

Transmission Workstream Minutes
Thursday 6th April 2006
held at 350 Euston Road, London

Attendees

John Bradley (Chair)	(JBr)	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
Dave Smith	(DS)	National Grid NTS
Gareth Evans	(GE)	Total
Helen Connolly	(HC)	Ofgem
James Cox	(JCo)	ILEX
Jane Butterfield	(JBU)	EON UK
Joy Chadwick	(JC)	Exxonmobil
Liz Spierling	(LS)	Wales&West Utilities
Mark Feather	(MF)	Ofgem
Ndidi Njoku	(NN)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Paul Roberts	(PR)	National Grid NTS
Phil Broom	(PB)	Gaz de France
Rachel Turner	(RT)	Centrica
Rekha Patel	(RP)	ConnocoPhillips
Roddy Monroe	(RM)	Centrica Storage Ltd
Shelley Rouse	(SR)	Statoil
Tim Davis	(TD)	Joint Office

1. Status Review**1.1. Minutes from March Workstream Meeting**

The minutes from March 06 were accepted.

1.2. Review of Outstanding Actions

Further to the Action Log circulated on 8-Mar-06 as part of the minutes, an update is attached, incorporating the action raised at this meeting. Action TR1043 was closed since it was superseded by circulation of a draft Modification Proposal on 5-Apr-06.

1.3. Review of Workstream's Modification Proposals and Topics

The Modification Status Report was updated

There were no changes from that circulated on 29-Mar-06 other than for Mods 054/54a on ECQ Governance and Methodology were rejected by Ofgem on 31-Mar-06. CL reported that NG NTS had no current plans to raise another modification proposal to replace Mod 054.

The Topic Status Report was updated

- 003TR NTS Exit Capacity – see item 3.1
- 004TR Emergency Arrangements – see item 3.2
- 008TR Entry Capacity – see item 3.3
- 009TR Provision of Information to Market – see item 3.4
- 013TR Capacity trading on Gemini – progress carried forward as there was no representative from BP present.
- 014TR Operating Margins Procurement – see item 3.5
- 005TR Constrained Top Up – CL indicated that NG NTS were considering the outcome of LNG auctions before determining any course of action.

1.4 UNC Modification Matters arising from Transmission Operational Forum

JB reported on two matters from the meeting of 29-Mar-06¹. NG NTS reported that initial DM Nominations had continued to be lower than allocated flows and this had led to higher NDM Nominations and some industry concern. NG NTS were also seeking feedback on the GBA issued 13th March 2006.

2. Modifications for Workstream Development

National Grid UKD (AR) outlined, as a follow on from Distribution Workstream draft Workstream reports circulated on 29-Mar-06, two modification proposals seeking to progress “best practice in credit cover”.

2.1 Proposal 0076 “Right of Set off under UNC”

The Workstream report was accepted noting that legal text would be required prior to a decision on consultation.

2.2 Proposal 0077 “Notice Period for Code Credit Limit Revision (as a consequence of Credit Rating downgrade) and remedies for non-compliance with a request for provision of additional security”

In discussion AR indicated the intention was that existing provisions would ensure that “credit calls” would not be made on disputed charges and that existing query handling provisions would handle queries on “credit calls”.

The Workstream report was accepted, noting that legal text would be required prior to a decision on consultation.

3. Discussion of Topics

3.1. Topic 003TR Review of NTS Exit Capacity Arrangements

Further to the meetings of the Enduring Offtake Working Group (EOWG) on 8-March and 5-April, Ofgem (MF) gave the presentation “Overview of TPCR Third Consultation” (Enduring and Transitional offtake arrangements), emphasising that these were current thoughts seeking to balance design ideals and simplicity, and the EOWG would continue until at least June. Key elements for Enduring arrangements was development of a User commitment single capability nodal “expanding flexibility” product (Option Ex2A) that included a substitution obligation on NG NTS. Further development work included “prevailing rights” long-term allocation, the level of user commitment, release of constrained non-obligated capacity, and interruption arrangements. Regarding the Transitional arrangements, the focus was on Interim NTS incentives, indicating the removal of the small exit investment incentive, continuation of constrained LNG incentives and adjustments to the buy back / greater than 15 day interruptions incentive. MF concluded by inviting consultation responses by 28-Apr, asking respondents to note

¹ <http://www.nationalgrid.com/uk/Gas/OperationalInfo/operationsforum/>

the detailed questions listed in Appendix 12 and that Ofgem planned to survey the costs and benefits relative to the status quo.

In discussion:-

- i) it was recognised that for nodal substitution in the enduring regime, further work was required to ensure users had appropriate information available, and recent work on Entry capacity substitution might provide some lead.
- ii) it was confirmed that in regard to ARCAs for the Transitional arrangements, there was no intention to change the approach from that set out in Ofgem's letters of 12-Jan-06 and 24-Jan-06 on the revised IExCR.
- iii) it was recognised that the effect of substitution on baselines should ensure incentives were not paid twice.
- iv) the detailed design process would ideally synchronise development of UNC Modification, licence and pricing, and this might commence in June/July 06.

3.2. Topic 004TR Emergency Arrangements

3.2.1 Ofgem update on Gas Safety Reserve Procurement meeting – (3-Apr-06)

Ofgem (HC) gave a brief update stating that papers on options for “above the line” (prevent emergency) and “below the line” (access to gas safety reserve) had been discussed and further evaluation would be reported and discussed at the next meeting on 26-Apr-06 following the issue of an Ofgem questionnaire on 6-April-06.

3.2.2 Matters arising from Ofgem Winter to Date Seminar – (22-Mar-06)

CR enquired about progress on the technical feasibility of blending services at Bacton as a potential measure to address winter European import flows.

