

## Transmission Workstream Minutes

Thursday 03 January 2008

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
Andy Miller	AM	xoserve
Charles Ruffell	CR	RWE Npower
Chris Wright	CW	Centrica
Clare Temperley	CT	Gas Forum
Ed Lawns	EL	SSE
John Baldwin	JB1	CNG Services
Joy Chadwick	JC	ExxonMobil
Leigh Bolton	LB	Cornwall Energy
Liz Spierling	LS	Wales and West Utilities
Mark Freeman	MF	National Grid Distribution
Martin Watson	MW	National Grid NTS
Nick Wye	NW	Waters Wye Associates
Peter Bolitho	PB	E.ON UK
Phil Broom	PB	Gaz de France
Richard Fairholme	RF	E.ON UK
Richard Robinson	RR	TPA Solutions Ltd
Roddy Monroe	RM	Centrica Storage
Sofia Fernandez Avendano	SFA	Total Gas & Power
Stefan Leedham	SL	EDF Energy
Stephen Rose	SR	RWE Npower
<b>Apologies</b>		
Jeff Chandler	JC	Scottish and Southern Energy
Tim Davis	TD	Joint Office of Gas Transporters
Christiane Sykes	CS	Statoil (UK)
Robert Cameron-Higgs	RCH	Northern Gas Networks

### 1. Introduction and Status Review

JB welcomed all attendees to the meeting.

#### 1.1 Minutes from the previous Workstream Meeting

The minutes for the meeting held on 06 December 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:** This action had been on hold whilst Ofgem was reconsulting on the baselines. Ofgem had published a further consultation document on 20 December 2007 for responses by 30 January 2008.

**Update 03/01/08:** Ofgem representative not present at the meeting. **Action carried forward.**

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

**Update 03/01/08:** Ofgem representative not present at the meeting. **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.

**Update 03/01/08:** No further update available. **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.

**Update 03/01/08:** No further update available. **Action carried forward.**

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

**Update 03/01/08:** Ofgem representative not present at the meeting. **Action carried forward.**

**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.

**Update 03/01/08:** The Modification Proposal had been produced; the consultation period ends 23 January 2008. **Action closed.**

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

**Update 03/01/08:** MW reported that a further report had been issued before Christmas, as had allocation examples in association with Modification Proposal 0187. **Action closed.**

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

**Update 03/01/08:** No comments received. **Action closed.**

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

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

Ofgem's decision was awaited on the following Proposals:

- 0116A, 0116BV, 0116CVV, 0116V, and 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.

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

CT reported that a relevant letter had been sent to the Gas Forum by the Authority and, providing the Authority had no objection, it would be published on the Gas Forum website.

(Post meeting note: Now published at:

[www.gasforum.co.uk/docs/correspondances/OFGEM\\_Letter\\_to\\_Steve\\_Briggs.pdf](http://www.gasforum.co.uk/docs/correspondances/OFGEM_Letter_to_Steve_Briggs.pdf))

PB pointed out that the Notice of Implementation was no longer visible on the Joint Office website and the Joint Office confirmed that this was consistent with the status of this Proposal following the Competition Commission Appeal.

- 0165V “Change to Measurement Provisions Change Process” – the UNC Modification Panel recommended implementation; sent to Ofgem on 20 December 2007.

The following new Proposals had been raised:

- 0182 “Information Provision at LNG Importation Facilities” – consultation ends 23 January 2008.
- 0187 “Alterations to the RMSEC Auction to Accommodate Transfer and Trade of Capacity Between ASEPs” – to be considered at the next UNC Modification Panel (17 January 2008).
- 0189: “Amendment to the QSEC Auction Timetable” – consultation ends 15 February 2008.

Review Groups in progress:

- 0166 “Review of necessary reform of NTS Offtake Arrangements” – because of the short notice, the December Modification Panel had deferred consideration until its next meeting in January. However, a special Transmission Workstream has been scheduled to discuss the Business Rules on 11 January 2008 (Elexon).

### **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.

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

The baseline reconsultation process was continuing, with papers available on the Joint Office and Ofgem’s website. No further Workshops are planned. All outstanding actions from the 2007 Workshops continue to be monitored and progressed by the Transmission Workstream.

Following the issue of Ofgem’s reconsultation of baselines document, initial ideas will 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).

**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. For an update on progress/next steps see Action TR1073 above.

**1.4 Related Meetings and Review Groups****1.4.1 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 website<sup>2</sup> ("Summary of Outstanding Actions and latest Updates") for the most recent updates.

