

Minutes of Extra Transmission Workstream
NTS Exit Reform: Proposal 0116 Legal Drafting Review
Wednesday 25th October 2006
held at 10 Old Bailey, London

Attendees

John Bradley (Chair)	JB	Joint Office
Dennis Rachwal (Secretary)	DR	Joint Office
Andrew Pester	AP	Ofgem
Beverley Grubb	BG	Scotia Gas Networks
Charles Wood	CW	Denton Wilde Sapte
David Tennant	DT	Denton Wilde Sapte
Debbie Harding	DH	Scotia Gas Networks
Frank Roper	FR	National Grid
Mark Freeman	MFr	National Grid Distribution
Mike Young	MY	BGT
Paul Roberts	PR	National Grid NTS
Rachel Turner	RT	Centrica
Richard Fairholme	RF	EON UK
Shelley Rouse	ShR	Statoil UK
Stefan Leedham	SL	EDF Energy
Steve Fisher	SF	National Grid NTS
Steve Rose	StR	RWE Npower

1. Introduction

Legal Text for Modification Proposal 0116 “Reform of the NTS Offtake Arrangements” was published on 12 October 2006¹ and this meeting reviewed this drafting. Consultation on the Proposal (and its Alternatives) is open until close of business on 24 November 2006. It was agreed at Panel on 19 October 2006 that legal text was not required at this time for the Alternative Proposals 0116A/0116B/0116C¹.

2. Review of Legal Text for Proposal 0116 “Reform of the NTS Offtake Arrangements”

The review took the form of a walk-through of the documents, identifying clarifications and matters for NG NTS to consider for the UNC Modification Proposal. CW explained that the text was an expression of how the Proposal and business rules may be implemented into the UNC. The sequence for the review was to deal with consequential changes after the prime sections had been reviewed.

2.1 Transportation Principal Document – Section B System Use and Capacity

B1 Introduction

CW introduced this section as largely definitional changes such that there was NTS Exit Capacity (Flat and Flex) for both DNOs and Shippers.

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

B1.1 In response to a query, CW confirmed that instead of “Node”, the legal drafting used the existing term NTS Exit Point.

B1.2.4 BG enquired why this clause was deleted. PR explained that this was consistent with EU Gas Regulations on common services but there were other clauses that would not make it attractive for shippers to book capacity at NTS/LDZ offtakes.

B1.7.1 It was confirmed that it was not appropriate to include neutrality in the Transportation Charges and this was covered in other sections of the draft.

B3 NTS Exit Capacity

CW introduced this section as being modelled on Entry Capacity rules with some simplification and use of generic auction rules. Part A was introductory, Part B covered capacity release, Part C buy back and Part D charges.

B3.1 Part A – General

CW explained that this addressed how to get capacity and the rights it provides in terms of flowing without overrun charges.

B3.1.3 PR explained that “Annual” encompasses prevailing capacity rights as well as other sources of annual capacity rights.

B3.1.6 (b) and (c) StR enquired why the term “baseline” was used for flat capacity and “maximum available” for flex and PR explained that the latter was appropriate for the area and zonal aspect of flex. This would be set out in detail in the Exit Baseline Statement (a document requirement from NG NTS’s licence).

B3.1.9 (c). CW explained that this definition did not convey any obligation on Users to aggregate their User Daily Flex Quantities (UDFQs).

B3.1.10 has the effect of scaling up flexibility if there has been exit capacity management action taken.

B3.2 and B3.3 Part B – Release of NTS Exit Capacity

B3.2.1 and B3.2.10 In discussion it was recognised that, taken together, these clauses include the process for applications for increments to prevailing capacity.

B3.2.1 PR enquired whether Users (most likely DNOs) would want the facility to signal capacity requirements 5 years ahead rather than the currently proposed limit of 4 years ahead and BG indicated some interest in this.

Action PR to consider a variation to include this provision.

