

## Transmission Workstream Minutes

Thursday 02 October 2008

Elexon, 350 Euston Road, London NW1 3AW

### Attendees

John Bradley (Chair)	JB	Joint Office of Gas Transporters
Lorna Dupont	LD	Joint Office of Gas Transporters
Alex Barnes	AB	BG Services
Amrik Bal	AB1	Shell
Andrew Pearce	AP	BP Gas
Angus Paxton	AP1	Poyry Energy Consulting
Chris Wright	CW	Centrica
Claire Dykta	CD	National Grid NTS
David Linden	DL	BP Gas
Jeff Chandler	JC	Scottish and Southern Energy
John Baldwin	JB1	CNG
Kirsten Elliott-Smith	KES	ConocoPhillips
Martin Watson	MW	National Grid NTS
Paul O'Donovan	POD	Ofgem
Phil Broom	PB	Gaz de France
Richard Fairholme	RF	E.ON UK
Richard Street	RS	Corona Energy
Ritchard Hewitt	RH	National Grid NTS
Roddy Monroe	RM	Centrica Storage Ltd
Stefan Leedham	SL	EDF Energy
Steve Gordon	SG	Scottish Power
Steve Rose	SR	RWE Npower
Steven Sherwood	SS	Scotia Gas Networks
Tim Davis	TD	Joint Office of Gas Transporters
Tricia Moody	TM	xoserve

### 1. Introduction and Status Review

JB welcomed the attendees to the meeting.

#### 1.1 Minutes from the previous Workstream Meeting (04 September 2008)

The minutes of the previous Workstream meeting (04 September 2008) were approved.

#### 1.2 Review of Outstanding Actions

##### 1.2.1 Actions from the Workstream

**Action TR1085:** Ofgem to provide updates to the Workstream on progress with The Gas (Calculation of Thermal Energy) Regulations.

**Update:** No further progress to report. **Action carried forward.**

**Action TR1095:** National Grid NTS to work with RWE to develop Modification Proposal 0214 and return it to next Workstream.

**Update:** Modification Proposal 0214 was withdrawn by the Proposer on 22 September 2008. **Action closed.**

**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:** At the previous meeting BK had advised that a view may be provided towards the end of October, and POD stated that this expectation was unchanged. **Action carried forward.**

#### **1.2.2 Actions from Substitution Workshop 4**

**Action SUB001:** Ofgem to consider producing a document, prior to the first substitution auction, setting out its rationale for approving substitution applications.

**Action SUB005:** Ofgem to consider and report back whether it is able to model the effect on gas prices of various substitution scenarios.

**Update on SUB001 and 005:** POD reported that it was still Ofgem's intention following the submission of the methodology to consult on the reasons that it would be using to support a decision to reject. In response to a question from AB, POD said that this would be a separate consultation to that on the methodology. RM thought that it should form part of the methodology consultation. AB observed that the methodology could be accepted, but that Ofgem could still intervene in any substitution decisions in the interests of the consumer. MW explained that the perceived 'best way' was to implement substitution then look at the Licence wording to see if any changes would be required and work on from there; RM responded that the Licence would have surely had to have been interpreted first in order to produce the methodology; this was therefore somewhat circular in its concept. POD pointed out that there had never been a formal commitment to an Impact Analysis. **Action carried forward.**

### **1.3 Review of Workstream's Modification Proposals and Topics**

#### **1.3.1 Modification Status Report (Modification Proposals Register<sup>1</sup>)**

JB gave an update on the current status of the Live Modification Proposals.

0116/0195 and related Modification Proposals: A decision in November was still to be expected.

0217: Meetings continue.

0219: See item 2, below.

0221: Meetings continue.

0222: Two responses received to date; consultation closes on 06 October 2008.

0223: Consultation closes on 13 October 2008.

#### **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/>.

021TR Transmission Planning Code: Following Ofgem's approval on 29 September 2008, it was agreed to close this Topic.

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

022TR European Transparency Requirements: Modification Proposal 0223 was raised on 11 September 2008; consultation closes on 13 October 2008.