**1.4.2 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 03/01/08:** Ofgem representative not present at the meeting. **Action carried forward.**

**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 03/01/08:** Ofgem representative not present at the meeting. **Action carried forward.**

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

**Update 03/01/08:** Ofgem representative not present at the meeting. **Action carried forward.**

**2. DN Interruptible Capacity Methodology Statement Consultation****2.1 Introduction**

MF gave a brief introduction, confirming that the consultation period was now closed and that very little in the way of comment had been received. An update was then provided to the meeting.

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

Modification Proposal 0174 revised the tender timescales under Modification 0090.

Ofgem's GDPCR Final Proposals had been received and were under consideration by the DNs (National Grid had already accepted).

Ofgem's note on the Economic Test was quite far reaching in its scope and how the Test should be applied. Any loads that chose to go Firm would not have to pass through this Test. Ofgem may issue another clarifying note covering this point.

Modification 0090 was not impacted by NTS Exit Reform, but the sunset clauses in UNC will need to be removed to facilitate the future booking of capacity.

There was to be a phased approach to testing on the automated tender system. Timescales were changing and Shipper facing files were to be tested at a later date. MW then explained the timeline pointing out the key dates.

In response to a question from SL, MW advised that the Safety Case had not yet been approved by the HSE and that discussions were continuing. The HSE required the demonstration that load could be got off the system quickly; Modification 0090 did not impact this, however NTS Exit Reform may need to change.

## **2.2 Scotia Gas Networks**

MF briefly talked through the presentations provided by Scotia Gas Networks.

## **2.3 Wales and West Utilities**

LS gave a presentation on the indicative interruption requirements for the Wales and West LDZs. These were subject to change; for example it had been identified that there would be an interruption requirement in the North Wales LDZ, and the 4 zones in South Wales had now been increased to 5.

LS explained that Wales and West Utilities had developed a calculator or "Ready Reckoner" as a tool to help work out prices, and went on to demonstrate how this worked. This tool was available on the Joint Office website.

LS gave details of the seminars that had been planned.

## **2.4 Northern Gas Networks**

Unfortunately the Northern Gas Networks representative was absent due to illness; on RCH's behalf JB presented the information that had been provided and gave details of the seminars that had been planned.

## **2.5 National Grid Distribution**

MF gave details of the seminars that had been planned, and presented the indicative interruption requirements/figures for the various LDZs. He stated that EA, EM and NW were the only LDZs that may require interruption. There was also some non locational requirement on the LTS. This type of interruption would be required to meet the 1-in-20 obligation but if bids were not received or were uneconomic it was likely that pipes would be reinforced to meet that capacity requirement.

Documents relating to DN Interruption were available on the Joint Office website at: [www.gasgovernance.com/industryinfo/int](http://www.gasgovernance.com/industryinfo/int)

Dates of the DN seminars were also published at [www.gasgovernance.com/Diary](http://www.gasgovernance.com/Diary)

### 3. Modification Proposals

#### 3.1 Modification Proposal 0187: Alterations to the RMSEC Auction to Accommodate Transfer and Trade of Capacity Between ASEPs

MW explained that the implementation date had been changed to 01 May but there was no impact on RMSEC. Detailed allocation examples had been provided as well as a document that explained the logic behind the Modification Proposal. Legal text would be provided.

JC asked when the process could be moved further into the month. MW answered that a dry run would be made through the whole process and as more comfort gained it would be pushed back as soon as possible. MW would be happy to bring information to the Workstream each month.

#### 3.2 Modification Proposal 0189: Amendment to the QSEC Auction Timetable

The consultation period closes out on 15 January 2008.

RM asked if QSEC was being brought forward before substitution was in place. MW affirmed this, to which RM responded that National Grid NTS would therefore have a potential windfall and wondered whether it had considered any arrangements for profit sharing. MW countered that any potential financial benefits would be very difficult to recognise at this stage and thought that Ofgem would have to consider this when it deliberates over the Modification Proposal, which identifies as a disadvantage the fact that substitution will not be in place and that National Grid NTS may have to invest, depending on location and any investment signals.

### 4. Topics

#### 4.1 User Pays Implications

AM explained the background, the models, the principles, and the services. He described the products available under Type 1 (UNC) and Type 2 (non UNC). It was noted that the "DEad" portfolio Report, currently categorised under Type 2, may become a Type 1 service depending on the outcome of a current modification proposal which is associated with this area.

Following customer feedback regarding the D8TA Centre Telephone Enquiry Line, whereby access to any 0900 numbers appeared to be barred from many Shippers' systems, xoserve was looking at ways of retaining the 0845 number.

