

## **EMIB – Expert Group Meeting 2**

**Tuesday 15 November 2011**

at the ENA, 52 Horseferry Road, London SW1P 2AF

### **Attendees**

Tim Davis (Chair)	(TD)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Brian Durber	(BD)	E.ON UK
Chris Bielby	(CB)	Gas Industry Safety Group
David Pickering	(DP)	National Grid
Jo Parker	(JP)	Scotia Gas Networks
John Baldwin	(JB)	REA
John Edwards	(JE)	Wales & West Utilities
Jonathan Wisdom	(JW)	RWE npower
Richard Pomroy	(RP)	Wales & West Utilities
Steve Armstrong	(SA)	National Grid Distribution
Steve Howells	(SH)	Scotia Gas Networks
Will Guest	(WG)	Northern Gas Networks

### **1. Introduction**

*Copies of all papers are available at: [www.gasgovernance.co.uk/emib/151111](http://www.gasgovernance.co.uk/emib/151111).*

TD welcomed all to the meeting, which had been convened to consider commercial issues.

### **2. Discussions**

#### **2.1 Update from ENA Working Group**

RP presented 'DN Connection policies – entry'.

In considering the matter of ownership and minimum connection<sup>1</sup> requirements in particular, RP agreed that HPMIS communication aspects needed to be defined and their associated costs identified. DP advised that he is seeking an expert view on the matter.

Detailed debate took place around the issue of odourisation and who should own and operate the plant. Whilst the GDNs may be happy for other parties to undertake the actual odourisation, they would expect a right to audit practices in order to ensure compliance by the GDN with GS(M)R. Ongoing communication would also be necessary as downstream odourant monitoring was expected, and operators may be requested to increase or decrease odourant. JB supported the principle of the GDNs defining requirements and undertaking audit responsibilities, and believes that provision of a minimum agreed odourant standard by the GDNs would prove beneficial. He acknowledged that further detail relating to the GDNs providing such a service compared to other parties

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<sup>1</sup> A minimum connection in this instance is defined as a point of entry on to the GDNs network that comprises of a valve that parties have the right to shut, but only the GDN has the right to re-open accompanied by a suitable communication system that enables the GDN to receive data appertaining to the quality of the gas flowing.

undertaking the work would also be beneficial. In response, RP voiced concern relating to aspects such as redundancy, backup provision, liability and compensation arrangements, along with approved odorant equipment issues. He is of the view that EMIB has not proposed provision of details associated with measuring equipment at this stage and the GDNs remain concerned about ownership and responsibility aspects of any proposal.

TD noted that the GDNs odorise gas downstream of the NTS and questioned, if the Biogas producers are required to pay for odorisation, whether Ofgem would have concerns regarding differing requirements and discrimination. RP suggested that the underlying issue is the provision of gas to the required GS(M)R standard. He acknowledged, however, that the issue is less clear for entry to above 7bar networks.

Moving on to consider the Standards of Service issues, RP noted amendment of 4B statements requires Ofgem approval. The Transporters are seeking to build a few minimum connection entry points before assessing the benefits of adopting a fixed price approach. JB believed that not having a fixed price approach up front would possibly prohibit the first few projects from getting underway – with the uncertainty stifling development opportunities. In essence, he could envisage a two-stage initial project engagement process whereby the first stage is GDN provision of a requirements specification and an estimate of the likely charges for providing a connection. Initial producer funding decisions could be based on these cost indications. A more thorough GDN evaluation could follow, and would be chargeable. JB acknowledged that both stages of the process would need to address issues such as ownership, system capacity requirements (including nominations), business risk and liabilities. In addition, reinforcement and compression options should be identified where necessary. He wondered if bilateral agreements could be utilised to hedge potential business risks and questioned whether or not a RAV approach would necessarily work.

RP made reference to UNC TPD Section I – Entry Requirements advising that this identifies various liabilities. The GDNs are not expecting to pay additional liabilities, over and above those already in Section I, for Biogas.