Other than agenda items, there were no further changes to report.

## **1.4 Related Meetings and Review Groups**

### **1.4.1 Ops Forum**

The next meeting will take place on 08 October 2008.

### **1.4.2 Review Groups**

The Review Groups were continuing to meet regularly and there were no matters for the Workstream's attention.

## **2.0 Modification Proposals**

### **2.1 Modification Proposal 0219: Publication of UK Wholesale Gas Market Liquidity Data – E.ON UK**

#### **2.1.1 Update**

RF summarised the changes made to E.ON's Modification Proposal which reflected the comments and suggestions put forward at the previous month's Workstream.

*Additional Data items added to Proposal – the total number of trading parties trading on the Day*

RH pointed out that National Grid NTS did not have this data, only the net position at the end of the Day and by individual Shipper Short Code, ie those that had supplied National Grid NTS with trade nominations on that Day. RF thought that 'trading parties' could be amended to 'Shipper Short Codes'. RH questioned whether OCM trades were just another trade notified to National Grid NTS and thought that this may need to be clarified. RF was happy to accept whatever was easiest for National Grid NTS and believed that the Proposal reflected National Grid NTS' presentation at the September 2008 Workstream.

JB asked the meeting if the changes were understood, and there were no further comments.

SR asked if there was any idea as to the magnitude of cost that may be involved in making the changes. RH responded that under Review Group 0140 the agreement was to provide raw data and not graphs, and that costs would therefore need to be verified for the provision of this type of information in the proposed format. MW pointed out that there was a commitment to publish data every month at an open forum, and questioned the perceived frequency at which consumers were going to actually be viewing the data. RS observed that under Review Group 0140 the provision of data was to be in the most user friendly format for ease of manipulation and questioned why this graph was deemed to be so different to those agreed under the Review Group. JB added that there were useful data presentations at the Ops Forum but acknowledged that members of Review Group 0140 had expressed the wish to have access to the graphs themselves; some were easier to generate than others.

RH said that this would require a change and someone to develop a report; the total number of trades versus physical is already produced. He would need to obtain costings for publication at D+2 and monthly. AB1 observed that Heren produced a chart monthly that RH may like to consider. It was asked if it was possible to establish whether the information was viewed on a regular basis and RH thought it might be possible to establish the number and frequency of viewings.

SR commented that costings should be included in the Proposal; AB agreed that the key element was the potential cost. TD observed that from Ofgem's perspective it would want to see costs to enable a decision to be made.

RH agreed to provide costs in respect of the Modification Proposal as it currently stands, and in respect of the additional data items.

**Action TR1101: Modification Proposal 0219: National Grid NTS to provide costs in respect of the Modification Proposal as it currently stands, and in respect of the additional data items.**

The Workstream then agreed that the Proposal was sufficiently developed in order to produce its Report.

### **2.1.2 Workstream Report**

The content of the Report was reviewed and discussed, and amendments were made as agreed. To aid clarification RF agreed to reflect the comments made at (4b) within a new version of the Modification Proposal.

The Workstream Report was finalised and will be presented to the October UNC Modification Panel.

## **3. Topics**

### **3.1 023TR Maintenance Planning (new Topic)**

#### **3.1.1 Draft Modification Proposal: Rationalisation of Maintenance Planning Dates and Timescales**

RH explained that it was necessary to resolve and rationalise inconsistencies under UNC TPD Section L and OAD Section G in respect of the publication of two annual Maintenance Programmes, and presented a comparison of the inconsistencies within the existing UNC requirements in terms of publication dates and the time periods covered by the Programme. Additional concerns were identified and explained and the proposed rationalisation was presented, together with an indication of the perceived benefits. A discussion of the proposal took place.

It was perceived that the OAD was a Transporter to Transporter document, and that any changes could affect the DNs.

PB preferred to see an actual date in the TPD as well as the OAD, or failing this, would prefer to have the actual date in the TPD and a reference in the OAD. RH noted this point.

