

Transmission Workstream Minutes

Thursday 05 April 2007

held at

Elxon, 350 Euston Road, London NW1 3AW

Attendees

John Bradley (Chairman)	JB	Joint Office of Gas Transporters
Lorna Dupont (Secretary)	LD	Joint Office of Gas Transporters
Adam Simms	AS	National Grid Transmission
Agnes Petersen	AP	Poyry Energy Consulting
Alexandra Campbell	AC	E.ON UK
Alison Jennings	AJ	National Grid Distribution
Amrik Bal	AB	Shell
Andrew Pearce	AP1	BP Gas
Angus Paxton	AP2	Poyry Energy Consulting
Bali Dohel	BD	Scotia Gas Networks
Ben Woodside	BW	Ofgem
Beverley Grubb	BG	Scotia Gas Networks
Charles Ruffell	CR	RWE npower
Chris Hill	CH	RWE npower
Chris Logue	CL	National Grid Transmission
Chris Wright	CW	BGT
Christiane Sykes	CS	Statoil
David Howden	DH	Ofgem
Dipen Gadhia	DG	Ofgem
Fergus Healey	FH	National Grid Transmission
Ian Moss	IM	APX Group
John Baldwin	JB1	CNG Services
Jeff Chandler	JC	SSE
Joy Chadwick	JC1	ExxonMobil
Julie Cox	JC2	AEP
Lewis Hodgart	LH	Ofgem
Liz Spierling	LS	Wales & West Utilities
Mark Freeman	MF	National Grid Distribution
Martin Watson	MW	National Grid Transmission
Mike Pigginn	MP	TPA Solutions
Mike Young	MY	Centrica
Nick Wye	NW	Waters Wye
Paul Grele	PG	Centrica
Phil Broom	PB	Gaz de France
Rahaina Brahma	RB	Ofgem
Richard Fairholme	RF	EON UK
Richard Hall	RH	Ofgem
Ritchard Hewitt	RH1	National Grid Transmission
Roddy Munro	RM	Centrica Storage
Sofia Fernandez Avendano	SFA	Total
Stefan Leedham	SL	EDF Energy
Steven Sherwood	SS	Scotia Gas Networks
Stuart Waudby	SW	Centrica Storage
Tim Bradley	TB	National Grid Transmission
Tony Pearson	TP	Northern Gas Networks
Yasmin Sufi	YS	ENI UK

1 Status Review

1.1 Minutes from March Workstream Meeting

The minutes for the previous meeting held on 01 March 2007 were accepted.

1.2 Review of Outstanding Actions

Appendix A provides a tabular summary.

1.3 Review of Workstream's Modification Proposals and Topics

1.3.1 Modification Status Report (Modification Proposals Register¹)

The following Proposals had been approved by Ofgem:

- 0127 "Introduction of a DN Pensions Deficit Charge on DNO Users"
- 0090 "Revised DN Interruption Arrangements"
- 0116V "Reform of the NTS Offtake Arrangements".

The following Proposals had been rejected by Ofgem:

- 0119 "Amendment to the Entry Overrun Charge"
- 00116A, 0116BV, 0116CVV, and 0116VD "Reform of the NTS Offtake Arrangements".

The Final Modification Reports for Proposal 0121 "The Provision of Ex-Post Demand Information for all NTS Offtakes" and 0130 "The Provision of Ex-Post Demand Information for NTS Offtakes" were sent to Ofgem on 15 March 2007. The Authority's decisions are awaited.

The consultation period for Urgent Proposal 0138 "Transitional Arrangements for Entry Capacity Transfers to Sold Out ASEPs" will end on 12 April 2007.

1.3.2 Topic Status Report

003TR Review of Exit Capacity Arrangements. The legal text has been provided in support of Proposal 0134 and the Modification Panel will formulate its view at the next Panel meeting on 19 April 2007.

008TR Entry Capacity. Proposal 0133 - the Modification Panel will formulate its view at the next Panel meeting on 19 April 2007.

Modification Proposal 0138 was formally raised by E.ON on 28 March 2007 and was granted Urgent status by Ofgem. Representations close out on 12 April 2007.