B3.2.9 There were some concerns about commercial confidentiality for publishing bid details where there were few bidders and PR suggested parties should articulate this in their responses to the consultation on the Proposal.

B3.2.10 CW suggested that this paragraph should be placed earlier e.g., after B3.2.1.

B3.2.12 May need clarifying that notices of reduction were envisaged for any Gas Year.

B3.3.2 (a) May need clarifying regarding capacity registration “for” the first day of the Gas Year.

MY expressed some concern that terms such as investment lead-time would be in the Exit Capacity Release Statement, outside of the UNC but PR explained that such matters were critical for NG remuneration and there was Ofgem governance. AP confirmed that this approach was generally in line with their views on governance.

B3.3.3 (d) required grammatical adjustment – “following” rather than “follow”

CW then explained that the exit capacity auctions in clauses B3.4 through to B3.8 used the generic rules set out in Annex B-1

B3.3.3 (e) should be “may” instead of “shall”

Annex B-1 (NTS Exit Auction) Invitation, Application and Allocation

Annex B-1 3.3 and 4.1 (a) In discussion it was recognised that taken together these clauses do not constitute an unduly restrictive limit since a User could have many sets of up to 10 capacity bids in auctions.

Annex B-1 3.6 (d) BG enquired why reference to V3 Code Credit Limits was included in this part of the text. NG NTS explained the aim was for consistency with Entry Capacity auctions.

Annex B-1 3.6 CW would consider moving this paragraph to Section V.

Annex B-1 4.1 (a) CW suggested that this paragraph should be placed earlier within this section

Annex B-1 4.3 CW indicated an intention to review the drafting to ensure it reflected the intention of flex zonal, area and national limits.

Annex B-1 5.2.2, firstly should be numbered 5.3, but also StR identified that the quantity definition of Qi and Pi related to Capacity Management actions whereas a broader definition seemed to be the intent.

B3.4 to 3.8 Exit Capacity Auctions

B3.4.2, B3.4.3 and Annex B-1. CW talked through the use of Annex B-1 with parameters picked up from these clauses for Annual NTS Exit (Flat) Capacity auctions. There was similar use of Annex B-1 in B3.5 to B3.8 for the other NTS exit capacity auctions.

B3.5.2 (a) (ii) BG observed that the text included a 22:00 hours daily auction whereas the Proposal did not. PR responded this was an inadvertent omission from the Proposal – an auction at this time was included in the Business Rules and parties seemed to want it.

B3.6.2 (b) (ii) and B3.6.3 BG queried whether Interruptible flat capacity would affect firm capacity rights and it was confirmed it would not.

B3.8.4 relating to “Flexibility Constraint Day” – StR queried whether the text took account of flexibility that had previously been allocated by the IOPN mechanism. NG NTS agreed to review and if need be adjust the text to reflect the Business Rules / Proposal.

B3.8.7 should be corrected such that daily flex allocation was allowed from both discretionary “and/or” auctioned release.

B3.9 to B3.13 Part C Capacity Surrender and Management

B3.9.3 (c) should read “offers” not “bids”

B3.10.3 BG enquired when a revised System Management Principles document might be available. PR explained that it was usually at a later stage in a modification but the changes were likely to be simple extension from entry to include exit. Nevertheless he would raise the request within NG NTS.

Action PR to advise timescale for System Management Principles update

B3.10.6 (a), (b) In discussion it was observed that the text at the end of each clause “(not being an agreement....” seemed to be superfluous, and “Exit Capacity Management Agreement” should be the term.

B3.11.1 (b) StR observed that interruption lead-time seemed to be 4 rather than the present 5 hours. PR confirmed this was the intent and reflected NG NTS moving from the original 1 hour to 4 hours in the Business Rules and Proposal.

B3.11.2 BG enquired about the nature of the curtailment factor. PR explained it was similar to that of entry, i.e. a value between 0 and 1.