SR pointed out that the UNC required outline plans for a second 12 months and that this gave some comfort. RH said that the value of this was questionable as this would only include the OLI runs and what was under National Grid NTS' control; from an affected party's point of view they will know from prior discussions in advance of the 12 months. SR responded that he felt more protection was available to the industry if the 24 months period was retained. Again, RH questioned the real value as many positions changed over a year. SR reiterated that having the longer term awareness was beneficial and that shortening the period was of concern. RH noted SR's preference to retain the 24 month period.

SS questioned the 'disappearance' of the November plan and was concerned that the November discussions did not take place on a formal basis; there was a risk that an awareness of something will only then have visibility in the following February. SS would prefer to see all three plans (November, February, and April).

RH said that continually changing plans leads to confusion and also to a perceived tendency for parties to ignore after a time – the assumption being that they begin to place less and less value on a continually changing document. However, if the accepted position was that interested parties were actively looking at the earlier plans in

the full awareness that these were subject to change (and not seen to be devalued because of their status as evolutionary documents) then this may be satisfactory.

JC observed that changes to plans affected Shippers. RH pointed out that it should be recognised that changes originated from all parties and not just National Grid NTS, who tried to coordinate maintenance as far as possible and as efficiently as possible, but unfortunately not everything was under National Grid NTS' control. National Grid NTS tried to maintain flexibility to tie in its maintenance plans with others where possible.

RH reiterated that the Proposal was not about changing any dates, but about *where* the dates were located within the UNC.

**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.**

### 3.2 014TR Operating Margins Procurement

#### 3.2.1 Review of UNC Section K: Operating Margins – National Grid NTS

RH gave this presentation, explaining the background and setting the context for a proposed review of UNC TPD Section K. It was noted that this section was extremely complex and would benefit from additional clarity. Changes to UNC TPD Section K would facilitate the provision of the service from a wider pool of potential providers and provide the flexibility to enable competitive services to be taken up should they be seen to be economic and efficient so to do.

Each year there were ongoing costs to the industry associated with the provision of Operating Margins for contingencies; these were thought to be in the order of £25 - £30 million each year smeared back, with additional charges should it actually be called into use (a rare event).

It was proposed to establish an informal sub group to review and agree business rules to facilitate competition in the provision of Operating Margins, and this was agreed by the Workstream.

**Action TR1103: Review of UNC Section K: Operating Margins – The Joint Office of Gas Transporters to arrange a series of sub group meetings to review and agree business rules to facilitate competition in the provision of Operating Margins.**

RH then reported that in order to facilitate the review a Consent To Modify (CTM) would first have to be raised to bring UNC TPD K4.2.4 and 4.2.6 into realignment with the current practice, as longstanding errors had been identified (which on subsequent investigation had occurred at the time of the implementation of Modifications 311 and 710) and these needed to be rectified as soon as possible. RH then went on to explain in more detail the effect of the identified errors on the WACOG calculation and what would be covered in the CTM. There was no intention of changing anything in the way WACOG is calculated. The CTM would be produced and submitted to Ofgem for its approval.

## 4. Any Other Business

### 4.1 Moving QSEC and AMSEC

CD gave a presentation on a proposal to change the timings of the QSEC and the AMSEC. The rationale was explained together with a timeline. In response to questions CD also commented briefly on other options that had been considered, some of which may have necessitated changes to the timings of the production of certain documents, which in turn would necessitate Licence changes. MW added that taking everything into account, August seemed to National Grid NTS to be the most

appropriate, but acknowledged AB's observation that this was also a prime holiday period.

JB1 requested that the Modification Proposal, if produced, could include the fact that if there was a one-off Entry Point auction it would be a full one. MW would consider this suggestion but did not commit to it.

CW observed that this proposal appeared to be severing the link between the delivery of capacity and the Formula Year, thereby risking the stability of prices, and thought that a previous Modification had sought to align this. MW noted this comment. AB agreed that it would be helpful to understand the linkages to assess the impact.

