

## Transmission Workstream Minutes

Thursday 03 April 2008

Elexon, 350 Euston Road, London NW1 3AW

### Attendees

John Bradley (Chairman)	JB	Joint Office
Lorna Dupont	LD	Joint Office
Adam Cooper	AC	Merrill Lynch
Amrik Bal	AB	Shell
Andrew Pearce	AP	BP Gas
Andy Hayes	AH	Wales and West Utilities
Bali Dohel	BD	Scotia Gas Networks
Charles Ruffell	CR	RWE Npower
Chris Logue	CL	National Grid NTS
Chris Wright	CW	Centrica
Christiane Sykes	CS	Statoil (UK)
Colin Hamilton	CH	National Grid NTS
Emma Hayes	EH	BG Group
Ericson Lee	EL	Poyry Energy Consulting
Fergus Healy	FH	National Grid NTS
John Baldwin	JB1	CNG
Jeff Chandler	JC	Scottish and Southern Energy
Joy Chadwick	JC1	ExxonMobil
Julie Cox	JC2	AEP
Liz Spierling	LS	Wales and West Utilities
Martin Watson	MW	National Grid NTS
Natasha Ranatunga	NR	National Grid NTS
Paul Remer	PR	National Grid Distribution
Peter Dickinson	PD	Ofgem
Phil Broom	PB	Gaz de France
Rekha Patel	RP	Waters Wye Associates
Richard Fairholme	RF	E.ON UK
Roddy Monroe	RM	Centrica Storage
Sebastian Eyre	SE	EDF Energy
Shelley Rouse	SR	Statoil UK
Sofia Fernandez Avendano	SFA	Total Gas and Power
Steve Gordon	SG	Scottish Power
Steven Sherwood	SS	Scotia Gas Networks
Tricia Moody	TM	xoserve
<b>Apologies</b>		
Clare Temperley	CT	Gas Forum
Tim Davis	TD	Joint Office of Gas Transporters
Paul O'Donovan	POD	Ofgem

## 1. Introduction and Status Review

JB welcomed the attendees to the meeting.

### 1.1 Minutes from the previous Workstream Meetings

The minutes of the meeting held on 06 March 2008 were approved. CR pointed out that there was an inconsistency with respect to Action TR1080 which was resolved when the action was discussed (see 1.2 below).

### 1.2 Review of Outstanding Actions

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

**Update:** CL reported that this was still under consideration. **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:** No further update available. **Action carried forward.**

**Action TR1080:** Topic 020TR Gas Quality – Ofgem to provide an update on progress.

**Update:** Ofgem want to do more analysis following the last consultation, but advised that given the current resource constraints in Ofgem's markets team, this was not likely to happen any time in the near future. The action was agreed closed but the topic will remain on hold; Ofgem will inform the meeting when it feels it can next resume activity in this area so there should not be any surprises. **Action closed.**

**Action TR1081:** National Grid NTS to consider the CV aspects of its current incentives and bring suggestions to a future Workstream.

**Update:** CL reported that National Grid NTS had met with Ofgem to discuss the CV capping rules. These form part of the regulations and so cannot be changed. Ofgem had agreed to speak to BERR and take a lead on this. National Grid NTS agreed to monitor the level of CV shrinkage and will report back to the Workstream in the event of any significant issues. As any further action was now recognised to be between BERR and Ofgem this action was agreed closed, and a new action was agreed (TR1085). **Action closed.**

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

**Action TR1082:** Explore potential impact of Assured Pressures Proposal on SO Incentive Scheme and address and clarify the meeting's concerns within the Proposal.

**Update:** Modification Proposal 0206 produced by National Grid NTS – see 3.1 below. New Topic created. **Action closed.**

**Action TR1083:** National Grid NTS to provide information on the effect on TO Commodity Charge from the latest AMSEC Auctions to the next TCMF Meeting.

**Update:** No further update available. **Action carried forward.**

**Action TR1084:** The Gas Forum to provide a link between the Gas Forum and the JO websites to enable easy access to the Transfer and Trade audit documents.

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**Update:** Completed. **Action closed.**

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

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

An update was given on the outcome of the Modification Proposals closed since the last meeting and the current status of the Live Modification Proposals.

### **1.3.2 Topic Status Report**

#### **003TR Review of Exit Capacity Arrangements**

Modification Proposal 0195 together with the alternate Modification Proposal 0195A raised by E.ON has been issued for consultation. An extended consultation date was agreed by the February UNC Modification Panel.

Consultation on Modification Proposal 0198 ended on 29 February 2008. The UNC Modification Panel recommended implementation and this has now been sent to Ofgem for its decision.

Status: Live

#### **014TR Operating Margins Procurement**

CL gave a short presentation.

A consultation is now underway on the future competitive Operating Margins provision; an electronic copy of the consultation is available on the National Grid website at: <http://www.nationalgrid.com/uk/Gas/OperationalInfo/GasOperatingMargins>. Responses should be submitted by 02 May 2008 to Ian Pashley at: [ian.pashley@uk.ngrid.com](mailto:ian.pashley@uk.ngrid.com).

