

**Extraordinary
Transmission Workstream Minutes
Wednesday 14th December 2005
Holiday Inn Kings Cross, London**

Attendees

John Bradley (Chair)	(JB)	Joint Office
Dennis Rachwal (Secretary)	(DR)	Joint Office
Ritchard Hewitt	(RH)	National Grid NTS
Peter Bolitho	(PB)	E.ON UK
Simon Bradbury	(SB)	Ofgem
John Costa	(JCo)	EdF
Mick Curtis	(MC)	E=mc ²
Mike Young	(MY)	British Gas Trading, Centrica
Nick Wye	(NW)	Waters Wye Associates
Rachel Turner	(RT)	Centrica
Shelley Jones	(SJ)	Statoil UK
Tim Davis	(TD)	Joint Office
Heather Lockyer	(HL)	National Grid LNG
James Lawson	(SL)	Centrica Storage Ltd
Steve Courtney	(SC)	Scotia Gas Networks

1. Purpose of Meeting

Further to the Transmission Workstream meeting on 1-Dec-05 this meeting was scheduled to discuss: -

- Modification Proposal 071 'User compensation for NEC Storage Curtailment' (circulated in draft 5-Dec-05, and formally on 12-Dec-05) together with a paper outlining an alternative approach from EON UK (circulated 12-Dec-05).

Attendees also agreed to discuss:-

- 'Gas Allocations at LNG Storage Facilities in the Event of a Network Gas Supply Emergency', circulated as a draft Modification Proposal on 13-Dec-05, subsequently formalised 14-Dec-05 as Modification Proposal 072.

2. Status Update

JB alerted attendees to the timetable for Modification Proposal 071 was as follows:-

Sent to Ofgem requesting urgency	09/12/2005
Ofgem grant urgent status	12/12/2005
Proposal discussed at Transmission Workstream	14/12/2005
Proposal issued for consultation	15/12/2005
Closeout for representations (2 business day consultation)	19/12/2005
Mod Report issued to Modification Panel	20/12/2005
Modification Panel Recommendation	21/12/2005
Ofgem decision expected	22/12/2005

Any alternative proposal would proceed in parallel with reps close out 19/12/2005.

JB notified attendees the LNG Storage Proposal had been formalised as Modification Proposal 072 and Ofgem had agreed urgent status with the following timetable: -

Submit proposal to Ofgem for urgency	13/12/05
Ofgem grant urgent status	14/12/05
Discuss at workstream	14/12/05
Proposal issued for consultation	15/12/05
Closeout for representations	30/12/05
Modification report issued to the panel	04/01/06
Modification panel recommendation	05/01/06
Ofgem decision expected week commencing	09/01/06

3. **Modification Proposal 071 'User compensation for NEC Storage Curtailment' and EON UK alternative approach**

National Grid NTS (RH) ran through a short presentation that provided an update on the draft Proposal presented on and circulated after 1-Dec-05 Transmission Workstream.

In discussion parties indicated the following views on any compensation mechanism: -

- i. it is desirable to have incentives that would not inhibit storage cycling
- ii. it is desirable that physical flow from storage should be taken into account
- iii. for the time being, the established approach of a UNC fixed price for storage costs could be used
- iv. if triggered it would arise for Safety Monitor breach Network Gas Supply Emergencies
- v. There were different views about compensation price linkage to SMP. RH of National Grid NTS indicated this might overcompensate, reduce the incentive on shippers to balance and therefore increase the role of the Residual Balancer. Other parties indicated SMP linkage might be needed to remove an incentive to dash to use storage stocks prior to storage curtailment.

JL observed that the Proposal does not address the issue of incentives on National Grid NTS, accepting that this was a matter for the Licence.

RT queried whether a User would have incentive to re-inject if the User had exhausted the available compensation under this Proposal and whether there was potential for a dash to make storage withdrawals from an NGSE.

EON UK (PB) referred to the paper circulated 12-Dec-05 'Possible E.ON modification to address concerns set out in Ofgem's Modification 0052 decision letter dated 2 December 2005' and stated an intention to raise an alternative Proposal that, in accordance with the Modification Rules, would proceed in parallel with Proposal 071 which has representation close out on Monday 19-Dec-05. PB indicated the alternative would be based the mechanism brought in by modification 0052 with option 2 in the paper i.e. a post NGSE adjustment to storage curtailment compensation based on a post NGSE SAP that was averaged over the next 30 Days that were no NGSE prevailed. In discussion the workstream recognised that the proposed compensation adjustment might increase or decrease that paid to shippers under modification 0052. PB went on to provide illustrations from a draft alternative to Modification Proposal 071.

The workstream identified the issue of how compensation mechanisms for either proposal 0071 or any alternate might take account of gas that was withdrawn during an NGSE. RH indicated that for proposal 0071 shippers would be able to submit claims for costs that they felt they were undercompensated.

JL suggested that any compensation mechanism took due account of potential adverse impact on cash flow.

4. Modification Proposal 072 'Gas Allocations at LNG Storage Facilities in the Event of a Network Gas Supply Emergency'

National Grid (HL) ran through a presentation which summarised the draft proposal that was circulated on 13-Dec-05, and confirmed that the proposal assumed even flow through the Day. The presentation concluded with options for a potential scenario where storage operators were directed by the NEC to reduce rather than cease flow. The consensus of attendees was for the option that advocated use of nominations prevailing at the time of NGSE declaration as a basis for allocation, and after such declaration to use storage stock as the basis for prorating. HL indicated an intention to revise the Proposal to include this additional scenario and mechanism.

5. Diary Planning

5-Jan-06 10:00hrs at Elexon, 350 Euston Road