0137 – see 2.1, below.

015TR Constraint Management.

Ofgem had rejected Modification Proposal 0119. MW stated that NGT intended to clarify many points in Ofgem's decision letter and LH advised he would alert the appropriate person to this.

The Workstream agreed to leave this topic on hold.

018TR Information Transparency.

The deadline for responses to Ofgem's Impact Assessment on Proposal 0104 is 12 April 2007

019TR Emergency Market Arrangements

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

This has been raised as a new topic and will be captured on the Topic Register.

020TR Gas Quality

This has been raised as a new topic and will be captured on the Topic Register.

Other Topics remained on hold.

1.4 Update from Transmission Operational Forum

The Transmission Operational Forum had not met since the last Workstream meeting.

JB advised that the Demand Side Working Group (DSWG) minutes would be circulated by Ofgem, and that papers relating to the recent Winter Outlook Seminar would be made available on Ofgem's website.

2 Modifications

2.1 Modification Proposal 0137: Allocated Entry Capacity & Baseline Summary Report

CR advised the meeting that following the provision of further information to RWE npower (RWE) by National Grid Transmission (NGT) and subsequent discussions it was RWE's view that this modification proposal would no longer be required. It was therefore RWE's intention to formally withdraw this proposal following the Easter break.

The meeting was advised that the report containing the information would be available on National Grid's website on 01 May 2007. JB1 requested that the information be circulated ahead of this date. MW agreed to consider early provision.

Action TR1065: NGT to consider circulating information previously provided to RWE to community.

3 Topics

3.1 Topic 018TR: Information Transparency

3.1.1 Transparency of System Operation (BGT/Centrica)

CW (BGT/Centrica) gave a presentation 'to stimulate debate' and establish views on what new information should be available for Users. CW was not thinking of raising a modification proposal at this stage.

In CL's view the new Review Proposal put forward by NGT had scope to cover the points made in CW's presentation (although some areas might be considered to be contentious) and most of the points could be taken forward as part of the Review Group. This would not preclude parties from raising modification proposals in advance of any Review Group deliberations. JB observed that the Terms of Reference (ToR) could be expanded to accommodate CW's points, and that it would be expected that NGT and BGT would liaise on this before the ToR were presented to the Modification Panel.

NW questioned whether the objectives were to increase the understanding of SO incentives, or were more along the lines of 006. CW responded that there was no 'hidden agenda'; the objective was to achieve a greater understanding of the way in which the system is managed and operated on a day-to-day basis. Whether this should be 'as is happening' or 'after the event' should be debated and tested out in the Review Group arena. CW reiterated that the presentation contained industry feedback subsequent to raising the topic at last month's Workstream meeting.

3.1.2 Information Provision (National Grid Transmission)

CL (NGT) gave a presentation on NGT's Gas Information Review Proposal and stated that the information referred to is that on the National Grid website and not information published through Gemini.

A Review Proposal had been drafted to review all information on the National Grid website (except for very recent additions, including 006) and CL believed that NCORM

(separately available on the Joint Office website) was also now due for a thorough revision. The main objectives included identification of data of little use, duplicated data, and gaps in data. In describing the potential new web provision it was hoped to provide something like the Daily Summary report on a front page, and a User would be able to use page 2 for selecting and downloading data. Page 3 would reflect preformatted key reports, ie data that was commonly used, and it was intended that all key data would have APIs associated with it.

In discussion it was agreed that the Review Group should be 'open', and JB observed that Ofgem were keen to have active participation from Consumer Groups. BG commented that this review would cover a very large area and asked whether there would be any prioritisation. CL advised that NGT had already created a matrix of data items and categorised according to red, amber and green, where green indicated highly relevant data receiving lots of 'hits', red was assigned to data that appeared to be irrelevant and rarely accessed, and amber was assigned to data that was deemed to attract 'middle usage'. It was probable that an initial focus would naturally be directed towards red and amber defined items.

Referring to 006 RM questioned how long it took to get the system up and running. CL stated 18 months. Timescales for next winter were questioned, and CL believed that it would be rather too late to expect anything approaching Real Time for next winter, but for other information it might be possible. It was not expected that the Review Group would conclude in time for next winter.

