

**Transmission Workstream Minutes**  
**Thursday 7<sup>th</sup> December 2006**  
**held at Elexon, 350 Euston Road, London**

**Attendees**

Tim Davis (Chairman)	TD	Joint Office of Gas Transporters
Dennis Rachwal (Secretary)	DR	Joint Office of Gas Transporters
Angela Love	AL	Poyry
Bali Dohel	BD	Scotia Gas Networks
Bethan Winter	BW	National Grid DNCC
Charles Ruffell	CR	RWE Npower
Chris Logue	CL	National Grid NTS
Chris Wright	CW	BGT
Dave Adlam	DA	National Grid LNG
Dipen Gadhia	DG	Ofgem
Ed Carter	EC	Ofgem
Fergus Healy	FH	National Grid NTS
Gareth Evans	GE	Total Gas & Power
Jeff Chandler	JeCh	SSE
John Baldwin	JBa	CNG Services
John Costa	JCo	EDF Energy
Joy Chadwick	JCh	ExxonMobil
Julian Majdanski	JM	Joint Office
Julie Cox	JCox	AEP
Liz Spierling	LS	Wales & West Utilities
Mark Feather	MF	Ofgem
Nick Wye	NW	WatersWye Associates
Paul Roberts	PR	National Grid NTS
Phil Broom	PB	Gaz de France
Phil Lawton	PL	National Grid UKD
Richard Fairholme	RF	EON UK
Ritchard Hewitt	RH	National Grid NTS
Roddy Monroe	RM	Centrica Storage Ltd
Sharif Islam	SI	Total Gas & Power
Shelley Rouse	SRo	Statoil UK
Simon Bradbury	SB	Poyry
Stuart Waudby	SW	Centrica Storage Ltd

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

The minutes for the meeting held on 2<sup>nd</sup> November were accepted.

**1.2. Review of Outstanding Actions**

Appendix A provides a tabular summary.

**Action TR1046 was carried forward** and is related to item 3.2 below.

**Action TR1059 was closed.** A draft Workstream Report for Proposal 0121 was published and no comments were received by the Joint Office before this meeting.

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

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

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

Proposals 0118 and 0118A "Entry Capacity Transfers in the Constrained Period" were withdrawn 15 November. Proposals 0121 and 0125 were discussed at this meeting. Consultation on variants of "Reform of the NTS Offtake Arrangements" closed on 6 December and Final Modification Reports for all other transmission Proposals were scheduled for Panel consideration on 21 December.

#### *Topic Status Report*

003TR "Review of NTS Exit Capacity Arrangements". See item 3.1

008TR "Entry Capacity" See item 3.2

All other topics were on hold except the following one that was closed in light of Review Proposal 0126 having been raised: -

019TR "Lessons from Farningham Metering Error".

### 1.4 Update from Transmission Operational Forum of 6 December<sup>2</sup>

A report on the emergency exercise "Neptune" would be published following HSE consideration of the findings.

### 1.5 Update from Ofgem Demand Side Working Group (21 November)

EDF Energy had consulted the group about its Modification Proposal 0121 on publication of NTS Exit flow information.

National Grid NTS had reported to the group about performance of its market information web site and its plans to review and, if possible rationalise, in consultation with the community.

### 1.6 Update from Ofgem Emergency Arrangements Workshop (21 November)

This workshop followed on from publication of Ofgem's open letter and presentation on Emergency Arrangements<sup>3</sup>. An open meeting on 11 December of the Energy Balancing Credit Committee would take forward one issue. Follow up discussion regarding options for Emergency Cash Out pricing in the context of reliance on gas imports was scheduled for 14 December.

## • 2 Modifications

### 2.1 Proposal 0121 "The Provision of Ex-Post Demand Information for all NTS Offtakes"<sup>4</sup>

In the context of the published draft Workstream Report<sup>5</sup> John Costa confirmed that EDF Energy had widely canvassed views of consumers with no objections having been received. The Workstream accepted the report as drafted and that it be sent to the Modification Panel with a recommendation that the Proposal should proceed to consultation.

