

**Transmission Workgroup Minutes**  
**Thursday 07 July 2016**  
**Elxon, 350 Euston Road, London NW1 3AW**

**Attendees**

Amrik Bal	(AB)	Shell
Andrew Blair	(AB)	Interconnector UK
Andrew Malley	(AM)	Ofgem
Andrew Pearce	(AP)	BP Gas
Angharad Williams*	(AW)	National Grid NTS
Anna Shrigley	(AS)	Eni
Charles Ruffell	(CR)	RWE
Colin Hamilton	(CH)	National Grid NTS
Craig Dean	(CD)	National Grid LNG
David Eastlake	(DE)	CVA
Elaine Calvert	(EC)	National Grid NTS
Gareth Davies*	(GD)	National Grid NTS
Gerry Hoggan	(GH)	ScottishPower Energy Management
Graham Dickson	(GD <i>i</i> )	Interconnector UK
Graham Jack	(GJ)	Centrica
Jeff Chandler*	(JCh)	SSE
Jennifer Randall	(JR)	National Grid NTS
John Costa	(JCa)	EDF Energy
Julie Cox	(JCa)	Energy UK
Karen Visgarda (Secretary)	(KV)	Joint Office
Les Jenkins (Chair)	(LJ)	Joint Office
Lucy Manning	(LM)	Gazprom
Mark Johnson	(MJ)	National Grid LNG
Marshall Hall	(MHI)	Oil & Gas UK
Matt Hatch	(MH)	National Grid NTS
Nick Wye	(NW)	Waters Wye Associates
Phillip Hobbins	(PH)	National Grid NTS
Richard Fairholme	(RF)	Uniper
Sarah Chleboun*	(SC)	National Grid NTS
Sean Hayward	(SH)	Ofgem
Sean McGoldrick*	(SMc)	National Grid NTS
Sinead Obeng*	(SO)	South Hook Gas
Steve Pownall	(SP)	Xoserve
Steven Britton*	(SB)	Cornwall Energy
Terry Burke	(TB)	Statoil

\*via teleconference

Copies of papers are available at: [www.gasgovernance.co.uk/tx/070716](http://www.gasgovernance.co.uk/tx/070716)

**1. Introduction and Status Review**

LJ welcomed all to the meeting.

**1.1 Approval of Minutes from the previous meeting (02 June 2016)**

The minutes of the previous meeting were approved.

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## 1.2 Ofgem Update

### Brexit – No immediate change in terms of how the GB energy markets work with Europe.

AM drew attention to the Brexit situation and explained there would be no immediate change in terms of how the GB energy markets work with Europe, and that Ofgem will continue to participate in EU institutions and single European energy market as requested and required pending any further decisions made by the UK Government. AM also added that he had attended the Comitology meeting last week and that more information would become available on 02 September 2016.

PH said that National Grid was aligned with this view in respect of its activities. He explained that National Grid see a lot of benefit to UK consumers from remaining part of the Internal Energy Market and have published a study which substantiated that view. He also said that National Grid would be seeking to promote energy as a priority topic in the future UK Government negotiations and would engage with their customers and stakeholders about this in the coming months, but in the meantime would be interested to hear people's views.

General discussion then took place and MHI agreed with the National Grid view that National Grid should remain part of IEM and expected that to happen. He also said that he didn't think the EEA route was viable because of the obligations to contribute to the EU budget and accept freedom of labour movement. He also said that once the UK left the EU then there would be 'no say' in future EU developments and so it was very important to put view points across now, to influence possible future outcomes. RF posed the question whether the Tariff Code should be adopted or was that only applicable for IP's. JCa asked AM whether Ofgem and DECC could provide some guidance on this matter, as to what the UK needed to comply with, what was relevant and what was not. AM said that the answer would depend on whether the UK ended up being part of EEA, part of IEM or was completely out of Europe. He explained at the present time, the UK was still a member of the EU with full voting rights and obligations, which it would continue to exercise and discharge until such time as it left the EU. He reiterated the point that currently nobody had any idea of what would happen and we should proceed as at present.

