

Transmission Workstream Minutes
Thursday 03 July 2008
Elxon, 350 Euston Road, London NW1 3AW

Attendees

John Bradley (Chair)	JB	Joint Office
Alex Barnes	AB	BG Group
Amrik Bal	AB2	Shell
Andrew Pearce	AP	BP Gas
Angus Paxton	AP2	Poyry Energy Consulting
Ben Woodside	BW	Ofgem
Chris Logue	CL	National Grid NTS
Chris Wright	CW	Centrica
Christiane Sykes	CS	Statoil (UK)
Clare Temperley	CT	Gas Forum
David Linden	DL	BP Gas
Duncan Sinclair	DS	Ofgem
Jeff Chandler	JC	SSE
Julie Cox	JC2	AEP
Kirsten Elliott-Smith	KES	ConocoPhillips
Liz Spierling	LS	Wales & West Utilities
Mark Cockayne	MC	xoserve
Martin Watson	MW	National Grid NTS
Paul O'Donovan	POD	Ofgem
Phil Broom	PB	Gaz de France
Rekha Patel	RP	Waters Wye Associates
Richard Fairholme	RF	E.ON UK
Roddy Monroe	RM	Centrica Storage
Stefan Leedham	SL	EDF Energy
Steve Fisher	SF	National Grid NTS
Steve Pownall	SP	National Grid NTS
Steve Rose	SR	RWE Npower
Steven Sherwood	SS	Scotia Gas Networks
Tim Davis	TD	Joint Office

1. Introduction and Status Review

JB welcomed the attendees to the meeting.

1.1 Minutes from the previous Workstream Meeting

The minutes of the meeting held on 5 June 2008 were approved.

1.2 Review of Outstanding Actions

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

Update: POD asked for this to be deferred to the next meeting. **Action carried forward.**

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

Update: POD's offer that Ofgem's European team present at the September Workstream was accepted. **Action Carried forward.**

Action TR 1090: European Transparency Requirements - AB to provide a link to the GRI website.

Update: AB provided:

http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_INITIATIVES/GRI/North_West

Action Closed.

Action TR1091: Emergency Cashout – National Grid NTS to investigate current status of E3C related work in respect of Emergency scenarios and report back.

Update: SP indicated that this would be covered during his presentation (see 2.2.1 below). **Action Closed.**

Action TR1092: Emergency Cashout - An EBCC representative be asked to attend the next Workstream to address the credit issues and an item added to the next EBCC agenda.

Update: JB confirmed that EBCC had considered the issue, and MC was attending the Workstream on behalf of the EBCC. **Action Closed.**

Action TR1093: Emergency Cashout - An Ofgem representative to attend the next Workstream to give a view on emergency cash out.

Update: BW presented for Ofgem (see item 2.2.2 below] **Action Closed.**

Action TR1094: Emergency Cashout – National Grid NTS to check with the NEC for consistencies of the proposals with NEC Safety Case, etc.

Update: SP indicated that this would be covered during his presentation (see 2.2.1 below). **Action Closed.**

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

Update: SR reported that National Grid NTS had identified an alternative route for achieving the desired outcome – an EXCR amendment. SR therefore wished to defer development of Proposal 0214 which may be withdrawn - dependent on the content of National Grid NTS' EXCR consultation. **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 the current status of the Live Modification Proposals. POD reported that Ofgem's NTS Exit Reform Impact Assessment was expected to be issued in the following week and, subject to publication, an Ofgem Workshop to discuss this was planned for 22 July.

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

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

1.4 Related Meetings and Review Groups

1.4.1 Operational Forum

JB reported that nothing had been raised which needed to be brought to the Workstream's attention.

2. Topics

2.1 008TR Entry Capacity

2.1.1 Transfer and Trades Audit Findings – Pöyry Energy Consulting

AP2 presented an overview of the “Audit of National Grid’s ‘Interim Transfer and Trades’ Process”, produced by Pöyry for the Gas Forum, which has now been published. The audit found no material problems, but identified a number of learning points for the enduring Transfer and Trade arrangements.

