

Transmission Workstream Minutes
Thursday 1st December 2005
held at 350 Euston Road, London

Attendees

John Bradley (Chair)	(JB)	Joint Office
Dennis Rachwal (Secretary)	(DR)	Joint Office
Adam Cooper	(AC)	Merril Lynch
Andy Morris	(AM)	ILEX
Beverley Grubb	(BG)	Scotia Gas Networks
Charles Ruffell	(CR)	RWE npower
Christiane Sykes	(CS)	EON UK
David Lewis	(DL)	EdF Energy
Hannah Cook	(HC)	Ofgem
Heather Lockyer	(HL)	National Grid LNG Storage
Helen Bray	(HB)	Chemical Industries Association
Joy Chadwick	(JCh)	Exxonmobil
Julie Cox	(JCo)	AEP
Lisa Waters	(LW)	Waters Wye Associates
Liz Spierling	(LS)	Wales and West Utilities
Mark Feather	(MFe)	Ofgem
Mark Freeman	(MFr)	National Grid UKD
Matt Golding	(MG)	National Grid NTS
Mick Curtis	(MC)	E=mc ²
Mike Young	(MY)	British Gas Trading
Ndidi Njoko	(NN)	Ofgem
Nick King	(NK)	National Grid NTS
Paul Roberts	(PR)	National Grid NTS
Phil Broom	(PB)	Gaz de France
Rachel Turner	(RT)	Centrica
Rekha Patel	(RP)	ConocoPhillips
Ritchard Hewitt	(RH)	National Grid NTS
Sharif Islam	(SI)	Total Gas and Power
Simon Bradbury	(SB)	Ofgem
Steve Gordon	(SG)	Scottish Power
Stuart Waudby	(SW)	Centrica Storage Ltd
Tim Davis	(TD)	Joint Office

1. Status Review

1.1. Minutes from November 05 Workstream Meetings

The minutes from 3rd and 11th November were accepted. RH responded to a comment from CR regarding 11th November point 3 viii, stating that known within day supply loss would be taken into account for within day GBAs.

1.2. Review of Outstanding Actions

Further to the Action Log circulated on 24th November, an update is attached, incorporating actions raised at this meeting.

1.3. Review of Workstream's Modification Proposals and Topics

The Modification Status Report was updated 5 December 2005

The changes since 22nd November 2005 may be summarised as follows: Proposal 0068 was raised and rejected for Urgent Procedures and has been allocated to the Governance Workstream.

Action TR1034 Wales and West Utilities (LS) to seek view of NEC on Proposal 068.

Proposals 0065 and 0066 are out for consultation. Panel recommended implementation of Proposal 0062 and did not recommend implementation of Proposals 061 and 067. Proposals 0054/0054a, following discussion in this meeting and subsequently at Panel, have been sent to consultation. Subsequent to this meeting Proposal 0052 has been implemented.

The Topic Status Report was updated 2 December 2005.

- 003TR NTS Exit Capacity – see item 3.4
- 004TR Emergency Arrangements – see item 3.1
- 009TR Provision of Information to Market – see item 3.2
- 010TR Gas Quality at Entry Points – see item 3.3
- Topics put on hold were 011TR 'Balancing Neutrality Finance Adjustment Interest Rate' and 012TR 'Maintenance Planning because Proposals 0065, 0060 and 0066 were proceeding.

2. Modifications for Workstream Development

Modification Proposals 054 / 054a on Emergency Curtailment Quantity (ECQ) Methodology and its governance.

Action TR1026 Closed Joint Office updated Mod 054 / 054a workstream report and submitted this to Panel, and on 22nd November 05 circulated the Transporters "ECQ Note of Clarification".

Shipper and consumer representatives had questions about the "ECQ Note of Clarification" but there was consensus to recommend to Panel that Proposals 054/054a should proceed to consultation. The workstream was alerted to the Transmission Operations Forum scheduled for 13th December that 'is a special meeting and is being used to discuss emergency processes in the light of recent changes'. Workstream

members were also invited to send any specific queries to BG. (SI indicated queries regarding when a P70 was valid, how a minimum volume could be accommodated and whether there would be some acknowledgement of IX transmitted data).

