

Transmission Workstream Minutes
Thursday 5th October 2006
held at 350 Euston Road, London

Attendees

John Bradley (Chair).	JB	Joint Office
Dennis Rachwal (Secretary).	DR	Joint Office
Abid Sheikh.	AS	energywatch
Alan Raper	AR	National Grid Distribution
Alex Barnes.	AB	BG
Alex Thomason	AT	National Grid NTS
Andrew Hutton	AH	Pöyry
Andy Morris.	AM	Pöyry
Avian Egan	AE	Bord Gais Eireann
Charles Ruffell.	CR	RWE npower
Chris Wright.	CW	BGT
Chrissie Sykes.	CS	Statoil
Dave Adlam.	DA	National Grid NTS
Eddie Proffitt (after item 2.1)	EP	MEUC
Fiona Cottam	FC	xoserve
Heather Lockyer	HL	National Grid LNG
Helen Bray	HB	CIA
Jeff Chandler.	JeCh	Scottish & Southern Energy
Joy Chadwick.	JoCh	Exxonmobil
Julie Cox.	JCox	AEP
Liz Spierling	LS	Wales&West Utilities
Mark Feather.	MFe	Ofgem
Mark Freeman.	MFr	National Grid Distribution
Martin Thomas.	MT	APX
Mike Young	MY	BGT
Nick Wye.	NW	Waters Wye Associates
Paul Roberts.	PR	National Grid NTS
Peter Bolitho	PBo	EON UK
Phil Broom.	PBr	Gaz de France
Richard Fairholme	RF	EON UK
Richard Robinson.	RR	TPA Solutions
Ritchard Hewitt	RH	National Grid NTS
Robert Cameron-Higgs	RCH	Northern Gas Networks
Roddy Munroe.	RM	Centrica Storage Ltd
Stefan Leedham.	SL	EDF Energy
Steve Fisher.	SF	National Grid NTS
Steve Sherwood	SS	Scotia Gas Networks
Stuart Waudby.	SW	Centrica Storage Ltd
Tim Davis.	TD	Joint Office

1 Status Review

1.1. Minutes from September Workstream Meetings

The minutes for the meetings held 5th, 7th and 12th September were accepted.

1.2. Review of Outstanding Actions

Appendix A provides a tabular summary.

Action TR1046 was carried forward and is related to item 3.3 below.

Action TR1048 was closed NG NTS has provided certain cost information within its Proposal 0097A and would provide cost information in its representation on Proposal 0097.

Action TR1052 was closed energywatch had refined Proposal 0104.

Action TR1053 was carried forward on broadening of the market information debate

Action TR1054 was closed NG NTS included some explanation of entry zoning for capacity transfers in its presentation material for item 3.3 below.

1.3. Review of Workstream's Modification Proposals and Topics

Modification Status Report

JB ran through the status of Live Transmission Modifications Proposals noting that Ofgem had rejected Proposal 0108 "Publication of Near Real Time Data at GB Storage Sites" on 28 September. There was no view available from Ofgem at this meeting regarding its decisions on Modification Proposal 0100 "Amendment to OPN/SFN submission times" or Proposal 0101 "Amendment to demand forecasting timings in relation to the Gas Balancing Alert".

Topic Status Report

JB ran through the Topic Report.

003TR "Review of NTS Exit Capacity Arrangements". See item 2.1 below

008TR "Entry Capacity" See item 3.3 below

015TR "Constraint Management" See item 3.4 below.

Topic 014TR "Operating Margins Procurement" remains on hold.

1.4 Update from Transmission Operational Forum of 26 September

There were no matters arising from this forum to report to this Workstream meeting.

2 Modifications

2.1 Proposal 0116 "Reform of the NTS Offtake Arrangements"

2.1.1 Presentation and discussion of responses to questions

Further to the published "Clarifications - response to questions" and "draft Exit Capacity Release Methodology Statement" (ExCR)¹, National Grid NTS (PR) gave a presentation on specific points that had been raised in respect of this Proposal. This covered current and proposed enduring arrangements for Bi-Directional Sites, DN Pressure Commitments, New Connections and NTS/LDZ Operational Flows. The presentation also included an example of negative flex flow and highlighted the two options in the

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

ExCR on User Commitment. PR stated the intention to run the ExCR consultation in parallel to consultation on the Proposal and a key point was whether Option 1 "Prevailing Prices" or Option 2 "Prices at time of application" would be preferred for User commitment. In response to a query, PR indicated the intention was that NG NTS would offer ARCA counter parties an equivalent option.

