

Transmission Workstream Minutes
Thursday 04 September 2008
Elxon, 350 Euston Road, London NW1 3AW

Attendees

John Bradley (Chair)	JB	Joint Office of Gas Transporters
Lorna Dupont	LD	Joint Office of Gas Transporters
Adam Sims	AS	National Grid NTS
Angela Love	AL	Poyry Energy Consulting
Bogdan Kowalewicz	BK	Ofgem
Chris Wright	CW	Centrica
Christiane Sykes	CS	Statoil (UK)
Clare Temperley	CT	The Gas Forum
Colin Hamilton	CH	National Grid NTS
Craig Purdie	CP	Centrica Storage Ltd
David Linden	DL	BP Gas
Fergus Healy	FH	National Grid NTS
Jeff Chandler	JC	Scottish and Southern Energy
Joanne Tedd	JT	xoserve
John Baldwin	JB1	CNG
John Costa	JC1	EDF Energy
Joy Chadwick	JC2	ExxonMobil
Martin Watson	MW	National Grid NTS
Olaf Islei	OI	Ofgem
Phil Broom	PB	Gaz de France
Rekha Patel	RP	Waters Wye Associates
Richard Fairholme	RF	E.ON UK
Roddy Monroe	RM	Centrica Storage Ltd
Shelley Rouse	SR	Statoil
Stefan Leedham	SL	EDF Energy
Steve Rose	SR1	RWE Npower
Steven Sherwood	SS	Scotia Gas Networks
Tim Bradley	TB	National Grid NTS
Tim Davis	TD	Joint Office of Gas Transporters
Apologies		
Steven Edwards	SE	Wales and West Utilities
Richard Street	RS	Corona Energy
Ritchard Hewitt	RH	National Grid NTS
Paul O'Donovan	POD	Ofgem
Juliana Urdal	JU	National Grid NTS
Kirsten Elliott-Smith	KES	ConocoPhillips
Adam Cooper	AC	Merrill Lynch
Steve Gordon	SG	Scottish Power

1. Introduction and Status Review

JB welcomed the attendees to the meeting.

1.1 Minutes from the previous Workstream Meeting (07 August 2008)

The minutes of the previous Workstream meeting (07 August 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 update available. **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: Covered under agenda item 2.3. **Action closed.**

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

Update: Further update provided – see agenda item 2.2.1. **Action carried forward.**

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: BK advised that a view may be provided towards the end of October. **Action carried forward.**

Action TR1098: National Grid NTS to confirm if an emergency exercise will be held this year.

Update: MW confirmed that the NEC would be running “Exercise Prelude” in the week commencing 03 November 2008. More detail would be provided at the Ops Forum. **Action carried closed.**

Action TR1099: National Grid NTS to examine what can be done in relation to the data described in Modification Proposal 0219.

Update: Covered under agenda item 3.2. **Action closed.**

Action TR1100: National Grid NTS to consider further information that could be used to give more substance to the graphic, and produce a graphic showing the data trend over one year and how it has been derived.

Update: Covered under agenda item 3.2. **Action closed.**

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: BK advised that Ofgem was still considering the responses to the consultation. JB1 was concerned that there were loose ends remaining, stemming from the fact that it was still a draft methodology. BK pointed out that there was still time for parties to bring forward a Modification Proposal to bring forward the QSEC auction; there was difficulty in not knowing exactly when the QSEC auction would take place. JB1 explained that if he did not buy capacity in the next couple of weeks, then later potentially available capacity may have been substituted elsewhere or there may be a QSEC in 2009 which absorbs all the spare capacity. He suggested that it would be helpful if Ofgem would clarify its support for the statements made by National Grid NTS, as the risks were quite considerable. Other Shippers agreed with this view and that clarification was required well before the next QSEC auction. BK responded that Ofgem could not give a firm commitment regarding a particular auction where the date is likely to change. JB1 disagreed with this view and reiterated that the community needed to know that National Grid NTS' methodology was going to be formally adopted; it was about closing off the opportunity for a one-off ASEP prior to the next QSEC. BK repeated that Ofgem was not in a position to comment on one aspect of the draft methodology and was not able to provide the assurances sought today. JB (Chair) observed that Users may therefore have to be content with their own assessments of risks and impacts.

RM asked whether National Grid NTS, having received the responses, was considering making changes to the draft methodology. MW said that so far he could see no reason to make a change.

