

**Transmission Workstream Minutes**  
**Thursday 05 February 2009**  
**Elxon, 350 Euston Road, London NW1 3AW**

**Attendees**

John Bradley (Chair)	JB	Joint Office of Gas Transporters
Alex Barnes	AB	BG Group
Amrik Bal	AB1	Shell
Andrew Fox	AF	National Grid NTS
Angus Paxton	AP	Pöyry Energy Consulting
Ben Woodside	BW	Ofgem
Clare Temperley	CT	Gas Forum
David Linden	DL	BP Gas
Graham Jack	GJ	Centrica
Jeff Chandler	JC	Scottish and Southern Energy
Johnny Amos	JA	Ofgem
Joy Chadwick	JC1	ExxonMobil
Julie Cox	JC2	AEP
Lorna Dupont (Secretary)	LD	Joint Office of Gas Transporters
Martin Watson	MW	National Grid NTS
Paul O'Donovan	POD	Ofgem
Peter Bolitho	PB	E.ON UK
Phil Broom	PB1	GDF Suez
Rekha Patel	RP	Waters Wye Associates
Richard Fairholme*	RF	E.ON UK
Richard Jones	RJ	xoserve
Richard Street	RS	Corona Energy
Roddy Monroe	RM	Centrica Storage Ltd
Simon Trivella	ST	Wales and West Utilities
Stefan Leedham	SL	EDF Energy
Steve Gordon	SG	ScottishPower
Steve Pownall	SP	National Grid NTS
Steve Rose*	SR	RWE Npower
Steven Sherwood	SS	Scotia Gas Networks
* via teleconference		

**1. Introduction**

JB welcomed the attendees to the meeting.

**1.1 Minutes from the previous Workstream Meeting (08 January 2009)**

The minutes of the previous Workstream meeting 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:** POD advised that there was no further progress to report.

RS then commented that Ofgem had made a statement at the January Modification Panel meeting in relation to gas quality and GS(M)R tolerances that had caused some surprise. There was a brief discussion centred on the interactions that might be required, and the differences, between The Gas (Calculation of Thermal Energy) Regulations and the Gas Safety (Management) Regulations, and ST asked whether Ofgem was going to look at both sets of Regulations in conjunction with BERR. It was agreed to expand this action to include both sets of Regulations. **Action expanded and 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:** Covered under agenda item 3.3. **Action carried forward**

**Action TR1102:** Rationalisation of Maintenance Planning Dates and Timescales - National Grid NTS to produce a revised draft Proposal for discussion at the next Workstream meeting.

**Update:** No further progress to report. **Action carried forward.**

**Action TR0101:** 0223 - Establish why and when a decision was made to bring forward the implementation date for this Modification Proposal.

**Update:** SP reported that at the time the Modification Proposal was raised the anticipated implementation date of Q3 2009 was aligned to the work going on under MIPI. National Grid NTS was also asked by ERGEG why it could not deliver at an earlier date; as it was in the interests of liberalising the European market and appropriate to do so, a workaround was developed and delivered for Q1 2009. JB also pointed out that Ofgem had indicated in its decision letter that it wanted an implementation as soon as possible. **Action closed.**

**Action TR0102:** 0230/0230A and Options - Produce and publish a comparison timetable of the auctions.

**Update:** Produced and published. **Action closed.**

**Action TR0103:** Provide weblinks for the daily/monthly discretionary Proformas.

**Update:** DRSEC Auction Requests - MW presented the information, giving a weblink and a navigation route. **Action closed.**

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

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

JB gave an update on the current status of the Live Modification Proposals.

0233: Difficulties had been encountered during the development of appropriate legal text and this was under discussion at the EBCC. It was likely that a variation to the Proposal would be required.

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

0235: This was awaiting the Authority's decision. SR observed that the billing deadline for the adjustment in relation to the Lehman's issue had passed and wanted to know on what basis December's energy balancing invoice would be produced. It may be helpful if the Credit Risk Manager – Energy would consider issuing an update.

0240: This would be considered by Ofgem alongside the consultation on OM Contestability.

### **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 further changes to report.

## **1.4 Related Meetings and Review Groups**

### **1.4.1 Ops Forum**

JB reported that the GBA trigger had been discussed. SP added that there would be an update on the GBA process etc at the next Ops Forum meeting.

MW said that, in response to the comments received at the last meeting, additional information now accompanies the GBA trigger notice in an effort to make the notice more meaningful.

### **1.4.2 Operating Margins Group**

The consultation on Modification Proposal 0240: "Promoting Competition in Operating Margins Provision" closed out on 13 January 2009. The UNC Modification Panel recommended implementation and the Authority's decision is now awaited.

### **1.4.3 Exit Reform Workshops (27 January 2009)**

National Grid organised two seminars in January centred on the implications of UNC Modification 0195AV, the key events for 2009 and the principles that will be coming into force.