In discussion: -

a) Bi-Directional Sites

PR asserted there was no intention to change the End of Day allocation process and that a similar process was envisaged for flex in respect of the 22:00 hours flow measurement. SW observed that the Centrica Storage contract would need to be renegotiated and this may be a lengthy process. AM observed individual shipper positions might be impacted by re-nominations of other shippers. PR suggested that appropriate agency arrangements and/or the iOPN mechanism might be used to protect against flex overruns for individual shippers.

b) Negative Flex

SS enquired about sites that always flowed anti-diurnally. PR explained that this was permitted with a zero flex holding. The proposal would permit trading or sell back to NG NTS to make the holding negative, in which case overruns would be determined against this negative holding.

c) Pressure Commitments

LS enquired whether for maintenance, such as On Line Inspection, there may be a need for requests for temporary changes to pressure commitments and PR indicated that the mechanism could be used in this way. PR, in response to queries, indicated that transporters would consider requests for change in pressure commitment (for any future year) as part of the network planning process and decisions would not affect baseline capacity licence obligations. JCoX sought response to her question regarding non-discrimination between direct connects and DNs and PR replied that it was not part of NG NTS proposal to change the prevailing arrangements for direct connects.

d) New Connections and capacity increases

PR asserted that the proposal would provide clearer investment lead times than prevailing arrangements. It was acknowledged that business rule clarification was needed for initialisation of capacity rights for new connections where an ARCA had been signed. Similarly, the use of ARCAs and shipper daily bids for non-October capacity increases needed to be checked in terms of permitted ARCA counterparties. Another transition issue was the potential case of an ARCA being signed prior to implementation of this proposal where the capacity increase was required after October 2010.

Action TR1055 National Grid NTS (PR) to ensure there were adequate provisions for initialisation and non-October capacity increase requirements for credible scenarios of new connections and capacity increases.

SL enquired about UNC provisions for the transition period and PR explained that currently there was no rule, but this was out of the scope of Proposal 0116.

e) NTS / LDZ Operational Flows

Further to the published response to questions, NG NTS (PR) emphasised that revised legal text would reflect continuation of the current rules for flow swaps.

f) Safety Case

Further to the published response to a question, NG NTS (PR) explained that Gas Transporter Safety Case development was a matter for transporters but undertook to report developments such that there could be dialogue about potential commercial impacts in keeping with the principle agreed in previous workstream discussions.

2.1.2 Development of Workstream Report for Proposal 0116

A first draft of a Workstream Report (derived primarily from the Proposal) was reviewed and comments invited and incorporated such that a Workstream Report² was available for the Panel meeting scheduled for 12th October. While no consensus was achieved on the merits of the Proposal, the consensus was that the Modification Proposal was sufficiently developed and should be issued for consultation.

2.1.3 Potential alternative to Proposal 0116

Further to the published draft alternative Modification Proposal³, EON UK (PBo) explained that further to concerns regarding Proposal 0116, EON intended to raise an alternative Proposal that removed sunset clauses from the UNC and thus would make transitional arrangements permanent.

2.2 Proposal 0104 “3rd Party Proposal: Storage Information at LNG Importation Facilities”

Further to action TR1052, energywatch (AS) introduced the revised Proposal. NG NTS (RH) sought clarity that the intention was to seek publication of the gaseous equivalent of LNG stock and AS confirmed this was the case. RH also enquired whether the intention was to seek publication of information that was already available to NG NTS and again AS confirmed this was the case. AB enquired about the need for the Proposal and HB and EP asserted there was a need for market transparency. Whilst there was criticism of the Proposal in terms of how it might better facilitate the relevant objectives there was no further points identified that might inhibit consultation.

Action TR1056 energywatch (AS) to revise the Proposal wording to clarify more precisely what published information was sought and that this would be information that is already provided to NG NTS under an existing agreement.

Action TR1057 Joint Office (JB) to revise the Workstream Report and consider inclusion of any comments prior to 11 October when the report would be placed on the Agenda for the Panel meeting of 19 October.

Post meeting note – version 1.1 of the Workstream Report (ref footnote 3)

3 Discussion of Topics

3.1 Topic 003TR NTS Exit Reform

See 2.1 above.

² <http://www.gasgovernance.com/Code/Modifications/LiveMods/>

³ <http://www.gasgovernance.com/Code/Workstreams/TransmissionWorkstream/2006Meetings/>

3.2 Topic 017TR APX OCM Collateralisation

The Workstream accepted a new Topic from NG NTS (RH) and received a presentation from APX (Martin Thomas) that set out the background to changes in the financial regulation arrangements relating to the OCM, identifying that there was an outstanding element with respect to NG NTS. NG NTS (AT) then gave a presentation suggesting that collateral would be provided separately for the Shrinkage Provider (~£5k pa) and Residual Balancer (~£50k pa) roles. Cost recovery for the former should be through the Shrinkage Incentive mechanism and for the latter either the System Operator Incentive mechanism or through balancing neutrality. The latter would require UNC Modification. PBo expressed understanding of NG NTS seeking to cover these costs and indicated preference for UNC governance particularly in the light of recent industry discussion on reserve that would have the potential of extending the Residual Balanced role and thus the collateral requirement. Transparency was raised as an issue and RH agreed to make information available for the basis of costs incurred by NG NTS.

