

**Transmission Workstream Minutes**  
**Thursday 03 September 2009**  
**Elxon, 350 Euston Road, London NW1 3AW**

**Attendees**

John Bradley (Chair)	JB	Joint Office
Alex Barnes	AIB	Gazprom
Amrik Bal	AmB	Shell
Andrew Pearce	APe	BP Gas
Angus Paxton	APa	Poyry Consulting
Chris Wright	CW	Centrica
Gareth Evans	RP	Waters Wye Associates
Graham Jack	GJ	Centrica
Ian Taylor	IT	Northern Gas Networks
Jean-Raymond Rastoul	JRR	Gaselys
Jeff Chandler	JeC	Scottish & Southern Energy
Joanna Ferguson	JF	Northern Gas Networks
Joy Chadwick	JoC	ExxonMobil
Julie Cox	JuC	AEP
Mark Dalton	MD	BG Group
Mark Feather	MF	Ofgem
Martin Watson	MW	National Grid NTS
Natasha Ranatunga	NR	National Grid NTS
Paul O'Donovan	POD	Ofgem
Phil Broom	PB	GDF Suez
Richard Fairholme	RF	EON UK
Richard Jones	RJ	Xoserve
Richard Street	RS	Corona Energy
Shelley Rouse	ShR	Statoil UK
Sofia Fernando Avendano	SFA	Total Gas and Power
Stefan Leedham	SL	EDF Energy
Steve Fisher	SF	National Grid NTS
Steve Rose	StR	RWE npower
Steven Sherwood	SS	Scotia Gas Networks
Tim Davis (Secretary)	TD	Joint Office

**1. Introduction**

JB welcomed attendees to the meeting.

**1.1. Minutes of the previous Workstream Meetings**

The minutes of the previous Workstream meetings (06 and 19 August 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 confirmed that any action would follow the report that was due to be produced at the end of 2009. **Action carried forward**

**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.

**Update:** This had been considered at the GBA workshops, with the conclusion being that the outcome depended on the specific circumstances. **Action closed**

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

**Update:** National Grid NTS asked for this to be carried forward. **Action carried forward**

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

**Update:** The meeting had been arranged to take place on Wednesday 16 September 2009 at 31 Homer Road, Solihull B91 3LT, and an invitation had been issued by National Grid NTS (rsvp by 11 September 2009 to: Natasha.Ranatunga@uk.ngrid.com). **Action closed**

**ACTION TR0801: Ofgem (POD) to ascertain if Proposal 0263 should fall within the User Pays regime.**

**Update:** POD confirmed Ofgem's initial view that Proposal 0263 should not fall within the User Pays regime. **Action closed**

**ACTION TR0802: Centrica (CW1) to consider amending Proposal 0263 in light of the discussion.**

**Update:** Amended Modification Proposal 0263 was issued on 12 August 2009.

**Action closed**

**Action TR0803:** National Grid NTS to consider whether Proposal 0262 "Treatment of Capacity affected by Force Majeure" should apply irrespective of who calls Force Majeure.

**Update:** This had been clarified and the Proposal was unchanged. **Action closed**

**Action TR0804:** National Grid NTS (MW) to clarify the exit capacity system release phase which incorporates flexibility and pressure elements.

**Update:** MW confirmed that Release 2 (2011) will incorporate flexibility and pressure elements. **Action closed**

**ACTION TR0805:** Review of Entry Capacity Charging Methodology - All to email National Grid NTS with any suggestions for analysis that would be helpful in illuminating issues and identifying a way forward for the entry capacity charging review.

**Update:** National Grid NTS had received some suggestions for analysis that would be considered in the forthcoming review. **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.

**Update:** This will be considered in light of the methodology proposed and may be addressed within the Impact Assessment. **Action carried forward**

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

**Update:** Impacts on gas prices will be considered as part of the Impact Assessment, which POD expected to be issued in October. MW confirmed that National Grid NTS would be submitting the proposed methodology on 7 September and Ofgem would then have three months in which to issue any veto. **Action carried forward**

RS indicated that, while not captured as an action in the previous minutes, he had asked what behavioural changes might be expected as a result of implementing Modification Proposal 0260 This had been raised with National Grid NTS. RS asked if there was an update to report, and MW agreed to pursue this.

**New Action TR0901: National Grid NTS to clarify the change in behaviour they would expect to see if Modification Proposal 0260 were implemented**

### 1.3. Review of Work stream's Modification Proposals and Topics

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

JB gave an update on live Modification Proposals. Proposal 259 had been amended that morning and hence it was agreed that this should not be considered during the meeting.

#### 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/>.

### 1.4. Related Meetings and Review Groups

Review Group 0251 is to meet on 21 September 2009 to continue the consideration of potential shrinkage costs associated with the entry of low CV gas and possible options for reducing them.

