

Transmission Workstream Minutes**Thursday 06 December 2007****Elexon, 350 Euston Road, London NW1 3AW****Attendees**

John Bradley (Chairman)	JB	Joint Office
Lorna Dupont	LD	Joint Office
Alex Barnes	AB	BG Group
Amrik Bal	AB1	Shell
Andrew Fox	AF	National Grid NTS
Andrew Pearce	AP	BP Gas
Angus Paxton	AP1	Poyry Energy Consulting
Ben Woodside	BW	Ofgem
Bogdan Kowalewicz	BK	Ofgem
Charles Ruffell	CR	RWE Npower
Chris Wright	CW	Centrica
Christiane Sykes	CS	Statoil (UK)
Clare Temperley	CT	Gas Forum
Craig Purdie	CP	Centrica Storage
Elizabeth Delhaise	ED	Poyry Energy Consulting
Fergus Healy	FH	National Grid NTS
Jeff Chandler	JC	Scottish and Southern Energy
John Baldwin	JB1	CNG Services
Joy Chadwick	JC1	ExxonMobil
Liz Spierling	LS	Wales and West Utilities
Mark Freeman	MF	National Grid Distribution
Martin Watson	MW	National Grid NTS
Matthew Hatch	MH	National Grid NTS
Phil Broom	PB	Gaz de France
Rekha Patel	RP	Waters Wye Associates
Richard Fairholme	RF	E.ON UK
Ritchard Hewitt	RH	National Grid NTS
Robert Cameron-Higgs	RCH	Northern Gas Networks
Roddy Monroe	RM	Centrica Storage
Sofia Fernandez Avendano	SFA	Total Gas & Power
Stefan Leedham	SL	EDF Energy
Stephen Rose	SR	RWE Npower
Steve Gordon	SG	Scottish Power
Steven Sherwood	SS	Scotia Gas Networks
Tom Jesshop	TJ	ConocoPhillips
Yasmin Sufi	YS	ENI UK

1. Introduction and Status Review

JB welcomed all attendees to the meeting.

1.1 Minutes from previous Workstream Meetings

The minutes for the meetings held on 01, 06 and 22 November 2007 were approved.

1.2 Review of Outstanding Actions

Action TR1068: Return to the Workstream to present a detailed overview of the interaction of the capacity regimes and the operation of the gas market. (Ofgem)

Update: BK advised that Ofgem was reconsulting on the baselines and would be issuing a document fairly soon. AB was not persuaded that this had encompassed the complete action and looked forward to a fuller explanation following the next consultation paper. BK said that Ofgem was prepared to organise a Workshop in January if there was sufficient interest, which the meeting indicated by a show of hands. BK would confirm a date, but it was likely to be around 15 or 16 January 2008. The meeting was encouraged to attend and raise views at the Workshop. It was agreed to carry the action forward until after the publication of the consultation document.

Action TR 1069: BW to feed back industry concerns relating to Modification 0149A within Ofgem.

Update: Action carried forward.

Action TR 1070: RH to look at further options to address concerns relating to Modification 0149A.

Update: Following discussions at the Workstream National Grid NTS is currently assessing potential options prior to bringing any straw men forward for further discussion/development at a future Workstream. Action carried forward.

Action TR 1071: RH to seek a presenter to give an overview from a practical point of view of events in an emergency and a perspective on the scenarios referred to in the Ofgem Decision Letter.

Update: Action carried forward.

Action TR 1072: Gemini issues – RH to investigate the clarity of the notice issued at 01.12 on 22 October 2007.

Update: Message sent at this time was as follows - *“Gemini APX File: Although Gemini is now ok for Shippers, the files from APX are still not being received, which can affect shipper balances. This fault is being worked on at a high priority, we will update shortly. No action is required by shippers”*.

The temporary interruption of APX information into Gemini is not a unique event and a message of this type seeks to advise shippers that their within day gas trading and imbalance positions displayed within Gemini may not fully reflect their most recent OCM trading activity. After restoration of information transfer from APX the trade information would be brought up to date. As stated, no action was required from Shippers and the trade information was later updated to reflect OCM trades completed. Action agreed closed.

