

Minutes of Extra Transmission Workstream
“Enduring NTS Offtake Arrangements”
Tuesday 12th September 2006
held at Elexon, 350 Euston Road, London

Attendees

John Bradley (Chair)	JB	Joint Office
Dennis Rachwal (Secretary)	DR	Joint Office
Andrew Pester	AP	Ofgem
Bethan Winter	BW	National Grid DNCC
Chris Wright	CW	Centrica
Christiane Sykes	CS	Statoil
Heather Lockyer	HL	National Grid LNG
Jeff Chandler	JeCh	Scottish & Southern Energy
Julie Cox	JCo	AEP
Liz Spierling	LS	Wales & West Utilities
Mark Freeman	MFr	National Grid Distribution
Mike Young	MY	BGT
Paul Roberts	PR	National Grid NTS
Phil Broom	PB	Gaz de France
Roddy Monroe	RM	Centrica Storage Ltd
Stefan Leedham	SL	EDF Energy
Stephen Sherwood	SS	Scotia Gas Networks
Steve Fisher	SF	National Grid NTS
Steve Rose	SR	RWE Npower
Suzanne Turner	ST	Ofgem
Tim Davis	TD	Joint Office

1. Introduction

Following from the meeting held 5 September, this meeting completed the run through of draft Business Rules “Reform of the NTS Offtake Arrangements” v1.1¹ and reviewed redrafting and the status of actions from the previous meeting.

2. Review of Business Rules for Reform of the NTS Offtake Arrangements

These minutes refer to Rule numbering in v1.1 of the document.

Section 9: NTS Exit Capacity Constraint Management

Rule 265 Clarity sought as to whether holding would be set to zero for maintenance days with consequent neutrality implications and whether there would be a refund.

Action NX13 NG NTS clarify rule 265 regarding applicable charging on maintenance days.

Rule 267.7 Clarity sought regarding interaction with constrained LNG in Section R of the UNC. PR to consider wording.

Rule 271 Term corrected to Network (not National) Gas Supply Emergency.

¹ <http://www.gasgovernance.com/Code/Workstreams/TransmissionWorkstream/2006Meetings/>

JCo enquired about how constraint management would work, in particular whether further OPNs would need to be in line with capacity holdings.

Action NX14 NG NTS to provide further explanation on within day flow reduction interaction with the overrun.

Rule 276 – PR clarified that all measurement equipment for current NTS Exit points already exists.

Rule 278 – There were concerns about hour bar+1 as the lead-time for interruption. SL suggested 4-5 hours might be more appropriate. PR had concerns about how this might fit with Ofgem incentives and suggested this was a new interruptible product.

Rules 286-305 on Buy back Option and Forward Contracts – SR enquired how these arrangements fit with charging for flex overruns.

Rule 323 clarified that there could be more than one revised OPN/SFN

MFr and LS enquired what a DN had to do in order to swap flows between offtakes. NG NTS responded that parties could offer their capacity for buy back and suggest that NTS runs a tender. There was potential for a more sophisticated mechanism to be developed for Q1 2007 (if need be) if these proposed business rules were approved. PR acknowledged the aspiration and suggested that parties might raise this as a Topic in the Transmission Workstream, if they wished.

Rules 325-342 Turn-up contracts; PR confirmed the intention was to replace constrained LNG and this would be with services provided by shippers.

Rule 346.1.2 PR corrected the cut off time for flex to 00:00, consistent with other changes and discussions.

PR confirmed that offer prices could be zero.

Rules 364-370 Within Day Flow Reductions – Rule 366.4 would be clarified regarding what the flow rate reduction would be compared against. PR confirmed that measurement information would be available to monitor delivery of flow reductions and overrun would be a potential consequence of non-delivery. There was overlap with discussions from 5th September meeting in this area (e.g. Action NX4 which is in progress). PR highlighted that these provisions would not become operational before 2010.