RF and SL voiced concerns relating to the remaining September 2009 QSEC and requested more clarity on this position; others wished to assess their position internally before commenting further.

The preference was to see a fully drafted Modification Proposal at the next Workstream. In the meantime MW and CD encouraged the meeting to share any further comments or concerns.

#### **4.2 Substitution Update**

MW reported that National Grid NTS was in constructive dialogue with Ofgem. The methodology would be consulted on by 07 November 2008, and submitted to Ofgem by 06 January 2009. An additional workshop may be held in the meantime. Ofgem's decision was expected in April 2009.

#### **4.3 ExCR**

MW reported that this had received Ofgem's approval and was in force from 01 October 2008.

#### **4.4 Review of Discretionary Release Auctions**

MW reported that two Discretionary Release auctions had been held based on Easington; every bid was allocated. All bids had been allocated for November but not for the remaining months.

Not all assets are in the ground and operational yet, and there would be additional uncertainties for the winter in respect of flows, but risks would decrease after various commissions had taken place. This might open the way for further Discretionary Release auctions.

He acknowledged that timings had been tight and said that a second round will be run for December to March, and would be held towards the end of October. October and November were fully allocated. If there was interest in other ASEPs then parties should contact MW.

There were comments on the perceived degree of transparency. MW was happy to revisit this and offered to deliver a separate session on the topic at the next Workstream.

RF commented that there was a potential for a party overpaying in one round of the auction because they were unaware that a second round was to be run. MW responded that National Grid NTS would have liked to have been able to set it up as a two round auction and explained why this had not been possible at the time.

#### **4.5 Ofgem Letter: Transmission Planning Code 2008**

RF pointed out that although approval had been given, it was Ofgem's expectation that National Grid NTS "...pursue the review of the design margin without delay and submit a revised Transmission Planning Code once this is concluded. This should be completed within the next six months" and asked what progress was to be made on this. MW agreed to report back to the Workstream.

**Action TR1104: Transmission Planning Code – National Grid NTS to report on the progress of the review of the design margin.**

**5. Diary Planning**

The next Workstream will be held at 10:00 on 06 November 2008 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](http://www.gasgovernance.com/Diary)).

**Action Log – UNC Transmission Workstream: 02 October 2008**

<b>Action Ref</b>	<b>Meeting Date(s)</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
TR 1085	03/04/08	1.2	Provide updates to the Workstream on progress with The Gas (Calculation of Thermal Energy) Regulations.	Ofgem (POD)	<b>Carried Forward</b>
TR 1095	05/06/08	3.1	National Grid NTS to work with RWE to develop Modification Proposal 0214 and return it to next Workstream.	National Grid NTS (MW) and RWE (SR)	Withdrawn by Proposer. <b>Closed</b>
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 (DS)	<b>Carried Forward</b>
TR 1101	02/10/08	2.1.1	Modification Proposal 0219: National Grid NTS to provide costs in respect of the Modification Proposal as it currently stands, and in respect of the additional data items.	National Grid NTS (RH)	
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)	
TR 1103	02/10/08	3.2.1	Review of UNC Section K: Operating Margins – The Joint Office of Gas Transporters to arrange a series of sub group meetings to review and agree business rules to facilitate competition in the provision of Operating Margins.	Joint Office (JB/LD)	
TR 1104	02/10/08	4.5	Transmission Planning Code – National Grid NTS to report on the progress of the review of the design margin.	National Grid NTS (MW)	

**Action Log – Substitution Workshop 4 (09 July 2008) – Outstanding Actions**



Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
SUB 001	08/04/08	3.0	Ofgem to consider producing a document, prior to the first substitution auction, setting out its rationale for approving substitution applications.	Ofgem (POD)	See agenda item 1.2. <b>Carried Forward</b>
SUB 005	07/05/08	4.0	Consider and report back whether it is able to model the effect on gas prices of various substitution scenarios.	Ofgem (POD)	Ofgem to consider including this in any Impact Assessment. See agenda item 1.2. <b>Carried Forward</b>