1.3 Review of Workstream’s Modification Proposals and Topics

1.3.1 Modification Status Report (Modification Proposals Register¹)

The following Proposal had been implemented:

¹ <http://www.gasgovernance.com/Code/Modifications/>

- 0174 “Revised Tender Timescale for DN Interruption Arrangements” – to be implemented on 01 April 2008.

The following Proposal had been rejected:

- 0181 “Scheduling Charges calculation for Gas Flow Days 22, 23, 24, 325 & 26 October 2007” – rejected on 20 November 2007.

Ofgem’s decision was awaited on the following Proposals:

- 0116A, 0116BV, 0116CVV, 0116V, 0116VD “Reform of the NTS Offtake Arrangements” – These Modifications had been returned to the status of Live Modification Proposals, awaiting a further determination from the Authority. LS reiterated her concerns relating to the fact that the current governance arrangements did not offer a clearly defined route establishing what action should be taken by all parties following the rescinding of a decision.

The following new Proposal had been raised:

- 0182 “Information Provision at LNG Importation Facilities” – sent to Workstream by Modification Panel; to be discussed at this meeting.

The following Proposal was sent to the Modification Panel:

- 0165V “Change to Measurement Provisions Change Process” – a Final Modification Report had been produced and a recommendation will be made at the UNC Modification Panel on 20 December 2007.

Review Groups in progress:

- 0166 “Review of necessary reform of NTS Offtake Arrangements” – next meetings 06 and 13 December 2007.

1.3.2 Topic Status Report

003TR Review of Exit Capacity Arrangements

0166 “Review of necessary reform of NTS Offtake Arrangements”. Minutes from previous meetings were available on the Joint Office website. The next meetings were scheduled for 06 and 13 December 2007 at Elexon Offices, 350 Euston Road, London NW1 3AW.

008TR Entry Capacity

The baseline reconsultation process was continuing, with papers available on the Joint Office and Ofgem’s website. The second Trades and Transfer Workshop had been held on 06 November 2007. No further Workshops are planned. All outstanding actions will be monitored and progressed by the Transmission Workstream.

A Special Workstream meeting on non-obligated Entry Capacity was held on 22 November 2007. Individual views will be provided to Ofgem.

MW advised that he was waiting for Ofgem’s reconsultation of baselines document to be issued. Initial ideas would then be reviewed and brought forward in January or February 2008.

018TR Information Transparency.

0140: “Review of Information Provision on National Grids Information Exchange.” Minutes from the meetings were available on the Joint Office website. The Transmission Workstream continues to oversee and progress outstanding actions from this Review Group. (See 1.4 below, and separate summary of actions available on the Joint Office website.)

019TR Emergency Market Arrangements

See 1.3.1 above, and 1.5 below. Reopened and status moved to 'On Hold'.

014TR Operating Margins Procurement

Status: Remained On Hold.

015TR Constraint Management

Status: Remained On Hold

016TR Storage Commodity Charge

Status: Remained On Hold.

020TR Gas Quality

Status: Remained On Hold. In response to a question from AB, BK was unable to comment but would obtain an update on progress/next steps.

Action TR1073: Gas Quality - BK to obtain an update on progress/next steps.

1.4 Related Meetings and Review Groups**1.4.1 Operations Forum**

CR gave an update. xoserve had been unable to attend the meeting, and Gemini was to be discussed at an Open Forum, following the UK Link Committee meeting which was being held on Thursday 13 December 2007 at Elexon, 350 Euston Road, London NW1 3AW. JB pointed out that the aim of the Open Forum discussion was to learn from the systems and management side of the experience; it was not a forum for the discussion of commercial/business issues, ie financial losses, etc.

1.4.2 Review Group 0140 – Outstanding Actions

It had been agreed that the Transmission Workstream would monitor the outstanding actions. See separate document published on the Joint Office website² ("Summary of Outstanding Actions and latest Updates") for the most recent updates provided by RH.

1.4.3 Trades and Transfer Workshop 2 – Outstanding Actions

It had been agreed that the Transmission Workstream would monitor the outstanding actions. The following updates were provided:

TT1/001: Ofgem to consider sponsorship of an audit into the Transfer and Trades auctions that took place this winter.

Update 06/11/07: POD advised that Ofgem was considering this internally, and reiterated that it would be interested in the community's views. In response to Ofgem's concern as to who might have the capability to perform such a task, JB suggested Advantica.