### Gas Quality Code Amendment Update.

AM explained the ENTSOG consultation requesting views on proposals to amend the Interoperability Network Code was still open and would be closing on 15 July 2016. He said he would encourage the industry to respond. He then said Ofgem would be responding and were in the process of finalising their submission. Ofgem was largely aligned with that of National Grid and their focus was on issues around the following themes, scope of implementation, implementation timing, application, allowance for off-spec gas, and flexible limits, as they relate to the impact on industry; implementation costs and ultimately the cost to the consumer. He explained the feedback from ENTSOG's workshop in April was for more workshops and there will be 2 more this year on 13 September and 16 November.

## 1.3 Pre Modification Discussions

No topics were presented 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 and explained there had been no changes from the previous month. He said there had been slight 'tweaks' to the Road Map, and that this was the present status.

### 2.1.1 EU Draft Timelines

MH gave an update on the current position in relation to the EU Draft timelines and the overall Comitology process, regarding key dates and present status. JCx asked during the Comitology meeting last week, was there a sense of what the vote would be in September? CH said that in general terms he thought yes it would be successful, although some Member States were still not happy. He also confirmed that all comments from the industry had been put forward and 'aired' during the meeting last week. MH overviewed the Implementation Schematic for the National Grid NTS' Phase 4 Implementation, in relation to the Tariff and Charging review, explaining the tariff would come into force in April 2017, with implementation in May 2019.

### 2.1.2 EU CAM Code

MH recapped on the further changes following the Member States' meeting regarding the CAM Amendments and highlighted that the fixed price was now back in the incremental tariff. MH then outlined the main points and explained that new recitals had now been added to CAM, which were not legally binding, but this information provided context in relation to the interpretation of the relevant legislation.

He then overviewed the various articles:

**Article 6:** Additional text for TSOs to guarantee the availability of firm capacity available at IPs with priority over other points. References to Standards of Service (SoS) Regulation (which is currently being amended). National Grid have questioned whether this should be in CAM as it could provide capacity to IPs to the detriment of non-IPs. There is a need to assess impacts to SMP / Licence obligations to offer Baseline etc.

MH explained National Grid and other Member States had an issue with this specific article, as they felt it should not be included in CAM. JCx said she wanted more detail and an update from the Comitology meeting, as it seemed there were some changes with potential impacts being put forward. AM responded saying that the nature of Comitology process limited what could be communicated, however, he did say that Ofgem did not support putting things into the Code to deal with single issues that could have wide ranging consequences across the EU.

**Article 7a:** The text for freely allocable and path based firm capacity has been deleted. National Grid feel this is not an issue from a GB perspective as such products are not offered. Standard Firm and Interruptible remain but new Art 20 obligation introduced.

**Article 8:** (Moved from previous Art 20a) Capacity created via non-market based procedures and for which the final investment decision has been taken without prior commitments from network users shall be offered and allocated as available standard capacity products as set out in this Regulation. National Grid investigating it this refers to PCI projects. No detail on how this interacts with rest of CAM (and TAR) other than it needs to be offered in standard auctions. In the case of incremental capacity, an amount at least equal to 10% of the technical capacity at each interconnection point shall be set aside.

GJ asked how this article would be funded and MH said National Grid and the TSO's presently asking how this was going to work. JCx said that this article has been around for a very long time and was still unresolved. MH said the Commission were 'fixed on it' and AM added that Ofgem were not sure how this was going to work either and have had discussions in relation to funding. CH reiterated that there was great deal of 'push back' regarding this article.

**Article 12:** Single annual quarterly auction replaced by:

Four annual quarterly capacity auctions shall be held during each gas year:

1<sup>st</sup> auction in Aug covering 4 quarters: Oct-Dec, Jan-Mar, Apr-Jun, July-Sep

2<sup>nd</sup> auction in Nov covering 3 remaining quarters: Jan-Mar, Apr-Jun, July-Sep

3<sup>rd</sup> auction in Feb covering 2 remaining quarters: Apr-Jun, July-Sep

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**4<sup>th</sup> auction in May covering remaining quarter: July-Sep**

MH overviewed the change to the auction process as above and explained this had now just been implemented.

**Article 20:** Within nine months from the entry into force ENTSOG will be required to review and create a catalogue of the applicable terms and conditions of the transport contract(s) of the transmission system operators for bundled capacity products, identifying and categorising differences between the existing terms and conditions and the reasons for such differences and publish its findings in a report. After NRA review and industry consultation, ENTSOG will then publish a template for common terms and conditions for the offer of bundled capacity products sold post this process.

