

**Transmission Workstream Minutes**  
**Thursday 1<sup>st</sup> February 2007**  
**held at Elexon, 350 Euston Road, London**

**Attendees**

|                            |      |                                  |
|----------------------------|------|----------------------------------|
| John Bradley (Chairman)    | JB   | Joint Office of Gas Transporters |
| Dennis Rachwal (Secretary) | DR   | Joint Office of Gas Transporters |
| Alex Barnes                | AIB  | BG Group                         |
| Alison Jennings            | AJ   | National Grid UKD                |
| Amrik Bal                  | AmB  | Shell                            |
| Andrew Fox                 | AF   | National Grid NTS                |
| Andrew Pearce              | AP   | BP                               |
| Angela Love                | AL   | Poyry                            |
| Chris Wright               | CW   | BGT                              |
| Christiane Sykes           | CS   | Statoil UK                       |
| Dave Adlam                 | DA   | National Grid LNG                |
| David Howdon               | DH   | Ofgem                            |
| Ed Carter                  | EC   | Ofgem                            |
| Eddie Blackburn            | EB   | National Grid NTS                |
| Eric Son Lee               | EL   | Poyry                            |
| Fergus Healey              | FH   | National Grid NTS                |
| Gareth Evans               | GE   | Total Gas & Power                |
| Helen Stack                | HS   | Centrica                         |
| Ian Moss                   | IM   | APX Group                        |
| Jeff Chandler              | JeCh | SSE                              |
| John Baldwin               | JBa  | CNG Services                     |
| Joy Chadwick               | JCh  | ExxonMobil                       |
| Kirsten Elliot-Smith       | KES  | ConocoPhillips                   |
| Mike Young                 | MY   | British Gas Trading              |
| Nick Wye                   | NW   | Waters Wye Associates            |
| Oliver [Woltgast]          | OW   | Dong Energy                      |
| Paul Grele                 | PG   | Centrica                         |
| Phil Broom                 | PB   | Gaz de France                    |
| Richard Fairholme          | RF   | EON UK                           |
| Roddy Monroe               | RM   | Centrica Storage Ltd             |
| Stefan Leedham             | SL   | EdF                              |
| Steve Gordon               | SG   | Scottish Power                   |
| Steve Mackay               | SM   | Ofgem                            |
| Steve Rose                 | SR   | RWE Npower                       |
| Stuart Waudby              | SW   | Centrica Storage Ltd             |
| Tim Davis                  | TD   | Joint Office of Gas Transporters |

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

The minutes for the meeting held on 4<sup>th</sup> January were accepted.

## 1.2. Review of Outstanding Actions

Appendix A provides a tabular summary.

**Action TR1046 Closed** The Workstream accepted that this item was no longer appropriate in the context of Ofgem's TPCR Final Proposals and NG NTS draft Entry Capacity Transfer mechanism – see item 3.1.2

**Action TR1060 was carried forward** as no party had raised a Review Proposal on provision of Market Information.

**Action TR1061 was carried forward.** APX/NG NTS/STUK/EON would report on issues arising from the concept of seeking to keep the OCM operating into stage 3 of an NGSE.

**Action TR1062 Closed.** NG NTS were not at this time pursuing the draft proposal for shippers to procure gas below the gas safety monitor.

## 1.3. Review of Workstream's Modification Proposals and Topics

### *Modification Status Report (Modification Proposals Register<sup>1</sup>)*

Ofgem (SM) confirmed its intention to conduct Impact Assessments on Proposal 0104 "3<sup>rd</sup> Party Proposal: Storage Information at LNG Importation Facilities" (in late February) and on Proposals 116 "Reform of NTS Offtake Arrangements" (in early February). The following Proposals had been approved by Ofgem:- 129 "Delay to the 2007 AMSEC Auctions", 0125 "Introduction of new balancing neutrality charge for cost of residual balancer collateral on the OCM", 0097A "Release aggregated ex-post information for pipeline interconnector offtake flows" (so 0097 was rejected). Consultation was proceeding on Proposal 0121 "The Provision of Ex-Post Demand Information for all NTS Offtakes" until 8<sup>th</sup> February, and a new similar Proposal 0130 "The Provision of Ex-Post Demand Information for NTS Offtakes" had been raised – see item 3.2. The Final Modification Report for Proposal 0127 "Introduction of a DN Pensions Deficit Charge on DNO Users" was ready for Panel consideration. An Ofgem decision was awaited on 0119 "Amendment to the Entry Overrun Charge".

