

Transmission Workstream Minutes
Thursday 02 July 2009
Elexon, 350 Euston Road, London NW1 3AW

Attendees

John Bradley (Chair)	JB	Joint Office
Lorna Dupont (Secretary)	LD	Joint Office
Amrik Bal	AB	Shell
Angus Paxton	AP	Poyry Consulting
Charles Ruffell	CR	RWE npower
Chris Shanley	CS	National Grid NTS
Chris Wright	CW	Centrica
Colin Hamilton	CH	National Grid NTS
Craig Purdie	CP	Centrica Storage Ltd
David Linden	DL	BP
Fergus Healy	FH	National Grid
Harvey Beck	HB	Ofgem
Jeff Chandler	JC	Scottish and Southern Energy
Joanna Ferguson	JF	Northern Gas Networks
John Perkins	JP	National Grid NTS
Joy Chadwick	JC1	ExxonMobil
Julie Cox	JC2	AEP
Paul O'Donovan	POD	Ofgem
Phil Broom	PB	GDF Suez
Rebecca Hewitt		(observer/work experience)
Rekha Patel	RP	Waters Wye Associates
Richard Fairholme	RF	EON UK
Richard Jones	RJ	xoserve
Richard Street	RS	Corona Energy
Ritchard Hewitt	RH	National Grid NTS
Shelley Rouse	SR	Statoil UK
Simon Trivella	ST	Wales & West Utilities
Stefan Leedham	SL	EDF Energy
Steve Fisher	SF	National Grid NTS
Steve Pownall	SP	National Grid NTS
Steve Rose	SR1	RWE npower
Steven Sherwood	SS	Scotia Gas Networks
Tim Davis	TD	Joint Office of Gas Transporters
Tom Jesshop	TJ	ConocoPhillips

1. Introduction

JB welcomed attendees to the meeting.

1.1. Minutes from the previous Workstream Meetings (04 June and 24 June 2009)

The minutes of the previous Workstream meeting (04 June 2009) were approved.

Subject to some minor amendments, the minutes of the Workstream meeting "Review of Emergency Arrangements - Workshop 4" (24 June 2009) were approved.

1.2. Review of Outstanding Actions

1.2.1. Actions from the Workstream

Action TR1097: Ofgem to consider and report back whether they would wish to encourage the establishment of a group involving all stakeholders, both Government and industry, to look holistically at gas emergency arrangements.

Update: POD reported that Ofgem was waiting for Project Discovery to come to a head before proceeding. **Action carried forward**

Action TR1102: Rationalisation of Maintenance Planning Dates and Timescales - National Grid NTS to produce a revised draft Proposal for discussion at the next Workstream meeting.

Update: This was deemed to be of low priority and will be revisited in the future.

Action closed

Action TR0601: National Grid NTS (MW) to update Workstream with progress on assignment.

Update: Provided at this meeting – see 3.4.2, below.

Action carried forward

Action TR0602: National Grid NTS (MW) to update Workstream on GTE developments.

Update: Presentation provided at this meeting – see 3.2, below.

Action closed

Action TR0603: National Grid NTS (CS) to provide a draft proposal to close the current loophole by which shippers can currently avoid exit capacity booking liabilities each year.

Update: Draft Proposal presented at this meeting – see 2.3, below.

Action closed

1.2.2 Actions carried over from Substitution Workshops

Action SUB001: Ofgem to consider producing a document, prior to the first substitution auction, setting out its rationale for approving substitution applications; **and Action SUB005:** Ofgem to Consider and report back whether it is able to model the effect on gas prices of various substitution scenarios.

Update: POD advised that a further Workshop (9) was to be held on Tuesday 07 July 2009 at Elexon. On 01 July 2009 Ofgem issued a communication on the proposed Licence redrafting; responses should be submitted by 29 July 2009. Stuart Cook will be attending the Workshop and Ofgem will be issuing a letter to give its views on how it thinks Substitution should progress.

JC1 asked if Ofgem had the veto on individual substitution decisions, as this did not seem clear in the Licence wording; POD believed that Ofgem did have the veto on such decisions. **Actions carried forward to Workshop 9 (07/07/09)**

Action SUB017: Develop and present generic cost profiles based on recent projects.

Update: Action to be closed on publication of the consultation document.

