

Transmission Workstream Minutes
Thursday 6 October 2005
10 Old Bailey, London

Attendees

John Bradley (Chair)	(JB)	Joint Office of Gas Transporters
Dennis Rachwal (Secretary)	(DR)	Joint Office of Gas Transporters
Alan Raper	(AR)	National Grid UKD
Andrew Fox	(AF)	National Grid NTS
Andrew Pearce	(AP)	BP
David Cox	(DC)	ILEX
Fiona Lewis	(FL)	OFGEM
Frank Gracias	(FG)	National Grid NTS
John Costa	(JCos)	EdF Energy
Joy Chadwick	(JCh)	ExxonMobil
Julie Cox	(JCox)	AEP
Katherine Marshall	(KM)	SSE
Liz Spierling	(LS)	Wales and West Utilities
Mark Feather	(MFe)	OFGEM
Matteo Guarnerio	(MG)	OFGEM
Mick Curtis	(MC)	E=mc ²
Nick Wye	(NW)	Waters Wye Associates
Nigel Sisman	(NS)	National Grid NTS
Peter Bolitho	(PBo)	EON UK
Phil Broom	(PBr)	Gaz de France
Rachel Turner	(RT)	Centrica
Ritchard Hewitt	(RH)	National Grid NTS
Rob Cross	(RC)	Statoil
Robert Cameron-Higgs	(RCH)	Northern Gas Networks
Sharif Islam	(SI)	Total Gas and Power
Shelley Jones	(SJ)	Statoil
Simon Goldring	(SGol)	British Gas Trading
Sonia Brown	(SB)	OFGEM
Stefan Leedham	(SL)	Chemical Industries Association
Steve Featherstone	(SF)	Scotia Gas Networks
Steve Gordon	(SGor)	Scottish Power
Steve Pownall	(SP)	National Grid NTS
Steve Rose	(SR)	RWE npower
Tanya Morrison	(TM)	Shell Gas Direct
Tim Davis	(TD)	Joint Office of Gas Transporters
Yasmin Sufi	(YS)	ENI UK

1. Status Review

1.1. Minutes from September 05 Workstream Meeting

The minutes were accepted with an adjustment that Waters and Wye Associates should be recorded as such, and energywatch expect an Ofgem consultation on Mod 006 rather than liaison with National Grid NTS on legal drafting.

1.2. Review of Outstanding Actions

Actions are tabulated in Appendix A with a unique reference number, but for continuity from September minutes outstanding actions are summarised as follows:

- NTS Exit Regime (interim) – DN ARCA consultation. **Action TR1000 closed** – reps closed out 22-Sep-05 and report undergoing internal review.
- NEC Safety Case – National Grid NTS to request NEC to make available on restricted access web site – **Action TR1001 closed** – NEC is willing to make available to suitable access controlled web site but none identified at present.
- NEC Safety Case – National Grid NTS to request NEC to consider more inclusive process for Safety Case development – **Action TR1002 carried forward** - ensure UNC workstream involvement – see item 3.2.5
- National Grid NTS to explore broadcast of emergency alerts to wider industry – **Action TR1003 Closed**. RH gave a presentation on Gas Balancing Alerts – see item 3.3
- National Grid NTS report when Safety Monitors published – **Action TR1004 closed** – published 14-Sep-05
- National Grid NTS report on basis of Mod 006 implementation cost estimate to provide near real time entry market information. **Action TR1005 closed**. RH presented a slide and further detail is included in item 3.3
- energywatch seek views on whether Mod 006 would add to DTI offshore information scheme **Action TR1006 closed**. Contact details included in September minutes. NW reported there had been no responses to date.
- National Grid NTS to refine Gas Quality at Entry draft mod proposal. **Action TR1007 closed**. Proposal raised, consulted upon and draft Final Mod Report 049 issued.

1.3. Review of Workstream's Modification Proposals and Topics

The Modification Status Report was updated 10 October 2005

- 052 Storage Withdrawal Curtailment Trade Arrangements in an Emergency – urgency agreed 10-Oct-05
- 050 Storage Monitor Adjustment – reps closed out 10-Oct-05
- 049 Optional Limits for Inert Gases at System Entry Points – draft Final Mod Report 10-Oct-05
- 046 Panel recommend implementation 23-Sept-05 – see item 3.1
- 044 Implemented – see item 3.2.1
- 043 Implemented
- 042 Rejected – see item 3.2.1
- 038 Implemented

- 036 Implemented
- 035 Final Mod Report 5-Oct-05
- 022 Ofgem confirmed its statement at Panel that it was minded to implement this Proposal

The Topic Status Report was updated 10 October 2005.