It is intended to hold a further workshop in the next couple of months that will focus in more detail on the 2009 processes and procedures. Further details will be communicated via the Joint Office of Gas Transporters.

Workstream members commented very favourably on the efforts made through the seminars, which were deemed to be focused and well timed, and answered most of the key questions.

## **2. UNC Modification Proposals**

### **2.1 Modification Proposal 0241: "Delaying the Implementation of the Ad-hoc application principle of the enduring offtake arrangements"**

Following discussion at the previous Workstream the Modification Proposal was formalised and presented to the UNC Modification Panel on 22 January 2009. The UNC Modification Panel agreed that it should be issued for consultation, and the consultation period ends on 12 February 2009.

There were no questions or comments.

### **3. Topics**

#### **3.1 Network Model Obligation**

AP gave a presentation on the “Network Modelling Software Review” Report, its background and purpose; the purpose of the review being to provide to the Regulator independent proof of the fitness for purpose of the chosen model. The various obligations were outlined, and AP then focused on IGE/GL/2, the obligation under the Safety Case which sets out the requirements for network analysis and is a very complex area.

Looking at replacing ‘Graphical Falcon’, National Grid NTS had been through the procurement process and had chosen a new product, ‘Simone’, which was also used by other industry parties. The report also looked at this product’s fitness for purpose, and AP explained the observations, testing and validation carried out by Pöyry on both models. The underlying mathematics was also checked; these were fundamentally different in ‘Simone’, which performed better. The new product was found to be very stable and its simulation of the NTS was as good as, if not better than, ‘Graphical Falcon’. There was one minor finding whereby ‘Simone’ did not report a particular error state. This had been pointed out to the software developer who was to rectify it for the next release. ‘Simone’ appeared to have additional functionality, which may be useful to third parties for the purposes of limited analysis.

The report will be made available on the National Grid and Pöyry websites.

There was a brief discussion during which AP responded to various questions. ‘Simone’ did not validate as well as ‘Falcon’ but has the capability to become more accurate than ‘Falcon’. RM commented that the criticism of ‘Falcon’ had been that it was seen as a complex engineering type tool; did ‘Simone’ make the analyst’s job any easier? AP responded that ‘Simone’ was no less complicated – it needs the collection and input of complex data – but it requires slightly different parameters and calculations, and should be capable of replicating the same scenarios as ‘Falcon’; validation of scenarios was a key point.

POD asked about the advantages of ‘Simone’. AP responded that as it was used by a number of other organisations, development and maintenance costs were likely to be lower; analysts would need to fix fewer mathematical errors and would reach an answer more quickly.

It was likely that ‘Falcon’ and ‘Simone’ would be run in tandem for a period.

There were references to the work carried out previously with the Smith Institute and POD said that this had ceased for the present. Ofgem did not yet have a copy of the new model.

The meeting would be kept up to date with further progress.

#### **3.2 003TR Review of NTS Exit Capacity Arrangements**

##### **3.2.1 Exit Capacity Release Methodology Statement (ExCR) update**

AF, presenting on behalf of National Grid NTS, gave an overview of the ExCR Methodology Statement.

The main changes to Part A were explained and discussed. JC2 asked why it was necessary in the transitional period to go to a 4 year commitment. MW said there was a need to align commitment in the transitional period with the enduring arrangements but that he would be happy to take comments. “Initialisation” above baseline creates a 4 year commitment, which National Grid NTS was still thinking through. JC2 pointed out that the NTS was unconstrained apart from the South West and capacity requests could be met. MW disagreed and said that Firm capacity was not always offered because the NTS was not completely unconstrained. The issue needed to be considered against

other obligations. JC2 described a scenario and observed that some parties would be potentially disadvantaged just because the regime was changing.

MW explained that some DN Exit Points are above and some below the baseline. There were challenging obligations for 2012. JC2 said that the baseline revision process will not be completed by the July window.

MW appreciated the points raised and will review and discuss these with Ofgem and the most appropriate ways to manage the issues. The obligations potentially increase significantly at the initialisation stage.

SL questioned aspects of securitisation and MW agreed to check details of expectations.

**Action TR0201: ExCR - Aspects of securitisation - MW agreed to check details of expectations.**

The discussion moved onto ARCAs and User Commitment implications. MW said that it would be expected that the same process would be followed for Ad Hoc and ARCA – National Grid NTS was trying to strike the right balance and make it non-discriminatory between the parties. JC2 emphasised that people need the certainty of when they were going to receive responses on ARCAs and Ad Hoc applications.

AF then explained the major points covered under Part B. The Principles were discussed. It was agreed there may be a number of issues that may warrant further review before they come into operation but, as PB commented, none of these were seen to be critical at present.