3. Discussion of Topics

3.1. Topic 004TR Emergency Arrangements

3.1.1 Safety Monitor modifications – Ofgem’s recent decisions

Ofgem (SB) ran through a presentation that set out the reasons for rejection of mod 035 and acceptance of mod 050. The presentation went on to set out short and long term areas for development.

In the short term, Ofgem considered market participants might react to storage curtailment compensation, transparency/information release on Storage Monitor breach, and the aspects of mod 035 associated with DN sales. Additionally Ofgem would consider commercial incentives on NG NTS and, in conjunction with HSE and the NEC, whether emergency interruption might not be needed if there were no supply/demand issues in Safety Monitor breach.

In the longer term Ofgem announced its intention to lead a review and invited views on its scope but indicated it might include market-based mechanisms for procuring Safety Monitor requirements, long run commercial incentives on NG NTS, and alignment of the UNC and the NEC Safety Case. RH welcomed the review and sought clarity on the whether scope increase of the Residual Balancer was wanted. AC suggested development should be aimed to reveal a transparent price for security of supply.

3.1.2 Urgent Modification Proposals 061 and 062 on Gas Balancing Alerts (GBAs) and further Demand-Side Response - Update

National Grid NTS (RH) explained that in response to representations, legal text had been incorporated for a within day Gas Balancing Alert which reflected the request for simplicity from Demand Side Working Group. HB observed that more complex within-day information might be displayed on National Grid’s web “Daily Summary Report”. Several workstream members expressed concerns regarding Mod 061, but there were no specific requests for inclusion of arguments that were not already in the Modification Report. As stated above, the Panel meeting recommended implementation of Proposal 062 but did not recommend implementation of Proposal 061.

3.1.3 Compensation for Constrained Storage - Urgent Modification Proposals 052, 067 and new draft Proposal

Proposal 052 The workstream was advised that legal text had been finalised and subsequent to the workstream Ofgem directed transporters to implement this Modification Proposal.

Proposal 067 In response to a query, SW clarified that the intent of the proposal was that it would not apply to Constrained Storage. Subsequent to the workstream Panel did not recommend implementation of the proposal.

Draft Urgent Proposal “User Compensation for NEC Storage Curtailment”

National Grid NTS (RH) tabled a draft Proposal and ran through a presentation that set out the aims, nature and rationale of the draft proposal and provided an illustrative example. In discussion, RH accepted that the fixed differential for storage costs may

have changed since Transco Network Code Modification 0433 and invited views to refine the draft proposal. RH also stated the intention of the draft proposal was to consider the whole winter period, including taking account of winter injections. Ofgem indicated it was minded to grant urgent status. A number of options for the timetable were discussed which RH will consider, but the need for an additional meeting before January was required. The extra meeting was arranged for 13:00 hours on Wednesday 14th December 2005 at 10 Old Bailey, London.

3.1.4 Protection of large NDM - End User Category 9 (EUC 9)

BGT (MY) questioned how many EUC 9 loads there were and whether protected by isolation status was more appropriate than protected by Monitor since there was a Code requirement for loads of this size to be DM. It was accepted there might be provision for lag between load growth into EUC 9 and DM confirmation but this should be monitored and managed. It was accepted there was probably no EUC 9 load on the NTS.

Action TR1035 National Grid UKD (MFr) to identify an appropriate DN operational forum to examine management of EUC 9 NDM loads.

3.2. Topic 009TR Provision of Market Information

3.2.1 IS Project (and Ongoing) Costs for energywatch UNC mod 006

Action TR1031 Closed National Grid NTS (RH) confirmed that further detail had been provided to Ofgem. LW enquired whether this information might be released to facilitate independent evaluation but RH responded that it was responses to tender invitations and therefore was commercially confidential.

3.2.2 Ofgem consultation on cost / benefit of Mod 006

Representations closed out 11-Nov-05 and Ofgem indicated its intention to report on this in early February 2006.

