

Transmission Workgroup Minutes

Thursday 08 January 2015

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

Attendees

| | | |
|--------------------------|-------|-------------------------------|
| Les Jenkins (Chair) | (LJ) | Joint Office |
| Lorna Dupont (Secretary) | (LD) | Joint Office |
| Anna Shrigley | (AS) | Eni |
| Antony Miller | (AM) | Centrica Storage |
| Charles Ruffell* | (CR) | RWEst |
| Colin Hamilton | (CH) | National Grid NTS |
| David Cox* | (DC) | Gas Forum |
| David Reilly | (DR) | Ofgem |
| Debbie Brace | (DB) | National Grid NTS |
| Debra Hawkin* | (DH) | TPA Consultants |
| Fergus Healy | (FH) | National Grid NTS |
| Francisco Gonçalves | (FG) | Gazprom |
| Gerry Hoggan | (GH) | ScottishPower |
| 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) | Interconnector UK |
| Marshall Hall | (MH) | Oil & Gas UK |
| Nigel Sisman | (NS) | Sisman Energy Consultancy Ltd |
| Peter Bolitho | (PB) | Waters Wye Associates |
| Phil Hobbins | (PH) | National Grid NTS |
| Phil Lucas | (PL) | National Grid NTS |
| Ric Lea | (RL) | Deloitte |
| Richard Fairholme | (RF) | E.ON |
| Ricky Hill | (RH) | Centrica |
| Roddy Monroe | (RM) | Centrica Storage |
| Steve Nunnington | (SN) | Xoserve |
| Tom Farmer | (TF) | Ofgem |

*via teleconference

Copies of papers are available at: <http://www.gasgovernance.co.uk/tx/080115>

1. Introduction and Status Review

1.1 Review of Minutes and Actions from the previous meeting (04 December 2014)

1.1.1 Minutes

The minutes of the previous meeting were accepted.

1.1.2 Actions

TR1201: *Shipper Termination Rules* - Consider a consultation to seek industry views to help formulate an appropriate position and establish whether any further action should be taken.

Update: FH advised this was being considered internally to National Grid NTS, but there appeared to be no appetite for initiating a consultation. Further dialogue with Ofgem will take place to ascertain an appropriate approach. **Closed**

TR1202: *ANS Communication timescale* - Minimum notification time to be ascertained.

Update: FH confirmed there was no minimum timeframe; National Grid NTS can give as much notice as the industry wants. National Grid NTS will only restrict Day Ahead once all other options available to it have been utilised. **Closed**

TR1203: *ExCR Availability of Daily NTS Exit (Flat) Capacity* - RF to provide further illustration of the constraint issue, from a Shipper's point of view, to the next meeting.

Update: RF provided a presentation; see 4.3 below. **Closed**

TR1204: BK and SL to clarify as soon as possible the timeline and interactions between the PARCA modifications approvals and the capacity release methodology statements approvals.

Update: FH reported the formal consultation was issued on 11 December 2014, with a closing date of 16 January 2015; the revised Statement will be submitted to the Authority at the end of January. DR added that Ofgem would review the responses to the consultation first before making its decision; assuming no major issues, the aspiration would then be for the PARCAs to take effect as soon as possible. **Closed**

TR1205: *Cessation of Avonmouth Facility* - Establish what the future plans are for Avonmouth and the South West reinforcement.

Update: PH reported that National Grid NTS was currently preparing its response to National Grid LNG's consultation and expects to send it non-confidentially to National Grid LNG on Monday 12 January 2015. This response will provide National Grid NTS' views about the impact of Avonmouth closing on its obligations in respect of Operating Margins (OM) gas and transmission support in the South West. National Grid NTS was aiming to publish it ahead of LNG's Friday 16 January 2015 deadline as it was appreciated that the industry might wish to see National Grid NTS' views before submitting their own. National Grid LNG will aim to publish National Grid NTS' response on their section of the National Grid website as soon as possible after receipt.