CL stated that the servers were old and incapable of further expansion therefore everything would need to be moved to a new platform. It was proposed to do this in 2 stages. Stage 1, which would include incentivised/key data, was to be completed around October 2007. The second stage, which would seek to implement any changes as a result of the Review Group, was planned for next year 2008.

JB observed that the Review Group could always report and devise a proposal at different stages of the review. It might be a good idea to consider this at the outset of the Group and prioritise accordingly.

It was CL's belief that this could generate at least 3 separate proposals, and possibly more. The first would be to rationalise data that was currently produced, the second to update NCORM as this was governed by separate arrangements, and the third to accommodate any new data that it was decided should be published.

Members would be required for the Review Group and CL stated that he had already committed to providing DSWG with updates on the work that was generated.

3.2 Topic 008TR: Entry Capacity Updates

3.2.1 Mod 133 – Entry Capacity Transfers

A presentation was given by FH (National Grid) and a number of issues were discussed, including complexity, bid evaluation, application fee and transitional arrangements. NGT acknowledged that this mod was fairly complex, but wished to get it approved before next winter. CS asked what had been left unsold in last year's MSEC and RM asked if it was possible to identify nodal maxima. MW agreed to consider producing nodal maxima for Teesside, Easington and Hornsea.

Action TR1066: NGT to consider producing nodal maxima for Teesside, Easington and Hornsea.

JB1 was concerned that, despite previous discussions, there was still no visibility on what exchange rates might be; in his view this made it very difficult to enter into other AMSEC auctions for remaining capacity. MW explained that NGT's target was to issue their methodology statement by end of April, which would show how the exchange rate would be calculated. The modification proposal covered how it would be implemented.

The exchange rate is difficult to predict because every time a deal is made and concluded this changes the exchange rate on the next deal and so on. JB1 reiterated that some high level principles/rules would be welcome. MW responded that the methodology should provide some clarification, and asked the Shippers whether the exchange rate affected how they would bid. AP2 stated that both exchange rates and nodal maxima information would be required, and JB1 was convinced that a different model would be required.

JB observed that it was clear that MW would be unable to produce much information ahead of the month's end and that the May Workstream may need to be extended to enable further discussion.

MW stated that firm exchange rates would mean that the auction would have to be broken up into more than one round and this generated further discussion on exchange rates and the linkage between ASEPs and Donors. There was no certainty that 0133 as currently drafted would give the industry what it wanted. Modelling had been carried out and analysis showed that more rounds would be required, generating very challenging timescales.

MW asked what advance information would be required if the one round auction was developed. RM responded that Indicative exchange rates and nodal maxima would be required as a minimum information requirement. Rates of decline would also be very useful.

The Workstream recommended that this modification proposal needed a further month for development. NGT had noted various comments and requirements and will return to the next Workstream in May in order to discuss and move forward. NGT also hoped to have real worked examples as to how the process will work plus the exchange rates if possible.

3.2.2 Entry Capacity Trading

A presentation was given by FH (National Grid), who stated that there had been a change to the previous aim and that the expansion of previous proposals was now being looked at. An ideal process had been identified and E.ON UK had raised Modification Proposal 0138, about which NGT had some concerns although supporting a number of its elements; NGT would have to explore the potential impact of 0138 on the AMTSEC process.

Option 1, whereby xoserve datafixes Users' holdings, was thought to be viable prior to this winter, but was not a preferred option of either xoserve or NGT. Option 2, leading to a creation of a National Grid Trading Account, could be done before winter but exploration of any Licence implications was still continuing.

Holding at the exchange rate assumes that everyone is satisfied and that the trade will happen, but if someone is not satisfied then this will involve running the auction again and again, and again, etc. This was why NGT preferred a queue model (timing was the main issue here). The process was not straightforward unless carried out one by one. The question for NGT was how could the most be satisfied before the coming winter. Clearing transfer first would give a better exchange rate.

RF stated that E.ON UK had met with NGT and explored options for fast tracking the Sold process but still believed that 01 October 2007 was too late, and had therefore put forward proposed transitional arrangements.