The possibilities of raising a Modification Proposal were briefly discussed.

BK noted the concerns raised and would communicate them to his colleagues; in summarising the discussions, JB emphasised that the Workstream would need to know within the next week whether any assurances could be provided by Ofgem.

Action carried forward.

SUB 013: National Grid NTS to provide an expanded matrix of ASEP distances incorporating additional potential ASEPs.

Update: Provided and published on the website of the Joint Office of Gas Transporters. **Action closed.**

SUB 014: Joint Office to publish, alongside these minutes, expanded matrix of ASEP distances.

Update: Provided and published on the website of the Joint Office of Gas Transporters. **Action closed.**

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.

Fifteen submissions had been received in response to Ofgem's NTS Exit Reform Impact Assessment. Ofgem was still on course to make a decision in November/December 2008.

Other 'Live' Modification Proposals (0214, 0219, 0221, and 0222) were to be considered at this meeting.

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

Modification 0216 was implemented on 26 August 2008; Modification Proposal 0216A was rejected by the Authority.

DL questioned why no quantities of available capacity were included in the Discretionary Release Invitation Letter – a lack of transparency hinders bidding. MW responded that across the ASEPs each profile was different, and the same issue will occur in November. JC asked what the rationale was used for the selection of ASEPs. MW responded that it was largely based on what was sold out; timing was an issue, and any upfront expressions of interest in particular ASEPs. (Users can call the Capacity Team to facilitate the inclusion of a particular ASEP for October/November if possible.) Also National Grid NTS did not want to impact on existing auctions. It was noted that the auction results were to be published today.

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/>.

014TR Operating Margins Procurement: The “Conclusions on Operating Margins Contestability and Initial Thoughts for Associated SO Incentive Arrangements” document was issued for consultation by National Grid NTS on 03 September 2008. Responses should be submitted by 17:00 on 30 September 2008 to: ian.pashley@uk.ngrid.com.

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

1.4 Related Meetings and Review Groups

1.4.1 Ops Forum

JB advised that there were no particular issues for the attention of the Workstream.

2. Topics

2.1 008TR Entry Capacity

2.1.1 Interruption scaleback: winter operation – National Grid NTS

FH gave a presentation on scale back and the restoration of interruptible rights. The Gemini solution was explained and the working of the process was illustrated with various examples. It will be operational from this winter.

Responding to questions seeking further clarity, FH revisited the examples and the perceived implications for overruns. The risk of overrun was predicated on the User's end of day entitlement.

RM suggested that some form of monitoring of the effectiveness of the process would be welcome, to establish whether the action taken had resulted in a more efficient and effective management of the situation. It would be useful to Users to know and understand the cause of an event and what could be done to assist in mitigation.

CP reported that inconsistencies in communications between ANS and Gemini were experienced last year. FH believed ANS was the primary communication tool.

Post Meeting Note: FH has checked and confirmed that National Grid NTS' contractual mechanism for the communication of Scaleback is, and will continue to be, via Gemini. Therefore Gemini is the primary and principle communication tool, and *not* ANS as was originally believed.

2.2 003TR Review of NTS Exit Capacity Arrangements

2.2.1 ExCR Consultation Update - National Grid NTS

MW reported that 8 responses, all in support, had been received; there were no changes and it was now with Ofgem awaiting the Authority's decision.

2.3 022TR European Transparency Requirements

2.3.1 European Transparency Project Progress - Ofgem

OI gave a presentation updating the meeting on the progress of Phase 1 of the project, reporting graphically on the level of implementation and commitment to various categories of data release, and identifying key issues and next steps. The aim was to improve the level of information provided by European TSOs on actual gas flows and available capacity at key system entry and exit points.

CS was concerned that it should be recognised that there were costs associated with producing data and continually changing it. OI responded that it was necessary for the TSOs to publish their data in order to discuss and agree acceptable interpretations and address any identified difficulties, with the objective of harmonising across Europe.

DL pointed out that European markets operate very differently to the UK and that the same definitions may not always be suitable. OI explained that the TSOs were trying to improve transparency in Europe, getting the Shippers to look at the data provided to see if it was useful, etc, and that the UK was far ahead in this area.

OI confirmed that issues of discrimination were discussed at meetings, but pointed out that it was often somewhat difficult to agree objectives to which all TSOs could subscribe. JB observed that if more information was transparent and publicly available there would be less opportunity for discrimination.

