

Transmission Workstream Minutes

Thursday 1 September 2005

10 Old Bailey, London

Attendees

John Bradley (Chair)	(JB)	Joint Office of Gas Transporters
Dennis Rachwal (Secretary)	(DR)	Joint Office of Gas Transporters
Anne-Marie Segbedze	(AMS)	Ofgem
Beverley Grubb	(BG)	Scotia Gas Networks
Brian Stoneman	(BS)	Northern Gas Networks
Christiane Sykes	(CS)	E.O.N. UK
Dave Adlam	(DA)	National Grid Gas Transmission
David Slack	(DS)	BP
Fiona Lewis	(FL)	Ofgem
Helen Bray	(HB)	Chemical Industries Association
James Cox	(JC)	ILEX
Joy Chadwick	(JCh)	ExxonMobil
Katherine Marshall	(KM)	SSE
Keri Flitcroft	(KF)	National Grid LNG Storage
Lisa Waters	(LW)	Waterswe Associates
Liz Spierling	(LS)	Wales and West Utilities
Mark Bamber	(MB)	BG Gas Services
Mark Feather	(MFe)	Ofgem
Matt Golding	(MG)	National Grid Gas Transmission
Matteo Guarnerio	(MG)	Ofgem
Mick Curtis	(MC)	$E=mc^2$
Mike Young	(MY)	BGT
Ndidi Njoko	(NN)	Ofgem
Nick King	(NK)	National Grid Gas Transmission
Nigel Sisman	(NS)	National Grid Gas Transmission
Paul Roberts	(PR)	National Grid Gas Transmission
Paul Youngman	(PY)	National Grid Gas Transmission
Peter Bolitho	(PB)	EON UK
Peter Close	(PC)	National Grid Gas Distribution
Phil Broom	(PB)	Gaz de France
Rachel Turner	(RT)	Centrica
Rekha Patel	(RP)	Conoco Phillips
Shelley Jones	(SJ)	Statoil
Stefan Leedham	(SLe)	Chemical Industries Association
Steve Gordon	(SG)	Scottish Power
Steve Ladle	(SLa)	Total Gas and Power
Steve Rose	(SR)	RWE npower
Stuart Waudby	(SW)	Centrica Storage
Tanya Morrison	(TM)	Shell Gas Direct
Tim Davis	(TD)	Joint Office of Gas Transporters

1. Status Review

1.1. Minutes from August 05 Workstream Meetings

The minutes were accepted – the error on the date of this meeting was corrected in the minutes of 11 August.

1.2. Review of Outstanding Actions

- NTS Exit Regime (interim) – Universal Capacity process – see item Topic 003TR
- NEC Safety Case – Transco NTS to request NEC to make available on restricted access web site – **Action carried forward**
- NEC Safety Case – Transco NTS to request NEC to consider more inclusive process for Safety Case development – **Action carried forward**
- Transco NTS to explore broadcast of emergency alerts to wider industry – **Action carried forward**

1.3. Review of Workstream's Modification Proposals and Topics

The Modification Status Report was updated 2 September 2005, (including Panel recommendations made at 1pm meeting on 1 September 2005.)

- 046 Draft Mod report sent out 19-Aug-05, Reps close out 12-Sept-05
- 044 Panel did not recommend implementation
- 043 Ofgem letter indicated minded to accept – see item Topic 008TR
- 042 Panel recommended implementation
- 038 Panel recommended implementation
- 036 Ofgem letter indicated minded to accept – see item Topic 008TR
- 011(736) Ofgem rejected on 30-Aug-05. Transco NTS (PR) requested Topic 005TR be kept open for the time being.
- 006(727) Ofgem way forward letter 174/5, 25-Jul-05 – see item Topic 009TR

The Topic Status Report was updated 2 September 2005.