### *Topic Status Report*

**003TR Review of Exit Capacity Arrangements.** In parallel to the awaited Ofgem Impact Assessment on 0116 UNC Proposals, Ofgem were consulting on draft licence conditions<sup>2</sup> and charging methodology proposals were proceeding through the Transmission Charging Methodology Forum<sup>3</sup>.

**008TR Entry Capacity.** AMSEC auctions for 2007 had been put back from February by Proposal 0129. Capacity Transfer process was discussed under item 3.1.2

**018TR Information Transparency** Implementation of Proposal 0097A means that commencing 1<sup>st</sup> October 2007 aggregate interconnector export flow would be published on National Grid's web site daily at 11am on D+1. See also item 3.2

**017TR OCM Collateralisation. Closed.** Proposal 0125 had been implemented.

Other Topics remained on hold.

<sup>1</sup> <http://www.gasgovernance.com/Code/Modifications/>

<sup>2</sup> <http://www.ofgem.gov.uk/ofgem/work/index.jsp?section=/areasofwork/transpcr>

<sup>3</sup> <http://www.nationalgrid.com/uk/Gas/Charges/TCMF/>

#### 1.4 Update from Transmission Operational Forum (31 January 2007)<sup>4</sup>

A presentation set out the background to the recent scale backs of interruptible capacity at Easington. A presentation set out at high level the changes to Long Term Capacity Auctions in 2007.

- **2 Modifications**

For discussion of draft Proposal on Introduction of AMTSEC Auction see item 3.1.2 below, and for Proposal 0130 see item 3.2 below.

### 3 Topics

#### 3.1 Topic 008TR Entry Capacity

##### 3.1.1 Background to Ofgem decisions on Proposals 0128 and 0129 on 2007 AMSEC Auctions.

Ofgem (DH) summarised the decision letters on Proposals 0128 and 0129, highlighting that Ofgem had responded to the Proposals that had been put before them, and Proposal 0129 avoided misalignment between the UNC capacity sales and the licence baselines.

DH recognised there were questions regarding the changed baselines that had been set. By way of introduction, he asserted there was never a commitment that baselines would never change and the Final Proposals were a package of obligations, revenue entitlements and incentives. In discussion DH outlined that, in setting baselines, Ofgem had identified that certain flow patterns did not seem plausible and this had led to pro-rata scaling back of baselines where there was unsold capacity. This was preferred to higher baselines, higher buy back risk, a higher funding requirement and ultimately higher consumer prices. DH argued that baselines would be less significant with a capacity transfer mechanism as part of the regime.

The Workstream had many detailed questions and concerns that it was impractical for DH to fully address at this session. These centred on buy back risk, non-discrimination, regulatory practice/stability, and the methodology employed. Written questions from attendees have been published in conjunction with these minutes. DH envisaged a group discussion would seem an appropriate way to address them, which could, for example, follow a Transmission Workstream session.

##### 3.1.2 Draft Proposal “Introduction of the AMTSEC Auction”<sup>5</sup>

NG NTS (AF) gave a presentation “Capacity Transfers” that set the scene for a draft proposal for a shipper lead process for transfers of unsold entry capacity in the constrained period. There would be consultations on each of the methodology statements, aligned to UNC Proposals as far as possible.

**Action TR1063** NG NTS (AF) to consider providing indicative timelines and dependencies for development of capacity transfer mechanisms.