CS was concerned about the uncertainty that this might create with baselines; suddenly there would be potentially three separate auctions that would affect the system. JB1 observed that capacity was now scarce so headroom would not be known. It may quickly be found that some parties buy even though they have no requirement for it or intention of trading it, purely to prevent others. In JB1's view the combination of the reduction in baselines and a too complex auction process was not a comfortable

situation and appeared to be getting more incomprehensible. It was suggested that proper baselines should be set, which was a Licence issue.

MW stated that the methodology statement would go out for consultation and needed to be approved by Ofgem. Two modification proposals and the Licence obligations also need to fit and be seen within these timescales. RM queried what would be the detrimental effect if 0138 were to be fast tracked. FH said that further exploration was required to establish that and MW stated that at present NGT does not see how it can deliver 0138.

3.3 Modification 0090 – DN Interruption

LS (WWU) explained that each DN would give an individual presentation providing some indicative figures. It was hoped to publish indicative information, for next year's auctions, in October. LS explained how prices would be structured to go into an option tender and advised that the DNs were considering making available a 'ready reckoner' on each of their websites and through xoserve also.

3.3.1 Wales and West Utilities (WWU)

The presentation given by LS indicated 5 zones Interruption, and gave indicative figures for connected energy, the amount of energy available for Interruption (GWh/d), and the amount of energy required by WWU for Interruption (GWh/d). LS stated that analysis was ongoing and that the level of requirement for North Wales was still being analysed. South Wales will be split into three, plus a locational zone. At present modelling was being done on 15 days.

3.3.2 Northern Gas Networks (NGN)

TP's presentation gave Indicative Interruption Zones, split into 15 zones. NGN were looking for Interruption on 11 of the zones, and gave indicative figures for maximum number of days Interruption required and the amount of Interruption requirement.

3.3.3 Scotia Gas Networks (SGN)

SS gave a presentation and advised that SGN were building extra webpages for their website (<http://www.scotiagasnetworks.co.uk/> changes) which should be ready around 16 April 2007. He went on to describe the contents of the pages. The pages will contain a summary, an Interruption Capacity Methodology Statement (once approved by Ofgem) giving guidance, Interruption Zones (Scotland will be split into 6 zones – subject to change; Southern will be split into 7 zones – these may not change) giving current Interruption volume and current volumes of eligible energy. There will also be a search facility 'Are you eligible?' to enable discovery of the User's eligibility and zone. Details of whom to contact and other links will also be available on the site.

RF questioned whether there was to be no Interruptible requirement for London. At the present time SS was unable to comment in respect of South London.

3.3.4 National Grid (NG)

MF presented on behalf of NG, The table showed location specific Interruption (LDZ, Interruption Zones, Post Codes), indicating the Interruption allowance (days), the Interruptible capacity estimate (kWh) and instances of Interruption within the last 5 years. This was followed by various maps, each indicating specific locational parameters. The Volume Interruption Requirements were indicated by LDZ, Interruptible Allowances (days; only 2 – East Midlands and North West), the Interruptible capacity (kWh), the percentage of volume requirement (Firm and Interruptible), and Interruption during the last 5 years (none). MF commented that NG would be happy to go and talk to Shippers at their request to discuss how it all worked.

3.4 Topic 019TR: Emergency Market Arrangements

3.4.1 Emergency Gas Cash out

In response to Action TR1061 IM (APX) had provided a paper "Keeping the OCM open in a Network Gas Supply Emergency" in advance of the Workstream meeting. A copy of the paper was available on the Joint Office website. It was agreed to close Action TR1061.

CS wondered how this would now be taken forward. It was felt that the current modification proposals do not address all of the concerns and that this area needed to be looked at in a more holistic way.

3.4.2 Gas Emergency Cashout Arrangements

TB gave a presentation on the draft proposal "Gas Emergency Cashout Arrangements: Keeping the On the Day Commodity Market open during a Gas Deficit Emergency". TB explained that Option 1b had become the preferred the option, but that there were concerns that a tension existed between the UNC obligations and the compulsion to follow the direction of the NEC during an emergency event. RH1 stated that it was necessary to retain a true marginal. The NEC and others were physically balancing the system and therefore SMP needed to be set in some way, ie Shipper to Shipper trades.