Action carried forward to Workshop 9 (07/07/09)

1.2.3 Actions carried over from the Review of Emergency Arrangements Workshop 4 (24 June 2009)

Action EAW005: An overview of the nominations/renomination process in an emergency to be included as an appendix to the Modification Proposal.

Update: Draft Proposal not yet finalised; no further progress to report. **Action carried forward**

1.3. Review of Workstream's Modification Proposals and Topics

1.3.1. Modification Status Report (Modification Proposals Register¹)

JB gave an update on live and recently closed Modification Proposals.

Modification Proposals 0246, 0246A, and 0246: POD confirmed that Ofgem would be carrying out an IA in the next couple of weeks.

Modification Proposal 0250: To the July Modification Panel for determination on progress.

Modification Proposal 0256: JC1 gave a brief overview of the Proposal. There would be no change to the UNC, only to the Network Entry Agreement, and as such would be likely to proceed to consultation following its presentation at the July Modification Panel.

1.3.2. Topic Status Report

The Topic Status Report for the Transmission Workstream is located on the Joint Office website at: <http://www.gasgovernance.com/Code/Modifications/>.

On Topic 014TR "Operating Margins Procurement", RH reported that National Grid NTS had carried out various activities this summer and was awaiting outcomes.

1.4. Related Meetings and Review Groups

JB reported that the Gas Operational Forum met on 10 June 2009; there were no matters for the attention of the Workstream.

Review Group 0251 had met on Friday 26 June 2009 and discussions were continuing. A further meeting was scheduled for Tuesday 30 July 2009.

The UK Link Committee had discussed the Exit Proposal at some length and this had generated many comments and actions, including a request that APIs be provided earlier than envisaged in the Proposal. This was being considered and it was suggested that interested parties should take time to read the minutes of the meeting.

2. UNC Modification Proposals

2.1 Draft Modification Proposal: "Revisions to Post-Emergency Arrangements"

SP gave a presentation summarising the output of the recent series of informal Workshops attended by Users and Ofgem. The proposed revisions were explained and the advantages and disadvantages were reviewed, together with an indicative timetable.

¹ The Modification Proposals Register is available to view at: <http://www.gasgovernance.com/Code/Modifications/>.

A status report on Proposals awaiting Ofgem's decision is available to view at: www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=4&refer=Licensing/IndCodes

There was a discussion on whether the Proposal would actually incentivise gas trading organisations to bring in non UKCS supplies to the UK. RS observed that traders may be confused; trading was between different markets and to engage, they need to understand what price they are going to be paid. AP responded that if you fall within the 80% you will get your price; within the 20% you 'might' get your price depending on Ofgem's final assessment. There is a disputes process, and JB pointed out that the Proposal provides a higher degree of certainty of payment than currently. RS then questioned who the trader would be contracting with. SP said that all claims payments would go through the neutrality process, and be apportioned across the short Shippers (imbalance position). It was probably better to post it on the OCM just under the 80% level; most will be probably be taken on the day but if not it would form the basis of the claim. RS pointed out that existing Shippers' credit arrangements may prove to be woefully inadequate in a GDE. SP said that a short Shipper will get an initial cost/charge and under recovery will be smeared across all parties based on throughput.

SL observed that the Proposal's mechanism is not closing off markets – gas will be delivered and it is a way of getting the payment back. RS was more interested in the behaviours and their likely impacts in an emergency; SP said this was covered in the Proposal, however RS thought that the behaviour drivers did not seem that apparent.

RF asked if Shippers would be able to work out what the 80% trigger point would be in the emergency, and was concerned that there may be opportunities for gaming. SP responded that there was the indicative WAP based on all the volumes and a Shipper would have an idea of the offers, but the 80% level would not be known until all the claims were in, and acknowledged there could be a risk of gaming. RH added that it would have to be based on the Shipper's individual perceptions of the market and how it was moving, rather like the Gas Flow Day now. SR1 wondered whether over recovery should be returned to short Shippers, but acknowledged that this would conflict with the current basis of neutrality.

JB reported that in the Workshops no consensus had been reached regarding the Proposal and this discussion seemed to reflect that position also. SP would address as far as possible the concerns raised here and at the Workshops and redraft the Proposal. Business Rules will be provided with the Proposal to aid understanding. It was not intended to include legal text at this stage; however it was intended to hold a session to develop legal text in conjunction with Shippers. The Proposal would be presented to the UNC Modification Panel on 16 July 2009.