A short discussion followed. NW observed that the Agency Charges Statement would set charges on a cost recovery basis that would be greater than £2.3million per annum. AM confirmed this and that there would be an ongoing cost associated with the User Pays regime, though there was no clear idea of what this might be. AB queried why the industry was contemplating this if it was going to cost more and requested that this question be put to Ofgem along with a request for clarification of how User Pays will affect Modification Proposals.

**Action TR1077: JO to write to Ofgem summarising questions asked at this meeting.**

AM responded that it provided the User with choice as to what service or services it might require and thereby reduce cross subsidies. RR asked whether there was an alternative service provider. AM responded that the data held by the D8TA Centre was held in a User's systems and that it would be the User's choice as to how it wished to source the data either from its own systems or via xoserve; an internal analysis of the best cost option may indicate to a User that it may wish to change its own systems to enable ready access to the same data. MW commented that the UNC would change with the User Pays concept. Future changes were still being discussed; Ofgem's view

may be that these could be funded by the User, but there was no clear route on future change arrangements and the implementation of User Pays was still set for 01 April 2008. Concern was expressed as to which party/parties would be expected to pick up the cost of Modification Proposals; the cost of everything would need to be determined in advance and National Grid NTS would have to defer systems development until much more detailed information was available. Although these points gave concern, a positive view was that this might impose a greater discipline on the gas industry and it was acknowledged that better analysis would be required in terms of costs and benefits. Of further concern was that Modification Proposals could be raised by parties who were not signatories to the UNC and who would therefore bear none of any associated cost of implementation. It was questioned who derives the benefit and how was this to be passed on.

It was also questioned how this may fit with the Code governance review. SR commented that this would result in a Modification Proposal to make appropriate changes to the Modification Rules within the UNC. It was observed that the Modification Proposal process could be lengthened quite considerably, eg by about one or two months. PB did not think that this was necessarily a bad thing. A document was available on the Joint Office website under the papers for the 10 December 2007 meeting that discussed the updating of the process to accommodate the User Pays concept ([www.gasgovernance.com/industryinfo/xoserveGroup/](http://www.gasgovernance.com/industryinfo/xoserveGroup/)). MW pointed out that NTS proposals may not fit under the User Pays concept.

It was noted that direct charges may lead to a reduction in the costs of both xoserve and User if the services were not required.

CW raised the question of intellectual property rights - how would this work, for example, if Centrica developed and paid for a change? AM responded that it remained as now; it was possible that in some cases licensing arrangements may be appropriate and discussions were continuing.

## **4.2 Entry Capacity**

### **4.2.1 Trade and Transfer – outstanding actions update**

See item 1.4.2, above.

### **4.2.2 Flow variability at Entry - update**

MW advised that no graphs were available for this meeting but that these could be provided for the February meeting. Behaviour continues to be monitored and a further update will be provided at February's meeting.

RM observed that in December 2007 interruption took place at a number of entry points and asked whether it would be possible for these to be covered within the graphs so any correlations could be tracked. RM asked if more information would be available as to why the interruptions took place. This may be available at the next Operations Forum.

CW asked whether behaviour had improved since MW had highlighted this issue at the last Workstream. MW had no evidence as yet as there was currently movement between periods, however monitoring will continue and MW will flag up any major issues.

## **4.3 Exit**

### **4.3.1 Alternative Enduring Exit Proposal**

PB gave an overview of the key elements and features and an update on progress. He pointed out that Interruption was currently a status concept as opposed to a booking concept, and that as a booking concept it was naturally more complex. Any feedback

on the appropriateness of mechanisms described in the key features was welcomed - for example was Max SPOR a relevant reference point, etc?

A short discussion followed. In response to a question by PB, MW confirmed that anytime National Grid NTS needs to curtail it can do so; there was an automatic curtailment at the 80% level.

SR wondered how this could be addressed at new exit points. PB responded that the key principle product was designed for use offpeak; it does not drive investment. Exit connections do not work in the same way as entry connections.

MW raised concerns as to how it would interact with substitution. An election to go Firm may increase the probability of interruption at other sites and parties may need to be aware of such risks. PB said that nothing limits a party to apply for Firm capacity but applications must be made within the July window. MW pointed out that National Grid NTS may have to substitute to meet a choice to go Firm. There was concern that substitution was not yet fully developed; the probability of interruption would increase constraints, and it was questioned whether the rules were tight enough. PB stated that as it cannot flow on Peak Days this was not attractive to many Users and therefore may not be such a problem. MW was still concerned that enough protection would need to be set around the product and pointed out that it has to interact with other elements that had been proposed.