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

<sup>2</sup> <http://www.nationalgrid.com/uk/Gas/OperationalInfo/operationsforum/>

<sup>3</sup> <http://www.ofgem.gov.uk/ofgem/work/index.jsp?section=/areasofwork/wholesalemarketmonitoring>

<sup>4</sup> <http://www.gasgovernance.com/Code/Modifications/LiveMods/>

<sup>5</sup> <http://www.gasgovernance.com/Code/Workstreams/TransmissionWorkstream/2006Meetings/>

## 2.2 Proposal 0125 “Introduction of new balancing neutrality charge for cost of residual balancer collateral on the OCM” Publication of Nodal NTS Demand Forecasts”<sup>4</sup>

RH ran through a presentation<sup>5</sup> setting out the approach for assuring economic and efficient procurement of collateral by the Residual Balancer and explained the commercial need for confidentiality, suggesting that more transparent options may be higher cost. The arrangements seemed appropriate for current estimated costs.

Following a discussion RH agreed to amend the Proposal to clarify that OCM products were the driver for collateralisation irrespective of the market operator employed.

There was a consensus that, with minor amendments to the draft provided, the Workstream Report should be sent to the Modification Panel with a recommendation that the Proposal should proceed to consultation.

## 2.3 Draft Proposal “Distribution Networks Pension Deficit Charge”

Further to the presentation at November’s Workstream meeting NG NTS invited comments on the draft UNC Modification Proposal that had been published.<sup>5</sup>

### • 3 Discussion of Topics

#### 3.1 Topic 003TR Review of NTS Exit Capacity Arrangements

##### 3.1.1 Overview of the Marchwood Determination by Ofgem.

Ofgem (MF) ran through a presentation<sup>5</sup> and confirmed that the dispute raised by Marchwood Power Ltd was dealt with under the Gas Act since the EU Gas Directive did not apply in this case. The case was considered under the transitional NTS offtake arrangements. MF stated that Ofgem had not received satisfactory proof from NGG NTS that this connection carried greater risk than existing loads and so warranted more than a 1-year ARCA commitment. JCox enquired how well placed NGG would be to assess the risk posed by connections. MF replied that Ofgem’s view was that Users would be better placed to assess such risk in order to protect the generality of customer interests. PR explained that NG NTS was not comfortable with this aspect of the transitional arrangements and was therefore pursuing Authority approved User commitment for the enduring regime as mitigation against stranding of assets.

##### 3.1.2 Transmission Price Control Review (TPCR) Offtake Final Proposals

MF briefly outlined some key conclusions from Ofgem’s Final Proposals in respect of NTS Offtakes. MF explained that the monthly cap on the buy-back incentive aimed to ensure the incentive remained in place if a large liability occurred in a single month. JCox observed that 30GWh/day permits for exit capacity could be small considering the scale of recent CCGT projects and that User commitment could increase costs for holding an option on a project. On User commitment, MF drew attention to Ofgem’s £25m disallowance of investment at St Fergus and statements regarding risks of disallowances if there were inadequate User commitment models at the next TPCR. Regarding UNC Modification Proposals “Reform of the NTS Offtake Arrangements” MF explained that the Authority’s decision would not be earlier than February 2007, following on from an updated Ofgem Impact Assessment.

PR indicated that if National Grid accepts Ofgem’s Final Proposals then it would seek alignment of the UNC to the new buy-back incentive on investment.

PR also referred to a concern about February AMSEC auctions and RMSEC auctions where Ofgem’s Final Proposals revised baselines downwards. If the proposals are

<sup>4</sup> <http://www.gasgovernance.com/Code/Modifications/LiveMods/>

<sup>5</sup> <http://www.gasgovernance.com/Code/Workstreams/TransmissionWorkstream/2006Meetings/>

accepted a UNC Modification Proposal may be raised, possibly seeking urgent status, in order to address these concerns.

### 3.1.3 Responses to National Grid consultation on ExCR and Charging

NG NTS (PR) ran through a presentation<sup>5</sup> that summarised the published responses<sup>6</sup> received to its consultation papers on ExCR and pricing consultations GCD01, GCD02 and GCD03. NG NTS was considering its position and wished to consult again either in the light of Ofgem decisions about UNC Modification Proposals “Reform of the NTS Offtake Arrangements” and GCM01 Capacity Charging proposals, or with stated assumptions. It seemed likely that the timetable for consultations and their content would inevitably be complex.

### 3.1.4 Draft Proposal “Change of Definition of Flow Flexibility Capacity”

NG UKD (PL) ran through a presentation explaining a draft Modification Proposal<sup>5</sup> to provide a correction mechanism to NTS Exit (Flexibility) capacity to take account of DN demand changes suggesting it could be implemented independent of the outcome of “Reform of NTS Offtake Arrangements”. PR observed that the Proposal seemed to be zonal and not nodal and would therefore benefit from development.