JC2 questioned why LNG Imports were described as Interconnector Points, as these do not connect to any physical infrastructure. OI explained that the stakeholders wanted to include as many points as possible within the project, and CH added that the criterion was points of importation where non- indigenous gas arrives.

Phase 1 ends in December 2008 and OI advised that there was a North West Region Stakeholder Conference planned for 14 November 2008 in London at which all 3 projects would be discussed. Phase 2 is at the initial ideas stage and has yet to be properly scoped and agreed by the TSOs.

2.3.2 European Transparency Requirements (Draft Modification Proposal) - National Grid NTS

CH gave a presentation on the UK perspective. At present there was a voluntary approach to the release of information but it should be expected that this will become mandatory when the 3rd package is approved. The rule of 3 will probably disappear.

This gave cause for concern in respect of single User sites, eg Barrow. CW was concerned that the UK was exposing itself to greater risk through the continual upgrading of the provision of information and questioned why the UK approach was moving so quickly when arrangements under the 3rd package could yet change or fall away as the Continental markets need to catch up. CH responded that there was a very strong likelihood that the 3rd package would go through.

JC2 recalled there was a reference to a principle that no individual entity's commercial position should be exposed. CH said that there would be cases for exemption where this could be justified.

DL pointed out that any changes in Europe require changes to laws as there is no change process similar to that which operates in the UK, and agreed with others that the UK was in danger of proceeding too far and too fast.

CW wondered whether the UK should wait for the gap to close. MW replied that the idea was to accelerate progress, not to hold back. Data is released in response to Stakeholder requests, ie what National Grid NTS is asked for. CS observed that a balance was required and that the UK's current position of 'over provision' should be recognised, while Europe caught up. MW responded that the UK is demonstrating that it is playing its part positively in the European arena. CH stated that this is an ongoing process for information provision, for Users to reflect on the information provided, redefine it or see if anything different/more is required.

Responding to DL, CH said that the UK had to identify gaps; where it appeared to be non-compliant and set out an implementation plan to address these findings. All participants were committed to this initiative. The draft Modification Proposal demonstrates the UK's commitment to the process, and it was National Grid NTS' intention that this should proceed through the usual process.

3.0 Modification Proposals

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

In light of the ExCR update, SR1 confirmed that there was an expectation that the Modification Proposal may eventually be withdrawn later this month but, until the final outcome was known, requested that it should remain on hold.

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

JB reported that this Modification Proposal had been returned by the Modification Panel to the Workstream to consider whether a solution through NCORM rather than the UNC might be an alternative and more efficient and effective route.

TB then presented liquidity data produced in response to outstanding actions TR1099 and TR 1100, and advised that there was a User Guide available on National Grid's website that Users may find helpful. Following the presentation JB asked the meeting if this provided an acceptable degree of liquidity information that Users required, or was there something more needed and was this Modification Proposal still deemed to be necessary.

RF presented an updated position on E.ON's Modification Proposal and made reference to certain aspects of TB's presentation that in his view now appeared to satisfy certain points raised in respect of publication timing (moving to D+2), historical data (2 years of data), and agreed that TB's graphics had resolved the issue of the definition of "Total Daily Physical" (the Modification Proposal would be amended to reflect this).

A short discussion then centred on Additional Data Items (slide 7). TB advised that the number of trades on the day could be included in MIPI at D+2; this helps give meaning to the data.

SR1 asked whether the number of parties trading on the day would include all of the Shipper Short Codes trading between each other. When answered in the affirmative, SR1 proceeded to question the value of the information as this could in effect at some times show trading as only happening between Shipper Short Codes owned by the same parent company, eg RWE and E.ON who owned multiple licences.

JB pointed out that under Review Group 0140 the principle was agreed that information provision would move to a data item focus with a proviso that where provision of a report was more helpful to Users this would be considered, rather than expecting parties to extract eg 40 or 50 items individually, as this would be a more efficient use of the

system. RF said that in his view a report in a graphical format was required rather than source data.

It was considered that this could be discussed in order to accommodate it in the MIPI project, rather than pursue a Modification to UNC. JC2 pointed out that a Modification to UNC would guarantee publication of specific items rather than just have them under consideration on a MIPI 'wish list'. This could be construed to be a valuable piece of information that provided a good indication of the liquidity of the UK market; if numbers of trades were seen to decrease it would indicate that the market was less liquid.