It was agreed that the proposal should be returned to the Workstream on 03 May with a view to sending it to the May Modification Panel. NGT would provide the legal text, and were aiming for an implementation of 01 October 2007.

IM commented that the credit issue needed further debate elsewhere.

3.5 Topic 003TR: Exit Capacity

BG gave a presentation on the draft proposal "Amendments to UNC TPD OCS Process and Long Term Allocation of Capacity in the Transitional Period" and explained its background and aims. In SGN's view, a 2-week window would give some opportunity for dialogue and the amending of requests/changing of operational decisions if appropriate.

RH1 queried whether it would be applied to any type of load. MW acknowledged that the proposal was addressing a communications issue but was concerned as to how NGT would address requests for increases outside of the window. NGT would not want to receive requests throughout the year as 'routine'. BG responded that it was really an effort to capture and deal effectively with large portions of load that could push a DN over capacity, rather than make a process available throughout a whole year. BG believed that SGN would have to go to consultation with this to create a formal arrangement to prevent a repeat of the last year's incidents. LS commented that it was also to reflect what direct connects can do.

RH1 observed that load requirements protected by monitor and the refusal of insufficient capacity should be considered. This would need recalculations and NGT may need to have the ability/right to refuse in these instances. Any priority load status could affect this and the storage monitor capabilities. Capacity requests could be rejected for that winter. Conversely, instead of being seen as taking a protectionist stance it could be deemed that NG were seen to be preventing load from connecting. RH1 commented that there be sufficient capacity, but not necessarily sufficient load to support a request and therefore the request could be denied.

A storage element would need to be included in this proposal. Any further comments will need to be provided immediately to BG in order to progress it for issue on Wednesday.

3.6 Topic 020TR: Gas Quality

MW gave a presentation and described the background and output of the industry workstreams established by Ofgem to discuss the likelihood of importing gas of an unacceptable quality and the best regulatory methods for gas processing facilities.

RB confirmed that Ofgem was fully supportive and working in parallel in the development of a regulatory framework. A fully consultative process was envisaged.

As a next step MW proposed to hold a Transmission Workstream one-day workshop on Gas Quality in London on 23 April 2007.

4. Other Business

4.1 0116V Reform of the NTS Offtake Arrangements

LS stated that in the light of Ofgem's decision on 0116V (deferred implementation 01 April 2008) an urgent modification proposal in relation to extension clauses might be required.

5. Diary Planning

The Transmission Workstream one day workshop on 'Gas Quality' has been arranged for 10:00hrs on Monday 23 April 2007 at Elexon, 350 Euston Road, London NW1 3AW.

The next Transmission Workstream meeting has been arranged for 10:00hrs on Thursday 03 May 2007 at Elexon, 350 Euston Road, London NW1 3AW.

Appendix A: Action Log – UNC Transmission 05 April 2007

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR 1060	2/11/06	3.1 Topic 018TR	Consider raising a UNC Review Proposal on provision of Market Information	Interested parties.	Carried forward Proposals 0104, 0121 and 0130 in progress.
TR 1061	4/01/07	1.4	Update the Workstream on development of emergency cashout/trading in the context of gas import dependence	APX/NGG/ EON / Statoil	Paper circulated and discussed. CLOSED
TR 1063	1/02/07	3.1.2	Consider providing indicative timelines and dependencies for development of capacity transfer mechanisms	National Grid NTS (Andrew Fox)	Carried Forward.
TR 1064	1/02/07	3.1.2	Consider providing information from winter 05/06 to assist understanding of the interaction between different terminals	National Grid NTS (Fergus Healy)	CLOSED
TR 1065	05/04/07	2.1	0137 – NGT to consider circulating information previously provided to RWE to community.	National Grid NTS (Martin Watson)	Update due 03 May 07
TR 1066	05/04/07	3.2.1	NGT to consider producing nodal maxima for Teesside, Easington and Hornsea.	National Grid NTS (Martin Watson)	Update due 03 May 07