

Minutes of Extra Transmission Workstream
“Enduring NTS Offtake Arrangements”
Tuesday 5th September 2006
held at 10 Old Bailey, London

Attendees

John Bradley (Chair)	JB	Joint Office
Dennis Rachwal (Secretary)	DR	Joint Office
Andrew Pester	AP	Ofgem
Angela Love	AL	Pöyry Energy
Bethan Winter	BW	National Grid DNCC
Chris Wright	CW	Centrica
Christiane Sykes	CS	Statoil
Connor Purcell	CP	ESB
Duncan Williams	DW	Scottish & Southern Energy
Joy Chadwick	JC	Exxonmobil
Liz Spierling	LS	Wales & West Utilities
Mark Feather (am only)	MFe	Ofgem
Mark Freeman	MFr	National Grid Distribution
Nick Wye	NW	Waters Wye Associates
Paul Roberts	PR	National Grid NTS
Rachel Turner	RT	Centrica
Rekha Patel	RP	ConoccoPhillips
Robert Cameron-Higgs (part)	RCH	Northern Gas Networks
Roddy Munroe	RM	Centrica Storage Ltd
Sharif Islam	SI	Total Gas & Power
Stefan Leedham	SL	EDF Energy
Stephen Sherwood	SS	Scotia Gas Networks
Steve Fisher	SF	National Grid NTS
Steve Ganney	SG	xoserve
Steve Rose	SR	RWE Npower
Stuart Waudby	SW	Centrica Storage Ltd
Suzanne Turner (pm only)	ST	Ofgem
Tim Davis	TD	Joint Office
Yasmin Sufi	YS	ENI UK

1. Introduction

This meeting followed a series of 15 meetings that were hosted by Ofgem “Enduring Offtake Working Group” (EOWG). Documentation from EOWG meetings can be found on Ofgem’s web site¹.

At EOWG 15, on 23rd August, NG NTS presented a model and stated its intention to raise a UNC Modification Proposal for to Panel on 21 September with a request to proceed to consultation. Towards this goal, NG NTS made Business Rules available on 1 September². NG NTS (PR) suggested that this meeting (and a further meeting scheduled for 1.30pm on Tuesday 12 September) would provide an opportunity to run

¹ <http://www.ofgem.gov.uk/ofgem/work/index.jsp?section=/areasofwork/transpcr>

² <http://www.gasgovernance.com/Code/Workstreams/TransmissionWorkstream/2006Meetings/>

through these Business Rules and clarify as necessary. The Business Rules would feed into legal drafting and the intention was to provide the bulk of the legal text (revision of Sections B and J) a few days prior to the Panel meeting on 21 September.

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

The review took the form of reference to a slide presentation³ and a run-through of the document, identifying clarifications and matters for NG NTS to consider for the UNC Modification Proposal. This meeting reviewed the document up to and including Section 8.

“Introduction”

Rule 3.1 – explicit reference to the “common service” requirements of the EU Gas Regulations would be added.

SR asked whether “no build” for incremental Capacity could be made available at less than 3 years notice. PR responded that it could as non-obligated Capacity.

“Part 1: NTS Exit (Flat) Capacity Overview”

Rule 15.3 – any implications or links with UNC Emergency Arrangements should be clarified.

Rule 16 – clarify that either condition 16.1 or 16.2 could give rise to curtailment of Interruptible NTS Exit (Flat) Capacity.

Action NX1 – NG NTS to consider business rule request for re-release of scaled back Interruptible Capacity.

Rule 18.1 – clarify treatment of Interruptible holdings for NTS Exit Capacity Neutrality.

Rules 20, 21 Capacity Overruns

Action NX2 – NG NTS to make spreadsheet available for calculation of Capacity Overruns – as per the example in the presentation.

Rule 25 – drafting errors to correct

Rule 27 – PR explained that discontinuance of Certification at Interconnectors was required to follow the EU Gas Regulation principle summarised as “anyone can book Capacity at any point”. Detailed CSEP discussion for Irish and Bacton Interconnectors would be needed in due course. PR suggested that Interruptible Capacity and overrun aggregation arrangements were adequate measures to guard against capacity hoarding.

Action NX3 – NG NTS to consider providing explanatory note further to Rule 444 (Section 14) on CSEPs.

PR confirmed that, for currently Interruptible Exit Points, User commitment would be required for investment but pointed out the commitment may be somewhat less than the actual cost of the investment. This would be covered in the IExCR consultation.

Rule 32 – reduction notice period would be set out in the licence and IExCR, referenced from the UNC.

Rule 33 – there was some concern about the potential for unwanted/unused capacity holdings being sterile during the reduction notice period. It was accepted this was a licence incentive rather than a UNC matter.

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

“Part II NTS Exit (Flexibility) Capacity Product Overview”

Rule 42 – clarify that product is annual.

Rules 43 – 52 on Flexibility Overruns – terminology would be checked to ensure clear differentiation between Exit Points and Exit Zones for flexibility.

Rule 49 – PR confirmed that it was envisaged data would be obtained from existing sources – typically Users or operators, and NG NTS would require the flow quantity from 06:00 until 22:00 for the purposes of evaluation of potential Flexibility Capacity Overruns.

Rule 49.3 – following queries PR emphasized the need for Users to ensure that any standing instruction or their arrangements with User Agents met their needs for Flexibility Capacity Overrun calculation. Clarity was sought on default arrangements.

Rule 50 – clarity was sought as to how this would operate

Action NX4 – NG NTS to consider providing an illustrative example of anti-diurnal flows and how the concept of negative flexibility holdings would be operated.