Ahead of the publication of this response, PH was able to comment that, for transmission support, due to a general decline in DN demand, National Grid NTS currently foresees that it could manage any short to medium term requirement through contracting with remaining providers in the area. Therefore National Grid NTS was not at present proceeding with the project to put pipeline reinforcement into the South West. PH directed parties to National Grid NTS' latest Ten Year Statement (TYS) for more details.

For OM, National Grid NTS currently holds 210 GWh of space/gas in Avonmouth out of a total OM space requirement of 1,163 GWh. Its booking at Avonmouth has both national and locational components and National Grid NTS will continue to seek alternative service providers to meet 2016/17 requirements and beyond.

PH confirmed that a Safety Case change will not be needed because Avonmouth is only mentioned as a site from which National Grid NTS may procure services - National Grid NTS is not bound to do so (and nor should it be, given it is pursuing contestability).

If parties have any questions about this issue, either before or after seeing the National Grid NTS response, please contact either Craig Dyke (01926 653397) or Glenn Bryn-Jacobsen (01926 653436).

Post Meeting Note: *National Grid LNG's Avonmouth consultation* - Please note that National Grid NTS' response to the above consultation has been published on the Joint Office website at: <http://www.gasgovernance.co.uk/tx/050215>.

Closed

1.2 Ofgem Update

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

- Statutory consultation on proposed licence modifications to facilitate the implementation of the Capacity Allocation Mechanisms Network Code in Great Britain.
- Gas Transmission Charging Review: our policy position on future charging arrangements (GTCR).
- Decision on UNC452V and UNC465V Introduction of PARCAs.

1.3 Pre Modification Discussions

None raised.

2. Workgroups

No business to discuss.

3. Issues

3.1 New Issues

None.

4. Any Other Business

4.1 Shipper Termination Rules

See Action TR1201, above.

4.2 Gas Significant Code Review (SCR): Cash-out Reform and Involuntary DSR Payments

National Grid NTS Presentation

PL gave a presentation, outlining the background to the SCR, its aims and its outcomes. The components were identified.

The effects on cash out prices were illustrated and the changes coming in at Stages 2 and 3 of a GDE were explained, together with the application of Fall Back SAP (FBS) (criteria and circumstances).

The balancing neutrality mechanism was explained (mechanism used for the distribution of imbalance cash flows and recovery of SO costs), and how the balancing mechanism would be rectified.

PL then described how compensation for involuntary Demand Side Response (DSR) would be funded and how the DSR Fund would be allocated across affected market sectors. NDM proration was explained, and how any shortfall in the fund would be addressed and applied. It was noted that a Supply Point with a Commercial Interruption contract with a Supplier is excluded from compensation arrangements, and that Interruptible volume is also excluded

from rectification of the balancing position. It was pointed out that a User (Shipper) would be required to inform National Grid (via Xoserve) of the existence of any such contracts at least 30 days prior to the start of the Gas Year. Settlement timescales were illustrated.

Any comments or questions regarding the SCR should be directed to Phil Lucas: phil.lucas@nationalgrid.com (01926 653546 or 07825 592518).

Any comments or questions regarding the DSR Methodology (Modification 0504) should be directed to Claire Thorneywork: claire.thorneywork@nationalgrid.com (01926 656383 or 07976 937348).

Xoserve Presentation

SN gave a short presentation, drawing attention to Ofgem's final decision for the Gas Significant Code Review, which documented the changes required to the DSR Involuntary Disconnection Cashout arrangements. It was noted that Ofgem was using its powers under the Gas Act to direct changes to the UNC, to be implemented by 01 October 2015.

SN confirmed that to support the requirements of the DSR Involuntary Disconnection Cashout arrangements, Xoserve was developing a solution to calculate the charges for Meter Point Reference Numbers (MPRNs) that are eligible for compensation as a result of a gas supply emergency.

