

Transmission Workstream Minutes
Thursday 06 March 2008
Elxon, 350 Euston Road, London NW1 3AW

Attendees

John Bradley (Chairman)	JB	Joint Office
Lorna Dupont	LD	Joint Office
Andrew Fox	AF	National Grid NTS
Andrew Pearce	AP	BP Gas
Angus Paxton	AP1	Poyry Energy Consulting
Beverley Grubb	BG	Scotia Gas Networks
Chandima Dutton	CD	National Grid NTS
Claire Dykta	CD1	National Grid NTS
Chris Logue	CL	National Grid NTS
Clare Temperley	CT	Gas Forum
Chris Wright	CW	Centrica
Emma Hayes	EH	BG Group
Fergus Healy	FH	National Grid NTS
John Baldwin	JB1	CNG
Jeff Chandler	JC	Scottish and Southern Energy
Joy Chadwick	JC1	ExxonMobil
Jayne Reader	JR	Chevron
Leigh Bolton	LB	Cornwall Energy
Liz Spierling	LS	Wales and West Utilities
Lisa Waters	LW	Waters Wye Associates
Mark Brackley	MB	National Grid Transmission
Peter Dickinson	PD	Ofgem
Paul O'Donovan	POD	Ofgem
Richard Fairholme	RF	E.ON UK
Ritchard Hewitt	RH	National Grid NTS
Richard Miller	RM	Ofgem
Roddy Monroe	RM1	Centrica Storage
Richard Street	RS	Corona Energy
Sofia Fernandez Avendano	SFA	Total Gas and Power
Stefan Leedham	SL	EDF Energy
Shelley Rouse	SR	Statoil UK
Apologies		
Alex Barnes	AB	BG Group
Charles Ruffell	CR	RWE Npower
Nick Wye	NW	Waters Wye Associates
Phil Broom	PB1	Gaz de France
Russell Cooper	RC	National Grid NTS
Robert Cameron-Higgs	RCH	Northern Gas Networks
Tim Davis	TD	Joint Office of Gas Transporters

1. Introduction and Status Review

JB welcomed all attendees to the meeting.

1.1 Minutes from the previous Workstream Meetings

The minutes of the meeting held on 07 February 2008 were approved.

1.2 Review of Outstanding Actions

Action TR 1070: RH to look at further options to address concerns relating to Modification 0149A.

Update: RH reported that this was still under consideration. **Action carried forward.**

Action TR 1071: RH to seek a presenter to give an overview from a practical point of view of events in an emergency and a perspective on the scenarios referred to in the Ofgem Decision Letter.

Update: No further update available. **Action carried forward.**

Action TR 1078: Demand for Flex capacity from the DNs, storage sites and large Users - 2005/06 figures to be made available.

Update: OCS figures have been provided. **Action closed.**

Following discussion on National Grid's incentive in respect of CV, and the impact on unbilled energy, National Grid NTS agreed to come to a future meeting of the Workstream with its suggestions.

New Action TR1081: National Grid NTS to consider the CV aspects of its current incentives and bring suggestions to a future Workstream.

1.3 Review of Workstream's Modification Proposals and Topics

1.3.1 Modification Status Report (Modification Proposals Register¹)

Ofgem's decision was awaited on the following Proposals:

- 0116A, 0116BV, 0116CVV, 0116V, and 0116VD "Reform of the NTS Offtake Arrangements" – The Authority issued an open letter on 27 February 2008 advising that a further Impact Assessment will be undertaken in June 2008 with a two month consultation period. POD confirmed that the IA would cover seven Modification Proposals. A decision was expected to be reached in November 2008.

RF suggested that it may be helpful if respondents include some indication of preferred ranking when making responses and POD agreed that Ofgem would find this useful.

- 0182 "Information Provision at LNG Importation Facilities" – UNC Modification Panel recommended implementation. Sent to Ofgem 21 February 2008. A decision was expected shortly.
- 0187 "Alterations to the RMSEC Auction to Accommodate Transfer and Trade of Capacity Between ASEPs" – UNC Modification Panel recommended implementation. Sent to Ofgem 21 February 2008. POD confirmed that Ofgem had recently received the methodology and was considering whether or not an

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

Impact Assessment was necessary, although it would prefer not to have to do this.