There was some discussion about the level of costs which may arise if constraints were created by transfers and trades and the acceptability of the National Grid NTS approach to avoiding a material increase in costs, which was a set of logical tests rather than a translation into costs. POD said that Ofgem’s main concern had been that National Grid NTS might use the transfer and trade process to de-risk their business, and were content that this had not happened. They were therefore satisfied with the outcome but were likely to support an audit of the enduring arrangements although the precise approach to this remained to be decided. AP2 felt that, to a large extent, future audits could follow a relatively simple check list and hence Ofgem would be able to conduct this themselves.

2.2 019TR Emergency cashout

2.2.1 Update - National Grid NTS

SP presented on behalf of National Grid NTS. JC2 questioned the suggestion that entry-type Shippers affected by supply losses face the most commercial risk as a consequence of a GDE – NBP contracts may not be honoured. Assuming the risk did exist, SL questioned how a dynamic cash-out price would help. SP felt that a dynamic price may encourage supplies, especially in an extended emergency, although attendees felt this unlikely to make a difference given the strong obligations on Shippers to cooperate with the NEC (Network Emergency Coordinator) and so procure as much gas as possible in any event.

AB2 felt that if, as suggested by SP, the problem was attracting non-UK gas (i.e. non UKCS or GB storage gas), the cash-out price, which could give difficulties to all players, was not necessarily the appropriate tool – the wider implications of cash-out prices should be considered. CL suggested that a variable price may adjust to be sufficiently high to attract additional gas, but AP2 pointed out that this could lead to people holding back gas in the hope that the price would rise further. JC2 also pointed out that variable prices create uncertainty given the time lag between seeing a price and actually delivering gas, by when the price may have dropped - uncertainty tends to discourage supply. AB2 argued that the underlying question was what set of circumstances existed such that potentially available gas was not flowing, and the answer to this would affect any assessment as to whether a variable cash-out price might change behaviour.

In response to example 1 in SP's presentation, attendees questioned the practicalities and felt the issues identified in previous debates remained to be addressed – some feedback on the latest position reached by the various groups considering emergency arrangements would be helpful.

2.2.2 Ofgem Perspective

BW presented on behalf of Ofgem. A dynamic price was identified as potentially attracting additional gas during an emergency, but others emphasised that all parties would have very strong incentives to source as much gas as possible irrespective of the cash out price – no organisation would want to be seen as creating or contributing to an emergency situation. Ofgem emphasised that they had an open mind at this stage as to whether or not a dynamic pricing approach was appropriate – they supported the concept in principle but recognised there were practical issues and concerns that needed to be addressed before concluding that this was the correct way forward.

SR asked what further analysis over and above what has been produced in recent years would help to inform the decision. BW suggested that, recognising uncertainty, scenario analysis may help.

CS argued that during an emergency all would be looking for clear and decisive action and that keeping the arrangements as simple as possible would be a major advantage, avoiding distractions from the main aim of ending an emergency situation. She felt a seminar involving all the interested parties would help - going through all the tools that are available when we are in an emergency situation and are seeking to encourage additional flows of non-UKCS gas into the UK. CS therefore suggested inviting a representative from the various groups discussing emergency arrangements to provide a full progress update to the Transmission Workstream. CL agreed to invite a National Grid representative on these groups to provide an overview of developments at a subsequent Workstream meeting

Action 1096: National Grid NTS to provide an overview of developments in all groups considering emergency arrangements.

2.2.3 A Shipper Perspective – RWE npower

SR presented on behalf of RWE. The duty to cooperate with the NEC – which goes beyond procuring UKCS gas – was emphasised. The existing best endeavours obligation meant that Shippers should, and would, be looking to attract all potential supplies irrespective of the cash-out price.

SP confirmed that the NDM nomination processes would continue in a Stage 4 emergency. SR believed this confirmed that Shippers would have difficulty knowing their imbalance position throughout an emergency. Hence Shippers confidence to enter the market and trade would be limited.