MH explained there was now new text for article 20 and NRA approval was required either side of the IP.

**Article 21:** Network users who are parties to unbundled transport contracts at the time of the entry into force of this Regulation at respective interconnection points, shall aim to reach an agreement on the bundling of the capacity via contractual arrangements ("bundling arrangement"), in compliance with the provisions set out in Article 19. There had been text change but 'aim' still remains. The assumption is that obligation is still not mandatory on Network Users to bundle any unbundled contacts.

**Article 22:** Immediately after the start of the annual yearly capacity auction at least in each odd-numbered year, TSOs shall co-operate in the processes of assessing market demand for incremental capacity and of conducting technical studies for incremental capacity projects for their joint interconnection points. The first demand assessment shall be conducted in 2017. National Grid said there was an improvement on previous version of a bi-annual process. The non-binding demand indications referred to in paragraphs 6 and 7 shall contain at least the following information: the two or more adjacent entry-exit systems between which demand for incremental capacity – on one or both sides of an interconnection point – is expressed and the requested direction; Provides for a single side of an IP to utilise process.

**Article 25/26:** TSOs offer the incremental capacity together with the respective available capacity in the annual yearly capacity auction as standard bundled products in ascending clock auctions as a default. TSOs may apply an alternative allocation mechanism where the demand assessment report, or the consultation indicate that the incremental capacity project fulfils both of the following conditions: (a) it involves more than two entry-exit systems and bids are requested along several interconnection points during the allocation procedure; and (b) bids with a duration of more than one year are requested. This may restrict options for utilising current PARCA arrangements at IPs.

**Article 25/26:** In an alternative allocation mechanism, network users may submit binding conditional bids for contracting capacity subject to one or more of the following conditions specified by the TSOs in the project proposal; (a) commitments linking or excluding commitments at other interconnection points; (b) commitments across a number of different yearly standard capacity products at an interconnection point; or, (c) commitments conditional on the allocation of a specific or minimum amount of capacity, but previous text limits the ability to offer the alternative mechanism

**Article 25/26:** The alternative allocation mechanism is subject to approvals by the concerned NRAs. If either booking duration or bids for higher amounts of capacity are prioritised, NRAs shall set aside an amount equal to 20% of the technical capacity at each interconnection point.

**Article 27:** In the case of incremental capacity processes initiated but not completed before the application date of this Regulation, those processes shall continue in accordance with the subsequent phase of the respective incremental capacity process in accordance with Articles 22 to 26. No GB impact as no current IP incremental projects

**Article 28:** TSOs may offer standard capacity products for interruptible capacity of a duration longer than one day if the respective standard capacity product for firm capacity was sold at an auction premium, sold out, or was not available. Transmission system operators shall only

offer a daily capacity product for interruptible capacity in both directions at interconnection points where firm capacity has been offered but was sold out day-ahead. Removes the ability to offer day-ahead interruptible. May impact on GB Use-It-Or-Lose-It arrangements (offering un-utilised firm capacity day-ahead as interruptible).

**Article 33:** Capacity booking platforms - text deleted. No impacts on GB IPs / Network Users.

**Article 36:** Regulation shall apply from 1<sup>st</sup> April 17. There will still be an obligation to publish next years long term auction in February 17 and offer capacity in March 17 under current CAM Regulation. Transitional arrangements need to be considered.

### 2.1.3 EU Tariff Code Update

CH overviewed the Tariff Code Update in brief and explained he was not going to go into detail, as this will be discussed in depth in the Charging Methodology Forum (NTSCMF). He said the TAR NC had set different dates for implementation of the Articles with 4 major dates to comply with, that were as follows:- Entry Into Force (probably 1 April 2017), Specific application dates (for some Articles), 1 October 2017 – being a new date and 31 May 2019, when the Code would be fully embedded, in readiness for July 2019 Auction. CH moved on to provide a brief update on the TAR NC Chapter VIII publication requirements and the recent ENTSOG activities, explaining that the provisional timeline was now being developed for the new transparency requirements on the ENTSOG Transparency Platform.