- 0187A “Alterations to the RMSEC Auction to Accommodate Transfer and Trade of Capacity Between ASEPs” – UNC Modification Panel recommended implementation. Sent to Ofgem 21 February 2008. See 0187 above.
- 0189: “Amendment to the QSEC Auction Timetable” – UNC Modification Panel recommended implementation. Sent to Ofgem 07 February 2008. A decision was expected shortly.

The following Proposals have been issued for consultation:

- 0195 “Introduction of Enduring NTS Exit Capacity Arrangements” – the extended consultation period ends on 04 April 2008.
- 0195A “Introduction of Enduring NTS Exit Capacity Arrangements” – the extended consultation period ends on 04 April 2008.

The following Proposal is subject to determination by the Modification Panel:

- 0198 “Extension of the current Sunset Clauses for Registration of Capacity at NTS Exit Points” – consultation ended on 29 February 2008.

1.3.2 Topic Status Report

003TR Review of Exit Capacity Arrangements

Modification Proposal 0195 together with the alternate Modification Proposal 0195A raised by E.ON has been issued for consultation. An extended consultation date was agreed by the February UNC Modification Panel.

Consultation on Modification Proposal 0198 ended on 29 February 2008 and this has now been placed on the agenda of the March UNC Modification Panel.

014TR Operating Margins Procurement

CL gave a short presentation on the Operating Margins Consultation, explaining the scope and the type of questions that would be included. The paper would also include potential service providers and procurement methods. National Grid NTS intends to issue the consultation paper in the week commencing 10 March 2008.

RM questioned what was the current cost and if information was to be published and accessible. CL responded that information was already published and available on National Grid’s website.

Status: Revived to ‘Live’.

015TR Constraint Management

Status: Remained On Hold.

016TR Storage Commodity Charge

Status: Remained On Hold.

018TR Information Transparency.

Status: Closed.

019TR Emergency Market Arrangements

See 1.3.1 above, and 1.5 below. RH advised that National Grid NTS will bring something forward in the near future.

Status: Remained On Hold.

020TR Gas Quality

POD would bring an update to the next meeting.

Action TR1080: Gas Quality - Ofgem to provide an update on progress.

Status: Remained On Hold. .

1.4 Related Meetings and Review Groups

1.4.1 Ops Forum (05 March 2008)

JB reported that two occasions of scale-back in February were discussed and that frontloading had been identified as being a problem.

2. Topics

2.1 008TR Entry Capacity

2.1.1 Restoration of Interruptible NTS Capacity Rights post scaling, and New Developments

Restoration of Interruptible NTS Capacity Rights post scaling

FH outlined the background to the proposal to restore Interruptible NTS Capacity Rights once constraint issues had been resolved. The arrangements required Gemini system changes which had now been scheduled for implementation as part of the August Gemini Release; FH would return to the Workstream just before the Release to brief the meeting on progress.

New Developments

FH reported that a number of industry parties had recently indicated that the introduction of a new non-obligated capacity product might be of benefit for Winter 2008/09. Responding to these signals National Grid NTS intended to revisit work done in this area last year and bring forward some options for discussion at next month's Workstream.

In response to a question from RM regarding the possibility of a Within Day Interruptible Product, FH said that such a product would entail a lot of work and the benefits would not equate favourably compared to the production costs. It would also mean that a Modification Proposal would have to be raised and National Grid NTS was not in a position to be able to do that for this winter. However, if a Party raised a Modification Proposal National Grid NTS would review the implications.

2.1.2 Substitution

Ofgem Letter, 03 March 2008

POD gave a brief explanation setting the issue of the letter and its contents in context. Following the last Workstream National Grid NTS had approached Ofgem to extend the timeline. Ofgem had not agreed the exact extensions proposed by National Grid NTS for the reasons given in the letter but had instead decided on a revised timetable which would still enable an October 2012 release. National Grid NTS will arrange Workshops in the very near future and will make a submission in early January 2009 to Ofgem for approval.

Workstream members raised concerns at the potential for further deferral, but were reassured by POD that this was expected to be final. It was also questioned whether Ofgem had discussed internally the potential for windfall gains and implicit substitution,

both of which concerns were raised at the previous Workstream. POD confirmed that Ofgem was aware of and reviewing these concerns and risks.

Substitution Update

AF gave a presentation summarising the responses received to the discussion paper issued 01 February 2008. He pointed out that of the 11 or 12 responses received not every party responded to every question.

