

Transmission Workstream Minutes

Friday 11 January 2008

Elexon, 350 Euston Road, London NW1 3AW

Attendees

John Bradley (Chairman)	JB	Joint Office
Lorna Dupont	LD	Joint Office
Angus Paxton	AP	Poyry Energy Consulting
Beverley Grubb	BG	Scotia Gas Networks
Craig Purdie	CP	Centrica Storage
Graham Jack	GJ	Centrica
Jon Dixon	JD	OFGEM
Leigh Bolton	LB	Cornwall Energy
Mark Freeman	MF	National Grid Distribution
Mike Young	MY	Centrica
Peter Bolitho	PB	E.ON UK
Stefan Leedham	SL	EDF Energy
Stephen Rose	SR	RWE Npower
Steve Fisher	SF	National Grid NTS

1. Introduction

JB welcomed all attendees to the meeting and explained that this special meeting of the Transmission Workstream had been convened to give parties the opportunity of reviewing in detail the Business Rules (version 0.6) that support the draft proposal which accompanies the Review Group's Report.

2. Walk Through of NTS Enduring Exit Proposal Business Rules

The Business Rules (version 0.6) were reviewed and considered. Any minor changes that had already been made to the Proposal were pointed out. Questions and issues were raised and discussed, and amendments to the text were made as agreed. It was confirmed that currently the aspiration was that the Modification Proposal should proceed to the consultation phase following consideration and agreement at the next UNC Modification Panel Meeting. This view, however, was revised within the meeting (see paragraph 4 below)

Introduction

BG was concerned that there was no mention of DNOs getting Flat capacity back. Surrender arrangements had been put in place at the time of the DN sales. The addition of words "and DNOs may offer to surrender NTS Offtake (Flexibility) Capacity" at paragraph 6 was discussed. SF thought that a within Day flow arrangement might resolve this for the DNs and would check this out.

Part I NTS Exit Capacity Overview

BG queried what happens when a User failed to meet its User commitments. SF responded that this was dealt with through the Credit Rules and the appropriate application of sanctions. MY questioned whether this was consistent with the entry regime but was satisfied with the explanation provided by SF.

It was pointed out that 'FTI' no longer existed (FTI was a status concept that was irrelevant under these new rules) and that this was now covered by 'overrun' (a booking concept).

Paragraph 44: '15 day window' - it was thought that this may need to be made clearer and consideration given to any corresponding liabilities.

Part II Initialisation of NTS Exit Capacity Regime

Paragraph 48: There was concern that National Grid NTS had not yet raised a Modification Proposal to address the current sunset clauses. Various ways of capturing the subsequent need for date changes within the Business Rules should such a Modification Proposal be approved were discussed. JD suggested the placing of all appropriate dates in square brackets to highlight potential changes that might be required in the event of any agreed implementation. MY suggested that an appropriate statement should be made either in the Modification Proposal or through an email to bring this to the attention of the UNC Modification Panel.

It was agreed that SR would add an appropriate statement at the beginning of the Modification Proposal to draw attention to the potential need for change but leave the dates 'as is' in the Modification Proposal itself. Any dates within the Business Rules that would potentially be affected would be placed in square brackets to indicate this fact.

Paragraph 48.3: Regarding the Licence baseline; extra clarity may be required here.

BG went on to point out that there were significant concerns relating to inconsistent periods for the application windows for different products and a discussion ensued. It was acknowledged that having to book Flex if there was no Flat to go with it was a serious issue for the DNs; the DNs would require some mechanism to be able to revise Flat requirements if less Flex was offered than applied for. Without this provision, the DNs may find it hard to support the Proposal because this was such a major issue for them. It was agreed that this and related areas needed further consideration to reach an acceptable resolution and that the appropriate forum for this might be the Offtake Arrangements Workstream.

Section 1

Paragraphs 62 and 63: The 90 day window was of concern; a rephrasing was agreed to reflect 15 day turn-round where investment or substitution was not required..

Issues were raised relating to competition and equal treatment; it was reiterated that all NTS and DN customers should be treated equitably.

Paragraph 72: SL suggested that National Grid NTS might provide some guidance notes/guidelines for this. SF agreed to give consideration to the provision of some minimum requirements.