- 003TR NTS Exit Capacity – see item 3.1
- 004TR Emergency Arrangements – see item 3.2
- 009TR Provision of Information to Market – see item 3.3
- 011TR Balancing Neutrality Finance Adjustment Interest Rate – see item 3.4
- 012TR Maintenance Planning – see item 3.5

2. Modifications for Workstream Development

No formal development work – draft Proposal discussion in items 3.2.2, 3.2.4 and to some extent in 3.4 and 3.5

3. Discussion of Topics

3.1. Topic 003TR Review of NTS Exit Capacity Arrangements -

Universal Capacity Reservation, Application and Allocation Process – Mod Proposal 046 – OFGEM initial proposals on incentives.

OFGEM (MF) ran through the presentation (as circulated on 7 Oct 05) which outlined the background, rationale and an introduction to “Initial proposals on transitional incentive schemes supporting the offtake arrangements”. MF emphasized that incentives are aimed to encourage efficient trade off between network investment and NTS Exit booking. OFGEM proposed that NTS incentives would form part of the 2007 Transmission Price Control Review that was already underway. The OFGEM close out for representations would be 19 Oct 05.

In discussion: -

- i. OFGEM reported it had indications that DNs (both retained and sold) had moved capacity bookings to take account of differential Exit Zone prices/ incentives. MF emphasised that incentives are aimed to encourage efficient trade off between network investment and NTS Exit booking. OFGEM proposed that NTS incentives would form part of the 2007 Transmission Price Control Review that was already underway.
- ii. OFGEM reported that the 1:20 level they used for incentives was the lower of that submitted by DNs and that determined by independent means and asked DNs to clearly set out their views on this in responses.
- iii. In response to SF concerns about potential systematic underbooking, OFGEM emphasised this was a standard price/incentive control process whereby incentives do not alter underlying safety and licence obligations but Income Adjusting Events may be considered and also revisions to incentives can be made if need be.

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- iv. Given the indications that lead times may need to exceed 3 years, OFGEM indicated it would seek to make an expeditious decision on Mod 046 after consultation representations have been received.

3.2. Topic 004TR Emergency Arrangements

3.2.1 OFGEM's decision on UNC Mod 044

OFGEM (SB) ran through the presentation (as circulated on 7 Oct 05). This set out the rationale for the decision to implement Mod 044 in preference to Mod 042 – better price signal and inclusion of a volume element to protect prudent shippers. SB explained the reasons for Notifying Exclusion from the Appeals process and observed that development earlier in the year would obviate the need for this for future winters. Following discussion, there was workstream consensus to recommend to Panel that review procedures should be applied in the case of urgent Mod 044. SB indicated that responses have helped OFGEM identify the following issues for development:

- de minimis volumes: SMPS, DSWG
- progressive vs. rapid emergency
- ECQ methodology
- operational issues: P70 Process
- information asymmetries
- demand side response initiatives
- cash out review - emergency sub-group

Action TR1008 National Grid NTS to develop and issue SMPS consultation **Closed** – consultation issued 11 Oct 05

Action TR1009 National Grid NTS to consider raising a Mod Proposal to bring Mod 044 ECQ methodology into UNC governance.

Action TR1010 Total Gas and Power to develop scoping paper on progressive vs rapid emergency

Action TR1011 Gas Transporters to ensure operational forum attains appropriate clarity on the P70 process – how they are processed, impacts, potential alternatives.

Action TR1012 National Grid NTS review legal drafting of Section Q as amended by Mod 044 to ensure it adequately defines when P70s take effect.

3.2.2 EON UK's draft Mod Proposal "Storage Withdrawal Curtailment Trade Arrangements in an Emergency"

EON UK (PB) outlined the draft Mod Proposal (as circulated on 5 Oct 05) stating that in essence the diagram shows the intention to apply a mirror image of the ECQ concept to Storage Withdrawals that might be constrained by the NEC during Stage 1 of an NGSE. The proposal is that shippers with such constrained storage would buy gas from the NBP at 30 day average SAP. In discussion the following issues were identified:

- i. Storage Withdrawal Constrained Quantity – where and how should the methodology for this be defined and governed?
- ii. What if a Storage Operator was not in a position to deliver Nominations e.g. force majeure or planned outage?
- iii. Who should own the gas that remains in store? Initial views expressed were that it should not be a title transfer trade.

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- iv. How should an extended Stage 1 be handled in terms of cumulative Nominations of storage stock?
 - v. Should storage nominations in excess of balance be included in this trade to avoid risk of gaming or should it be part of fair return for prudent shippers?
 - vi. How should this process link to precursors to NGSE Stage 1 – should new or increased storage nominations made after a Gas Balancing Alert be disallowed?
 - vii. Should all costs be borne by neutrality? Does the System Operator have an information advantage and if so how should this be managed?