JB summarised the Operational Forum held on 12 August 2009. All the presentations, including the Gemini updates, are filed under the following reference: <http://www.nationalgrid.com/uk/Gas/OperationalInfo/operationsforum>

MW said that, while introducing the retainer approach, the entry capacity substitution methodology being submitted to Ofgem would not prevent a two stage auction being implemented. If any party wished to raise a Modification Proposal to introduce a two stage auction, therefore, the methodology should not be a barrier. MW anticipated that the methodology will be available on the National Grid website when issued to Ofgem.

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<sup>1</sup> 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](http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=4&refer=Licensing/IndCodes)

## 2. Initial Proposals for the Governance Review

MF (Ofgem) presented an overview of Ofgem's initial proposals for the Governance Review. This covered changes to charging methodologies, major policy reviews (MPRs) and the role of code administrators.

AIB asked about the scope of MPRs and what might have been subject to the process in the past. MF anticipated no more than one or two MPRs being seen each year across all codes. Looking backwards was problematic in light of hindsight, but the process might have been applied to issues such as the introduction of long term entry capacity auctions, exit reform or electricity cashout.

SL asked what process was envisaged when an MPR was undertaken. MF emphasised that the process would be open and consultative, including a full Impact Assessment.

AIB asked whether the MPRs would cover policies that would be introduced through Licence changes or just code changes. MF said Licence changes would be needed to incorporate the proposed approach. A benefit from introducing the change would be to increase transparency – avoiding the perception of behind closed doors agreements between Ofgem and National Grid following which National Grid raised Modification Proposals.

JuC asked how an MPR would be initiated, for example if there would be industry debate before concluding that an issue would be best pursued through an MPR. MF felt this was dependent on the specific circumstances, but issues were not expected to appear out of the blue – the intention was to flag the potential for MPRs in the Corporate Strategy. RS felt it important to ensure practical issues are considered as part of the process, avoiding the pitfalls seen in, for example, User Pays, where development of the detail uncovered a range of issues. He suggested that Ofgem might usefully publish a best practice guide to the process, which would be followed during an MPR process. MF did not feel there was anything that could be usefully added to the initial proposals document that set out the anticipated process and the expectation of thorough consultation through a range of mediums.

JuC felt that the exit reform experience provided some process lessons since in many ways it provided a model, which MPRs could build on. MF thought that the MPR process would be more transparent and consistent and did build on experience. SL rose that the importance of an independent chair and secretariat had been emphasised by Ofgem in the context of code administration that contrasted with the MPR approach that was being set out as Ofgem led. Was it correct, for example, that Ofgem would provide a secretariat and chair for any meetings under an MPR? MF agreed to take these points away regarding best practice guidelines.

AIB supported the view that the move from high level principles to detailed implementation needed to be integrated within the MPR process. As RS had said for User Pays, difficulties had been seen in issues such as substitution and baseline changes - the MPR process should be designed to ensure full Ofgem participation from up front initiation right through to the end of the process, thereby avoiding last minute changes or surprises. MF confirmed that the initial proposals included a facility for any Ofgem directions to be changed as the process developed, thereby providing flexibility if issues emerged late in a process.

In terms of whether Modification Proposal should follow the existing path or be subject to self governance, AmB asked how Ofgem might judge whether impacts are non-trivial. MF anticipated that this would be established through precedent. A back casting exercise had suggested that 50% of proposals might fall to self governance. GE asked if it would be possible to see the details behind the back casting exercise, which MF agreed to consider. RS was concerned that while some issues may be trivial to most in the industry, it could be a major issue for one party and so should be appealable. MF explained that in all instances, the potential to appeal to the Competition Commission would be unchanged. AP suggested that the Panel's decision to follow the self

governance route should itself be appealable. MF believed that the ability to lobby Ofgem was already available in order to seek a decision to overturn the Panel view. GE suggested that providing a formal mechanism for approaching Ofgem to overturn the Panel decision would be useful, such that there would be a formal action which would be transparent and would subject Ofgem to the usual potential challenges, for example via Judicial Review.

**Action TR0902: Ofgem to consider publishing details of the back casting exercise that suggested 50% of change proposals might fall to self governance**

The role of the self governance appeals forum was discussed. It was suggested that evidence of how widely these forums had been used in other codes would be helpful. MW suggested looking at how many proposals from the back casting exercise had received unanimous support and so were unlikely to be appealed.

On Ofgem engagement, AmB suggested the key was active engagement rather than attendance. AIB added that there would be fewer meetings and engagement would be easier if less issues were live at any one time. If Ofgem did not have the resources to see issues through to a conclusion, bearing in mind that the devil is often in the detail, then issues should not be initiated. RS noted that Ofgem do not attend all the groups at which his company is represented. Comparing the size of his organisation with Ofgem, it would seem reasonable that Ofgem should be able to actively contribute to more issues than at present and raise issues as early as possible in the process. MF accepted this but emphasised that there is a great deal of activity within Ofgem at the moment and there is inevitably a need to prioritise.

