
Transmission Workstream Minutes
Thursday 2nd February 2006
held at 350 Euston Road, London

Attendees

John Bradley (Chair)	(JB)	Joint Office
Dennis Rachwal (Secretary)	(DR)	Joint Office
Alan Raper	(AR)	National Grid UKD
Charles Ruffell	(CR)	RWE npower
Chris Logue	(CL)	National Grid NTS
Christiane Sykes	(CS)	EON UK
Dave Adlam	(DA)	National Grid NTS
Ed Carter	(EC)	Ofgem
Jeff Chandler	(JChan)	Scottish and Southern Energy
Joy Chadwick	(JChad)	Exxonmobil
Matteo Guarnerio	(MG)	Ofgem
Mick Curtis	(MC)	E=mc ²
Mike Young	(MY)	British Gas Trading
Ndidi Njoku	(NN)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Nigel Sisman	(NS)	National Grid NTS
Paul Roberts	(PR)	National Grid NTS
Phil Broom	(PB)	Gaz de France Energy
Rachel Turner	(RT)	Centrica
Richard Bonelle	(RB)	Corona Energy
Roddy Monroe	(RM)	Centrica Storage Ltd
Shelley Rouse	(SR)	Statoil
Simon Bradbury	(SB)	Ofgem
Stephan Leedham	(SLe)	Chemical Industries Association
Steve Courtney	(SC)	Scotia Gas Networks
Steve Ladle	(SLa)	Total Gas and Power
Stuart Waudby	(SW)	Centrica Storage Ltd
Tim Davis	(TD)	Joint Office

1. Status Review

1.1. Minutes from January Workstream Meeting

The minutes from 5 January 06 were accepted with the addition requested by PR for a record that he notified there were still significant quantities of unsold capacity which shippers could obtain during the next AMSEC auction to be held in February and that an invitation to tender would confirm the amounts, (*Tender circulated 18-Jan-06*).

1.2. Review of Outstanding Actions

All outstanding actions were closed as recorded in Appendix A.

1.3. Review of Workstream's Modification Proposals and Topics

The Modification Status Report was updated

The following points were made in discussion: Ofgem have requested legal text for Proposals 054a and 066 and SB indicated that Ofgem was minded to accept Proposal 069. Centrica Storage Ltd (SW) indicated its intention to withdraw Proposal 068.

The Topic Status Report was updated

- 003TR NTS Exit Capacity – see item 3.1 – National Grid NTS provided an update on options for Enduring NTS Offtake.
- 004TR Emergency Arrangements – see item 3.2 – Ofgem (EC) gave a brief outline of its initial views on Safety Reserve and invited participation in a Working Group.
- 008TR Entry Capacity – see item 3.3 – National Grid NTS gave further update on unsold capacity and invited views on UNC methods for optimisation of capacity. Additionally views were invited on potentially bringing LTSEC auctions forward to June in future years.
- 009TR Provision of Market Information – see item 3.4 – National Grid NTS outlined the nature of revised legal text for Proposal 006 and stated that in order to keep the option open for potential implementation of Proposal 006 in October there would be a short consultation in February on the user interface. (*Post meeting note: Ofgem published its Impact Assessment consultation on 3-Feb-06 with representations close out set for 17-Mar-06*).

The following new topics were raised: -

- 013TR Progression of class 3 UK Link Modification Proposal for BP requested APIs to Gemini. – see item 3.4. - BP Gas Marketing wish to work with the industry to understand the costs and processes involved in seeking authorisation of a class 3 UK Link Modification Proposal for a capacity trading interface to Gemini.
- 014TR Procurement of Operating Margins – see item 3.5 – National Grid NTS gave an introductory presentation on potential contestable procurement of Operating Margins.

2. Modifications for Workstream Development

2.1. Modification Proposal 068 'Extending established Uniform Network Code governance arrangements to include the Safety Monitor Referred to in Section Q of the Code.'

Centrica Storage Ltd (SW) indicated its intention to withdraw this Modification Proposal and consider other means of pursuing its concerns.

2.2. Modification Proposal 073 'Revision to the Notice Period Regarding the Implementation of Changes to Transportation Charges'

Representatives acting for Corona Energy (NW, RB) stated that the driving forces behind the Proposal were that large consumers were coming to Suppliers with a greater lead time for contract negotiation and that Suppliers may add a premium to cover the risk of variation between indicative transportation charges and notified transportation charges. NW expressed satisfaction with the draft workstream report (circulated 27-Jan-06) and sought recommendation to Panel that the Proposal was adequately developed and suitable for a short consultation period - customers were seeking early resolution on accurate, certain pricing. It was stated that the majority of relevant contract renewals coincided with the start of the Gas Year, i.e. 1st October.

In discussion, it was stated that the costs of variation of transportation charges has to lie either with the customer or the supplier, and one recent example was 6.7% i.e. about 0.4p/therm. NW expressed the view that cost drivers may be dis-aggregation of prices with an expectation of increasing divergence under separately owned networks. This could be especially important for smaller, non-national Suppliers.