Action TR1045 National Grid NTS / Ofgem to provide an update on the potential for blending services at Bacton.

3.2.3 Simplification and clarification of UNC Section Q Emergency Arrangements

Further to the presentation and tabling of legal text to March Transmission and Distribution Workstreams National Grid NTS (CL) reported there had been no feedback and only one question. The question related to the mechanism for notification of changes to the NEC Safety Case and CL reported that the NEC would notify the Gas Action Task Force (which includes Steve Ladle of TGP and Chris Bielby of Centrica) and the Emergency Committee to which it reports and the NEC would also arrange for notification to the community through the Joint Office.

There was no dissent from National Grid NTS view that a Modification Proposal of this nature would be sufficiently developed to go directly to consultation.

3.3. Topic 008TR Entry Capacity

3.3.1 Optimisation of capacity availability between ASEPS

Further to the presentation in March, National Grid NTS (DA) gave a presentation on development of exchange rates, outlining the concept of buy back risk profiles and their application, illustrating their use firstly for a pair and then for multiple terminals. Complexities arise due to uncertainties about gas flow patterns in relation to finally allocated capacity, the interaction between terminals, and the change in risk profiles during the “optimised” allocation process. The proposed way forward was development of a straw man that addressed the use of exchange rate, treatment of costs and revenues and the required changes to the commercial framework. The intention was for NG NTS to remain cost neutral to capacity transfers.

In discussion:-

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- i) NW observed that Option 1 (transfer of unsold capacity) may have simpler risk assessments and for Option 2 (NG NTS buy back and resell) there may be few parties wishing to sell.
 - ii) DA explained that the illustrative risk profiles flattened at larger transfers due to the expected increase in flow at the terminal that receives large transfers.
 - iii) RP enquired what information Users would be given to facilitate efficient and effective participation
 - iv) PR reported that development work had preceded publication of Ofgem TPCR 3rd consultation that included proposals for NG NTS discretion on capacity transfers. There may however be a requirement for a transparent methodology.
 - v) it was recognised that it would be challenging to achieve implementation for October 2005

3.3.2 Proposed amendment to the QSEC auction timetable.

Further to the presentation in February and circulation of a draft Modification Proposal and draft revision of IECR on 5-Apr-06, National Grid NTS (DA) gave a presentation that explained the rationale for July-06 rather than September-06 QSEC auctions, seeking to increase the likelihood that investments can be delivered in a more timely manner. In addition to the UNC Modification Proposal, the annual review and consultation on IECR was circulated on 6-Apr-06 with a close out date of 4-May-06. The final element of the package would be finalisation of requirements and then consultation on adjustment of investment lead times.

In discussion:-

- i) it was recognised that the IECR review was required to define the incremental price steps for the QSEC auctions and the changes, apart from rebranding, were aimed to provide updated investment costs in a more transparent manner.
- ii) it was recognised that Ofgem agreement to price changes within year would be needed
- iii) it was recognised that the incentive for NG NTS to utilise the earlier auction signals would arise from application of the IECR
- iv) JCh queried the value of auction signals for projects
- v) GH expressed some sympathy that the National Grid board may need auction signals prior to sanctioning investment but questioned the benefit of earlier auctions when there would be impacts within shipper organisations on preparations.
- vi) it was recognised that a coordinated package was required to bring auctions forward from September to July 06.

There was no dissent from National Grid NTS view that a Modification Proposal of this nature would be sufficiently developed to go directly to consultation with a 10-day consultation. In response to a request PR agreed to provide the timetable that demonstrated the change was feasible with such a consultation period.

3.4. Topic 009TR Provision of Market Information

Further to the circulation on 30-Mar of the document "Systems Solution for UNC Modification 006 - External User Information", National Grid NTS (CL) talked through the dummy screens in the document, explaining that data would be presented as received from Delivery Facility Operators, with indicators where there was recognised failure of near real time data flow. NW, speaking on behalf of the Proposer, energywatch, expressed satisfaction that the systems solution would meet the requirements of the modification if it were implemented but detailed design

requirements was a matter for parties that might directly utilise the facility. CL reported that a request for an option to display “last week” data was under evaluation and there was still a short period for consideration of requests for design refinement. There were no such requests at this Workstream meeting.

3.5. Topic 014TR Operating Margins Procurement

Further to the Workstream presentation in February and subsequent circulation of a Request for Proposals, National Grid NTS (DM) gave a presentation that reiterated the background and summarised the request, emphasising the need for fast response, physical flow change, and typically short duration (historically around 4 hours). DM explained that as part of the package there would need to be Safety Case changes, UNC Modification and removal of price caps on LNG Storage. The earliest date for raising a Modification Proposal would be June 06, following closure of the Proposals deadline on 10-May-06.

4. Diary Planning

Transmission Workstream

Date: Thursday 4th May 2006

Start Time: 10:00 am

Venue: Elexon, 350 Euston Road, London

Appendix A Action Log – UNC Transmission 7th April 2006

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner*	Status Update
TR 1043	2/2/06	3.3.2 Topic 008TR	seek views from Transmission Operations Forum on running QSEC auctions in June.	National Grid NTS (DA)	Closed. Superseded by circulation on 5-Apr-06 of a draft Modification Proposal to schedule auctions for July-06.
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)	Discussions with BP. Carried forward – no BP representative in attendance.
TR 1045	6/4/06	3.2.2 Topic 004TR	Further to Ofgem Winter to Date seminar 22-Mar-06, provide an update on the potential for blending services at Bacton.	National Grid NTS (CL)	

* key to initials of action owners

DA – Dave Adlam, PR – Paul Roberts, CL – Chris Logue