As the timetable had now been realigned, as set out in Ofgem's letter, it was the intention to arrange a series of workshops to develop the policy and processes, with a view to consulting early to mid November 2008. Following a brief discussion, it was agreed that the Workshops should be linked to the TCMF meetings and arrangements would be made accordingly. It was suggested that it would be appropriate for the first workshop to give a broad context in which substitution would form a part, and that Ofgem should make the first presentation, to which POD agreed.

BG reiterated her concerns that the Entry and Exit Impact Assessments would be disjointed. POD thought that the Substitution Impact Assessment would take all into account. However BG remained to be convinced of this and both she and other Workstream members stated they remained unclear as to how everything would work.

2.2 Introduction of Transmission Planning Code

CD gave a presentation. Under a new licence obligation National Grid Gas is required, following full consultation, to introduce a Transmission Planning Code by 01 October 2008. This Code will seek to cover the planning process and how investments are made, improving transparency in this area. An open letter will be published on 07 March 2008 inviting industry views on the scope of Transmission Planning Code document. Responses should be made by 21 March 2008.

The contents of the Framework document would include a methodology and detailed assumptions.

RM questioned whether information relating to historical decisions would be available to aid comprehension both of the past decisions and any future decisions. CD explained that initially information was being put together that described and reflected the current process and that this may give an insight into historical decisions.

CD went on to explain the governance arrangements, which would include a review and consultation process undertaken at least every two years, or potentially more frequently if related documents underwent reviews at different times and the outcomes of which may then affect the Code document such that an earlier review became necessary.

In response to questions relating to the Safety Case, CD said that it was covered by statutory obligations, however elements may affect the Safety Case and these would be considered and reviewed with the HSE.

The timeline was presented. CD advised that arrangements had been made to hold a series of Workshops to enable industry discussion and full consultation to take place. The Workshops would follow on from the Transmission Workstream meetings and were planned for the following dates:

03 April 2008

01 May 2008

05 June 2008

03 July 2008.

A formal consultation period of 28 days was planned for June/July. CD explained that the initial letter would set out the draft scope. In response to a question from RM, CD stated that it was not the intention to provide the data for a recreation of the network model, but the information that was provided will give an insight into the thinking and issues that allows or prevents certain decisions. She confirmed that Ofgem would be equipped with the network models to enable the audit and demonstration of compliance in the event of challenge. LW was concerned that this might be used as a negative tool to block new connections. CD responded that there would be more transparency in the use of signals and how this follows through into the decisions on new projects. The document itself will describe the analysis performed by National Grid NTS and explain how certain scenarios and sensitivities were reached. Ofgem are able to challenge on the number of sensitivities. This was to be a framework document like the IECR and capable of being audited, though the industry should be aware and cautious of building in too great a restriction or restrictions, which may then lead to unintended and potentially adverse effects.

PD observed that Ofgem see this document as being of importance in PCRs when looking at investment and network planning expectations and peak/offpeak days, and felt that it would promote transparency.

In response to a question from RM on the potential public availability of the network model, PD said that at the last PCR there had been no support from Shippers to make the network model public. RM pointed out that availability (or not) of the model may result in the document being differently shaped. It was difficult for Shippers to gauge what information might be needed if there was no visibility to the model. The level of detail may need to be thoroughly discussed.

CD reiterated the next steps and it was agreed that the series of planned workshops would be under the auspices of this Workstream.

3. Any Other Business

3.1 OAD Telemetry Requirements for “SOMSA” Exit

RH reported that this topic had already been discussed at the last Offtake Committee meeting. He went on to describe the background and the rationale for the proposed action, and confirmed that National Grid NTS had reached a broad level of agreement with the DNOs following preliminary discussions. The intention was now to bring forward an OAD related Modification Proposal to the March Modification Panel, with a recommendation that it proceed direct to consultation. There were no objections to this course. The Modification Proposal would be discussed at the next Offtake Arrangements Workstream.

3.2 Assured Pressures Proposal

FH gave a presentation describing the background and the rationale for the Proposal. The intention was to bring forward a Modification Proposal to the March Modification Panel, with a recommendation that it proceed direct to consultation but with a shortened consultation period of 12 days, in order to meet a proposed implementation date of 01 June 2008 and thus be in time for this year's OCS process. Minimal impact on Shippers was envisaged.