AR explained that DNs used the 3-month period between indicative and notified transportation prices to hone uncertainties down such that prices that might more accurately recover allowed revenue. The period permitted use of audited data as it is received on e.g. throughput, cost apportionment, mains replacement targets etc. If the Proposal were implemented and transportation prices finalised 4 months in advance, AR indicated there would be greater use of estimates and therefore greater likelihood of pricing corrections, potentially within year, to meet the best endeavours licence requirement not to over-recover.

In discussion it was recognised there was a tension between fixed transportation prices in the short term and stable prices in the longer term. As to the magnitude of price correction, AR stated a rough guide would be the difference between indicative and notified prices.

NW stated it would be helpful for the community to understand the variables feeding into transportation prices and whether the underlying revenue elements should be retained.

PR ran through a presentation that outlined National Grid NTS's concerns that implementation of the Proposal would mean greater forecasting uncertainty and consequent effect on price stability and certainty, which in turn could harm supply competition and reduce efficient discharge of its licence obligations on cost reflectivity and avoidance of over recovery. PR requested inclusion of an additional point to the Workstream report on the effect of changing gas prices on SO commodity charges.

The workstream gave consensus recommendation to Panel for the Proposal to proceed to consultation and indicated that a shortened timescale may be acceptable.

SL suggested that Corona Energy may wish to vary the Proposal so that there were transitional arrangements which may provide greater than 2 months notice for 1 October 2006 prices in the event that Ofgem directed implementation after May 2006.

Action 1041TR Joint Office to finalise the Workstream report on Proposal 073 and submit to February Panel.

Action 1042TR Closed Corona Energy to consider discussion and *after the meeting submitted a revised Proposal with transitional arrangements (circulated by the Joint Office on 3-Feb-06)*.

3. Discussion of Topics

3.1. Topic 003TR NTS Exit Capacity Arrangements – Enduring Arrangements

The workstream was informed that meetings of Ofgem's Enduring Offtake Working Group (EOWG) took place on 18-Jan-06 and 1-Feb-06 and presentations and notes were (or would be) available on Ofgem's web site in the Transmission Price Control work area. National Grid NTS (NS) ran through a presentation to brief the workstream outlining options for NTS Flexibility Capacity Product(s) that might be refined. NS emphasised the concept for all options was a flexibility utilisation assessment of (cumulative offtake to 22:00 hours – (2/3) of daily flow), asserting that 22:00 hours was a good general reflection of the time of maximum system stress. A concept for consideration was potential development of a national "Expanding flexibility product". This would recognise that flexibility requirement and capability may be less at peak flat capacity than at lower flow rates. A variant of this concept was a product that only required a single booking to give flat and flex rights. NS presented examples of DN flow/flex utilisation examples, cautioned that there were potential data and interpretation issues, but stated they should give some feel for how the capacity products fit with recent operational data.

NS went on to state that National Grid NTS had agreed to the EOWG request on 1-Feb-06 for DC utilisation example data for the next EOWG (8-Feb-06). In the interim NS presented conceptual analysis of the current bundled DC NTS Exit Capacity Product in combination with the "expanding flexibility product", and he derived a theoretical transmission/flexibility envelope.

NS concluded by asking whether Transmission Workstream attendees saw merit in further consideration of either variant of the expanding flexibility model.

In discussion, it was recognised that the flow/flex ratio in this model was not finalised and that, more generally, any offtake capacity flexibility product might interact with energy balancing, gas fired power generation, and DN storage operation. SW observed that comparison with a peak hour capacity product might be warranted.

In terms of timing of UNC development, PR expressed a view that EOWG may hone the policy variables for Ofgem's March Transmission Price Control consultation and that more detailed UNC evaluation and development may follow on in April or May, in parallel to the consultation.

3.2. Topic 004TR Emergency Arrangements

Ofgem (EC) notified that following an Ofgem Seminar on 16-Jan-06 (slides circulated 20-Jan-06) a Working Group was commencing with a meeting at Ofgem at 2pm on 8-Feb-06. SB stated Ofgem was seeking some clarity on potential changes prior to the start of the storage year on 1st May.

3.3. Topic 008TR Entry Capacity

3.3.1 Unsold capacity and capacity optimisation

National Grid NTS (PR) ran through a presentation that emphasised the availability of AMSEC for the period April 2006 to March 2008 and stated there were only limited opportunities that could now be undertaken to allow release of additional capacity. PR also invited dialogue on potential UNC and licence development for optimising capacity between AESEPs within the current price control period, possibly utilising concepts (e.g. zonal, substitution) outlined in Ofgem's second Transmission Price Control Review consultation.

3.3.2 Timing of LTSEC auctions

National Grid NTS (DA) ran through a presentation that set out the present LTSEC auction timetable, reasons for potential change and a proposal to bring auctions forward from September to June, with transition arrangements for the first year as necessary.