RF then presented a table comparing the advantages and disadvantages of providing the data item through an NCORM change or a UNC change, and said that it was now his intention to revise the Modification Proposal in light of the discussions. MW suggested it would be helpful if the Modification Proposal articulated the change in strategy as to how information is to be presented to the community. In response to a question from CS, TB confirmed that National Grid NTS could not give an indication of costs at this stage as an impact assessment would be required for any item not in MIPI.

The Workstream then began to review its report. TD pointed out that it was not immediately obvious where this proposed change would sit in the UNC, and that RF may need to consider requesting lawyers to produce suggested text at an early stage. JB reminded RF that if legal text was required it would go out for consultation after the October Workstream. It was therefore agreed to suspend production of the Workstream's Report until the next Workstream meeting.

3.3 Modification Proposal 0222: Amendment of Interconnector UK's Minimum Wobbe Limit

AS gave a brief presentation on this new Modification Proposal, setting out the background and the objectives of the proposed change; no text changes would be required to UNC.

DL asked what sort of increase in volume was expected. AS said that none had been specified. On being asked why the Wobbe limit was set high originally, AS explained that this was a legacy issue and limits adhered to now are those set out in the GS(M)R.

It was recommended that this Modification Proposal would proceed to consultation.

4. Any Other Business

4.1 Ofgem Consultation: "National Grid Electricity Transmission and National Grid Gas Licence Amendment to include an Income Adjustment Term"

CW raised various concerns relating to this consultation. The industry appeared to have been presented with the fait accompli of a large bill, without forewarning or discussion that this was necessary. There had been no visibility on the effectiveness in reducing risks of terrorist attack, or any idea given of the split between the electricity and gas responsibilities. He suggested it would have been helpful to have clarified and segmented how much per fuel and included this in the document.

He questioned whether this was legitimately a cost to be passed on to energy consumers, or whether it should be more appropriately targeted and recouped through a different mechanism. No industry discussion appeared to have taken place on this, and the support for socialising costs could be questioned.

BK was not in a position to comment on the points raised as government mandate required the decision to be implemented (at the time of the TPCR). Costs were estimated at an early stage and were now of greater magnitude. It was pointed out that this took place in the aftermath of the 07/07 London bombings. BK was also not in a position to describe or explain the expenditure or the particular sites involved or what

measures had been agreed. There was no discretion over the costs because of government mandated measures that have to be covered. Scottish licences had already been amended to reflect the costs. RM commented that the targeting of costs on energy users was a change in strategy from the time of the IRA conflict where charges were placed through taxation mechanisms.

BK said that the consultation was limited to the treatment of the expenditure, and that enquiries should be directed to Duncan Innes (duncan.innes@ofgem.gov.uk). Responses should be submitted by 16 September 2008.

4.2 UNC Modification Panel Secretary

Following Julian Majdanski's decision to retire, John Bradley has been appointed as the UNC Modification Panel Secretary. All submissions in response to Modification Proposal consultations should now be addressed to John through the usual route of enquiries@gasgovernance.com.

5. Diary Planning

The next Workstream will be held at 10:00 on 02 October 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).

Action Log – UNC Transmission Workstream: 04 September 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.	Ofgem (POD)	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)	Presented at this Workstream. 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)	On hold while ExCR consultation progresses. Carried Forward
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)	Carried Forward
TR 1098	07/08/08	1.2	National Grid NTS to confirm if an emergency exercise will be held this year.	National Grid NTS (MW)	See agenda item 1.2. Closed
TR 1099	07/08/08	4.1	National Grid NTS to examine what can be done in relation to the data described in Modification Proposal 0219, and produce a graph showing the data trend over one year.	National Grid NTS (TB)	See agenda item 3.2. Closed
TR 1100	07/08/08	4.1	National Grid NTS to consider further information that could be used to give more substance to the graphic, and produce a graphic showing the data trend over one year and how it has been derived.	National Grid NTS (TB)	See agenda item 3.2. Closed

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. Carried Forward
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. Carried Forward
SUB 013	09/07/08	1.2	National Grid NTS to provide an expanded matrix of ASEP distances incorporating additional potential ASEPs.	National Grid NTS (MW)	Provided and published. Closed
SUB 014	09/07/08	1.2	Joint Office to publish, alongside these minutes, expanded matrix of ASEP distances.	Joint Office (JBr)	Published. Closed