Action TR1058 NG NTS (RH) make information available for the basis of OCM collateralisation cost estimation for NG NTS.

3.3 Topic 008TR Entry Capacity – Optimising entry capacity allocation

NG NTS (DA and PR) referred to the published draft Modification Proposal that followed on from previous workstream presentations and discussion. Presentation material includes some explanation of the basis of Entry Zoning that is part of the Proposal. Whilst CSL (RM) again sought longer term commitment to address potential adverse effects of zone restrictions there were no points identified that might inhibit consultation on a Proposal substantially of this form.

3.4 Topic 015TR Constraint Management – Overrun calculation

Following on from September presentation and discussion, NG NTS (DA and PR) have published a draft Modification Proposal on the element that had most workstream support i.e. seeking to strengthen the Entry Capacity Overrun incentives. There were no points identified that might inhibit consultation on a Proposal substantially of this form.

3.5 Topic 016TR Storage Commodity Charge

NG NTS (PR) alerted the workstream to a draft Modification Proposal to the Gas Transmission Transportation Charging Methodology “Introduction of an SO Commodity Charge for NTS Storage Facilities” stating that a UNC modification proposal would be required to ensure the provisions were reflected in the UNC. The Charging Proposal was due for discussion 10th October. NW suggested that NG NTS might provide more breakdown of costs, showing for example the inputs to the cost calculation.

4. Other Business

Proposal 0117 “Amendment to Invoice Billing Period”

Following Ofgem’s decision letter granting urgency for this Proposal, the Proposer (SL of EDF Energy) invited brief comment from the workstream, noting that the proposal might also be discussed at Distribution Workstream and Billing Operational Forum on 26th October. FC asked what charges were intended to be included and SL responded that it was envisaged that all charges would be included.

5. Diary Planning

NTS Exit Reform – review of legal drafting for Proposal 0116

Date: Wednesday 25th October 2006

Start Time: 10:00am

Venue: MWBEx, 10 Old Bailey, London

Main Workstream meeting

Date: Thursday 2nd November 2006

Start Time: 10:00 am

Venue: Elexon, 350 Euston Road, London

Appendix A Action Log – UNC Transmission 5 October 2006

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner*	Status Update
TR 1046	4/5/06	3.2.1 Topic 008TR	give consideration to previous auction results as a potential indicator of capacity transfer that might be facilitated by a mechanism based on the optimisation strawman.	National Grid NTS (PR)	Carried forward. NG NTS internal consideration in the context of TPCR discussions.
TR 1048	3/8/06	2.1 0097	seek confirmation of information requirements for IT and likely costs and lead-time if Proposal 0097 were to proceed to implementation	National Grid NTS (CL)	Closed Information to be provided in representation.
TR 1052	7/9/06	2.2 0104	consider points from the Workstream debate on Modification Proposal 0104 and set out its intended way forward.	energywatch (CP)	Closed
TR 1053	7/9/06	2.2	raise a topic and introduce a suggested way forward on market information	Poyry (AL)	Carried forward.
TR 1054	7/9/06	3.1 Topic 008TR	provide more explanation for the basis for entry zoning, as envisaged for proposed entry capacity transfer process	National Grid NTS (PR)	Closed See presentation material 5/10/06
TR 1055	5/10/06	2.1.1d) 0116	ensure there were adequate provisions for initialisation and non-October capacity increase requirements for credible scenarios of new connections and capacity increases.	National Grid NTS (PR)	
TR 1056	5/10/06	2.2 0104	revise the Proposal wording to clarify more precisely what published information was sought and that this would be information that is already provided to NG NTS under an existing agreement.	energywatch (AS)	

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner*	Status Update
TR 1057	5/10/06	2.2 0104	revise the Workstream Report and consider inclusion of any comments prior to 11 October when the report would be placed on the Agenda for the Panel meeting of 19 October	Joint Office (JB)	Draft revised Workstream Report published 6/10/06 – comment invited by 11/10/06.
TR 1058	5/10/06	3.2 Topic 017TR	make information available for the basis of OCM collateralisation cost estimation for NG NTS.	National Grid NTS (RH)	

* Key to initials of action owners

PR – Paul Roberts, CL - Chris Logue, DA – Dave Adlam, CP – Carol Pitkeathly, AL – Angela Love, AS – Abid Sheikh, JB – John Bradley, RH – Ritchard Hewitt