Section 2

PB pointed out that consideration may need to be given to compliance with European Regulations, ie Regulation 1775, relating to the offering of long term interruptible services, or keep to the status quo.

Section 10

Paragraphs 293 and 294: These were amended and it was agreed that SR would change the Modification Proposal to reflect the publication of information.

Post meeting note: Version 0.7 of the Enduring Exit Business Rules as revised at this meeting can be found on the website of the Joint Office of Gas Transporters at:

[www.gasgovernance.com/Network Code/Workstreams/Transmission Workstream/2008 Meetings/11 January 2008](http://www.gasgovernance.com/Network_Code/Workstreams/Transmission_Workstream/2008_Meetings/11_January_2008).

3. Any Other Business

3.1 Enduring Offtake Arrangements (including an alternative daily interruptible capacity release mechanism to facilitate use of spare capacity)

PB gave a brief presentation and explained the rationale behind this alternative. If the release mechanism could be made stronger it could alleviate many concerns and could ensure that where possible any spare capacity was released on any day where it was available.

There was a short discussion on 'actual maximum theoretical flow rate', and it was questioned whether there was a document in existence that defined this.

PB described the Revised Daily Interruptible Release Mechanism and explained that this could be incorporated into the main Proposal. It was targeted at offpeak users and those who could access alternative fuels at the appropriate period. Comments were sought.

SR thought that it might be capable of incorporation in the Modification Proposal but the timescales were really too short if more detailed information on 'actual maximum theoretical flow rate' needed to be established first. SF commented that National Grid NTS would prefer something closer to baseline. AP confirmed that he quite liked this Proposal, as did LB.

PB explained that other aspects could be incorporated if necessary. If a User overruns it could be mandated to apply in the July window. It would be a harsher regime but would be consistent with Ofgem's view of having to pay for Firm capacity if used. AP also wondered whether there may be credit problems.

PB summarised the main advantages and disadvantages. The meeting felt that although a good Proposal in parts, it was not ready to be incorporated into the main Modification Proposal. This will therefore be put forward as an alternative to the main Modification Proposal by PB.

3.2 DN Perspective

BG gave a DNO's view on the arrangements in the UNC regarding Flex and a perspective on the creation of inefficiencies through the different levels used from a commercial focus and an operational focus. Operations looked at a zonal level; at the zonal level Flex bookings could be significantly reduced, thereby potentially avoiding unnecessary actions.

BG would like to see incremental changes. SR suggested that any changes to current arrangements should be discussed at the Offtake Arrangements Workstream. AP observed that Flex may be just a DNO product and was probably acceptable as a zonal rather than a nodal product.

A further issue for a DNO was being able to transfer Flex between zones. This had been considered and BG thought that this would address some of Ofgem's concerns that were not currently resolved and that therefore this was not likely to be an issue with Ofgem.

BG stated that in aggregate the DNO was booking far more than it needed to, and pointed out that there were problems (and the creation of some anxiety) last summer

where the DNO appeared to be exceeding what was available. There seemed to be no account taken of diversity that could ameliorate this. Flex is therefore still a significant issue.

SR stated that it would be hard to accommodate within the current Modification Proposal as this did not touch on any of the current Flex arrangements. National Grid NTS was providing analysis to Ofgem so that a view could be formed as to its scarcity level. BG asked whether the analysis was likely to show there was no issue with Flex. The DNO had signals to indicate that Flex was very tight, and was uncertain whether booking Flex zonally would have removed this entirely, but it would have helped.

The result of the analysis was as yet unknown, so views may change.

AP commented that a weather forecasting error often drives this and that the sum of the specific Flex requirements would be more than the national 1-in-20 Flex requirement.

BG was concerned that Ofgem may see this Modification Proposal as a backward step for DNOs and would therefore not look upon it with as much favour. PB commented that inserting a definition of Flex in the Modification Proposal would not necessarily attract a more positive view from Ofgem. AP observed that addressing the use of spare capacity covered some of the Competition Commission's concerns and could therefore be viewed as good, but not reforming the Flex arrangements should not be seen as a negative.

4. Next steps

Although recognising that qualified support was given to the Review Group Report, the meeting agreed that the Modification Proposal should be raised with a recommendation that it should proceed to Workstream and that any further changes required would then be addressed.