Update 06/12/07: BK advised that no firm decision on an audit for the interim regime had yet been reached. It was then pointed that there may be a conflict of views on this as a different update was given at the recent Gas Shipper meeting. BK said that he would clarify the correct position.

RM commented that the industry would welcome a full explanation of Ofgem's reasoning once the eventual decision had been reached.

² <http://www.gasgovernance.com/Network Codes/Workstreams/Transmission Workstream/2007 Meetings/06 December 2007>

MW said that National Grid would issue more data to clarify and support the interim regime.

BK advised that Ofgem was still considering the enduring regime. **Action carried forward.**

TT1/002: Centrica Storage to define a more compact analysis request based on the Transfer and Trade bids and send this to Joint Office to inform other participants.

Update 06/11/07: Action carried forward.

Update 06/12/07: RM provided the following update via email: "Aim is to understand and have visibility of, potential outcomes of the enduring trades and transfers mechanism based on specific inputs and experience gained from the interim process. These scenarios should test the contentious elements of both the mechanism and the methodology, based on the NTS that will exist from October 2008 (ie with completion of the Easington reinforcement).

Examples may include for one month only, say Dec 08:

- base case – zonal process (intra followed by inter)
- non zonal process for 2007 network
- non zonal process for 2008 network
- test different surrender patterns from IoG, Theddlethorpe, Barrow. St Fergus, Bacton."

In response to this MW said that RM's points would be taken into account and National Grid NTS would also welcome views from other parties. **Action closed.**

TT1/003: National Grid NTS to consider demonstrating the potential outcome of its enduring proposal for Transfer and Trade using data from the Winter 2007/8 TTSEC auction.

Update 06/11/07: Action carried forward.

Update 06/12/07: Covered within the presentation at this meeting. **Action closed.**

TT1/004: Ofgem to confirm whether the exclusion of ex-ante exchange rates, or other overriding principles, was likely to mean that the National Grid NTS proposal was unlikely to be accepted.

Update 06/11/07: The meeting reiterated to Ofgem that signals regarding overriding principles/insurmountable obstacles would be appreciated as soon as possible, but before work was completed on the Modification Proposal. POD said Ofgem saw no absolute show stoppers at this stage, but asked if Shippers were willing to enter into a mechanism without ex ante exchange rates; RF responded, "at a high level". AB commented that 1:1 exchange rates limit possibilities, and a mechanism without ex ante exchange rates lacks transparency. Exchange rates and nodal maxima were the key issues, with the key being setting the bar at a reasonable level for both sides. It needed to fit in a broader framework, so that the risk is not unreasonable to either side. An audit would help assure Shippers of the acceptability of compromises made. Action carried forward.

Update 06/12/07: BK stated that Ofgem remained supportive of ex ante exchange rates as this gave more certainty, but it was not 'closed' to industry views on the ex post regime. AB reiterated the need for an external audit. RM said that an evaluation of the benefits/disbenefits would be welcome, and AB CS and RM were in agreement that more transparency was required by the industry on Ofgem's decision as to why an audit was not going to be carried out on the interim regime. AB again stressed the need for

an audit to learn from the experiences. BK said that Ofgem would consider providing the justification of the benefits/disbenefits of not carrying out an audit on the interim regime. **Action carried forward.**

Action TT2/006: Impact of user pays concept on T&T Modification Proposal - POD to bring Ofgem's view to the December Transmission Workstream.

Update 06/12/07: **Action carried forward.**

Action TT2/007: All to provide any further comments on the proposed process by Friday 9 November 2007.

Update 06/12/07: None received by the Joint Office. **Action closed.**

2. Modification Proposals

2.1 Modification Proposal 0182: Information Provision at LNG Importation Facilities

RH gave an overview. JB questioned what would happen if data arrived late. RH confirmed that there was no obligation on National Grid NTS to publish data received after the deadline, and it would be preferred if this status quo could be maintained. RF pointed out that there were no sanctions built into the Modification Proposal should the information not be provided. CW observed that there was no obligation on a Shipper to provide the information. PB asked if the intention was to report zeroes or use another signifier as there was a possibility of misinterpretation. RH said that he did not know but would find out and revise the wording as to how it should be displayed.