With an illustrative slide, SN explained the scenarios and the data (mandatory and optional) required to be sent to Xoserve (at ebi.billing@xoserve.com). GJ questioned how this would be applied to what were currently Unique Sites, and whether these new MPRNs would be available before/after Nexus. SN noted this for consideration and would revise his slides once a way forward was finalised

SN explained how charges and compensation payments would be dealt with (invoices, new charge types, etc). The Energy Balancing Invoice (.IDB) will have new charge types included to reflect charges; supporting information will be sent for each charge type in line with existing .IDB schedule.

These changes will be presented at UK Link Committee in Q1 2015, to give time for Users to address before 01 October 2015.

4.3 Capacity Release in Constraints - Issues for discussion

In response to Action TR1203, RF gave a presentation providing an illustration of the constraint issue from a Shipper's point of view. Having recapped on the issues that were apparent at entry and exit (but mostly exit), RF then outlined the processes for Daily Flat Capacity - Firm and Daily Off-Peak Capacity, drawing attention to the timings of the auctions. The timings of the UK Day Ahead Auction in the Electricity market were then illustrated, demonstrating the mismatch of timings between this and the Gas market. Parties would be contracting for generating plant in the morning and may not know until 14:00 that there was to be no gas capacity release; this meant an expensive 'unwinding' of their position for parties in the electricity market. National Grid NTS has no obligation to communicate to Shippers that it is not running a Day Ahead (DA) auction, so Shippers have to wait until after DA auction results are published to confirm their position. RF confirmed that this was not a theoretical issue but had actually happened to E.ON in the past, the forced unwinding of its position resulting in significant costs.

The acquisition of Long Term (LT) Exit Capacity can reduce the risk significantly, but many parties cannot justify purchasing LT Firm Exit capacity at the current cost. At the moment buying Short Term (ST) capacity is, in most cases, the most appropriate action to take. However, if a lot of Shippers are relying on acquiring ST capacity it could become a significant issue.

There seems to be a potential conflict between the Code and the Methodology Statement in terms of obligations and requirements. It was noted that Exit capacity charging was not within scope of Ofgem's GTCR, so changes relating to this would not be anticipated through this route. Referring to Entry, RF observed there was a potential conflict between the UNC obligation on National Grid NTS to carry out an auction where there are bids on the system and the exercising of its discretion to not release capacity in advance of a constraint. This could give rise to concerns that National Grid NTS may at times be acting only on instinct that a constraint might occur. This may impact on the traded market. FH commented that National Grid NTS needed to manage the system in the most efficient and economic manner, and if the industry wanted it to start buying back capacity in these situations then it would need to make that clear.

Moving on to consider the impact on the Constraint Management SO Incentive, RF observed there might be potential 'frictions' in the consideration of whether the current management solutions were economic and efficient - from whose viewpoint should this be being judged? Not releasing capacity conflicts with the LT landscape that currently exists. FH reiterated that National Grid NTS would first expect to use the other constraint management tools open to it. Referring to the Capacity Methodology Statement consultation, FH observed that a debate could be developed regarding the release of capacity and whether to buy back or not, and National Grid NTS would be happy to contribute to this. The wider issue might be how the industry wished to deal with risk, and whether it should be socialised or individualised. It was questioned whether the incentive was working under the circumstances that currently prevail.

RF then went on to outline potential solutions (short and longer term) for further examination. These included:

- Placing an obligation on National Grid NTS to communicate much earlier in the day to Shippers that that it is not going to run a DA Capacity Auction in gas
- Moving the gas and electricity auctions to similar timescales
- Developing and applying more rules to clarify when National Grid NTS could elect not to run a DA Capacity Auction
- Evaluation of the effectiveness of the constraint management SO incentive and consider any appropriate changes. (It was noted that the earliest time that any such change would be permitted would be in 2017 under the Licence rules.)