B3.14 to 3.16 Part D Charges

CW explained that the charging relating to offtake reduction in clauses B3.14 and B3.15 used the generic rules set out in Annex B-2

Annex B-2 (NTS) Offtake Reduction Invitations, Offers, IOPNs, Information

Annex B-2 4.1 (b) StR enquired whether flex reduction arising from accepted offtake reduction offers could be for a part Day, but it was explained that flex capacity was a daily product and therefore flex holdings would just be for whole Days.

B3.14.16 CW then highlighted the use of Annex B-2 for NTS Offtake Reduction Charge.

B3.14.10 (d), (d) renumbering required

B3.15.5 (a) should be corrected so that bid prices would be paid “to” not “by” NG NTS.

B3.15.6 and B3.15.7 PR explained currently the Overrun User was proposed for Capacity charges, and not for commodity but NG NTS would be interested if representations indicated an appetite for extending the role of the Overrun User.

B3.15.8 It seemed that the word “not” should be deleted so that NTS / LDZ operational requests under OAD I2.4, I2.5 were taken into account for overruns as intended.

B3.16.1 BG requested that the term “other amounts” was made more explicit for defining the scope of NTS Exit Capacity neutrality arrangements.

B3.16.3, B3.16.4, B3.16.6 Relating to Exit Capacity Revenue Neutrality Charge it seemed that the definitions of UFAEC and AFAEC needed to be transposed.

B5 Capacity Transfer

CW indicated that the prime area of change arose from the facility to transfer flex between Users and between NTS Exit Zones (for the same User).

B5.4.2 (d) PR clarified that NG NTS would have an obligation to disclose these prices

B5.5.1 (c) (ii) cross-reference missing

B5.7.1 (b) was the clause that facilitated flex capacity transfer between zones for the same User.

B5.7.4 In response to a query, PR confirmed the intent that partial flex capacity transfers would not be allowed; resubmission would be needed for the quantity that could be accommodated.

B5.5.1 (c) (ii) Paragraph reference was missing.

BG observed that it seemed Exit capacity trading might commence in 2009 and this needs to be reflected in the Transition Document legal text.

B5.4.2 (d) (i) regarding a Transferee taking on capacity of a terminated User, BG requested that the text should ensure that the weighted average price of NTS Exit capacity be made available to inform decision making.

B5.7.2 (d) and B5.7.3 (a) StR asked for clarity in the text to show how Users can trade Daily.

B6 Assignment

NG NTS confirmed this was for allocated capacity and did not include traded capacity.

B6.2 This may need to be clarified to reflect the intent of equivalent charges being transferred from Assignor to Assignee.

2.2 Transportation Principal Document – Section J Exit Requirements

The prime changes commence in J2.5

J2.5 Assured Offtake Pressure

CW introduced this as superceding the relevant elements of the administered Offtake Capacity Statement.

J2.5.8 paragraph reference(s) need correction.

J2.5.12 onwards. The numbering of sub-clauses needs review and correction.

J2.5.10 and J2.5.12 BG enquired about the test for NTS or DNO for requests for pressure change and NG NTS indicated that rejection would be permitted unless both "safe" and "efficient" elements were satisfied.

In response to a query from BG, PR confirmed that as currently proposed there would be no immediate reopening for capacity requests and invited views on this in representations.

J3.5 Gas not made available for offtake

No questions were raised.

J3.10 User offtake obligations: NTS Exit Points and Inter-System Offtakes

J3.10.2 CW indicated the need to review and confirm the text reflected the business intent and captured a limit for the aggregate flex holding.

J3.10.5 (c) use term "F" in the formula or "FT" in the definition.

J3.10.5 (d) Clarity was sought as to what "feasible" meant for the maximum instantaneous flow rate.

J4.5 Offtake Profile Notice

No questions were raised.

J4.5.15 needs renumbering

J6.7 NTS Exit Capacity at relevant NTS Connected System Exit Points

CW explained that provisions would be replaced by those in B3.

J7, J8 No questions were raised.

