

Transmission Workstream Minutes
Thursday 07 May 2009
Elxon, 350 Euston Road, London NW1 3AW

Attendees

John Bradley (Chair)	JB	Joint Office
Tim Davis (Secretary)	TD	Joint Office
Amrik Bal	AB	Shell Europe
Andrew Hayes	AH	Wales & West Utilities
Andy Miller	AM	xoserve
Angus Paxton	AP	Pöyry
Graham Jack	GJ	Centrica
Ian Taylor	IT	Northern Gas Networks
Janet Duggan	JaD	Ofgem
Jeff Chandler	JC	Scottish and Southern Energy
John Baldwin	JoB	CNG Services
Jonathan Dennett	JoD	National Grid Distribution
Joy Chadwick	JoC	ExxonMobil
Julie Cox	JuC	AEP
Martin Watson	MW	National Grid NTS
Paul O'Donovan	POD	Ofgem
Rekha Patel	RP	Waters Wye Associates
Richard Fairholme	RF	EON UK
Richard Street	RS	Corona Energy
Ritchard Hewitt	RH	National Grid NTS
Simon Trivella	ST	Wales & West Utilities
Stefan Leedham	SL	EDF Energy
Steve Sherwood	SS	Scotia Gas Networks

1. Introduction

JB welcomed attendees to the meeting.

1.1. Minutes from the previous Workstream Meetings

POD clarified that the reference in the 02 April minutes to a consultation paper on storage should read Carbon Capture and Storage. The minutes of the previous Workstream meetings were then 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 Ofgem had contacted DECC who had agreed to be involved. Any new group will not be established before June 2009.

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: RH asked for this to be carried forward.

Action carried forward

Action TR0401: Modification Proposal 0246 - National Grid NTS to provide further details and example scenarios to support the figures alluded to.

Update: RH confirmed that further detail had been provided in the Proposal.

Action Closed

Action SUB001: Ofgem to consider producing a document, prior to the first substitution auction, setting out its rationale for approving substitution applications.

and

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

Update: Both actions carried forward until such time as the way forward becomes clearer. **Action Carried Forward**

SUB017: Develop and present generic cost profiles based on recent projects.

Update: It was previously agreed that production would be dependent upon which option was chosen, and MW suggested the action should now be closed. This was agreed subject to publication of the consultation document. **Action Carried Forward**

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 each of the live Modification Proposals. It was noted that Ofgem now publish a status report regarding Proposals awaiting their decision:

www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=4&refer=Licensing/IndCodes

MW provided a brief overview of Proposal 0249 and invited questions. JuC was unclear why the proposed change was considered necessary. MW responded that National Grid NTS believed there was some uncertainty which could usefully be clarified, and there were specific reasons at some individual exit points where they felt that publishing the information about what had been initialised, and consequently what remained unsold, could be of particular value to the market.

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. Gas Operational Forum

JB reported that there were no matters requiring the attention of the Workstream.

1.4.2. Review Group 0251

JB reported that a Review Group had been formed to give consideration to Review Proposal 0251: Review of the Determination of Daily Calorific Values. The first meeting was scheduled to take place on 13 May.

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

2. **UNC Modification Proposals**

No items were raised.

3. **Topics**

3.1. **003TR Review of NTS Exit Capacity Arrangements**

3.1.1. **Managing Incremental Signals – National Grid NTS**

MW presented on behalf of National Grid NTS, indicating the scale of incremental capacity that might have been signalled following the July exit capacity application window. The level of increase and coverage across a significant number of exit points could require a large number of revenue drivers to be requested. However, adopting this process would be administratively burdensome and not readily justifiable. MW therefore ran through some potential ways forward for dealing with the anticipated situation in an economic and efficient manner.

JoD asked whether the incremental figures were gross, and MW explained that this was the case, representing undiversified load. RF questioned the proportion of incremental requirements accounted for by National Grid LNG, which MW believed was zero.

JoB asked if the costs of booking firm capacity could be provided on an individual basis to storage sites, since this may determine whether capacity would be booked or not. MW said that some would see a low price and so they may book. At other new points, while the price may be high, there may still be willingness to book firm capacity. SL asked if entry signals had been received for all the potential new storage sites, and MW said this was not the case. Some, for example, may be using existing ASEPs.

GJ asked if some of the bookings related to parties that were no longer trading. MW explained that, since the process looked at historic positions, this was likely to be the case. JoC asked what would happen in these circumstances, and MW said there was a concern that the incentive on the parties concerned to release this capacity was limited. This was one reason why National Grid NTS felt there was a case for revisiting the credit requirements, creating the incentive to release capacity that would not be required.

SS asked about the DN enduring flat baseline and questioned why it was lower when initialised than under the OCS. MW explained that OCS numbers had been pared back to baseline under the initialisation process. JoD emphasised that this related to his point about gross or net bookings and that, in the DN context, much of the change was about movement within a total. JoD was also sceptical about the value of the maximum exit figure since on a peak day, storage and interconnectors, for example, would not be expected to be using exit capacity. MW agreed the flow was unlikely, but that this represented the potential to which National Grid NTS would be committed. Primarily, he felt it was appropriate to see this issue in the context of the next price control review – being raised now to allow full and thorough consideration.