Action TR1074: Modification Proposal 0182: RH to check how zeroes will be reported and, if appropriate, revise display so as to remove all possibility of misinterpretation.

The Workstream Report was reviewed and it was agreed that subject to the fulfilment of Action TR1074 the Modification Proposal was sufficiently developed to proceed to the Consultation phase but would not require legal text (suggested text was supplied with the Proposal).

3. Topics

3.1 User Pays Implications

As the representative from Ofgem had been unable to attend the meeting, this item was deferred until the next Workstream meeting on 03 January 2008.

3.2 Entry Capacity

3.2.1 Trade and Transfer – outstanding actions update

See item 1.4.3, above.

3.2.2 Enduring Transfer and Trade

MW gave an overview of the exchange rate calculation and its application, the advantages and disadvantages and what could be done to address the disadvantages.

In RF's view the certainty of allocation outweighed all other aspects. RM commented that the Trade proposals had been put in to extend the benefits therefore ex ante was key, MW disagreed. AP1 observed that one needed to be able to work out the value of the capacity and that ex ante was required to do this, and also be able to trade to another ASEP; capacity was procured for many different reasons.

MW said that the application example was provided to explain what National Grid NTS feel is the most efficient and economic way. National Grid NTS have to make a sensible set of assumptions as to the outcome of the auctions. Looking at the example, RM and CS thought that a further column would be useful. Anything greater than 10:1 gives too much capacity destruction. MW said that 10:1 looks the most efficient and should clear most. AB pointed out that the example illustrated the wide variation that was possible and therefore underlined the need for monitoring and auditing. JB1 commented that he had thought the process was simpler and the key protection was that it could be operated monthly. In support of RM's and CS's request JC thought that the third column would show the impact on the market.

MW responded that little could be done without using specific customer data or aggregating other data, which would give rise to confidentiality issues. JB1 suggested that such data could be shown to Ofgem and it could comment. BK pointed out that this would just shift the issue of confidentiality to Ofgem.

RF and RM thought that data on the other 4 months would be useful and would help to build a better picture. MW was happy to take back views, but said that it was difficult to see how more clarity could be demonstrated.

CS and JC pressed for the addition of a further column, however MW was still of the view that the confidentiality issues would prove too great to be surmounted.

Action TR1075: MW to consider generating information for another month and consider providing an aggregate figure.

a) Draft Modification Proposal

AF pointed out the key features and described the process timeline. SG affirmed his support as this appeared to overcome the fundamental objections to his previous Modification Proposal.

In response to a question from JC1, MW confirmed that the auction invitation would be issued on the first working day of each month. JC1 pointed out that this was really difficult timing for producers as they would not be in possession of sufficient information at that point. JB1 questioned what would happen if no one wanted capacity in June/July, or if no one can buy capacity. MW responded that if it was not used it was not a problem. CS thought that running a simulation exercise might be quite helpful.

AF then covered the treatment of surrendered capacity and charges and identified various issues. RM said that there did not seem to be a feel for how much capacity would be removed from the process, and how material this might prove to be.

It was suggested there might be an opportunity for a trading Modification Proposal to complement this Modification Proposal. Parties would want to secure capacity all the way back in QSEC – is this what is wanted? It could have unlimited consequences so would require careful consideration and be judged on its own merits as it could affect all players.

MW said that he was happy to take feedback as the Methodology needed to be in place by June 2008.

From the consensus in the Workshops this Modification Proposal seems to be the best option, but even this does not satisfy everything. When the meeting was asked for views, RM suggested that a clearer examination of the interim would have been able to inform this more positively. SG thought there was limited value in doing that however, and felt that this Modification Proposal struck a good balance and addressed the majority of the points raised previously. In his view it seemed a great improvement as it allowed Transfer and Trades, it happens earlier, and it does not devalue. AB still had concerns regarding the exchange rates. It was recommended that any further comments be sent to MW or the JO before Tuesday 11 December 2007 so the

Modification Proposal could be finalised for consultation. JB1 pointed out that this was secondary to the baseline reconsultation, and it should not become a case of 'putting the cart before the horse'. MW responded that it was the Ofgem target for baselines (01 April 2008) which compresses the time to get anything in for systems for next winter.

b) Methodology Statement

AF described the process and explained the examples provided. RM pointed out the lack of transparency around the network failure reasons and wondered why Ofgem would not be looking at these through an audit. MW responded that Ofgem had seen the models and there was no latitude to make change much. The supply scenarios had been discussed with Ofgem but would not be published. MW asked what underlying information would be required to support this and suggested that any comments be sent to him for collation and response.