Section 10: Exit Capacity Neutrality Arrangements

Rules 384-392 There was a debate about the advantages and disadvantages of national or multiple sub national pots for smearing neutrality costs. The latter may deliver better focus of flex costs; however, capacity holders in an affected area would not only be constrained but also face higher smear costs. A similar debate on Entry Capacity arrangements had occurred at the Transmission Workstream on 7th September. There may also be difficulty in defining boundaries and assigning constraint costs within them. There was no clear consensus to change these rules.

Section 11: Charging Arrangements

Rule 397.2 was corrected such that incremental OPN/SFN capacity allocation attracted Daily (rather than Annual) Flex reserve prices.

Rule 399.2 was clarified, removing the reference to Storage Points. Any review of storage commodity charging would be dealt with outside of NTS Exit reform.

PR indicated that NG NTS envisaged Pricing Consultation would run in parallel to Modification Proposal consultation (and IExCR consultation).

Section 12: Credit Checks & Termination Rules

Rule 407 provides a summary – existing credit rules would be extended to accommodate Flat and Flex Exit capacity and DNs would need credit arrangements - the same as Direct Connects.

Rule 421 PR explained that the rule was flexible to accommodate whatever instruction NG NTS received in the unlikely event of DN termination.

Section 13: Liability Arrangements and User Obligations

Rule 427.5 PR explained that the multiplier value of 10 was based on Firm only holdings and if an interruptible lead-time greater than 1 hour was implemented, then a factor of 5 should be applied, as today, for such interruptible holdings. (see comment on Rule 278 above).

Rule 428 NTS/LDZ offtakes – LS observed that, in the event of large scale customer isolation arising from failure supply restoration costs could exceed the liabilities.

Rules 429-432 PR explained that existing UNC liability arrangements for DNs was being rolled out to all NTS Exit Points, and liabilities would be based on the quantity of capacity that had been purchased.

Rule 433.3 The term “connection agreement” was queried and PR agreed to clarify such as reference to NExAs and Storage Connection Agreements.

Rule 434.1 SR asked whether this rule envisaged inclusion of flex tolerance for the purposes of liability calculation. PR undertook to consider this point and to reflect this in the rules.

Rule 435-436 PR explained that the effect of these rules would be to limit liabilities in the event that Users did not comply with what could for flex be quite generous tolerance (although in practice physical limitations of connections would inhibit extreme excursions).

Rule 439 should be corrected to encompass potential pressure increases and well as decreases.

Rule 442 DN representatives indicated that 10-day acceptance window for finite pressure changes seemed appropriate.

PR highlighted that existing UNC provisions have a 30 September 2010 sunset clause and therefore requests for 2010/11 and beyond were not catered for without UNC modification.

Section 14: Further references in UNC affected by Exit Reform

PR explained that this section of rules reflected the lawyers’ “trawl” of the UNC and ancillary documents such that terms were consistent with the main body of NTS Exit Reform.

APPENDIX 1: NTS Exit Zones

PR confirmed that there were no changes from previous documents and presentations that mapped NTS Exit Points to NTS Exit Zones.

APPENDIX 2: Area and NTS Exit Zone Maximas

In discussion, it was recognised that, for licence purposes, the volume units of flex would need to be converted to energy and a national standard CV of 39.5MJ/m³ seemed acceptable.

Both Appendix 1 and Appendix 2 were part of the IExCR and PR agreed to a draft prior to formal consultation.

Action NX15 NG NTS provide a draft of IExCR prior to formal consultation.

3. Status Review

3.1 Revised draft up to Section 8

Version 1.1 of the Business Rules includes changes made up to Section 8 arising from discussion on 5th September. PR highlighted the addition of Rule 12 in response to requests from some Users for an Overrun User – an option for connections such as Interconnectors, Storage and SSMPs.

Part III Initial Prevailing NTS Exit Capacity. There was debate about potential scale back to below baselines. ST drew attention to Ofgem Initial Proposals highlighting that the baseline quantities were generally larger than 1 in 20 demand. The arrangements would need to accommodate any churn of shippers in the period 2006 to 2010.

Rule 181.5 PR agreed to add a rule that recognised the potential for long term (>5 year) change of attribution of NTS Exit Points to Zones and Areas.