2.3 Offtake Arrangements Document – Section I NTS Operational Flows

CW introduced this as largely consequential from removal of NTS interruption.

OAD I 2.5 ~~Low demand Days~~ Revisions requested by DNOs

Whilst not clear from the revision marking (mainly deletion of Low demand Days provisions and replacement) the intent was to mirror OAD I 2.4 Revisions requested by National Grid NTS.

MF observed a difference in the use of terminology such as "LDZ" and "NTS Exit".

MF asked if NTS could request a flow in excess of capacity holding in an exit zone and PR indicated that it could but the User would not be exposed to overrun.

OAD I 2.5.2 (a) BG observed that DNOs would be obliged to provide "operational circumstance" whereas NTS did not have this obligation in OAD 2.4.2

Action NTS to consider inserting an equivalent provision in OAD 2.4.2

2.4 Transition Document Part II C (New paragraphs 3 to 7)

DT introduced this text as paragraphs 4 to 7 essentially retaining impacted prevailing rules during the cutover period leading up to the enduring regime and paragraph 3 setting out the initialisation.

TD IIC 3.1.1 This would be reworded to refer to the implementation date.

TD IIC 3.2.3 This needs correcting to 2010 and not 2009.

TD IIC 3.2.5 MF observed that if 5 years ahead were to be allowed (ref potential change to B3.2.1) then this clause would need to reflect the change.

TD IIC 3.3.6 This should refer to Offtake Capacity Statement of September 2006.

TD IIC 6.5.15 Cross references to be established

2.5 Consequential Changes throughout the UNC

Existing Transition Document

BG suggested that the existing Transition Document might need to be reviewed for references to clauses impacted by Proposal 0116.

TPD B4 Supply Point Capacity and LDZ Capacity

B4.6.9 (for example) refers to “Notional NTS Connection Point” (needed for LDZ short haul charges) and NG NTS would consider whether was still appropriate terminology for the enduring regime.

TPD E3.2 and E3.3.3 CSEPs

No questions were raised.

TPD G Supply Points

No questions were raised.

TPD M Supply Point Metering

No questions were raised.

TPD Q Emergencies

Whilst there no questions on the text (other than extraneous square brackets), NG NTS indicated that Transporter Safety Cases would be reviewed in the context of NTS Exit Capacity Reform – the communication route for the NEC to DNOs for LDZ interruption would need to be preserved.

TPD R Storage

CW explained that generic NTS Exit Capacity provisions would replace storage specific offtake rules. No questions were raised.

TPD S Invoicing

BG enquired which invoice category would cover prevailing and NG NTS explained that S2 (a) Annual would encompass this.

The existing Ad Hoc would encompass Within Day Flow Reduction.

TPD V3 Code Credit Limits

No questions were raised.

General Terms Section C Interpretation

No questions were raised.

OAD Section H2.7 Forecast Offtake Information

Whilst revised text had not been published, FR indicated the nature of some consequential changes, including 2.7, 2.8 and Part 3 (Table)

3. Next Steps

- NG NTS (PR) indicated intention to submit an early representation to its Proposal 0116 such that suggested corrections/clarification to text did not have to be submitted by multiple parties.
- NG NTS (PR) indicated its intention to continue consideration of detailed business issues identified from various sources, and to raise one or more Variation Requests for its Proposal 0116.
- Ofgem (AP) drew the Workstream's attention to Ofgem's consultation² "NTS gas offtake: Proposals for licence modification drafting" which also has a close out date of 24th November and sought expressions of interest for a further Enduring Offtake Working Group meeting to discuss this.
- AP also indicated that Ofgem were working on a Cost Survey for circulation and also its Impact Assessment for Enduring Offtake proposals.
- The Transmission Workstream agenda for 2nd November includes an opportunity for discussion of Proposals 0116/0116A/0116B/0116C during the consultation period.

² http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17158_188_06.pdf?wfrom=/ofgem/index.jsp