- 003TR NTS Exit Capacity – see item 3.1
- 004TR Emergency Arrangements – KM enquired, in relation to Mod 035, when Storage Monitors would be published. PR explained that absolute Storage Monitors will vary from year to year but agreed to enquire.
Action Transco NTS (PR) to report when Storage Monitors will be published.
- 008TR Entry Capacity – see item 3.2
- 009TR Provision of Information to Market – see item 3.3
- 010TR Gas Quality – see item 3.4

2. Modifications for Workstream Development

No formal development work – draft Proposal discussion in item 3.4

3. Discussion of Topics

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

Universal Capacity Reservation, Application and Allocation Process – Mod Proposal 046 and Licence context.

Transco NTS (PR) ran through the presentation (which was circulated on 25 Aug 05) which outlined the background, rationale and an introduction to the Modification Proposal 046, and its context in the commercial and licence framework. The Close out for representations on Mod 046 was confirmed to be Monday 12th Sept (not 9th as in presentation). National Grid consultations on Incremental Exit Capacity Release (IExCR) and Licence Standard Condition 4B had set representation close out for 22nd Sept. PR also gave an outline of Distribution Network (DN) Advanced Reservation of Capacity Agreements (ARCAs) – consultation to follow.

In discussion: -

- i. PR accepted that for direct connects the current site use may not reflect baseline capacity however he stated that the IExCR had to have some start point. Ofgem need to take account of this for incentives. MF indicated that Ofgem aim to launch a 4-week consultation on interim incentives in mid September.
- ii. PR emphasised the proposal did not seek to change the mechanism for direct connect capacity requests.
- iii. PR emphasised that Mod Proposal 038, if implemented, would formalise feedback of information for e.g. a capacity request that could only be met in part without reinforcement.
- iv. PR indicated that ARCAs would record the full amount of capacity requested and he noted the request for clarity that the ARCA financial commitment should relate to just the specific reinforcement element.
- v. DNs would, in the event of an LDZ ARCA request, determine the need or otherwise to seek a DN ARCA for NTS offtake.
- vi. Governance of all ARCAs would remain with Ofgem for the time being – retaining the ability of developers to sign ahead of making shipping arrangements and terms in DN ARCAs would be similar e.g. events for either party could trigger permitted delay/deferment.
- vii. There was a concern that if network planning work concluded in October that there was a firm need for ARCA scale reinforcement(s) then all arrangements for DN ARCAs must be available. MF explained that Ofgem was seeking to finalise incentives prior to capacity reservations.

Action: Transco NTS (PR) to develop DN ARCA consultation.

3.2. Topic 008TR Entry Capacity – (Investment Lead Times)

The Workstream agreed to discuss Ofgem’s “minded to implement” letters on Mods 036 and 043. MY led discussion to seek information about : -

- i. the mechanism for Authority approval of Transco NTS requests to not release capacity;
- ii. the locations where capacity might not be released and the materiality of the need to use the provisions of these Mods; and
- iii. the reasons why capacity release might be delayed

MY expressed concern that Mod 043, if implemented, had the potential to affect a 15-year time horizon. PR responded that Transco NTS was seeking to address issues in a much shorter time horizon. The locations would need to remain commercially confidential until the auction process commences. The reasons for delayed capacity release could be stated generically.

Post Meeting Note: Transco NTS note circulated 5-Sept-05 "Rationale for Transco NTS seeking extended investment lead times".

MY expressed concern that if Transporters were seeking to delay release of baseline capacity, this would imply baseline capacity had not been constructed. TD reminded the Workstream that entry baseline capacities were based on the physical capacity at each entry point assuming that the flows in the Network serve to optimise the capacity at that entry point. They did not take account of potential interactions between different entry points. Thus shippers could, in auctions, indicate demand for combinations of interacting entry capacity that would trigger the need for reinforcement. Shippers asked that if implemented, Ofgem carefully considers the revenues allowed to Transporters.

KM expressed a concern that Transco NTS might withhold capacity for storage and leave a risk that shippers had gas stranded in storage.