Action TR1013 EON UK to consider feedback, make initial refinement of draft Mod Proposal and formally submit for decision on urgency by OFGEM. **Closed** – published as Mod 052 10-Oct-05

Action TR1014 Joint Office to arrange additional workstream meetings to progress Mod 052 and potentially other parts of Topic 004TR. **Closed** – see item 4. Diary Planning.

3.2.3 Mod Proposal 050 “Storage Monitor Adjustment”

National Grid NTS (RH) ran through the presentation (as circulated on 30 Sept 05) which outlined the purpose of the proposal, UNC rights and obligations, GS(M)R obligations and thence the need to adjust UNC terms to reflect the potential need for upward revision of Safety Monitors under GS(M)R.

In discussion:

- i. RH suggested an example when upward revision would be needed during the winter is if there was new information about a sustained supply shortfall
- ii. In response to concern about stability and notice RH expressed the view that triggers for upward revision would likely be in the public domain and agreed to consider an obligation to publish the rationale should upward revision be enacted.
- iii. Workstream members enquired whether industry could be involved in decisions regarding the revision of Safety Monitors and whether there were appropriate incentives on transporters.

3.2.4 Section Q draft Review Proposal

National Grid NTS (SP) ran through the presentation (as circulated on 30 Sept 05) which recapped on the legislative background to UNC Section Q suggested the need to ensure:

- i. definitions, requirements and obligations are consistent with the NEC Safety Case
- ii. the structure of the drafting of Section Q was clear and logical
- iii. clarity as to the roles and responsibilities of all parties in the event of an NGSE

This is in keeping with the draft Review Proposal which in turn refers to excerpts from OFGEM’s decision letter on Mod 021.

There was workstream consensus that the above matters could be dealt with by a Mod Proposal

Action TR1015 National Grid NTS to raise a Mod Proposal to generate improved drafting of Section Q targeted for Feb 06 implementation.

3.2.5 Integration of UNC development with development of industry emergency arrangements

In discussion of elements of this Topic, many workstream members felt there was a process gap for UNC development as part of the overall industry emergency arrangements. Action TR1002 should address this at least in part.

3.3. Topic 009TR Provision of Market Information

3.3.1 Gas Balancing Alerts (GBAs)

National Grid NTS (RH) ran through a presentation (as circulated 7-Oct-05) - drawing on work from OFGEM's Demand Side Working Group (DSWG). The presentation outlined a draft methodology for GBAs (including assumptions, an example, trigger setting, timing and sensitivity), stated the intention that GBAs might indicate a potential requirement for demand response, and emphasized that GBAs were not intended to address potential Transportation Constraints. In discussion:

- i. Queries were raised about the [2] day parameter for exhaustion of storage stocks (particularly for Short Range Storage) to Safety Monitor levels and this should be addressed by the DSWG.
- ii. In response to an enquiry FG stated the intention to present a flow chart for how GBAs fit with Stage 1 NGSE at the next Transmission Operational Forum scheduled for early November.
- iii. There was a desire to avoid unnecessary GBAs.
- iv. Several workstream members indicated some desire for GBAs to be referenced in the UNC such that they could be linked to other contracts.

National Grid NTS indicated its intention to commence GBA operation in the near future.

3.3.2 "Daily Outlook" draft web pages

National Grid NTS (RH) ran through slides illustrating Daily Outlook web screens (as circulated 7-Oct-05) which have been designed to bring to publish currently available information in a more user-friendly manner. The workstream welcomed this initiative. SI expressed a concern that the line showing potential full rate depletion of storage might add unnecessary heat to the market.

National Grid NTS indicated its intention to commence Daily Outlook live operation in the near future.

3.3.3 IS Project (and Ongoing) Costs for energywatch UNC mod 006

National Grid NTS (RH) reported the following high level estimate of the IS costs required in order to implement UNC Mod 006 and indicated that final costs and solution may vary from this estimate. National Grid NTS stated their view that the costs basis was similar to that of Elexon for electricity market information publication.

Cost Element	Cost (£)	Comments
NG Project Resource	153,000	For lifetime of project, including project initiation costs
System Development & Test	495,000	<ul style="list-style-type: none"> • Configure data requirements • Extract required data • Dispatch data appropriately to Internet • Format (and group) data for publication • Publish data on web page
Hardware & Configuration	632,500	<ul style="list-style-type: none"> • 2 x Load Balancers • 2 x Web Servers • 2 x Application Servers • 2 x D/B Servers • 1 Staging Area D/B
Support after Implementation	100,000	Application and Infrastructure Support
Total	1,380,500	

3.4. Topic 011TR Balancing Neutrality Finance Adjustment Interest Rate

National Grid NTS (RH) explained that an issue had arisen with the draft Mod Proposal that was circulated on 30 Sept 05 and there was consensus to defer discussion of this Topic.