These were briefly considered. It was observed that there was no obligation on National Grid NTS to stick to any particular hierarchy of management tools. The favoured suggestion appeared to be that National Grid NTS communicate its intentions much earlier in the day. This was discussed; it was noted that earlier overt communication might then constrain National Grid NTS into taking what may then turn out to be unnecessary action when improved information became available later in the day. LJ suggested that making more information available to parties about *the potential for a constraint* could be considered, rather than an earlier notification that would be committing National Grid NTS to not running an auction. Forcing release and then having to buy-back adds cost to the industry, which was generally something to be avoided. What was the most appropriate audience for any such communications - should it be the whole market, or to affected exit points/parties only? This required consideration.

Next Steps

FH to consider and provide an update (at the March meeting) on National Grid NTS' initial views on how this might be taken forward.

Action TR0101: *Capacity Release in Constraints* - Consider and provide an update (at the next meeting) on National Grid NTS' initial views on how this might be taken forward.

4.4 Industrial Emissions Directive (IED)

PH outlined the background to this topic, noting that National Grid NTS has been running a stakeholder engagement programme since Spring 2014 on how it intends to take into account emissions legislation for its compressor replacement strategy.

The recent consultation on the options for the affected compressor fleet closed in December, and one area that several respondents commented on was that, in order to raise better awareness, National Grid NTS should consider briefing the Transmission Workgroup on updates to the programme and outline any potential implications for Workgroup attendees.

It was confirmed that the initial proposals were due out in March. PH asked if an update would be welcomed at the February meeting of the Workgroup. Responding in the affirmative, the Workgroup requested that National Grid NTS include coverage of the issues that arose from the initial proposals, in particular the 1500 hours derogated running per year issue, in its presentation to the February Workgroup.

5. Diary Planning

Agenda items (and any associated papers) for the February meeting should be submitted to the Joint Office by 27 January 2015.

UNC Transmission Workgroup meetings will immediately follow the proceedings of the UNC European Workgroup unless otherwise notified.

| Date | Location |
|---------------------------|---|
| Thursday 05 February 2015 | ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF |
| Thursday 05 March 2015 | ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF |
| Thursday 02 April 2015 | ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF |
| Thursday 07 May 2015 | ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF |
| Thursday 04 June 2015 | ENA, 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF |

Action Table (08 January 2015)

| Action Ref | Meeting Date(s) | Minute Ref | Action | Owner | Status Update |
|------------|-----------------|------------|---|------------------------|---------------|
| TR1201 | 04/12/14 | 4.1 | <i>Shipper Termination Rules</i> - Consider a consultation to seek industry views to help formulate an appropriate position and establish whether any further action should be taken. | National Grid NTS (FH) | Closed |

Action Table (08 January 2015)

| Action Ref | Meeting Date(s) | Minute Ref | Action | Owner | Status Update |
|-------------------|------------------------|-------------------|---|---------------------------------------|----------------------|
| TR1202 | 04/12/14 | 4.2 | <i>ANS Communication timescale</i> - Minimum notification time to be ascertained | National Grid NTS (JR) | Closed |
| TR1203 | 04/12/14 | 4.2 | <i>ExCR Availability of Daily NTS Exit (Flat) Capacity</i> - RF to provide further illustration of the constraint issue, from a Shipper's point of view, to the next meeting. | E.ON (RF) | Closed |
| TR1204 | 04/12/14 | 4.2 | BK and SL to clarify as soon as possible the timeline and interactions between the PARCA modifications approvals and the capacity release methodology statements approvals. | Ofgem (BK) and National Grid NTS (SL) | Closed |
| TR1205 | 04/12/14 | 4.4 | <i>Cessation of Avonmouth Facility</i> - Establish what the future plans are for Avonmouth and the South West reinforcement. | National Grid NTS (PH) | Closed |
| TR0101 | 08/01/15 | 4.3 | <i>Capacity Release in Constraints</i> - Consider and provide an update (at the March meeting) on National Grid NTS' initial views on how this might be taken forward. | National Grid NTS (FH) | Pending |