SL asked what constitutes a small participant. MF indicated that the initial proposals are based on those supplying less than 1m supply points being small participants, but alternative definitions would be welcome.

SL highlighted that , because of the different constitution, THE JO is not in a position to provide the type of analysis which Elexon offer, and asked what Ofgem had in mind by saying that improved analysis should be provided. MF gave the example of the recent Moffatt Proposal (0243V) for which, in Ofgem's view, the Modification Report did not include sufficient analysis. If the JO had an expanded role to challenge assertions and identify where analysis is lacking, the quality of Modification Reports should be improved.

RS asked how Ofgem saw the process of appointing an independent Panel chair operating. MF said the BSC provides a model. This was a three year appointment and followed advertising and a typical selection process. APa asked to whom the chair would be accountable. MF confirmed they would not be accountable to the Authority.

CW commented that the information MF provided during the presentation had been helpful in providing a level of detail beyond that in the published proposals, and asked when more would be published. MF indicated that the document was initial proposals and more detail would need to be included in future publications. In the case of independent panel chairs, the BSC provided a model and included more detail regarding the role that could be replicated within the UNC.

MW asked if the Consumer Focus Panel vote was envisaged as additional to the present ten. MF said that Ofgem had no specific proposal on this and were looking to the industry to take this forward. RS suggested that if a Consumer Focus representative had a vote, they should ensure that they were informed about the issues. MF confirmed that Consumer Focus did attend the CUSC and BSC Panels and were actively engaged in a number of issues. JB pointed out that Consumer Focus had attended the last UNC Modification Panel and were looking at how they might appropriately become more involved in the UNC process.

MW asked if larger consumers should be represented rather than just Consumer Focus. MF clarified that only Consumer Focus was covered in the initial proposals but other suggestions would be welcome.

AmB asked about European requirements and whether a backstop measure would be retained for changes to be made to the UNC by the Authority in order to deliver compliance. MF confirmed that the potential impact of European regulations had been identified in the initial proposals document as an area that may need further consideration.

### 3. UNC Modification Proposals

#### 3.1. Modification Proposal 0263: “Enabling the Assignment of a Partial Quantity of NTS Exit (Flat) Capacity”

The August Modification Panel had referred this Proposal to the Workstream. GJ explained that British Gas had been in discussion with National Grid NTS about developing the Proposal but no change had yet been made. He invited National Grid NTS to present the issues that they had raised regarding the Proposal and hoped others would provide views on the options identified.

SF then gave a presentation covering the full assignment process embodied within the UNC and potential differences under Proposal 0263.

GJ asked whether the UNC provides for forward or option contracts to be assigned when full assignment occurs. SF said that the UNC refers to associated rights and obligations being assigned, and National Grid NTS interpreted this as including forwards and options. StR questioned this, commenting that these were bilateral contracts and outside the UNC.

In conclusion, SF indicated that a gut feel for implementation costs was that they could run into hundreds of thousands if no changes were made to the Proposal but, if changes were made, the cost might be reduced to tens of thousands.

RS asked National Grid NTS which parts of the Proposal needed to change to give the clarity required to support implementation. SF said the big issues were user commitment and the treatment of forwards and options. GJ suggested that the forward and options contracts could include terms which covered what should happen if there was partial assignment, but asked whether National Grid NTS felt this should be included in the UNC. MW explained that the Proposal was silent and the key was knowing whether or not capacity covered by these contracts was eligible for assignment.

In terms of user commitment, SL said that, given the implications for parent companies within the British Gas Proposal, EDF had some issues around their ability to assign capacity internally within their group. In light of this, the approach outlined by National Grid NTS would appear to be preferable. StR supported the desirability of facilitating assignment within a group.

When invited, no clear views were put forward by attendees for including or excluding Annual as opposed to Enduring capacity.

StR asked whether credit issues needed to be covered within the Proposal, and SF suggested this would be worthwhile.

CW said that, in light of the discussion, British Gas would take the Proposal away and consider redrafting some aspects prior to a Workstream Report being prepared for submission to the Modification Panel.

## 4. Topics

### 4.1. Topic 003TR Review of NTS Exit Capacity Arrangements

#### 4.1.1. System Flexibility Update

MW invited comments on the paper that had been published. A further workshop is planned for October. SR asked when Ofgem's consultation might be published, and POD said this was likely to be in October.

#### 4.1.2. Publication of information in the transitional period

NR presented on behalf of National Grid NTS in order to highlight the information which National Grid NTS anticipated proposing should be published in the transitional period. A draft Modification Proposal based on this would be provided for the October Workstream meeting.