On the question of the Authority mechanism for Transco NTS applications MY requested shipper consultation whereas PR argued for notification since he considered shippers were unlikely to have additional information. MF indicated that Ofgem were considering a Licence obligation on Transco NTS to consult Ofgem. MF also emphasised that the reasonable endeavours licence obligation on Transco NTS to release capacity should remain, unaltered by the Mods.

MF outlined the regulatory options to facilitate resolution of the issues that the Mods address and invited further representations to Ofgem by close of business 7th September including the demand for pressing ahead or further delay of auctions. MF also indicated that any wider or longer term implications of investment lead times needs to be considered in the next Price Control Review.

3.3 Topic 009TR Provision of Market Information - Mod 006 (727)

Further to Ofgem letter of 25-Jul-05 deferring its decision on Modification Proposal 006 (727) "Publication of Near Real Time Data at UK sub-terminals" the Workstream discussed the matters raised.

Workstream members felt the need for better understanding of the costs and benefits of information publication. Would IT costs come down substantially if the requirement was say hourly publication, but what is the value of more frequent publication? NS indicated concern that Transco NTS should not sink substantial costs into IT analysis and mobilisation prior to Modification approval. LW enquired if comparison of near real time and delayed data could be made. LW also indicated the intent of the Modification was to provide information to Trading or Operational rooms. FL indicated that Ofgem intend to consult on the value of information. LW expressed concern that the legal text currently provided by Transco NTS did not reflect the nature of proposal. It was agreed, however, that development of agreed legal text could follow the Ofgem consultation.

Action Transco to report on basis of implementation cost estimate

Action energywatch (LW) to seek views on whether implementation of its Proposal would add anything to the DTI offshore information scheme. Responses to this consultation should be forwarded to Carole.Pitkeathley@energywatch.org.uk

Action energywatch (LW) / Transco NTS to liaise further on legal text following the completion of the Ofgem consultation.

3.4 Topic 010TR Gas Quality at Entry Points

Transco NTS (NK) ran through the presentation (which was circulated on 25 Aug 05 together with a draft Modification Proposal) which outlined the background, rationale and an introduction of the draft Mod Proposal. In essence a single enabling Mod Proposal was envisaged which would permit Delivery Facility Operators (DFOs) to request inert limits such that compliance with Gas Safety (Management) Regulations (GSMR) would be assured but would allow entry of additional gas into the UK. This would be in accordance with the European proposals (EASEE gas) on gas quality harmonisation.

In discussion:

- i. NK explained that DTI consultations are looking at the broader longer term (2010) picture – they have indicated support for the draft Mod Proposal as an interim measure
- ii. NK explained that whilst in theory there could be a marginal effect on CO₂ emissions the percentage change should be very small, especially if, as has been recent experience, DFOs do not regularly flow at the maximum permitted limits. FL indicated that Ofgem have been liaising with DEFRA.
- iii. NK clarified that EASEE gas proposals were voluntary and not formally endorsed at present but also they go much further than the present Mod Proposal.
- iv. SG enquired if impact assessment had been conducted on changes to gas quality specification at entry NK responded that in the European context the UK is considered to be leading the way. Nevertheless the perspectives of large end users, storage operators and UKOOA need to be captured.
- v. NK explained that in order for developers to keep on track for additional gas in October 2006 the issue of inert gas limits for the NTS needs to be addressed promptly.
- vi. On the issue of DFOs which currently have higher CO₂ limits than the proposal NK explained that these would not be reduced since the proposal is enabling.

It was agreed that, providing Transco NTS' Modification Proposal substantially reflected the draft circulated to the meeting, it was sufficiently developed to go to consultation and that this would be reported to the Modification Panel.

Action Transco NTS to address feedback from Workstream and refine the Mod Proposal, and include contact details for queries.

4. Diary Planning

Transmission Workstream

Date: Thursday 6 October 2005

Start Time: 10:00 am

Venue: 10 Old Bailey