

Transmission Workstream Minutes
Assignment of NTS Entry Capacity Workshop 1
Tuesday 07 April 2009
Elxon, 350 Euston Road, London NW1 3AW

Attendees

Tim Davis (Chairman)	TD	Joint Office
Lorna Dupont	LD	Joint Office
Andrew Pearce	AP	BP Gas
Chris Wright	CW	Centrica
Craig Purdie	CP	Centrica Storage
Emma Hayes	EH	BG Group
Fergus Healy	FH	National Grid NTS
Jeff Chandler	JC	Scottish and Southern Energy
James Smith	JS	EDF Energy
Natasha Ranatunga	NR	National Grid NTS
Rekha Patel	RP	Waters Wye Associates
Roddy Monroe	RM	Centrica Storage
Shelley Rouse	SR	Statoil UK
Steve Rose	SR1	RWE npower

1. Introduction

TD welcomed the attendees to the meeting.

2. Background and UNC Obligations

FH gave this presentation outlining the background and the UNC obligations set out in UNC General Terms Section B6.1. It was a process that was not expected to be frequently used, and only at the point at which a User Account was closed down. FH pointed out that National Grid NTS was contemplating minimum spend and minimum system changes to continue to meet its responsibilities under the UNC obligations, and that any expansion of the standard process and associated complexity to meet any proposed differentiated industry requirements would mean that any resultant increase in development and provision costs would be subject to the User Pays arrangements.

3. National Grid NTS**3.1 Previous work undertaken**

FH explained that xoserve had been approached to provide a Rough Order of Magnitude (ROM) and an update had been provided to Review Group 0221 in December 2008. FH outlined the context and parameters of the ROM, adding that it was for the provision of a purely functional systematised process and that xoserve had given a best estimate for the work described. The results were discussed.

TD observed that, given the indications that the cost would be significant and the timescales lengthy, Shippers might want other to see consideration given to other ways of achieving the same ends. RM said that at this stage he was less concerned with the length of time than the costs, and suggested it could be introduced as a soft landing, ie a manual process while systems were developed. FH said that existing functionality would probably be used as far as possible, but that the system would still have to reflect price and quantity, and this would require discussion with xoserve.

There were concerns that the service as costed would only be used by very few parties and not offer the level of support sought by the industry, and hence the existing trading arrangements would continue to operate alongside.

FH pointed out that should there be occasion to pursue this concept then it was expected that any Modification Proposal would be raised by the industry with associated User Pays arrangements.

RM enquired if the Industry implemented a complex modification would National Grid NTS pay (a part) for the functionality. FH clarified that in the case of assignment National Grid NTS was looking for resolution of its UNC obligation which is separate to the industry's requirements. Any User Pays modification raised by the industry would be considered by National Grid NTS and where it was possible to adapt processes developed to satisfy National Grid NTS' UNC obligations it would look at doing so but as it stands National Grid NTS does not expect to contribute to the Gemini costs attributable to any such User Pays modification.

3.2 Work currently being undertaken

FH explained the areas which National Grid NTS was now pursuing in order to help identify a cost effective way forward. National Grid NTS is principally looking to put something in place to meet its current UNC obligations. If this could be adapted further National Grid NTS would look at doing so. It was for the industry to decide if it required something more than this, as additional complexity would inevitably mean increased costs.

3.3 Questions that National Grid would like to see answered/Structure of high level Business Rules

FH outlined various pertinent questions and issues for consideration, and these were discussed.

RM commented that the facility to assign capacity in full or partially to another party or parties in a more flexible way could be very appealing to Gas Storage parties. AP agreed that it would be acceptable for any process to apply solely to QSEC although AMSEC would be nice to have and would be part of his preferred outcome. RM added that the model in EON's presentation was what was wanted, but Shippers really needed to know the least cost solution to obtain it; perhaps a matrix of costs associated with various elements could be produced, giving a capability of removing various elements to achieve acceptable flexibility for an appropriate cost. It would be useful to identify what elements would create the greatest degrees of cost, so that the value of including/removing/simplifying them could be considered. It was thought that elements involving trading functionality and financial liability were likely to prove expensive, especially if viewed in a context of intermittent use by a minimal number of assignors/assignees to perform a minimal number of transactions.

FH pointed out that xoserve may have concerns if any proposed arrangements impacted the underlying invoicing functions of Gemini, and there may be certain elements that it could not cater for. He also stated that no additional National Grid revenue was expected to be generated from an assignment process. JS observed that the underlying data tables were in Gemini but thought that a manually operated process could be devised as there appeared to be a small number of potential Users. For example both Assignor/Assignees will know their details which could be documented and approved by the relevant Transporter(s) - inability to systematise a process should not fetter the operation of the market.

There was a brief discussion relating to the information available through the trading operations. Another suggestion was that perhaps the bulk of the work could be done by the assigning parties who could then pass the data on to xoserve to manipulate through its systems. FH thought these suggestions could be factored in for xoserve to consider.

4. Industry Requirements

The meeting then viewed the presentation provided by E.ON, and there was a general agreement with the views it put forward on capacity assignment. It was pointed out that elsewhere in Europe capacity was not bought through an auction process, which

avoided most of the complexities envisaged by National Grid. FH acknowledged the different parties' viewpoints and suggestions and reiterated that breaking bids apart was very difficult.

CW observed that assignment applies in Exit and questioned whether that provided some learning points? JS observed that E.ON's possible solution would not take away any legal requirements or responsibilities so it would not address that aspect of the problem; being able to pass on the liability was very important. NR observed that National Grid is not presently allowed to transfer capacity on behalf of another Shipper.

It was asked whether xoserve had looked at existing future buy-back functionality/process to see if that was capable of adaptation. Using existing functionality would be cheaper and possibly smoother, but this needed to be identified.

It was suggested that xoserve may also need to be asked if there would be any constraints on the use of a process. JS suggested, for example, that there may be an agreed set number of Assignment days per year.

RM would like to know what the drivers are behind the very broad estimate figures, and thought that xoserve should look at it from the most complex scenarios through to simpler scenarios and advise the industry what it needs to do to keep costs down so that it can properly assess what level of complexity it requires and the associated cost/benefit.

It was clarified by FH and SR1 that assignment as outlined as part of Exit Reform is applicable at a single NTS Exit Point, will be between 2 parties and will be an enduring assignment of rights.

NR indicated that National Grid NTS would welcome any Shipper suggestions or ideas on assignment, and particularly those that use existing functionality. FH reiterated that using existing functionality could reduce costs.

SR1 made reference to Project Nexus and questioned its scope. FH clarified that this project focuses on UK Link replacement, of which Gemini is not part.

5. Next Steps

FH had noted the views put forward at this meeting and will approach xoserve to discuss the different levels of requirements and find out what industry might have to do to keep costs down although he did note that to do so would require some degree of minimum requirements for xoserve to use as a starting position, these would be based on the original Rough Order of Magnitude (ROM) raised by National Grid and those discussed within the workstream. FH will also enquire whether the assignment process being developed by NG could be used to assign capacity (in full and to a single party) for reasons other than voluntary discontinuance by the assigning party, which National Grid regard as the underlying trigger for the UNC requirement to provide entry capacity assignment. A further meeting was not required at present and an update on progress would be provided to TD and a future meeting arranged as appropriate.

Any further suggestions or ideas can be forwarded to or discussed with:

Fergus.Healy@uk.ngrid.com 01926 655 031

Natasha.ranatunga@uk.ngrid.com 01926 654 132