

# Gas Operational Forum

**10th June 2008 - Radisson Grafton**

## Agenda

1. Introduction
2. Matters Arising
3. SMPS Compliance Reporting
4. Operational Overview
5. APX Gas UK Update
6. Ofgem Update
7. Gemini Update
8. UNC Modification Proposals
9. Maintenance Notices Update
10. Trade and Transfer
11. Gemini Contingency
12. Any Other Business

## Attendees

Andy Malins	National Grid	Bjorn Ligtvoet	Essent Trading
David Mitchell	National Grid	Xavier Jacques	Essent Trading
Kay Haycock	National Grid	Jeremy Rimmer	ExxonMobil
Nick King	National Grid	Joel Viala	Glencore Energy UK Ltd
Paul Youngman	National Grid	John Fitzpatrick	GMSL
Sarah Magee	National Grid	Andy Day	Goldman Sachs
Steve Kew	National Grid	David Hutchinson	Hetco
Catriona Davey	APX Gas UK	John Bradley	Joint Office
John Farthing	APX Gas UK	Keith Stanton	JP Morgan
Louis Hems	APX Gas UK	Gareth Roberts	Macquarie Bank Ltd
Sam Maidment	BG International	Jason Singh	Merrill Lynch
Jamie Adcock	Centrica Storage Ltd	Bevis Field	Meteo Group UK Ltd
Simon Boon	Citigroup	Chris Rees	Meteo Group UK Ltd
Tom Jesshop	ConocoPhillips	Siobhan Carty	Ofgem
Mads Nielsen	DONG Energy	Ian Loveday	RWE
Daniel Hopkins	Drax Power Ltd	John Marquiss	RWE
Mel Wilson	Drax Power Ltd	Stuart Wing	Shell
Mark Moody	EDF Energy	Nicola Duffin	South Hook Gas
Vineet Arora	EDF Energy	Sam Parmar	Statoil Hydro
Heather O'Malley	Eni UK Ltd	Richard Griffiths	xoserve

# Gas Operational Forum Presenters

## Andy Malins



☎ 01926 653442  
@ andrew.malins@uk.ngrid.com

## Paul Youngman

☎ 01926 654151  
@ paul.youngman@uk.ngrid.com



## Louis Hems



☎ 0207 841 5642  
@ l.hems@apxgroup.com

## Siobhan Carty

☎ 0207 901 7112  
@ siobhan.carty@ofgem.gov.uk



## Richard Griffiths



☎ 0121 623 2334  
@ richard.w.griffiths@xoserve.com

## John Bradley

☎ 0121 623 2108  
@ john.bradley@gasgovernance.com



## Kay Haycock



☎ 01926 655342  
@ kay.haycock@uk.ngrid.com

## Paul Gallagher

☎ 01926 654109  
@ paul.gallagher2@uk.ngrid.com



## Nick King



☎ 01926 656444  
@ nick.king@uk.ngrid.com

# Gas Operational Forum Minutes

## 1. Introduction

Andy Malins opened and welcomed everyone to the Gas Operational Forum. Andy introduced himself as the new GNCC manager as Paul Green has moved to Asset Management within National Grid. Andy also went through the Health and Safety information.

## 2. Matters Arising

There were no matters arising from the previous meeting in April 2008. A request had been previously made for an update into the Gemini Contingency work that is undergoing, and it was explained that a presentation had been prepared for this forum.

## 3. SMPS Compliance Reporting

This is a report on National Grid's NTS compliance with the System Management Principles Statement. This statement outlines the broad framework within which National Grid NTS will make system management decisions. Performance is monitored and assessed by both internal and independent external audits. The SMPS is published on the National Grid website:

<http://www.nationalgrid.com/uk/Gas/OperationalInfo/operationaldocuments/ProcurementSystemManagementServicesStatementsReports/http://www.nationalgrid.com/uk/Gas/OperationalInfo/operationaldocuments/ProcurementSystemManagementServicesStatementsReports/>

The compliance report for April and May 2008 was presented by Paul Youngman.

There were 7 buy actions and 25 sell actions during April 2008, and 25 buy actions and 23 sell actions during May 2008. There were no material or non-material breaches during April and May, and year (calendar) to date.

## 4. Operational Overview

The Operational Overview was presented by Paul Youngman for the period of 1st April 2008 to 29th May 2008. It was explained that this presentation has replaced the "Regime Performance" and "Monthly Operational Performance" slides which were previously presented. The aim of the Operational Overview is to give a more up to date overview of the weather, demand, supply and storage, market and prices, capacity and finally throughput and neutrality.

Weather - The temperatures during April 2008 were lower than April 2007, but still normal overall, with rainfall above average. May 2008 was the warmest on record, although very wet towards the

## 4. Operational Overview (Continued)

month end. June 2008 was forecast to be warm during the first two weeks, turning unsettled towards the middle of the month, although generally warmer than average.