In considering the liabilities associated with equipment failures, JB believed that the first bullet point laid down the basis for a reasonable approach to the failure of a minimum connection. He also feels that there may be a need to split out and compare the costs associated with the GDNs funding and charging for odorant provision compared to the producers doing it themselves. SA pointed out that liabilities for the inability to take nominated gas may also need considering. JB suggested that there are two options – option 1 is the GDNs do everything and charge for the service; option 2, the producers (or other empowered parties) undertake the provisions in accordance with prescribed GDN standards. As discussed in the context of Modification 0391, transportation charges could be set to reflect either circumstance, with the difference in charges supporting assessment of the preferred approach in specific cases. SH noted that the system entry point is where they have deemed the gas enters their system (and hence is required to meet GS(M)R requirements) irrespective of who may own and operate the actual entry facility – the entry point is not impacted by ownership.

Moving on to consider capacity constraint issues in more detail, SA believed that the issue boils down to what the GDNs base their capacity assumptions on at any given point in time. JB suggested that two key issues are Ofgem not providing the GDNs with additional funding to support investigating and implementing options to increase their capability to take gas; and the GDNs not having the tools and information available to undertake reliable and consistent assessments of network's minimum ability to accept gas.

In considering the next steps, TD asked why a formal consultation process needs to be completed before any change of approach is introduced. RP pointed out that undertaking a formal consultation ensures that the GDNs comply with both RIIO principles and Licence obligations. Supporting this, SA added that as the proposals could potentially involve some form of connection charging, adopting a formal consultation process seemed appropriate, especially as this could then be utilised as a basis for development of Network Entry Agreements (NEAs).

## 2.2 Discussion of issues raised

JB provided a brief overview of his 'Update on Issues' presentation.

Following a quick outline of the five options, JB moved on to look at the odorant plant slide citing that, for the GDN owned option, there may be liabilities associated to the failure of the signals emanating from a producer's equipment to the GDNs – these would need considering in due course.

The Standards of Service Issues slide builds on JB's previous points made under discussion of item 2.1 above relating to a multi tiered project engagement approach. He went on to suggest that he expects the preparation of the GDN provision of requirements specification document to be a relatively simple one-page exercise. In noting that this is achievable, DP suggested that it could be a more detailed document and that the GDNs remain concerned about aspects of implied responsibility and (indirect or otherwise) liability. RP believed that the approach should entail either the GDNs undertaking the work and owning everything, or the producers doing likewise, but not a solution occupying the middle ground.

RP believed that care would also be needed to ensure, that whatever solutions are adopted, the GDNs do not apply requirements on biogas producers that they themselves do not have.

In summarising, JB suggested that addressing the odorant issue would be crucial to the success of any proposals put forward, and defining a minimum odorant system specification would be a way forward. The GDNs agreed, first, to look to develop a draft requirements specification and, second, to refine the 'DN Connection policies – entry' presentation to include points raised.

**New Action EG2/001: GDNs to develop a draft requirements specification.**

**New Action EG2/002: WWU (RP) to refine the 'DN Connection policies – entry' presentation.**

## 3. Any Other Business

### Licence Issues

It was noted that some Licence changes or clarifications may be necessary to recognise the particular issues involved with biogas production. DP suggested that more DECC input may be beneficial in this respect.

## 4. Next Steps and Diary Planning

*Details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary).*

The next EMIB meeting is scheduled to commence at 10:30am on Tuesday 22 November 2011 at IGEM House, High Street, Kegworth, Derbyshire. DE74 2DA.

**EMIB Action Log**

<b>Action Ref</b>	<b>Meeting Date(s)</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
EG1/0001	12/10/11	2.1	Provide a copy of previous report exploring the uncertainty between the current regulations and UK experience.	(DL)	Pending
EG1/0002	12/10/11	2.2	Advise whether the GQ8 document can be made available to all networks as has been previously done with GQ1 to GQ7	National Grid Distribution (SG)	Pending
EG1/0003	12/10/11	2.2	Draft a revised version of GQ8 for use as a strawman risk assessment by DNOs	(DL)	Pending
EG1/0004	12/10/11	2.2	Arrange meetings to take forward the strawman risk assessment from action EG1/0003	IGEM (PHa)	Pending
EG2/001	15/11/11	2.3	Develop a draft requirements specification.	GDNs	Pending
EG2/002	15/11/11	2.3	Refine the 'DN Connection policies – entry' presentation.	WWU (RP)	Pending