A workshop has been arranged to support the consultation process and this will be held on Thursday 17 April 2008 at the Ardencote Manor Hotel, Claverdon, Warwickshire. Advance registration should be made to: [Bea.ennim@uk.ngrid.com](mailto:Bea.ennim@uk.ngrid.com), and National Grid NTS will confirm details nearer the date.

Status: Live.

#### **015TR Constraint Management**

Status: Remained On Hold.

#### **016TR Storage Commodity Charge**

Status: Remained On Hold.

#### **019TR Emergency Market Arrangements**

Status: Remained On Hold.

#### **020TR Gas Quality**

Status: Remained On Hold.

#### **021TR Transmission Planning Code**

A series of workshops has been arranged; the first two are scheduled to take place on 03 April and 01 May 2008.

Status: Live.

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

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

### **1.4.1 Ops Forum**

No meetings have taken place since the previous Workstream meeting.

## **2. Topics**

### **2.1 008TR Entry Capacity**

#### **2.1.1 Non-Obligated System Entry Capacity**

FH gave a presentation setting out three product options for consideration by the Workstream:

Option A Ad-hoc release of non-obligated system entry capacity

Option B Ad-hoc release of non-obligated system entry capacity with Buy-Back

Option C Scheduled release of non-obligated system entry capacity with Buy-Back

RM recognised that the complexity of any Modification Proposal raised may be governed by the frequency of the release and wondered how often this might be. MW said that National Grid NTS were favouring Option B at present, looking at the demand picture for this winter and next.

In response to a further question by RM, MW said that Option A is exactly the same as a Transfer and Trades product provided in advance or in Transfer and Trades; Option B is an interruptible product, not an obligated, but would have firmer rights. The question was when did the market want it – earlier than Transfer and Trades or between Interruptible and Firm? The market needed to decide. RM pointed out that various risks were involved and said that he would like to see some worked examples of supply scenarios, ie what would be released under Options A and B and when.

MW stated that Options B and C were Interruptible products and will be taken off before Firm.

JC1 asked if these products will be available in the enduring regime. MW said that Option A gave National Grid NTS the flexibility to meet any perceived market demand, and that Option B would require a lot more work. Option A sells capacity earlier than within Transfer and Trades and provides benefit to both National Grid NTS and the community, but will also give worse exchange rates. CS wanted to know how much extra capacity on the NTS these Options would release and JC asked when the Buy-back price would be set under Option B.

CS was concerned that Option B might have the effect of reducing liquidity in the ST market. FH responded that further analysis would be needed to establish a clearer picture.

For Options B and C, the impact upon existing mechanisms needed to be thoroughly assessed, and there was a need to assess charging implications, depending on the treatment of capacity.

In response to questions on timescales MW said that for Option A an enabling Modification Proposal should be in for next winter; for Option B a more complex Modification Proposal would be required – towards the latter part of 2008; Option C might be unattainable for this coming winter. If licence changes were required the process could take much longer. These were all new products needing further analysis to see if significant system changes were required. MW would prefer to see a systems process that enabled interaction by Users, rather than a manual process.

The value of Option B was still open to debate but MW felt that it would be a sensible approach for National Grid NTS to first go with Option A, and start to do more work/analysis to progress Option B.

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**Action TR1086: National Grid NTS to ascertain how much extra capacity would be released under Option A, and possibly Option B.****2.1.2 Substitution Update**

MW reported that National Grid NTS was assessing the current position and would like to discuss each individual issue at the next Substitution Workshop (08 April 2008). As many of the Workstream members would be attending the Substitution Workshop MW suggested that thought might usefully be given as to which areas should be addressed at the first meeting and that he would welcome advance receipt of any particular items (martin.watson@uk.ngrid.com).

**2.2 European Transparency Requirements**

CH gave a presentation giving an overview of the work of the Gas Regional Initiative North West (GRI NW) Transparency Project, in which the UK was a participant. The agreed information provision extended beyond the requirements of EC Regulation 1775/2005 but this was intended to be anticipatory in advance of other future requirements.

CH pointed out that the UK was generally compliant and in some areas frequently exceeded requirements, but two areas of deficiency had been identified concerning exit capacity and day ahead nominations. However, to be compliant in these areas raised an issue of potential discrimination in that all points should be reported on rather than some as currently required. JC2 raised the issue of interpretation, eg maximum technical capacity, and what should be released. It was recognised that Modification Proposals would be required to address the information gaps, but the question was should this be facilitated now or after the exit regime comes in, which was likely to be November at the earliest. Views were sought.

One view was that more debate was required and there should not be a rush to meet GRI's requirements. National Grid NTS was apparently currently non-compliant with the European Regulations. Another view was that there were national issues and the UK was a transparent market that should be seen to be trying to move forward with European colleagues in a pragmatic way.