Initialisation was discussed. JC2 observed that an argument could be constructed that National Grid NTS was treating new and existing customers differently. MW responded that this was not the intention, and any identified gaps in the existing transitional arrangements may need a further look. From a DN point of view, SS commented that he was expecting to see 2012/13 and not 2011/12. MW gave the reasons for this; SS pointed out that it had not been flagged up anywhere.

Increases were discussed. A table was presented that set out the three processes and clarified the application dates and when the capacity would be released. PB stated that if National Grid NTS was aware the new point existed, the User should have the right to participate in the July process. MW responded that if the point was not in the Licence then it would not be in the transportation model and could not participate; the obligation was to release to those points that were in the Licence, otherwise National Grid NTS would be taking on commitments without any idea of what the remuneration was likely to be or how to bill for it. JC2 and PB were of the opinion that the Licence was the Transporter's problem and not the Shippers'. JC2 wondered if the difficulty stemmed from the 38 month period. MW said that everything needed to be in place ready to go at 38 months. It was important to let National Grid NTS know as soon as possible if a party wished to participate in the July window, so that it can understand how the revenue should be treated.

PB commented that User Commitment signal for all new investment is the new regime, as soon as you have the User Commitment you can produce the revenue driver.

SR wondered why the revenue driver was required in March, as it may need recalculation by July in order to fit the actuality; why not in May? MW responded that the process takes that long to create a new revenue driver, and went on to reiterate the process and its timescales. Indicative prices were required for any new points, but would not be the prices to pay when a User registered commitment for capacity from 2012.

MW said that, putting into perspective, it was likely to concern 2 ARCAs per year. However, JC2 thought there may be a considerable increase in 2012. MW responded that there was a need to understand what was coming up; many requests may not require investment, but the assessment still had to be made. If this takes 6 months then

that would leave only 32 months for the build process. MW said this was not suggesting anything different to the Entry regime, however PB disagreed with this and cited the example of Milford Haven. He thought that the User provided the signal to National Grid NTS to assess how to provide capacity, and the process should therefore work smoothly. SL added that a User always had prior discussions with National Grid NTS well in advance, and it seemed that the process was really just to get a piece of paper. PB raised concerns in respect of where National Grid NTS' responsibilities and precedence lay in terms of Licence obligations and contractual commitments.

AP suggested that it might be possible to have a default revenue driver and a default indicative price in the Licence, which would allow agreement to be reached in the application window.

Neither MW nor SR thought there were any confidentiality issues relating to the revenue drivers in the Licence, and JC2 added that any potential Power Station projects were in the Seven Year Statement. AP suggested that to maintain confidentiality a dummy name could be used. MW was happy to consider any pragmatic ways to approach this.

SS questioned if the Ad Hoc application process included the revenue driver period, and MW responded that it did not.

SR thought that the concept of an indicative price would not serve much purpose. Once the application had been made you would be on the hook for 4 years of capacity at a price to be determined sometime later...but you could not change your mind afterwards.... This would be a strange commitment to make?

There was no resolution to the debate and MW reiterated that further comments would be welcome as part of the consultation process.

There was a short discussion on Default Capacity Release Lead-Times. JC2 referred to paragraph 90 which related to permits, and this appeared to be similar to the Entry process. MW and SR indicated that a Modification Proposal may be raised in this area to 'tidy up'.

The rest of the presentation then passed without comment, and AF explained the timeline. National Grid NTS had noted and would consider the comments received at this meeting and would appreciate receiving any further comments as soon as possible (ie by Friday 13 February 2009) so that a review and amendments could be carried out prior to the release for formal consultation.

### **3.3 019TR Emergency Market Arrangements**

#### **3.3.1 Update (Action TR1097)**

Responding to Action TR1097, BW gave an update on behalf of Ofgem. A formal review of the emergency arrangements was deemed to be necessary, and a meeting involving all parties would be a part of this. A detailed plan had yet to be scoped, but it was hoped that this would be brought to April's Workstream. Internal discussions in respect of the arrangements and various options were continuing.

RS wondered if wider issues such as security of supply would be encompassed. BW responded that interactions may have to be taken into account, but the main focus would be on the emergency cash out arrangements, credit arrangements, and contracts, etc. RS was concerned that a more holistic and wider context should be considered to identify the potential effects on markets and other wider consequences. BW was unable to commit to an all encompassing approach but favoured PB's suggestion that it should be a practical review of the arrangements and the events that immediately precede and follow an emergency. The debate would need to be constructed to address the practical issues and not merely to 'tweak' market mechanisms. RS commented that Corona Energy's end users were concerned that there appeared to be no forum in which to raise and properly debate their concerns

relating to the wider impacts. BW said that Interruption and Firm Load Shedding applicable to a gas emergency would be included. PB asked if there would be debate about strategic storage, and BW answered that the consequences would need to be identified and considered. He would feed back internally the concerns and comments raised at this meeting. RM added that there was a wider debate on security of supply taking place within government and in Europe; again, RS questioned where an end user could participate in these arenas.