JuC said there were similar issues around direct connect numbers and what they represented. MW agreed that further analysis could be provided, if requested, looking at what lay behind the numbers, although this would need to be seen in the context of what is actually revealed in the July application window.

MW confirmed that the baselines did not mirror physical capability of the whole system and so there was not necessarily a need to invest in response to each of the anticipated signals. The incremental requirements reflect a range of circumstances and this was why the issues were being raised for debate.

SL questioned whether the assumptions on storage flow were consistent with those for the transportation charge modelling. MW confirmed this was the case with no expectation of storage using exit capacity on the peak day, but cycling on relatively high demand days was being seen at some storage sites – albeit on a small scale – and the ability to cycle gas frequently, and so potentially on relatively high demand days, could

be a feature of some new storage facilities. The underlying issue was changes in the system in terms of entry and exit flows which would become clearer over time as new facilities operating patterns could be observed.

MW then outlined a suggested re-jig of DN baselines – increasing some to accommodate incremental signals while reducing others on a one-for-one basis. SS questioned whether this would be based on what the DNs had sought but not been allocated or on full DN requirements. Of the 565GWh/d incremental capacity identified as required by the DNs, MW said this could be reduced by 76% and, for that capacity, if it were re-jigged, there would be no revenue drivers. MW indicated that he would be sharing the proposed numbers with each DN and Ofgem, but not more widely at this stage in light of confidentiality requirements.

A concern was raised that moving the baselines around within a DN could impact transportation charges. MW doubted that there would be a significant impact since the proposed movements primarily related to the same feeder and, if the baseline was not adjusted, commodity charges could be expected to increase as the baselines would not be booked but would be taken into account in the charging models. MW agreed to look at whether any modelling could demonstrate the impact on charges.

Action TR0501: National Grid NTS to demonstrate the impact on transportation charges of a baseline re-jig.

RS asked if end users could also expect a baseline re-jig in similar circumstances. MW said that the suggestion was restricted to DNs. For direct connects, user commitment would be the key driver for all signals following initialisation. MW confirmed, however, that the National Grid NTS intention was to use the existing capability of the system wherever possible rather than seeking revenue drivers for each exit point where an incremental signal was received.

GJ asked about the process to deliver a baseline re-jig, and POD said he anticipated Ofgem undertaking a consultation over the next few weeks with a view to reaching an outcome which could be reflected in baseline changes within the Licence ahead of July. RS was concerned to understand whether this was a risk which was not envisaged when the price control was established, and if costs and risks were involved whether it should be the case that National Grid NTS should be exposed to the risks. POD said that any incremental capacity was not funded through the price control. MW argued that it was never envisaged that National Grid NTS might be asking for 80 or more revenue drivers as part of the first annual invitation. By not asking for revenue drivers, National Grid NTS's potential revenue would be reduced and the modelling of the baseline re-jig was therefore looking to avoid a risk increase. However, the issue was signals for 2012 and it was the next price control that would be impacted rather than reopening the present one.

AB suggested that for any future incremental signal, the logical position would be to look for possible re-jigs as a starting point. MW felt this was not the case. The suggested re-jig was limited to within each DN and so would have no direct commercial consequence unlike the situation if applied to directly connected loads.

MW emphasised that he would welcome feedback on the suggested approach. His hope was that an Ofgem consultation would be issued by 1 June – such that the numbers could be reflected in the July invitation.

Action TR0502: Feedback on National Grid NTS's suggestions for re-jigging DN baselines to be sent to MW

3.1.2. Flexibility Arrangements – Ofgem

In the 0195AV decision letter, Ofgem had indicated some work should be taken forward regarding flexibility, and POD presented a progress update. In light of Ofgem's request for feedback, RS asked if Ofgem had been contacted about flexibility by any end users following publication of the decision letter. POD confirmed that he had not been

contacted, but had directly approached others for their views. SL noted that the presentation suggested there had been a change in the view as to what was driving the use of flexibility, moving from variations in domestic demand to gas being used more widely for marginal electricity generation. POD said that the existing concerns remained and had been identified by National Grid NTS suggesting there could be a difficulty in 2012, but that Ofgem were also looking further ahead to identify possible changes in the pattern of demand.

RH then presented a National Grid NTS perspective in light of Ofgem's presentation, focussing on what information may be helpful to define likely scenarios and consequent requirements for flexibility. JoC asked about the implication of some feeders from St Fergus being used for carbon capture and storage. RH agreed that this would need to be taken into account in looking at future scenarios, along with other potential developments.

While it was recognised that issues such as wind generation could create a need for flexibility, this was not necessarily instantaneous and within day. By contrast, JoD suggested that perhaps the biggest problem was sudden and unanticipated changes, for example through plant failure, whether at entry or exit. AP added that forecast demand was also a factor and knowing the likely demand across the system influenced whether or not flexibility could be provided at a specific exit point.