### 2.1.4 Interoperability Update

PH made the Workgroup aware of the ENTSOG Workshop on EU Common Data Exchange that will be taking place on 06 September 2016 in Athens, where remote participation was also planned to be available. He explained there would be a subsequent consultation from 07 – 30 September 2016.

### 2.1.5 EU Gas Quality Update

PH introduced the National Grid NTS gas quality analysis on the CEN standard. National Grid had concluded that if, during calendar year 2015, GB supplies were to have been restricted to 2.5% CO<sub>2</sub> content and 0.001% O<sub>2</sub> content, then approximately 20% of UK supply would have been refused entry to the NTS.

PH explained this data had been presented at the Stakeholder Group previously and he encouraged people to respond to the ENTSOG consultation. PH said he would get a draft of the National Grid NTS response published via Joint Office by Monday 11 July 2016\*. MHI proposed that the Commission process was illegitimate and suggested that National Grid NTS added words to this affect to their response document. PHs said he and National Grid NTS were not in a position to comment on any legal legitimacy in relation to the Commission.

\*Post meeting note – the draft response has been published alongside these Minutes.

### 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

### 3.1 Modification 0581S - Amending the Oxygen content limit specified in the Network Entry Agreements at Grain LNG

The minutes of this meeting are available at: [www.gasgovernance.co.uk/0581/070716](http://www.gasgovernance.co.uk/0581/070716).

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

### 3.2 Modification 0585 - Separation of NTS and National Grid owned networks - Calculation of Code Credit Limit and Value at Risk

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The minutes of this meeting are available at: [www.gasgovernance.co.uk/0585/070716](http://www.gasgovernance.co.uk/0585/070716).

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

### **3.3 Modification 0587 - Seasonal Energy Balancing Credit Cover**

The minutes of this meeting are available at: [www.gasgovernance.co.uk/0587/070716](http://www.gasgovernance.co.uk/0587/070716).

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

## **4. Issues**

**4.1 ISS066 – Implications of decommissioned Exit/Entry points (*transferred from NTSCMF*)** – The next update will be provided at the 04 August 2016 Workgroup Meeting.

## **5. Any Other Business**

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

SMc gave a brief update on the current position, drawing attention to Ofgem's consultation on their minded-to position on Xoserve costs issued 10<sup>th</sup> June. He explained that the application of an ex-ante allowance mechanism would continue for the RIIO period and that a £53m reduction to GT allowances would occur. The consultation closed on 07 July 2016.

He said work was continuing with regards to the UNC legal text development for Modification 0565, in line with the Panel submission for October 2016.

SMc flagged the (mainly ICoSS) challenge to direct invoicing, and explained this was presently unresolved and was being discussed.

In closing, SMc reminded the Workgroup that Thursday 14 July 2016 was the first meeting to consider the Xoserve Business Planning process for 2017/18FY and Shipper and iGT's were welcome to provide input into this process.

### **5.2 NIC Project CLoCC (Customer Low Cost Connections) – National Grid NTS**

EC gave a short presentation on the Network Innovation Competition (NIC) Project CLoCC (Customer Low Cost Connections) which aimed to minimise the cost and time of connections to the National Transmission System (NTS) with particular focus on unconventional gas connections. She said this was a high-level introduction to the project and introduced the key features.

GJ asked about the anticipated demand for these new types of connections arrangements. EC said there had been a lot of interest and she reiterated the project was in its infancy and this would be investigated further in due course.

NW wondered whether some parts the web-based tool (such as a heat-map for available capacity) could be delivered earlier than the rest of the project, as he thought a pre-feasibility on-line assessment would be a big benefit to developers. EC said it was being looked into.

EC will come back to Workgroup in a few months' time when the project is a bit further forward. In the meantime any questions can be direct to EC via email; [Elaine.calvert1@nationalgrid.com](mailto:Elaine.calvert1@nationalgrid.com)

### **5.3 Gas DSR – update after Methodology consultation – National Grid NTS**

GD said that there had been almost-unanimous support for the amended methodology and the report would be made available as soon as possible, probably direct from National Grid via its DSR Mailing List. He explained that the report was presently with Ofgem awaiting approval, and once this was confirmed then a new Modification would be raised to reflect the changes in the UNC.