3.2.3 Entry Capacity Auctions

a) QSEC auction timetable

FH gave a short presentation explained the Proposal and its timescales. AB was concerned about the effect of the baselines reconsultation and MW accepted there was uncertainty around this. JB1 referred to substitution after the day event and wondered how Ofgem would apply this; it would be a 'big gift' to National Grid NTS. MW said that April/May substitution would not form a part of it. Shippers would need to be getting something back in the baselines. Substitution is a 'big win' for the Shipping community. One QSEC has been given back to National Grid NTS (Isle of Grain), but Shippers need to be getting something back.

MW said that it was only a benefit if there was an incremental signal. April seemed the right time to do it; by 02 June substitution has to be in, and National Grid NTS will start talks in January/February.

AB thought there was too much uncertainty about the whole of entry at present and had great concerns regarding substitution.

b) MSEC auction timetable

FH gave a brief presentation seeking views on the merits of moving the 2008 MSEC auction.

The meeting decided that it needed more time to consider this and agreed to respond with comments either to the JO or to MW.

Action TR1076: All to consider the merits of moving the 2008 MSEC auction and send comments either to the JO or to MW.

3.2.4 Flow variability at Entry - update

MW presented some graphs indicating flow variations at Easington from October 2006 to October 2007. Behaviour continues to be monitored and a further update will be provided at January's meeting.

3.3 DN Interruptible Capacity Methodology Statement Consultation

MF brought attention to the DN Interruptible Capacity Methodology Statement, a copy of which would be found on the JO website, and consultation on which would close out on 20 December 2007. There was insufficient time for the meeting to receive presentations by the DNS and it was agreed to defer this item until the next meeting in January 2008.

4. Any Other Business

4.1 SO Incentive Consultation

MW brought attention to the SO Incentives consultation process. This was a very important topic and parties were encouraged to respond to the consultation and attend the industry workshop planned for 10 January 2008.

5. Diary Planning

The next Transmission Workstream meeting has been arranged for 10:00hrs on Thursday 03 January 2008 at Elexon, 350 Euston Road, London NW1 3AW.

Action Log – UNC Transmission Workstream: 06 December 2007

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR 1068	07/06/07	2.2	Return to the Workstream to present a detailed overview of the interaction of the capacity regimes and the operation of the gas market.	Ofgem (Paul O' Donovan)	See 1.2 above. Carried Forward
TR 1069	01/11/07	1.5	BW to feed back industry concerns relating to Modification 0149A within Ofgem.	Ofgem (BW)	See 1.2 above. Carried Forward
TR 1070	01/11/07	1.5	RH to look at further options to address concerns relating to Modification 0149A.	National Grid NTS (RH)	See 1.2 above. Carried Forward
TR 1071	01/11/07	1.5	RH to seek a presenter to give an overview from a practical point of view of events in an emergency and a perspective on the scenarios referred to in the Ofgem Decision Letter.	National Grid NTS (RH)	See 1.2 above. Carried Forward
TR 1072	01/11/07	3.1	Gemini issues – RH to investigate the clarity of the notice issued at 01.12 on 22 October 2007.	National Grid NTS (RH)	See 1.2 above. Action agreed closed
TR 1073	06/12/07	1.3	Topic 020TR Gas Quality: Obtain an update on progress/next steps.	Ofgem (BK)	
TR 1074	06/12/07	2.1	MP0182: RH to check how zeroes will be reported and, if appropriate, revise display so as to remove all possibility of misinterpretation.	National Grid NTS (RH)	
TR 1075	06/12/07	3.2.2	Enduring Transfer and Trades: MW to consider generating information for another month and consider providing an aggregate figure.	National Grid NTS (MW)	
TR 1076	06/12/07	3.2.3(b)	All to consider the merits of moving the 2008 MSEC auction and send comments either to the JO or to MW.	ALL	