SL then asked if Ofgem had approached the Shippers to discover their current emergency policies and procedures, as there was concern that a solution may be being sought to a problem that may not in actual fact exist. BW acknowledged that this would be something to consider as part of the review. PB reiterated that commercial consequences were of most interest to the Shippers.

BW thought that National Grid NTS' straw man (see 3.3.2, below) could be an improvement in the short term, until the wider review formally commenced.

### **3.3.2 Review of the UNC Post-emergency Claims Arrangements**

SP gave a presentation on behalf of National Grid NTS on the background and the objectives, and explained the prevailing arrangements and the potential changes. An overview of a potential process was described together with business rules, and advantages and disadvantages were identified.

A short discussion on the positions in an emergency of short and long Shippers took place. During Stage 2 (maximisation of supplies) long Shippers could elect to be paid at SAP or their expected surpluses could be posted on OCM as offers. Short Shippers could utilise these offers - or be covered by the claims processes.

SL asked if coming off the system early in an emergency could be an issue; the consequential interaction with the electricity industry was such that CCGTs coming off the system early could affect supply to consumers. PB pointed out that normal market arrangements might interact with command and control of the emergency.

JC1 was concerned that if a Shipper was short because it had actually failed, then this would spread a greater burden on other parties. SP thought that the Shippers on the entry side were more at risk, ie on the supply side, however RS was not convinced. PB suggested a single cash-out price and a robust claims process, with proper compensation, would be the best way forward.

SR questioned what would happen if a Shipper was in a long position before reaching emergency Stage 2 (because it had been instructed to interrupt in the attempt to help avoid the Stage 2) – how would it post a physical offer on the OCM? SP thought that if the offer was not taken up and put the Shipper into the long position, then there was a basis for a claim. PB suggested that some of the rules would need to be suspended; SP would give this some consideration for the next Workstream.

SP then outlined the timescales for developing and potentially implementing a Modification Proposal.

JB underlined the importance of this topic and that it would require further debate. It was agreed that an additional Workstream meeting would be arranged in March to move the work forward.

(Post meeting note. The additional Workstream has been arranged for Monday 16 March at the Energy Networks Association.)

#### 4. Any Other Business

##### 4.1 GBA Triggers

SR pointed out that a text had been received on Monday implying a GBA trigger when in fact there was not one, and suggested that the wording should be reviewed. SP responded that an SMS message had been inadvertently triggered by some changes being made to a web page and apologised for the confusion that this may have engendered.

SR then asked under what circumstances National Grid NTS could raise a GBA within day. SP agreed to check this.

**Action TR0202: Establish under what circumstances National Grid NTS can raise a GBA within day.**

##### 4.2 Proposed revision to DN Interruption timeframes in Annual Interruption Invitation

Due to time constraints, the meeting was unable to consider this topic although the relevant slide was shown. It was understood that this topic had been presented at the January Distribution Workstream and the intention was to submit a Modification Proposal to the February UNC Modification Panel. The presentation has been made available on the website of the Joint Office of Gas Transporters.

#### 5. Diary Planning

The next Workstream will be held at 10:00 on 05 March 2009 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: 05 February 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 1085	03/04/08	1.2	Provide updates to the Workstream on Ofgem and BERR's progress with The Gas (Calculation of Thermal Energy) Regulations and the Gas Safety (Management) Regulations.	Ofgem (POD)	Action expanded 05/02/09 <b>Carried Forward</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 (DS/POD)	See 3.3 above. Probable meeting in April 2009 <b>Carried Forward</b>
TR 1102	02/10/08	3.1.1	Rationalisation of Maintenance Planning Dates and Timescales - National Grid NTS to produce a revised draft Proposal for discussion at the next Workstream meeting.	National Grid NTS (RH)	<b>Carried Forward</b>
TR 0101	08/01/09	1.3	0223 - Establish why and when a decision was made to bring forward the implementation date for this Modification Proposal.	National Grid NTS (SF)	<b>See 1.2 above. Closed</b>
TR 0102	08/01/09	2.1	0230/0230A and Options - Produce and publish a comparison timetable of the auctions.	National Grid NTS (CD)	Completed. <b>Closed</b>
TR 0103	08/01/09	4.2	Provide weblinks for the daily/monthly discretionary Proformas.	National Grid NTS (MW)	<b>See 1.2 above. Closed</b>
TR 0201	05/02/09	3.2.1	ExCR - Aspects of securitisation - MW agreed to check details of expectations.	National Grid NTS (MW)	
TR 0202	05/02/09	4.1	Establish for under what circumstances National Grid NTS can raise a GBA within day.	National Grid NTS (SP)	