### **5.4 Capacity Methodology Statements Update – National Grid NTS**

MH and SC described the background to Capacity Methodology Statements in relation to the Transporter licence. MH overviewed the most salient EU changes required as follows:

- EU CAM Amendment (including Incremental) – first part of incremental process to go live in July 2017 and allocation part to go live in July 2019
- EU Tariff Code – changes required for July 2019
- Propose reviews of all statements to cater for EU changes – first review ahead of July 2017 and second review ahead of July 2019

#### Substitution Methodologies:

- Review of Substitution Lead times (currently Y+4 from reservation of capacity) – propose short review of ECS & ExCS in Q3/Q4 2016, if timelines allow.
- National Grid requests that any additional issues with the methodologies, which may require review and revision to the statements, are notified to National Grid via email by 22<sup>nd</sup> July 2016.
- Issues to be sent via email to [box.transmissioncapacityandcharging@nationalgrid.com](mailto:box.transmissioncapacityandcharging@nationalgrid.com)

Both MH and SC said that due to the timelines, National Grid NTS could not progress anything arising in these reviews that would require a UNC Modification or System Development.

A short discussion took place about the desire to discuss / understand any changes and LJ believed that such a discussion could take place after the August Transmission Workgroup meeting. Ultimately this would be for National Grid to determine and then to facilitate.

### **5.5 Negative Implied Flow Rates – National Grid NTS**

JR provided an overview to the Negative Implied Flow Rates presentation, explaining the background to this issue from October 2015 and the current status as to why the fax facility cannot be re-instated for IPs. She explained an informal workgroup had been set up to explore what enduring solution could be used to address this issue, as an interim solution had proved to be unavailable. NW said that it was not acceptable that there was not still no definite timeline for a resolution after some 9 months. LJ proposed this should be kept on the agenda for the September meeting or until a confirmed plan had been presented.

### **5.6 Information Provision Consultation Responses – National Grid NTS**

JR explained the areas that she would investigate following consultation responses (see slides). RF said the publication of real time demand data had confidentiality issues so there was need to engage with shippers about this. PH added that confidentiality was an issue for gas quality data publication too.

## **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 overviewed the presentation 'Revisions to the EPDQD after D+5' in relation to this action. She explained the issue, the process and feedback results and overviewed the conclusions, options and recommendations, with Option 3.3 being the lower cost option and this was the option that Ofgem supported. This option was to 'Retain the D+5 timescale, but modify UNC to add a reporting obligation for amendments submitted after D+5'.

GJ queried the lack of support for amending D+5 and DE indicated that D+5 was arbitrary, originally set to fit National Grid NTS' needs to invoice, and if this was extended it would affect other dates like M+15. He also said there would be various impacts to the gas day, together with the beach trading agreements.

AW reiterated that Option 3.3 was the preferred option which was being discussed presently with Ofgem and she said National Grid NTS would look at their NEA's and the UNC in light of the preferred option, and provide an update at the next meeting . **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. *In the previous June meeting, FH advised that he had no internal mandate to discuss with Ofgem, but it was hoped that reference here would be sufficient to raise awareness and an update would be supplied at the meeting on 04 August 2016.*

**Carried forward.**

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

**Update:** See 5.5, above. Work is continuing to identify an acceptable way forward. It was agreed this action could be closed, but an update was required at the September meeting.

**Closed**

**TR0502:** EU Gas Change Phase 4 - National Grid NTS to provide an update on progress at July Transmission Workgroup.

**Update:** MH explained this matter had been addressed via the European Code Update in the Implementation High Level Potential Timescale schematic. It was then agreed this action could be closed. **Closed.**

## 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 August meeting should be submitted to the Joint Office by close of play on 26 July 2016.

Time/Date	Location
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 (07 July 2016)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
TR0101	07/01/16	5.4	<i>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.</i>	National Grid NTS (GD)	<b>Closed</b>
TR0401	07/04/16	4.1	<i>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.</i>	National Grid NTS (FH)	<b>Carried forward</b> <i>(Due at 04 August meeting)</i>



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**Action Table (07 July 2016)**

<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
<b>TR0402</b>	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)	<b>Closed</b>
<b>TR0502</b>	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)	<b>Closed</b>