3.2.3 energywatch consultation on legal drafting of Mod 006

Representations closed out 22-Nov-05 with just two responses (energywatch and Chemical Industries Association), both of which argued for the removal of clause V 5.9.2. RH stated that National Grid legal department were considering the representations.

3.3. Topic 010TR Gas Quality at Entry Points

3.3.1 Proposal 049 “Optional Limits for Inert Gases at System Entry Points”

The workstream was advised that the next steps were an Ofgem seminar on 5-Dec-05 followed by close out of representations on 13-Dec-05 to its Impact Assessment.

3.3.2 “Amendment of Network Entry Provisions at the IUK NTS sub-terminal” – draft Proposal

National Grid NTS (NK) ran through a presentation that set out requested increases in upper Wobbe Number and in Total Sulphur, stating that the former was similar to a

number of previous approved modifications, and the latter was compatible with the first phase of EASEE-gas harmonisation and is well within current GS(M)R limits. The proposed changes aimed to secure greater flexibility in the operation of the European Interconnector and had the potential to allow more diverse sources of imported gas. Workstream members observed that the principle of increasing the upper Wobbe limit at sub terminals seemed to be well established but were less familiar with the implications regarding Total Sulphur in natural gas. JCo and LW enquired about potential effects on sulphur emission limits for large combustion plant. NK commented that the expectation was for IUK gas to be mixed with other gases at Bacton, and even if there was the maximum of 21ppm in the fuel, the dilution effect of combustion was unlikely to be significant to combustion emission limits. Further enquiry with the Environment Agency was requested to more fully allay concerns or identify potential impacts.

Action TR1036 National Grid NTS (NK) to raise NEP at IUK modification proposal, taking account of workstream discussion, and circulate information on the likely impact on emissions limits of the increase in the Total Sulphur limit.

3.4. Topic 003TR 'Review of NTS Exit Capacity Arrangements' – Transitional

National Grid NTS (PR) ran through a presentation that set out the context i.e. Proposal 046 and previous associated consultations, and went on to identify and outline the revised areas of its IExCR, namely definition of incremental exit capacity, ARCA governance, ARCA commitment and ARCA dispute. Representations were invited to arrive no later than Friday 23-Dec-05. This is the same date as close out for Ofgem's consultation on incentives, and PR indicated intention to issue an ARCA consultation soon that would also close out on 23-Dec-05.

In discussion: -

- i. PR responded that specific NTS investments covered by ARCAs would be sized as close possible to the minimum needed to satisfy the triggering incremental capacity request.
- ii. PR indicated that it was envisaged that ARCA commitments would be calculated over a whole number of years for simplicity
- iii. PR explained that ARCA financial commitments might be met through booking the reserved capacity even if the transportation charges decreased in later years.
- iv. direct connect developers viewed the 100% underwriting of incremental capacity by an ARCA as very low risk for NG NTS and a security requirements may be a barrier to investment and suggested some mitigation might be to phase in the requirement for security as projects progress.
- v. MFe observed that for 1:20 capacity requirements DNs had some choice between NTS Exit capacity and DN investment and optimisation was needed
- vi. MFe observed that a balance needed to be struck between non-discrimination and the risk of stranded gas transportation assets
- vii. PR confirmed that NG NTS envisaged specific reinforcements would not be zero rated in its regulatory asset base
- viii. PR noted the request for indication of what capacity is committed and what is available
- ix. whilst noting the potential for ARCA commitment relief there was concern about the practical process for determining if another user was utilising spare capacity
- x. on dispute resolution, MFe observed that whilst each case was different Ofgem resolution on the Language dispute took around 6 months. MC enquired whether a

dispute could be raised after signing an ARCA if a developer wanted to avoid project delay

- xi. PR explained that in the event of construction delays for ARCA capacity, NG NTS would seek to utilise the terms of the ARCA to agree the change with the counter party.

4. Diary Planning

Extraordinary Transmission Workstream (Topic 004TR)

Date: Wednesday 14 December 2005

Start Time: 13:00 hours

Venue: 10 Old Bailey, London

Transmission Workstream

Date: Thursday 5th January 2006

Start Time: 10:00 am

Venue: Elexon, 350 Euston Road, London