3.2 Review of Action Status

The published Action log was reviewed.

Action NX3 JCo requested NG NTS to be proactive in due course in seeking to amend e.g. NExAs where UNC provisions take precedence over existing provisions.

Action NX4 PR suggested that in parallel to NG NTS providing more examples on flex, interested parties could make use of the now published overrun calculator (as per Action NX2).

Action NX6 Following a short debate, and recognising there were different attendees on 5th September from this meeting, PR agreed explore a hybrid arrangement where auctions would not only be run at fixed times, but also NG NTS had discretion to run them at other times such as when specific User needs arise.

Action NX7 PR highlighted the amendment in v1.1 Rule 123 – indicating an auction of unsold baseline at 08:00 hours.

Action NX10 ST enquired if NG NTS could consider development of a methodology for changes to flex in time for July 2008, i.e. when auctions start to extend further than 5 years from July 2007 initiation.

Action NX11 SR and JCo reiterated the desirability of within day information, e.g. how much sold in comparison to capability, so as to inform OPN submissions that seek flex allocation. PR could not commit to this at present.

3.3 Clarity for consultation

PR asked if attendees felt there was any lack of clarity in the rules that could inhibit consultation.

There was some DN concern about arrangements for flow swapping initiated by DNs.

There was some DN concern about uncertainty of NTS Exit Capacity prices impacting the proposed process DN Interruption process.

SR felt the run through had been useful but more time was needed to fully understand implications and identify any areas of potential concern.

SR also noted that legal drafting would differ from business rules.

Action NX16 Legal drafting review meetings to be arranged.

MY acknowledged that much of the arrangements were carried over from Entry but the latter did not have the overlaying complexity of flex. MY suggested that some further development would be beneficial, potentially in parallel to the consultation process.

JCo was not clear how new sites would be accommodated in the transition period.

4. **Next Steps**

PR indicated NG NTS intention to:

- proceed to raise the Modification Proposal for consideration at the Panel meeting on 21 September
- progress outstanding actions from 5th and 12th September Workstream meetings
- refine the Business Rules following on from this meeting
- provide indicative legal text and arrange one or more sessions for industry review.

NTS Exit Reform ACTION SUMMARY FROM 12th SEPTEMBER

REVIEW OF ACTIONS FROM 5th September

Action NX1 – Complete.

Re-release of scaled back interruptible capacity rejected as too complex for the additional benefit it will deliver.

Action NX2 – Complete

Overrun calculator published.

Action NX3 – In progress.

Explanatory note regarding modification effect on CSEP Ancillary Agreements.

Action NX4 – In progress

Examples of anti-dirunal flows in the context of flex holdings. NB The published calculator enables parties to develop their own examples.

Action NX5 – Complete

NG NTS to consider some requests that initial prevailing rights might be confirmed without action by DC Users.

Action NX6 – Partially complete

New request to permit discretionary triggers (e.g. to address operational needs) in addition to auctions at fixed times.

Action NX7 – Complete

A rule now provides for 08:00 auction of unsold baseline.

Action NX8 – In progress

Request for additional Interruptible Capacity release

Action NX9 – In progress

NG NTS make a spreadsheet available such that interested parties could develop better understanding of the flex allocation process.

Action NX10 – New element identified

Whilst flex baselines are a matter for Ofgem, a methodology for changing them might be needed from NG NTS for July 2008 onwards.

Action NX11 – Partially complete

Provision of within day information on use of flexibility product. NG NTS envisage ex post information provision should be feasible, and information provision on inter zonal transfers included within rules. Within day information to inform OPN submission remains as an issue for 2010.

Action NX12 – Complete

Final flex allocation now set to later time of midnight.

NEW ACTIONS FROM 12th September

Action NX13 NG NTS clarify rule 265 regarding applicable charging on maintenance days.

Action NX14 NG NTS to explain further within day flow reduction interaction with the overrun.

Action NX15 NG NTS provide a draft of IExCR prior to formal consultation.

Action NX16 Legal drafting review meetings to be arranged.