On a related issue, SP gave a further presentation on the enhanced information provision and revision of the Gas Balancing Alert (GBA) for Winter 2009. A further Proposal will be raised to align the GBA to the revised Safety Monitor information which would provide an improved signal to the market in respect of potential supply/demand issues. There would be new summary reporting options and workshops would be organised to discuss new requirements and facilitate agreed options. It was intended to publish any new summary reports commencing 01 October 2009.

Action TR0701: Organise GBA Workshops.

SR1 asked, if the deliverability monitor was breached but not the space monitor, how the market would know if an emergency would be declared or not, and pointed out that the definition of Safety Monitor in Section Q may need to be changed.

Action TR0702: National Grid NTS to advise how, in the event of a deliverability monitor breach but not a space monitor breach, the market would know if an emergency was to be declared.

RH said that the Proposal would be trying to present information to the market that it requires, as the existing published data might be regarded as being disparate. JC2 believed that example scenarios of when a previous GBA was called would be useful together with an indication of how changing the rules would have affected these events

2.2 Draft Energy Balancing Credit Proposal

JB advised that this agenda item was deferred to a later date. The EBCC and Ofgem had discussed ways forward. Ofgem had indicated that lack of clarity was the reason for rejection of Modification Proposal 0233V. The Proposal will be revised and improved in light of Ofgem's observations by the Transporter's lawyers. RH added that it was a really difficult Proposal to draft and get right; there will be further discussions with xoserve to go through the key elements and then it will be brought back to the Workstream to aid industry comprehension.

2.3 Draft Proposal: "Annual NTS Exit (Flat) Capacity Credit Arrangements"

CS gave a brief overview of the Proposal, following which ST raised a few points that may need further consideration:

- Should the Proposal refer to NTS Supply Points or Exit Points
- How broad was the definition of 'User' and should any differences be recognised between Shipper or DN Users
- References to UNC TPD Sections B and V and the Code Credit Rules need to be checked and any associated wording may need to be checked and realigned with the existing credit arrangements.

TD pointed out that further consideration may need to be given to what the change would do and what the benefits would be.

SL wondered if it was worth waiting to see how Modification Proposal 0252 was progressing, rather than go ahead with this Proposal and end up having to unpick any changes. JB put this choice to the meeting but there was no consensus on the best way forward.

CS then agreed to revisit and clarify the Proposal in light of the comments made, and it was intended to present this to the July UNC Modification Panel.

Action TR0703: National Grid NTS to finalise Proposal: "Annual NTS Exit (Flat) Capacity Credit Arrangements".

2.4 Draft Proposal on Treatment of Capacity affected by Force Majeure

In response to Action TR0603, FH gave a presentation briefly outlining how capacity is currently treated once National Grid NTS has called Force Majeure and the consequences for Shippers under the current UNC rules. FH then put forward a Proposal outlining a number of changes to the UNC which would in effect mitigate the impact of Force Majeure on those Shippers who have Capacity holdings at a point at which Force Majeure has been called by National Grid NTS. There was a short discussion on buyback.

It was recognised that the principles could be applied at entry and exit, and FH welcomed views on whether this should be so.

In response to a question from POD, FH confirmed that only the Shippers directly affected are notified of a Force Majeure, and SF added that it also depended on the type of Force Majeure. It was indicated that Ofgem may expect to see a notification to all parties included in the Proposal, and FH noted this point.

The timeframe for the Proposal was reviewed, with a potential implementation date of 01 October 2009 being proposed.

Action TR0704: National Grid NTS to finalise a Proposal on Treatment of Capacity affected by Force Majeure.

3. Topics

3.1 SO Incentives from April 2010

JP described the background to and development of the SO incentives over the past few years, and expressed National Grid NTS' keenness to engage this year with the widest possible range of interested parties. Key challenges for gas had been identified and a consultation timetable was displayed.

Gas incentive specific issues were to be explored and the industry's views were sought on issues concerning maintenance planning and co-ordination, environmental incentives, residual balancing, operating margins, demand forecasting, data publication, and network flexibility.

Interested parties were encouraged to register to receive further communications. Information on incentive performance was published on National Grid's website and was being reviewed. Industry views on requirements would be welcomed.