NG NTS (FH) then explained that the draft proposal “Introduction of the AMTSEC Auction” followed on from the presentation given to the December Workstream. JBa sought an indication of likely exchange rates, acknowledging the argument that the actual rates may be dependent on the outcome of AMSEC and AMTSEC auction rounds. What were the physical relationships between different terminals?

**Action TR1064** NG NTS (FH) to consider providing information from winter 05/06 to assist understanding of the interaction between different terminals.

<sup>4</sup> <http://www.nationalgrid.com/uk/Gas/OperationalInfo/operationsforum/>

<sup>5</sup> <http://www.gasgovernance.com/Code/Workstreams/TransmissionWorkstream/2007Meetings/>

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RM enquired how Ofgem would monitor the buy back risk envisaged in its Final Proposals for National Grid. FH explained that an Entry Capacity Transfer Methodology Statement would be drafted and consulted upon and would be subject to Ofgem approval and subsequent monitoring.

Regarding the draft UNC Modification Proposal FH would correct the Proposed Implementation Date (seeking to have AMTSEC in place to follow on from 2007 AMSEC auctions), and sought questions or points of clarity to be sent to fergus.healy@uk.ngrid.com by 5pm Monday 5<sup>th</sup> February.

### **3.2 Topic 018TR Information Transparency**

#### **Proposal 0130 “The Provision of Ex-Post Demand Information for NTS Offtakes”<sup>6</sup>**

EON UK (RF) gave a presentation setting out the key differences between this and Proposal 0121 and the reasons for the differences, adding that an additional advantage would be easier interpretation of the data. SL observed that extensive canvassing by EdF had not highlighted I&C customer concerns. RF responded EON had received a very specific concern and it had been reported that some CIA members had concerns. In response to a request to clarify the intended aggregation, RF indicated EON intended to submit a revised Proposal that included sufficient detail (such as that in the tabulation of Workstream Report 0121).

There was consensus support, subject to clarification of aggregation, for the Proposal to proceed to consultation.

### **4. Other Business**

None.

### **5. Diary Planning**

Workstream meeting

Date: Thursday 1<sup>st</sup> March 2007

Start Time: 10:00 am

Venue: Elexon, 350 Euston Road, London

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<sup>6</sup> <http://www.gasgovernance.com/Code/Modifications/LiveMods/>

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**Appendix A Action Log – UNC Transmission 1 February 2007**

| <b>Action Ref</b> | <b>Meeting Date(s)</b> | <b>Minute Ref</b> | <b>Action</b>   | <b>Owner*</b>                    | <b>Status Update</b>   |
|-------------------|------------------------|-------------------|---|----------------------------------|--|
| 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 (Paul Roberts) | <b>Closed.</b> NG NTS draft Proposal includes a mechanism to respond to specific requests from shippers. |
| TR 1060           | 2/11/06                | 3.1 Topic 018TR   | Consider raising a UNC Review Proposal on provision of Market Information   | Interested parties.              | <b>Carried forward</b><br>Proposals 0104, 0121 and 0130 in progress.                                     |
| TR 1061           | 4/01/07                | 1.4               | Update the Workstream on development of emergency cashout/trading in the context of gas import dependence   | APX/NGG/EON / Statoil            | <b>Carried forward</b><br>Issues had been identified.  |
| TR 1062           | 4/01/07                | 2.1               | Provide data based on winter 2006/7 to individual shippers to illustrate the scale of the proposed obligation to procure Safety Monitor gas.                              | National Grid NTS (Chris Logue)  | <b>Closed</b><br>NG NTS was not pursuing its draft Proposal at this time.                                |
| TR 1063           | 1/02/07                | 3.1.2             | Consider providing indicative timelines and dependencies for development of capacity transfer mechanisms  | National Grid NTS (Andrew Fox)   |  |
| TR 1064           | 1/02/07                | 3.1.2             | Consider providing information from winter 05/06 to assist understanding of the interaction between different terminals   | National Grid NTS (Fergus Healy) |  |