Under SR's suggested approach of gas being procured by National Grid NTS following instruction by the NEC, SP questioned why the NEC should have any better information than Shippers in seeking to attract additional flows on to the system. CS was concerned about the costs of such trades being socialised, and CL was concerned that National Grid NTS may not be as efficient as Shippers when procuring gas since this activity is not a major part of the Transporter business. JC2 argued that, in conjunction with the JRT (Joint Response Team), the NEC would have a bigger and wider picture of the situation and be better placed than Shippers to take judgements about the required actions and whether the costs were worthwhile. Social decisions would inevitably be needed and it was appropriate for the Government to be involved. For example, who should decide what to do if the choice was either interrupting supply to a major city or purchasing high priced gas? AB2 felt that the reality was that large scale and prolonged interruption was likely to be avoided at all costs and that the issue would be how to allocate the costs, not whether or not to incur them.

On behalf of EBCC, MC said that the Committee had concluded that it would be difficult to produce a set of rules which it would apply in an emergency situation. When credit difficulties are faced in practice, the EBCC exercises the available discretion and looks at the specific circumstances. The Committee would expect to do the same in an emergency should it arise.

JB asked how the Workstream should take the cash-out issue forward, for example should a smaller group be convened to look in detail at the options presented, seeking to generate the analysis which might help to support a decision. CS emphasised the importance of getting all relevant parties involved if real progress is to be made; an approach which attracted general support. SP suggested retaining the item as a Topic for potential discussion at subsequent Workstream meetings. For Ofgem, BW agreed 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, but agreed that for the time being it was appropriate for the issue to remain as a Workstream Topic.

Action 1097: 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.

3.0 Modification Proposals

3.1 Modification Proposal 0214: Reservation of Firm NTS Exit Capacity at new NTS Exit Points in the transitional period

To enable the prospective EXCR consultation to be published and this Proposal to be considered in light of that consultation, it was agreed that consideration of the Modification proposal should be deferred.

4. Any Other Business

CL provided a brief update on the process which National Grid NTS is running to review the SO Incentive schemes.

5. Diary Planning

Substitution Workshop: 10:00, 09 July at Ofgem, Millbank.

Transmission Workstream: 10:00, 07 August at Elexon, Euston Road

(Details of future meetings may be found on the Joint Office website at: www.gasgovernance.com/Diary).

Action Log – UNC Transmission Workstream: 03 July 2008

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR 1085	03/04/08	1.2	Provide updates to the Workstream on progress with The Gas (Calculation of Thermal Energy) Regulations. Provide a weblink to enable access to further information.	Ofgem (POD)	POD requested that this be Carried Forward
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 (POD)	Ofgem to present at the September Workstream Carried Forward
TR 1090	05/06/08	1.2	European Transparency Requirements: AB to provide a link to the GRI website.	BG Group (AB)	http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_INITIATIVES/GRI/NorthWest Closed
TR 1091	05/06/08	2.2	CL to investigate current status of E3C related work in respect of Emergency scenarios and report back.	National Grid NTS (CL)	See Action TR1096 Closed
TR 1092	05/06/08	2.2	Emergency cashout: An EBCC representative be asked to attend the next Workstream to address the credit issues and an item added to the next EBCC agenda.	Joint Office (JB)	MC attended Closed
TR 1093	05/06/08	2.2	Emergency cashout: An Ofgem representative to attend the next Workstream to give a view on emergency cash out.	Ofgem (DS)	BW presented Closed
TR 1094	05/06/08	2.2	Emergency cashout: Check with the NEC for consistencies of the proposals with NEC Safety Case, etc.	National Grid NTS (CL)	NTS confirmed this had happened Closed
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)	consultation is anticipated Carried Forward

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR1096	03/07/08	2.2.2	National Grid to provide an overview of developments in all groups considering emergency arrangements	National Grid NTS (CL)	
TR1097	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)	