3.2 022TR European Transparency Requirements: Gas Roads and Gas Transportation Europe (GTE)

In response to Action TR0602, CH gave a presentation updating the Workstream on GTE developments. The 3rd Package was described and explained. Whereas the 2nd Package focussed on access to liberalised markets the 3rd Package was addressing issues of transparency of supply/demand information and aimed at developing a common understanding of what should be published to meet new obligations. A gap analysis performed by National Grid NTS may result in Modification Proposals being raised. It was likely that transparency requirements would be greatly extended through the Commission's proposed amendment to Annex 3, and would include virtually every point, the gas quality parameters and pressure requirements for each point, daily linepack forecasts and historic data up to 5 years.

Under this Package Gas Transmission Europe (GTE) will metamorphose into the European Network of Transport System Operators (Gas) (ENTSOG), and CH went on to clarify the duties of ENTSOG.

CH moved on to explain Gas Roads – the "Transparency Platform" whereby it was recognised that, to enable Users to gain effective network access, gas transportation technical information needed to be published/accessible in a single place.

Example information screens from the website: <http://gas-roads.eu> demonstrated what was available on the Transparency Platform.

3.3 Publication of Historical Operational Data by National Grid NTS

3.3.1 Presentation by E.ON UK

RF, on behalf of E.ON UK, gave an overview of the issue. E.ON believed that there may be significant value to Shippers by extending the currently limited historical data range of 2 years and this view may also be reinforced by the new European transparency guidelines, which refer to publishing historical information for the past 5 years on a rolling basis. Implementation of these guidelines may be required as early as the end of 2009. It was thought that any data change requirements might be achieved through an NCORM change. To progress this perceived need for change clarity was sought regarding funding for the change, the implementation timescales, and a sense of what would be affected, eg certain data items or some/all reports.

3.3.2 Presentation by National Grid NTS

CS responded on behalf of National Grid NTS to the points raised by E.ON requiring clarification. If the reporting period was extended, then all data items within MIPI would be included. However, National Grid NTS would like to carry out further assessment of the extent of the changes required and any associated costs. There was no funding in place currently to address the cost of providing an extended range of data or for making any European driven changes. Timescales were unclear, but may possibly be progressed early next year.

DL pointed out that other TSOs were able to provide a minimum of 3 years' historical data.

CS believed it might be possible to allow the fields to accumulate the historical data, and as time moved on fields would populate naturally. National Grid NTS was assessing the implications of the 3rd Package, and CS pointed out that the current engagement in making changes to Gemini and MIPI Phase 2.

However, there was a view that knowing that the implementation of the European guidelines was coming, the historical data of the past 5 years should begin to be accessible currently and that National Grid NTS should have started to populate the data ready for implementation. CS recognised these aspirations but it did require some thought, and an understanding of how it would be resourced and paid for.

Action TR0705: National Grid NTS to consider whether a gradual population of more years of historical data at reasonable cost is feasible.

RF will seek views of other Shippers on the genuine value of the extra historical data, and then decide on a way forward (NCORM or Modification Proposal)

In the meantime, the MIPI User Helpline and Email service was available to assist Users with requests for the provision of data over 2 years old.

3.4 008TR Entry Capacity

3.4.1 Update on Methodology Statements

SF gave an update on behalf of National Grid NTS.

Substitution – On 01 July 2009 Ofgem had issued a consultation note in respect of proposed licence change to clarify substitution licence conditions (www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=267&refer=Networks/Trans/GasTransPolicy). Close-out for responses is 29 July 2009.

IECR - No responses had been received and this was now with Ofgem. Ofgem were reviewing a few points prior to reaching its decision within the standard 28 days.

Transfer and Trades – RF quoted a statement made by Ofgem in its approval letter (www.ofgem.gov.uk/Networks/Trans/GasTransPolicy/Documents1/090622TTMethodology%20Decision.pdf) issued on 22 June 2009. FH responded that National Grid NTS had only just started looking at the points raised in respect of the exchange rates.

3.4.2 Update on Assignment of NTS Entry Capacity

FH gave a brief presentation, explaining what had been included and comparing the costs and timescales relating to a Full Solution Rough Order of Magnitude (ROM) and a Limited Solution ROM.

It was intended to organise a meeting for interested parties to reconvene in Solihull, to review the reasoning, timeframes and costs that sit behind the ROMs, and to establish the basic requirements to take forward. FH would provide some dates and the Joint Office agreed to organise the meeting.

Action TR0706: Provide dates and organise meeting to further discuss the Assignment of NTS Entry Capacity.