A short discussion ensued. RS queried whether National Grid NTS had discussed this with large end users, and FH confirmed it had not. RH said that, as the Pressure Provisions were covered in the NExAs, there should be no material impact on shippers and end users, and there was no operational change to the NTS. RS said that he was unable to comment until he had spoken with his customers and sought their views. He pointed out that in the past he had received complaints from end users where pressures

had not been maintained and the end user had had to resort to use of own compressors.

LW pointed out that changing the compressor usage could be construed as changing the operation of the system.

AP1 wanted to know how many times had the NTS had to deviate from the single pressure, and to what extent was the assured operating pressure not maintained during the summer period.

BG and LS pointed out that the DNOs have problems with the pressures at present.

RM questioned whether there would be a potential impact on the SO Incentive Scheme and FH agreed to look at this.

Action TR1082: Explore potential impact of Assured Pressures Proposal on SO Incentive Scheme and address and clarify the meeting's concerns within the Proposal.

It was agreed that the Modification Proposal would be discussed at the next Offtake Arrangements Workstream, which would be arranged before the March Modification Panel.

3.3 Effect of Recent AMSEC Auctions on TO Commodity Charge

It was pointed out that the proceeds from the recent AMSEC Auctions should influence the TO Commodity Charge rate and National Grid NTS was asked whether it had any up-to-date information on this. MB agreed to bring this information to the next Transmission Charging Methodology Forum.

Action TR1083: National Grid NTS to provide information on the effect on TO Commodity Charge from the latest AMSEC Auctions to the next TCMF Meeting.

3.4 Appointment of Auditor to the Transfer and Trades Process

AP1 announced that Poyry Energy Consulting had been engaged by the Gas Forum to audit the Transfer and Trades Process. The appointment was still subject to the signing of a confidentiality agreement with National Grid.

The function of the audit was not only to assure of compliance but also to promote confidence that the Transporter's approach was reasonable and appropriate. A report would be produced and sent to Ofgem in late April, and a summary report would be provided to the Gas Forum and also presented at the May Workstream.

It was agreed that CT would provide a link between the Gas Forum and the JO websites so that parties could easily access the details of the project proposal and scope that would be available on the Gas Forum website.

Action TR1084: The Gas Forum to provide a link between the Gas Forum and the JO websites to enable easy access to the Transfer and Trade audit documents.

4. Diary Planning

The next Transmission Workstream meeting has been arranged for 10:00hrs on Thursday 03 April 2008 at Elexon, 350 Euston Road, London NW1 3AW. This meeting will be followed by Transmission Code Planning Workshop 1. (Details of future meetings may be found on the Joint Office website at: www.gasgovernance.com/Diary).

Action Log – UNC Transmission Workstream: 06 March 2008

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR 1070	01/11/07	1.5	RH to look at further options to address concerns relating to Modification 0149A.	National Grid NTS (RH)	See 1.2 above. Carried Forward
TR 1071	01/11/07	1.5	RH to seek a presenter to give an overview from a practical point of view of events in an emergency and a perspective on the scenarios referred to in the Ofgem Decision Letter.	National Grid NTS (RH)	See 1.2 above. Carried Forward
TR 1078	07/02/08	2.1.1	2005/06 figures: Demand for Flex capacity from the DNAs, storage sites and large Users to be made available.	National Grid NTS (RH)	OCS figures provided. Action closed
TR 1080	06/03/08	1.3	Topic 020TR Gas Quality - Ofgem to provide an update on progress.	Ofgem (POD)	
TR 1081	06/03/08	1.2	National Grid NTS to consider the CV aspects of its current incentives and bring suggestions to a future Workstream.	National Grid NTS (MB)	
TR 1082	06/03/08	3.2	Explore potential impact of Assured Pressures Proposal on SO Incentive Scheme, and address and clarify the meeting's concerns within the Proposal.	National Grid NTS (FH)	
TR 1083	06/03/08	3.3	National Grid NTS to provide information on the effect on TO Commodity Charge from the latest AMSEC Auctions to the next TCMF Meeting.	National Grid NTS (MB)	
TR 1084	06/03/08	3.4	The Gas Forum to provide a link between the Gas Forum and the JO websites to enable easy access to the Transfer and Trade audit documents.	Gas Forum (CT)	