JuC asked whether there was an intention to consult on which were the relevant exit points for which data should be published – the European Regulations would not require publication at every point. MW accepted that the Proposal goes beyond the minimum requirement and should be explicit about this.

SL suggested making it clear whether flex as well as flat capacity bookings were to be included, which NR accepted.

AIB asked if further changes could be expected now that the Regulations had been agreed, such that there would be plenty of warning about developments. MW agreed that National Grid NTS and others could come back to the Workstream with views once the implications of the Regulations had been absorbed.

#### 4.1.3. Publication of zonal flex data

MW presented on behalf of National Grid NTS setting out the data to be published from October. This would meet the requirements of Modification Proposal 0195AV.

Asked why negative tonal flexibility utilisation was being shown as zero, MW emphasised that all the input data had been published such that negative numbers could easily be derived. However, he would establish if there was an underlying reason for showing zero.

**Action TR0903: National Grid NTS to establish why any negative zonal flexibility utilisation was shown as zero.**

APa asked if historic flex data could be provided in order to inform debate and identify extremes. MW said this was being looked at for the workshops.

### 4.2. Topic 008TR Entry Capacity

#### 4.2.1. Commercial reverse (entry) flow at Moffatt

NR presented for National Grid NTS. It was anticipated that a commercial entry service would be made available at Moffatt in Q3 2010 and feedback from the industry on issues and ideas would be welcome.

RS asked if this would be a regulated service, and NR said it would be. It was identified that there were potentially some regulatory issues to address, and that including Moffatt as an entry point in the Licence may trigger a range of implications. Further consideration of the details would help to inform this.

## 5. Any Other Business

### 5.1. Modification Proposal 0266: “Amendment to Gas Quality NTS Entry Specifications for the North Morecambe Terminal”

GJ, on behalf of British Gas, outlined the intent and purpose of the Proposal that was to make entry parameters consistent with GS(M)R and thereby provide some additional operating flexibility. JB asked if National Grid NTS would provide an assessment of the possible impacts on unbilled energy, which MW agreed to look at.

**Action TR0904: National Grid NTS to consider quantifying the likely impact on unbilled energy if Modification Proposal 0266 were to be implemented**

## 6. Diary Planning

The next Transmission Workstream meeting is due to be held at 10:00 on:  
Thursday 01 October 2009, at Elexon.

Details of all planned meetings are on the Joint Office website at:  
[www.gasgovernance.com/Diary](http://www.gasgovernance.com/Diary)



**Action Log – UNC Transmission Workstream: 03 September 2009**

<b>Action Ref</b>	<b>Meeting Date(s)</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</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 (BW)	To be reconsidered early on 2010 in light of Project Discovery <b>Carried forward</b>
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 (RH)	Considered at GBA Workshop <b>Closed</b>
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)	<b>Carried Forward</b>
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)	<b>Closed</b>
TR 0801	06/08/09	2.2	Ascertain if Proposal 0263 should fall within the User Pays regime.	Ofgem (POD)	Not User Pays <b>Closed</b>
TR 0802	06/08/09	2.2	Consider amending Proposal 0263 in light of the discussion.	Centrica (CW1)	To be amended ahead of August Modification Panel. <b>Closed</b>
TR 0803	06/08/09	2.5	National Grid NTS to consider whether Proposal 0262 should apply irrespective of who calls Force Majeure.	National Grid NTS (FH)	Proposal unchanged. <b>Closed</b>
TR 0804	06/08/09	3.1.1	Clarify the exit capacity system release phase which incorporates flexibility and pressure elements.	National Grid NTS (MW)	<b>Closed</b>
TR 0805	06/08/09	5.2	Email National Grid NTS with any suggestions for analysis that would be helpful in illuminating issues and identifying a way	All	Responses being assessed. <b>Closed</b>

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
			forward for the entry capacity charging review.		
TR 0901	03/09/09	1.2.2	National Grid NTS to clarify the change in behaviour they would expect to see if Modification Proposal 0260 is implemented	National Grid NTS (SF)	
TR 0902	03/09/09	2	Ofgem to consider publishing details of the back casting exercise that suggested 50% of change proposals might fall to self governance	Ofgem (MF)	
TR 0903	03/09/09	4.1.3	National Grid NTS to establish why any negative zonal flexibility utilisation was shown as zero	National Grid NTS (SF)	
TR 0904	03/09/09	5.1	National Grid NTS to consider quantifying the likely impact on unbilled energy if Modification Proposal 0266 were to be implemented	National Grid NTS (SF)	

**Action Log – Carried Forward from Substitution Workshops: 03 September 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)	May be addressed in Impact Assessment <b>Carried forward</b>
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)	Gas price impacts will be included in the Impact Assessment <b>Carried forward</b>