In discussion the following concerns were identified for NG UKD to consider: -

- i) Large DN connected consumers could be partly responsible for NTS Flex requirements of DNs and the arrangement could constitute discrimination in favour of such sites if there were flexibility charges for NTS connected consumers.
- ii) It was not clear how demand change for such a proposed correction mechanism could be validated and assured to the community
- iii) There appeared to be interactions with UNC Proposals “Reform of the NTS Offtake Arrangements”.

## 3.2 Topic 008TR Entry Capacity – Transfers in the Constrained Period

Following on from withdrawal of Proposals 0118 and 0118A, NG NTS (PR) ran through a presentation<sup>5</sup> that outlined a revised transfer process and invited views to help develop a model that could lead to a new UNC Modification Proposal. Scoping work on Gemini system changes would be needed with a view to potential implementation for winter 2007/08. CSL (SW and RM) expressed satisfaction with the concepts. In response to a query PR explained that the process would inevitably be complex but NG NTS intended to set out the principles that would be applied for determining exchange rates, buy-back risks etc..

## 4. Other Business

### 4.1 “Gas Reserve” Review for Winter 2007/8

NG NTS (CL) ran through a presentation<sup>5</sup> that set out the background and put forward the concept that each Shipper should warrant it had secured rights to Safety Monitor (SM) Gas equivalent to its portion of the “Protected by Monitor” (PBM) load and went on to set out the potential advantages of this new approach. The warrant approach meant there was no need for any party to routinely monitor actual storage bookings.

JCosta queried whether the proposed approach was consistent with the undertakings given with respect to British Gas Trading’s use of Centrica Storage. PB observed the proposal seemed to be like a Supplier Licence obligation that was deemed to have been

<sup>6</sup> <http://www.nationalgrid.com/uk/Gas/Charges/>

<sup>5</sup> <http://www.gasgovernance.com/Code/Workstreams/TransmissionWorkstream/2006Meetings/>

met through shipper accession to the UNC. In response to questions CL provided more detail on a potential mechanism for determining Shipper shares of the requirement. Last winter the largest change in market share of PBM load was only 2% so snapshots of shipper portfolios, say in September, may be a reasonable estimate, and shippers could assess their portfolios at any time. PBM load calculation takes account of different EUCs within the NDM market sector. Any potential changes to the aggregate SM level would be passed through to Shipper portions of the requirement. GE queried whether the PBM load of NTS shippers could be more dynamic for the Irish Interconnector. In response to a query as to whether flexibility other than storage would be acceptable, CL suggested trading might be a route to meet the proposed obligation. Demand Side Response would be isolated prior to the requirement for PBM gas and therefore could not be a substitute for storage gas. JCosta drew attention to the DTI Security of Supply consultation and considered a UNC initiative would cut across this and enquired whether any Ofgem meetings were envisaged. EC reported that no Ofgem meetings had been scheduled and generally these were arranged when there was more than one issue or cross governance matters to discuss. CR questioned why this was not a transporter cost for meeting its safety obligation and RH responded that transporters have Stage 4 (network isolation) as a safety mechanism. CL explained the initiative sought to ensure SM gas was available and therefore reduce the likelihood of an emergency triggered by SM breach. The commercial effect could incentivise any trading needed to ensure that each shipper had secured at least its minimum requirement for SM gas.

NG NTS would consider the matters raised with a view to bringing a draft UNC Modification Proposal to the next Workstream seeking to progress to Ofgem decision in good time for Winter 2007/08.

## **5. Diary Planning**

Workstream meeting

Date: Thursday 4<sup>th</sup> January 2007

Start Time: 10:00 am

Venue: Elexon, 350 Euston Road, London

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**Appendix A Action Log – UNC Transmission 7 December 2006**

<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>Carried forward.</b> NG NTS internal consideration in the context of TPCR discussions.
TR 1059	2/11/06	2.1.2 0121	Publish 0121 Workstream Report draft v0.1 invite written comment by 28 November and revise for Dec Workstream discussion.	Joint Office / Interested parties	<b>Closed.</b> Draft report published and no comments received.
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> Proposals 97/97A, 0104 and 0121 in progress