SL questioned how flexibility was defined, and RH put forward some possible definitions. JuC suggested this was the wrong way round and that the consideration should be what the system was capable of providing. To the extent they exist, considerations should focus on scenarios which the system cannot accommodate. RS echoed that it was important to understand the problem to be addressed and that more extensive smart metering might provide an opportunity to obtain a better indication as to how flow is varying over differing periods.

RH asked for views on whether National Grid NTS could usefully publish additional information. Some felt that publishing hourly linepack depletion by linepack zone could be useful, and would be sufficient, while others felt that publishing hourly flow data for individual offtakes may be appropriate. IT emphasised that for a DN peak demand and the system driver may be different to that of National Grid NTS, which had been focussed on the 22:00 position to date - the DNs need to consider network pressures throughout the day.

RS felt that, in addition to looking at any information on linepack changes, it was important to consider the impact of any observed behaviours on costs. If costs are not materially changed, it is not clear that there is an underlying problem which merits consideration. JoD suggested that cost allocation was important – if some were imposing more costs than others on the system, then reflecting this in charges seemed appropriate. RS felt, however, that if a customer operated within its SHQ, they would have paid for and should be entitled to use that level of capacity. AB supported this and suggested that if charging was to reflect flexibility, it should also reflect benefits, such as may be provided by a storage site, in the form of reduced charges. JoB suggested that publishing data on compressor usage may be helpful to demonstrate the scale of the issue, which he felt unlikely to be significant in the immediate future although this could be changed by developments such as a shift to wind generation. AP suggested that looking at hourly linepack data was likely to be sufficient to demonstrate that there is no real problem at present. RP suggested that if wind was seen as a key impact which would change the gas position, then understanding the likely shift in generation patterns would be helpful.

RH asked if there would be value in setting up a specific workshop to look further at defining the information requirements. AB supported this on the understanding that a wide range of players were involved, with DECC and upstream parties involved given this was an entry as well as exit issue. JoB felt that National Grid NTS should go ahead and start providing additional information and then hold a workshop in a year or so

looking at what this had revealed and also what future scenarios might need to be taken into account and the range of possible implications. IT felt the big question was, if providing flexibility was likely to be a problem in future, how much it would cost to solve this. This would enable DNs to judge the best route for meeting their flexibility requirements, which were already being signalled to National Grid NTS well in advance.

POD emphasised that Ofgem saw this as looking at the issues and whether there was a problem. There was certainly no hidden agenda supporting hourly balancing. In addition to the information requirements, Ofgem would also welcome feedback on the range of tools presently available to manage flexibility at both entry and exit and if they were appropriate. This could be covered in any subsequent workshop or Ofgem could immediately issue an informal consultation. In particular, if it were felt the tools should be changed or developed, there would be value in doing this as quickly as possible. JuC asked if National Grid NTS could provide a short summary of the tools and their use, including the resulting impact on costs. AP emphasised that any demonstration of the use should also cover why they had been used in order to identify the occasions tools were used for flexibility as opposed to other reasons, which he suspected would be rare. While happy to provide a note describing the tools, MW was concerned that identifying why the tools had been used on specific occasions would not be a quick process as it would require trawling back through individual records.

Action TR0503: National Grid NTS to prepare a note describing the tools available to manage flexibility at entry and exit

It was agreed that comments should be passed back to POD in light of his presentation such that a way forward could be decided in light of the feedback received.

Action TR0504: Feedback on Ofgem's flexibility presentation to be sent to POD in order to inform the way forward

It was further agreed that any workshop should be deferred until the initial feedback had been received and further information developed.

4. Any Other Business

MW provided a short presentation to explain that National Grid NTS had decided to change its standard CV assumption for converting from energy to volume. In future the standard factor will be 11 rather than 10.83333.

5. Diary Planning

The next Transmission Workstream will be held at 10:00 on Thursday 04 June 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).

Action Log – UNC Transmission Workstream: 07 May 2009

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
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 (POD)	Carried Forward
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)	Carried Forward
TR 0401	02/04/09	2.1	Modification Proposal 0246: National Grid NTS to provide further details and example scenarios to support the figures alluded to.	National Grid NTS (CS)	Included in Proposal Closed
TR 0501	07/05/09	3.1.1	Demonstrate the impact on transportation charges of a baseline re-jig	National Grid NTS (MW)	
TR 0502	07/05/09	3.1.1	Feedback on National Grid NTS's suggestions for re-jigging DN baselines to be sent to MW	All	
TR 0503	07/05/09	3.1.2	Prepare a note describing the tools available to manage flexibility at entry and exit	National Grid NTS (MW)	
TR 0504	07/05/09	3.1.2	Feedback on Ofgem's flexibility presentation to be sent to POD in order to inform the way forward	All	

Action Log – Carried Forward from Substitution Workshops: 07 May 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)	Carried Forward

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)	Carried Forward
SUB 017	07/01/09	3.4.2	Develop and present generic cost profiles based on recent projects.	National Grid NTS (MW)	Agreed to be closed subject to the publication of the consultation document Carried Forward