CH posed the question: was exit reform still a valid argument for deferral? JC2 thought it was more a question of whether the publication of information at IUK and Moffatt really going to help to liberalise the European markets in 2009. CH responded that the UK probably needed to demonstrate some degree of proactivity in this direction. MW was of the view that carrying out National Grid NTS's responsibility would be to bring forward the Code Modification and address any issue of discrimination if and when it arose. National Grid NTS needs to take this forward and today's presentation is a step on the way; members were encouraged to give this more thought before the next Workstream in May. JB suggested that an option might be to raise a Modification Proposal for development, which would then be taken forward by a Development Work Group, however the December timescale would still be tight.

Ofgem was asked to provide some clarity on the potential issue of discrimination raised in discussion. PD thought that this would need to be considered by Ofgem's Executive as the debate progresses.

**Action TR1087: Ofgem to provide some clarity on the issue of potential discrimination in the provision of information necessary under European transparency requirements.**

JC2 observed that Ofgem should have a view on compliance, ie whether these arrangements should be put in place as soon as possible, and whether they should

apply to the relevant points as defined by the Regulations or to all points. PD responded that Ofgem does not review every party's compliance status.

It was felt that it would be helpful if Ofgem was to be more dynamically involved earlier in the debate so that prudent and supportive decisions could be more easily be arrived at.

### **3. Modification Proposals**

#### **3.1 Modification Proposal 0206: "Summer and Winter Assured Pressure Periods"**

MW reported that the Modification Panel had returned the Modification Proposal to the Workstream for further consideration as they believed it required more detail, and his belief now was that it could not be implemented (assuming it was approved) for 01 June 2008. The urgency for the Modification had disappeared, and further feedback on the Modification Proposal in its current form would be welcomed. Further consideration was to be given to how it would affect Direct Connects; to interaction with other sites; and to a mechanism to request lower summer pressures. LS commented that The DN's were a little disappointed at the progress so far, but were anxious to engage in the process; moving it a year may help it to fit better with the transition and the enduring regime. SR asked if it might be withdrawn, and MW said that this might be considered depending on how developments progress and whether a more appropriate course becomes clear through Exit Reform.

JC2 observed that NExAs have a two year notice period for any reductions, but not all sites were the same. This might need to be considered along with other issues and impacts, including impacts on other players in the market. It was recognised that more time was required to define wider issues and resolutions.

It was agreed that in the current circumstances there was no point in developing a Workstream Report for the Modification Panel's consideration.

### **4. Any Other Business**

#### **4.1 Appointment of Auditor to the Transfer and Trades Process**

EL reported that Poyry was still in dialogue with Ofgem and National Grid in respect of its proposed appointment. It remained Angus Paxton's intention to present any findings to the Workstream in May.

### **5. Diary Planning**

The next Transmission Workstream meeting has been arranged for 10:00hrs on Thursday 01 May 2008 at Elexon, 350 Euston Road, London NW1 3AW. This meeting will be followed by Transmission Code Planning Workshop 2. (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: 03 April 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 1070	01/11/07	1.5	National Grid NTS to look at further options to address concerns relating to Modification 0149A.	National Grid NTS (CL)	See 1.2 above. <b>Carried Forward</b>
TR 1071	01/11/07	1.5	National Grid NTS 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 (CL)	See 1.2 above. <b>Carried Forward</b>
TR 1080	06/03/08	1.3	Topic 020TR Gas Quality - Ofgem to provide an update on progress.	Ofgem (POD)	See 1.2 above. <b>Action agreed closed</b>
TR 1081	06/03/08	1.2	National Grid NTS to consider the CV aspects of its current incentives and bring suggestions to a future Workstream.	National Grid NTS (MB)	See 1.2 above. <b>Action agreed closed</b>
TR 1082	06/03/08	3.2	Explore potential impact of Assured Pressures Proposal on SO Incentive Scheme, and address and clarify the meeting's concerns within the Proposal.	National Grid NTS (FH)	See 1.2 above. <b>Action agreed closed</b>
TR 1083	06/03/08	3.3	National Grid NTS to provide information on the effect on TO Commodity Charge from the latest AMSEC Auctions to the next TCMF Meeting.	National Grid NTS (MB)	See 1.2 above. <b>Carried Forward</b>
TR 1084	06/03/08	3.4	The Gas Forum to provide a link between the Gas Forum and the JO websites to enable easy access to the Transfer and Trade audit documents.	Gas Forum (CT)	Completed. <b>Closed.</b>
TR 1085	03/04/08	1.2	Provide updates to the Workstream on progress with The Gas (Calculation of Thermal Energy) Regulations	Ofgem (PD)	
TR 1086	03/04/08	2.1.1	Non-Obligated System Entry Capacity: National Grid NTS to ascertain how much extra capacity would be released under Option A, and possibly Option B.	National Grid NTS (FH)	

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TR 1087	03/04/08	2.1.3	Provide some clarity on the issue of potential discrimination in the provision of information necessary under European transparency requirements.	Ofgem (PD)	