The points brought out in the discussion will be given further consideration and when developing the Business Rules PB will take account of the effects of substitution.

## **5. Any Other Business**

### **5.1 Initial Thoughts on Timeline for Entry Capacity Substitution**

AF described two possible timelines for Entry Capacity Substitution, dependent on whether or not there was support for moving QSEC. Indications of support for Modification Proposal 0189 will drive the route that National Grid NTS will follow and special meetings may be arranged to support the work. MW commented that a quite a bit of work will be required to develop substitution. Anything not booked is potentially able to be substituted away, and work is being carried out on examples and an analysis of the cost to industry on protecting the baseline. MW would be happy to receive views/comments on what sort of consultation process the industry would like. AB commented that the previous discussions helped to highlight the issues. RF thought that a discussion paper, similar to the Charging Methodology, would be useful.

In response to a question from SL, MW did not think that Ofgem would be interested in deferring substitution, and it was not likely that derogation would be sought. MW confirmed 02 June 2008 for the September QSEC; the industry could always put forward an alternative to Ofgem. In answer to AB's concern that rules needed to be established and hurdles needed to be identified MW said that this would be done under IECR and not UNC. AB also thought that some kind of summary of current status/position would be helpful setting out the issues and options already identified. This would not preclude any other potential issues, options, or suggestions that might then arise.

In JB1's opinion parties seemed to be reasonably happy with Transfer and Trades, and it would be helpful to know what National Grid NTS' response to the baseline consultation was (the close out is 30 January 2008). JB pointed out that this was outside of the UNC and therefore outside of this Workstream however National Grid NTS was happy for it to be covered under this Workstream.



## 5.2 Compressor Fuel Usage

CW explained that Centrica had been doing some work on SO Incentives and compressor fuel usage and was finding it difficult to locate the appropriate data as it did not seem to be obvious in the Ten Year Statements. MW will follow this up.

Post Meeting Note: MW reported that it had been decided not to publish this information in the Ten Year Statement, as it was now available on National Grid's website via the following link:

[www.nationalgrid.com/NR/rdonlyres/E9567AEE-9AA5-4EA4-AD4C-387B0D059624/21956/Supportingdatagas1.xls](http://www.nationalgrid.com/NR/rdonlyres/E9567AEE-9AA5-4EA4-AD4C-387B0D059624/21956/Supportingdatagas1.xls)

## 5.3 Competition Commission Appeal – Witness Statements

PB reported that certain documents had now been published, ie the statements of David Gray and Professor George Yarrow, and these could be found on Ofgem's website under the Gas Transmission Policy section:

[www.ofgem.gov.uk/Networks/Trans/GasTransPolicy/Pages/GasTransmissionPolicy.aspx](http://www.ofgem.gov.uk/Networks/Trans/GasTransPolicy/Pages/GasTransmissionPolicy.aspx).

## 5.4 Ofgem's Baseline Workshops

LB asked whether any further details were available in respect of Ofgem's Baseline Workshop following the show of interest that had been indicated to Ofgem at the last Workstream meeting. JB advised that the Joint Office had not received any further information as yet but would contact Ofgem regarding further details.

**Action TR 1078: Ofgem's Baseline Workshops - Joint Office to contact Ofgem regarding further details.**

Post Meeting Note: Ofgem has indicated that it still intends to hold this Workshop on 16 January 2008.

## 6. Diary Planning

The next Transmission Workstream meeting has been arranged for 10:00hrs on Thursday 07 February 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: 03 January 2008

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 (POD)	See 1.2 above. <b>Carried Forward</b>
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. <b>Carried Forward</b>
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. <b>Carried Forward</b>
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. <b>Carried Forward</b>
TR 1073	06/12/07	1.3	Topic 020TR Gas Quality: Obtain an update on progress/next steps.	Ofgem (BK)	See 1.2 above. <b>Carried Forward</b>
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)	See 1.2 above. <b>Closed</b>
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)	See 1.2 above. <b>Closed</b>
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	See 1.2 above. <b>Closed</b>
TR 1077	03/01/08	4.1	User Pays Implications: JO to write to Ofgem summarising the questions asked at this meeting.	Joint Office (JB)	

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR 1078	03/01/08	5.4	Ofgem's Baseline Workshops - Joint Office to contact Ofgem regarding further details.	Joint Office (JB)	Ofgem contacted. <b>Action closed</b>