Rule 51 – drafting errors to correct

Rule 53 – Flow direction status for bi-directional sites might be stated more simply.

“Part III: Initialisation of NTS Exit (Flat) Capacity Regime”

Rule 55 – there was concern about potential discrimination between Direct Connects (DCs) and DNOs and PR suggested this might be addressed by using Gas Year 2005/6 as the basis for initial prevailing rights for DCs. This approach was agreed.

Action NX5 – NG NTS to consider some requests that initial prevailing rights might be confirmed without action by DC Users.

“Section 1: Long Term NTS Exit (Flat) Capacity Sales”

Rule 65 – clarify what would be subject to Authority approval – would valid applications be allocated to Users irrespective of this?

Rule 66 – PR clarified that this was mainly for the IExCR. Also PR envisaged the NTS/DN management of Safety Case obligations would not be changed.

Rule 67.3 – revised baselines may be in a separate document. ST clarified that Ofgem viewed baselines as distinct from prevailing rights. The former was an obligation on the transporter to release capacity within the constrained period.

Rule 68 – clarify that entering into ARCAs would be in accordance with Connection Policy

Rule 71 – clarify that reservation party commitment would also be [4] years.

“Section 2: Medium Term NTS Exit (Flat) Capacity Sales”

Rule 73 - correction to the Gas Years.

Rule 88 – clarify when bids would be rejected

“Section 3: Daily Release Short Term (Firm) NTS Exit (Flat) Capacity Sales”

Rule 101 – some parties expressed desire for auctions to be held at set times or in accordance with set criteria

Action NX6 – NG NTS to consider desire for set times or criteria for triggering auctions.

Rule 115 – SR queried whether this was consistent with Entry.

Action NX7 – NG NTS to explain any difference or consistency with TPCR proposals.

“Section 4: Daily Ahead Interruptible NTS System Exit Capacity Sales”

Rule 130 – clarify the basis for the quantity of Interruptible Capacity to be released. There was concern regarding discretionary release

Rule 131 – SF stated this needed correction

Action NX8 – correct Rule 131 and note request for additional Interruptible Capacity release (and Action NX1) and potential for assurance from incentives and principles.

“Section 5: Transfers and Assignment of NTS Exit (Flat) Capacity”

Rules 155 & 162 – clarify that transferor/assignor provides information and transferee/assignee confirms it.

Rule 160 – clarify that transfers also affect Exit Capacity neutrality.

Rules 161-166 – clarify the intention regarding User commitment for the assignment process.

“Section 6: Long and medium term NTS Exit (Flexibility) Capacity Sales”

Rule 167 – the Gas Years needed correction

Rule 172.5 – omission of Zones needs to be corrected

Action NX9 – NG NTS consider making a spreadsheet available such that interested parties could develop better understanding of the flex allocation process.

Whilst there was no challenge to the principle of no incremental obligated flexibility Capacity there were some queries about how and when the national baseline would be reviewed and how this would be divided between areas and zones as the NTS evolved.

Action NX10 – NG NTS to consider providing concepts for flex baseline changes, recognising that it was only likely to begin to be relevant after 2010.

“Section 7: Daily NTS Exit (Flexibility) Capacity Sales”

Rule 196 – 205 There was a desire to know the outcome of the OPN Capacity allocation process to assist efficient operation and preparation for auctions in the event they were triggered.

Action NX11 – NG NTS to consider provision of within day information on use of flexibility product (and in due course reports/review of operation).

Rules 207 & 208 – PR identified the need for some clarifying adjustments.

Rule 229 – There was some concern that D20:00 cut off for final flex allocation might lead to some undesirable influence on behaviours e.g. at storage sites, DN offtakes.

Action NX12 – NG NTS to consider whether later (e.g. midnight) final flex allocation might be more desirable.

“Section 8: Transfers and Assignment of NTS Exit (Flexibility) Capacity”

Rules 235 – 247 In response to queries about flex allocation and transfer PR confirmed that for example Rule 242 would apply on a first come first served basis. Action NX11 may also be relevant for operation of this rule.

3. Diary Planning

Refined NG NTS Business Rules to be issued before the end of 8 September.

Resumption of Business Rule run-through and review of actions would be as follows

Date: Tuesday 12th September 2006
 Start Time: 1:30pm
 Venue: Elexon, 350 Euston Road, London

ACTION SUMMARY FROM 5th SEPTEMBER

Action NX1 – NG NTS to consider business rule request for re-release of scaled back Interruptible Capacity.

Action NX2 – NG NTS to make spreadsheet available for calculation of Capacity Overruns – as per the example in the presentation.

Action NX3 – NG NTS to consider providing explanatory note further to Rule 444 (Section 14) on CSEPs.

Action NX4 – NG NTS to consider providing an illustrative example of anti-diurnal flows and how the concept of negative flexibility holdings would be operated.

Action NX5 – NG NTS to consider some requests that initial prevailing rights might be confirmed without action by DC Users.

Action NX6 – NG NTS to consider desire for set times or criteria for triggering short term auctions.

Action NX7 – Rule 115 NG NTS to explain any difference or consistency with TPCR proposals.

Action NX8 – correct Rule 131 and note request for additional Interruptible Capacity release (and Action NX1) and potential for assurance from incentives and principles.

Action NX9 – NG NTS consider making a spreadsheet available such that interested parties could develop better understanding of the flex allocation process.

Action NX10 – NG NTS to consider providing concepts for flex baseline changes, recognising that it was only likely to begin to be relevant after 2010.

Action NX11 – NG NTS to consider provision of within day information on use of flexibility product (and in due course reports/review of operation).

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