3.5. Topic 012TR Maintenance Planning

AEP (JCox) explained that some electricity producers with exit connections from the NTS or large LDZ systems have experienced problems with Maintenance Planning. She stated that the two draft Mod Proposals (as circulated 4 Oct 05) were designed to address some aspects of these problems and that a shipper would be willing to raise Mod Proposals of this nature. FG explained some of the present practice and whilst JCox indicated willingness for operational dialogue she felt some UNC change may be needed. There was consensus to defer more detailed discussion.

Action TR1016 AEP to present UNC issues and potential solutions to a future workstream meeting.

4. Diary Planning

Extraordinary Transmission Workstream (Topic 004TR)

Date: Thursday 13 October 2005

Start Time: 14:00 pm

Venue: Courtyard by Marriott, Leamington Spa

Date: Wednesday 19 October 2005

Start Time: 10:00 am

Venue: Elexon, 350 Euston Road

Date: Friday 21 October 2005

Start Time: 10:00 am

Venue: Elexon, 350 Euston Road

Transmission Workstream

Date: Thursday 3 November 2005

Start Time: 10:00 am

Venue: Elexon, 350 Euston Road

Action Log – UNC Transmission 10 October 2005

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR 1000	01/09/05	3.1 Topic 003TR	Develop DN ARCA consultation	National Grid NTS (PR)	Closed: Consultation closed out 22/09/05
TR 1001	04/08/05	2.1 a) Mod035	NEC Safety Case – request permission for availability on restricted access web site	National Grid NTS	Closed: Permission granted
TR 1002	04/08/05	2.1 b) Mod035	NEC Safety Case – request more inclusive process for Safety Case development	National Grid NTS (RH)	Carried Forward
TR 1003	04/08/05	2.1 c) Mod035	Request for broadcast of emergency alerts to wider industry	National Grid NTS	Closed: Presentation at 6-10-05 workstream
TR 1004	01/09/05	1.3 Topic 004TR	Report when Safety Monitors will be published	National Grid NTS	Closed: Notified and then published on 14-9-05
TR 1005	01/09/05	3.3 Mod006	Provision of Market Info Mod 006 – report on basis of implementation cost estimate	National Grid NTS	Closed: Slide and included in minutes for 6-10-05
TR 1006	01/09/05	3.3 Mod006	Seek views on whether Mod 006 would add to DTI offshore information scheme	energywatch (LW)	Closed - Carole.Pitkeathley@energywatch.org.uk included in minutes for 1-9-05
TR 1007	01/09/05	3.4 Topic 010TR	Gas Quality at Entry – refine draft Mod Proposal	National Grid NTS	Closed: Mod 049 out for consultation until 07/10/05
TR 1008	06/10/05	3.2.1 Mod044	Ofgem decision on Mod 044 – develop and issue SMPS consultation.	National Grid NTS	Closed: SMPS consultation issued 11-10-05
TR 1009	06/10/05	3.2.1 Mod044	Ofgem decision on Mod 044 – consider bringing ECQ methodology into UNC	National Grid NTS (RH)	
TR 1010	06/10/05	3.2.1 Mod044	Ofgem decision on Mod 044 – scooping paper on progressive vs rapid emergency	Total Gas and Power (SI)	

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR 1011	06/10/05	3.2.1 Mod044	Ofgem decision on Mod 044 – clarity on operation of P70 process	Gas Transporters	Operational matter
TR 1012	06/10/05	3.2.1 Mod044	Ofgem decision on Mod 044 – clarity on legal drafting as to when P70s take effect	National Grid NTS (RH)	
TR 1013	06/10/05	3.2.2 Mod052	Storage withdrawal constraint - consider initial feedback on draft Mod, refine and submit for urgency consideration	EON UK (PB)	Closed: Published as Mod 052 10-10-05
TR 1014	06/10/05	3.2.2 Mod052	Storage withdrawal constraint – arrange additional workstream meetings to progress and potentially other aspects of Emergency Arrangements	Joint Office (DR)	Closed: see http://www.gasgovernance.com/calendar.asp or Diary Planning 6-10-05
TR 1015	06/10/05	3.2.4 Topic 004TR	Section Q improved legal drafting – raise a Mod Proposal targeted for Feb 06 implementation	National Grid NTS	
TR 1016	06/10/05	3.5 Topic 012TR	AEP to present UNC issues and potential solutions to workstream	AEP (JCox)	