ and CO₂.

Update: See 2.4, above. Action amended to remove reference to CO₂. **Carried forward**

TR0202: *Reference EU Gas Quality Update* - National Grid NTS (PH/FH), in conjunction with Action TR0201, to consider the potential implications for transportation charges if supply patterns changed due to gas with higher levels of CO₂ and O₂ being locked out.

Update: See 2.4, above. Action amended to remove reference to CO₂. **Carried forward**

TR0302: National Grid NTS (JD) to organise and confirm a System Flex Workshop meeting on 02 June 2016 following the Transmission Workgroup meeting.

Update: See 5.3, above. **Closed**

TR0401: *Implications of decommissioned Exit/Entry points* - National Grid NTS (FH) to discuss with Ofgem if this matter should be discussed at the next Ofgem period review.

Update: See 4.1, above. Update to be given at June meeting. **Carried forward**

TR0402: National Grid NTS (PH) to investigate Negative Implied Flow Rate and Deemed Flow faxes with the adjacent TSOs and suggest possible ways forward.

Update: See 5.2, above. **Carried forward**

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 June meeting should be submitted to the Joint Office by close of play on 23 May 2016.

Time/Date	Location
10:00, Thursday 02 June 2016	Elexon, 350 Euston Road, London NW1 3AW
10:00, Thursday 07 July 2016	Elexon, 350 Euston Road, London NW1 3AW
10:00, Thursday 04 August 2016	Elexon, 350 Euston Road, London NW1 3AW
10:00, Thursday 01 September 2016	Elexon, 350 Euston Road, London NW1 3AW
10:00, Thursday 06 October 2016	Elexon, 350 Euston Road, London NW1 3AW
10:00, Thursday 03 November 2016	Elexon, 350 Euston Road, London NW1 3AW
10:00, Thursday 01 December 2016	Elexon, 350 Euston Road, London NW1 3AW

Action Table (05 May 2016)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
TR0101	07/01/16	5.4	<i>Reference EPDQD revisions after D+5</i> - National Grid NTS (AW) to consider the various options raised at the Workgroup and to attend a future Transmission Workgroup with a proposed solution.	National Grid NTS (AW)	Carried forward <i>(Due at 02 June meeting)</i>
TR0201	04/02/16 (amended 05/05/16)	2.2	<i>Reference EU Gas Quality Update</i> - National Grid NTS (PH/FH) to consider producing analysis that would show what volume of gas would have been locked out of GB in the last 12 months if the CEN standard had been applied at all NTS entry points, assuming base levels of O ₂ and CO ₂ .	National Grid NTS (PH/FH)	Carried forward <i>(Due at 02 June meeting)</i>
TR0202	04/02/16 (amended 05/05/16)	2.2	<i>Reference EU Gas Quality Update</i> - National Grid NTS (PH/FH), in conjunction with Action TR0201, to consider the potential implications for transportation charges if supply patterns changed due to gas with higher levels of CO ₂ and O ₂ being locked out.	National Grid NTS (PH/FH)	Carried forward <i>(Due at 02 June meeting)</i>
TR0302	03/03/16	5.2	National Grid NTS (JD) to organise and confirm the System Flex Workshop meeting on 02 June 2016 following the Transmission Workgroup meeting.	National Grid NTS (JD)	Closed
TR0401	07/04/16	4.1	<i>Implications of decommissioned Exit/Entry points</i> - National Grid NTS (FH) to discuss with Ofgem if this matter should be discussed at the next Ofgem period review.	National Grid NTS (FH)	Carried forward <i>(Due at 02 June meeting)</i>
TR0402	07/04/16	5.2	National Grid NTS (PH) to investigate Negative Implied Flow Rate and Deemed Flow faxes with the adjacent TSOs and suggest possible ways forward.	National Grid NTS (PH)	Carried forward <i>(Due at 02 June meeting)</i>
TR0501	05/05/16	2.1.2	AM to organise a cross-party teleconference (Ofgem, Shippers, DECC) prior to 10 May to discuss topics of concern: short haul, grandfathering rights, multipliers at IPs - because of implications for non-IPs, and storage).	Ofgem (AM)	Complete

Action Table (05 May 2016)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
TR0502	05/05/16	2.1.3	<i>EU Gas Change Phase 4</i> - National Grid NTS to provide an update on progress at July Transmission Workgroup.	National Grid NTS (PH)	Pending <i>(Due at 07 July meeting)</i>