4. Any Other Business

4.1 Flexibility Workshop: 24 June 2009

RH reported that following the Workshop held last week a document was being produced capturing what was discussed and the feedback that had been noted. It was hoped to issue this early next week. The Workstream would be kept informed of any further discussions.

4.2 Enduring NTS Exit Capacity Arrangements - Update

SF gave a very brief presentation, and clarified what action needed to be taken by various parties following the initialisation process.

SF identified that application of the minimum capacity criterion ie 100,000 kWh might require some adjustment and following the July window a Modification Proposal will be raised to address the issue.

4.3 Carbon Capture and Storage

POD drew the Workstream's attention to this consultation and the responses received, which can be found on Ofgem's website at:

www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=189&refer=Networks/Trans/GasTransPolicy

4.4 Force Majeure - note issued 02 July 2009

RF reported that National Grid NTS had sent out a letter to affected Shippers regarding a Force Majeure event, and asked what route existed should any Shipper wish to dispute this.

POD responded that it was his understanding that it was a legal contract/issue between the parties involved to individually dispute with National Grid.

5. Diary Planning

The next Transmission Workstreams will be held at 10:00 on

Tuesday 07 July (Substitution Workshop 9); and

Thursday 06 August 2009.

Both at Elexon, 350 Euston Road, London NW1 3AW. Details of future meetings may be found on the Joint Office website at: www.gasgovernance.com/Diary).

Action Log – UNC Transmission Workstream: 02 July 2009

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR 1097	03/07/08	2.2.3	Ofgem to consider and report back whether they would wish to encourage the establishment of a group involving all stakeholders, both Government and industry, to look holistically at gas emergency arrangements.	Ofgem (POD)	Carried forward
TR 1102	02/10/08	3.1.1	Rationalisation of Maintenance Planning Dates and Timescales - National Grid NTS to produce a revised draft Proposal for discussion at the next Workstream meeting.	National Grid NTS (RH)	Closed
TR 0601	04/06/09	1.3	Update Workstream with progress on assignment.	National Grid NTS (MW)	Closed
TR 0602	04/06/09	3.3	Update Workstream on GTE developments.	National Grid NTS (MW)	Closed
TR 0603	04/06/09	3.4	Provide a draft proposal to close the current loophole by which shippers can currently avoid exit capacity booking liabilities each year	National Grid NTS (CS)	Closed
TR 0701	02/07/09	2.1	Organise GBA Workshops.	Joint Office (JB/LD) and National Grid NTS (SP)	
TR 0702	02/07/09	2.1	National Grid NTS to advise how, in the event of a deliverability monitor breach but not a space monitor breach, the market would know if an emergency was to be declared.	National Grid NTS (SP)	
TR 0703	02/07/09	2.3	National Grid NTS to finalise Proposal: "Annual NTS Exit (Flat) Capacity Credit Arrangements".	National Grid NTS (CS)	

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR 0704	02/07/09	2.4	National Grid NTS to finalise a Proposal on Treatment of Capacity affected by Force Majeure.	National Grid NTS (FH)	
TR 0705	02/07/09	3.3.2	National Grid NTS to consider whether a gradual population of more years of historical data at reasonable cost is feasible.	National Grid NTS (CS)	
TR 0706	02/07/09	3.4.2	Provide dates and organise meeting to further discuss the Assignment of NTS Entry Capacity.	National Grid NTS (FH) and Joint Office (JB/LD)	

Action Log – Carried Forward from Substitution Workshops: 02 July 2009

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
SUB 001	08/04/08	3	Ofgem to consider producing a document, prior to the first substitution auction, setting out its rationale for approving substitution applications	Ofgem (BK)	Carried forward to Workshop 9 (07/07/09)
SUB 005	07/05/08	4	Consider and report back whether it is able to model the effect on gas prices of various substitution scenarios.	Ofgem (BK)	Carried forward to Workshop 9 (07/07/09)
SUB 017	07/01/09	3.4.2	Develop and present generic cost profiles based on recent projects.	National Grid NTS (MW)	To be included in Consultation Document Carried forward to Workshop 9 (07/07/09)

BK = Bogdan Kowalewicz; MW = Martin Watson

**Action Log – Carried Forward from Review of Emergency Arrangements – Workshop 4:
24 June 2009**

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
EAW 005	02/06/09	2.0	An overview of the nominations/renominations process in an emergency to be included as an appendix to the Modification Proposal.	National Grid NTS (SP/CT)	Carried forward

SP = Steve Pownall; CT = Claire Thorneywork