CS observed this might link with customer contracts and SL and SW observed that earlier auction outcomes might help reduce the likelihood of extended investment lead-times. NW observed that when the September timing of LTSEC auctions was fixed, the auction process was much longer than it was now. None of these observations were seen as impediment for June auctions but there was a request to seek views from the Transmission Operational Forum on 7-Feb-06.

Action 1043TR National Grid NTS (DA) to seek views from Transmission Operational Forum on 7-Feb-06 on running LTSEC auctions in June.

3.4. **Topic 013TR Progression of the APIs to Gemini requested by BP**

On behalf of BP Gas Marketing MC indicated that whilst BP considered a capacity trading interface to Gemini (UK Link Change Request 13658, circulated 25-Jan-06) development should be funded by transporters, it wished to work with the industry to understand the costs and processes involved in seeking authorisation of a Class 3 UK Link Modification Proposal – this being the first instance of such potential authorisation. BP was seeking views on whether other industry participants wanted the change and if so how did they wish to fund it. Whilst the costs for this change were modest (circa £41,000) this would act as a test of the processes. BP was seeking implementation preferably in November 2006, but recognised that process might delay this until February 2007. Workstream members suggested that in terms of setting precedence there should be consideration of materiality – small in this specific case.

PR explained that under the present UNC Transporters had an obligation to make a UNC modification proposal (in accordance with the Modification Rules) for a Class 3 UK Link Modification Proposal. PR then presented an outline of the scope of the Change Request, factors that might affect the costs, and went on to suggest options for cost allocation. In discussion, it was recognised that a simple rather than precise solution was appropriate for this scale of change and also small industry players should not be unduly impacted if they would not benefit from the change. MC agreed to consider the suggestion that interested parties might agree with BP to co-fund the change request. Industry participants would be afforded the opportunity to formally express views on matters such as precedence, materiality, funding options etc through representations to a Modification Proposal.

Action 1044TR National Grid NTS (PR) to draft a modification proposal for Class 3 UK Link Modification Proposal for a capacity trading interface to Gemini as defined in UK Link Change Request 13658.

3.5. **Topic 014TR Procurement of Operating Margins**

National Grid NTS (CL) ran through a presentation that stated an aim to establish contestable procurement of Operating Margins, outlining the reasons for change and potential suppliers. CL emphasised that the requirement for a fast assured physical flow change and indicated contracts of up to 10 years were envisaged, possibly with 2 year lead time to enable investment (if required). The provisional timetable was publication of invitations 28-Feb-06 with a deadline for proposals of 10-May-06. The initiative assumed that the price cap for LNG storage was lifted to help ensure a level playing field. In discussion, consequent UNC development would be expected after 10-May-06 and CL confirmed he expected the HSE would be consulted regarding Safety Case change.

4. **Diary Planning**

Transmission Workstream

10:00 am Thursday 2nd March 2006 at Elexon, 350 Euston Road, London.

Appendix A Action Log – UNC Transmission 3rd February 2006

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner*	Status Update
TR 1037	1/12/05	3.2.3 Mod006	On legal text for Mod006 – response to representations on legal text	National Grid NTS (CL)	Closed Revised legal text included in Ofgem IA consultation
TR 1038	5/1/06	1.3 Topic 009TR	Investigate concern about timely update of National Grid NTS's Daily Summary Report web page.	National Grid NTS (CL)	Closed. Technical investigations in progress and reporting to Ops Forum and Demand Side Working Group
TR 1039	5/1/06	1.5	Provide advice and thoughts to the NEC on communicating any future changes of the NEC Safety Case	Joint Office (JB)	Closed. Letter sent to NEC requesting register of changes and notifying Joint Office capabilities.
TR 1040	5/1/06	2 Mod068	On governance of the Safety Monitor - Consider whether to further revise mod proposal 068.	Centrica Storage Ltd (SW)	Closed. Modification Proposal withdrawn.
TR 1041	2/2/06	2.2 Mod073	finalise the Workstream report on Proposal 073 and submit to February Panel.	Joint Office	
TR 1042	2/2/06	2.2 Mod073	Consider transitional provisions for 2006.	Corona Energy	Closed Revised Proposal with transitional arrangements, circulated 3-Feb-06.
TR 1043	2/2/06	3.3.2 Topic 008TR	seek views from Transmission Operations Forum on 7-Feb-06 on running LTSEC auctions in June.	National Grid NTS (DA)	
TR 1044	2/2/06	3.4 Topic 013TR	draft a modification proposal for Class 3 UK Link Modification Proposal for a capacity trading interface to Gemini as defined in UK Link Change Request 13658.	National Grid NTS (PR)	

* key to initials of action owners

JB – John Bradley, CL – Chris Logue, SW - Stewart Waudby, DA – Dave Adlam, PR – Paul Roberts