Demand - The gas demand breakdown has demonstrated that storage injection has ramped up, and that the interconnector is responding well to TSL demand. The actual CWV vs. actual demands demonstrates an inverse correlation, which is typical. The forecasting of demand was within expectations, although the “shoulder” months of April and May can be difficult to forecast.

Supply and Storage - MRS and LRS were withdrawing due to low CWV at the beginning of April. There was a drop in UKCS supplies around the period of Forties outage, and a small amount of LNG was injected. Storage stocks are as expected: LRS has been ramping up, whilst MRS has slowed down and appears to be reacting to price, whilst SRS is filling at typical rates. Low flows have been seen from IOG.

Market and Prices - Upward movement of prices over April and May. Price fluctuated prior to the Forties / Grangemouth outage. Prices have now seen a 40p increase within a year and no signs of the previously experienced Summer drop off. IUK imported during the cold period of April 2008, but proceeded to export during May 2008 when the temperatures were warmer. There was a spike in NBP trades on the coldest day in April, and a step change has been seen between April and May 2008 in relation to trades. During April there was over 300 GWh of energy traded on the OCM, and over 575 GWh during May 2008. There were no physical or locational actions during either month.

Capacity - The capacity regime slides examine the price paid in the various capacity auctions, as well as analysing the number of bids by shippers and looking at those that have been accepted and rejected. The capacity sold vs. actual flow at the six main terminals (Bacton, Barrow, Easington, St Fergus, Teesside and Theddlethorpe) is analysed and buy back days and scalebacks are investigated. At Easington demand has been for within day (WDDSEC). The summer step change evident at some of the main ASEP's was not present at St Fergus. Theddlethorpe saw interruptible sold out, though at very low prices. There were no capacity buy backs or scalebacks during April and May 2008.

Throughput and Neutrality - The throughput and neutrality information is dependent on Entry closeout and therefore the data is only available for the period up until April 2008. Imbalance continues to be very small compared to throughput. Revenues from DSEC & DAI totalled £98,068.81, whilst revenues from overruns totalled £74,782.95. The net revenue to neutrality totalled -£170,851.56.

## 5. APX Gas UK Update

The APX Gas UK Update was presented by Louis Hems. During April 2008 281m therms were traded, and in May 2008 301m therms were traded. Overall volumes were down by about 35%, whilst overall trades were down by about 20% on this time last year. Two projects are in the process of being launched: APX Gas Storage Project with CSL and OTC Broker Give-Up. The first project (Gas Storage Project) goes live in June 2008, and to take part in this there is a need to be a member of the OCM, however there are no additional membership fees. The second project (OTC Broker Give-Up) went live in February 2008, and for this there are no additional legal agreements required.

## 6. Ofgem

Siobhan Carty presented an update from Ofgem. It was explained how in the April 2008 forum James Crump (Ofgem) had requested feedback on how Ofgem can improve their input into the forum. Unfortunately there had been no responses, and a request was put that should anyone wish to submit suggestions they can do so by e-mailing james.crump@ofgem.gov.uk

The system operator incentives letter was published on the 18th May 2008 and National Grid are to hold a workshop on the 25th and 26th June 2008. A codes governance review will be taking place in late June 2008. This will be to look at the modification process and changes in Ofgem's statutory duties.

## 7. Gemini Update

The Gemini Update was presented by Richard Griffiths which covered the most recent outages and incidents. The various outages and incidents have been analysed and were summarised in the forum. The dates covered are as below:

- 6th April 2008 - Gemini access issues reported by 2 shippers
- 7th, 8th, 9th and 28th April 2008 & 2nd, 27th and 29th May 2008 - Issues with intermittent connectivity problems to Gemini
- 8th April 2008 - Gemini batch jobs failing
- 10th, 12th, 13th and 17th April 2008 - Data not updated in Gemini
- 10th May 2008 - Intermittent issues with API service
- 11th May 2008 - API service unavailable

The forum was updated on the enhanced system security project. Richard thanked all those shippers that took part in the testing and explained that no further shipper involvement is expected. It was confirmed that an outage is planned for 2 hours during the working day in July 2008, and that the community will be updated in due course.

The annual Gemini disaster recovery warm standby failover/failback is planned for the weekend of 26th and 27th July 2008.

## 8. UNC Modification Proposals

Updates on the mod's were presented by John Bradley as below:

### Proposals in Development

- Mod 214  
Reservation of Firm NTS Exit Capacity at new NTS Exit Points in the transitional period

## 8. UNC Modification Proposals (Continued)

### Proposals Post Close-Out - Entry Capacity

- Mod 216/A  
216 - Introduction of an Additional Discretionary Release Mechanism for NTS Entry Capacity  
216A - Introduction of Additional Pay-as-Bid Auctions for NTS Entry Capacity

### Proposals Post Close - Exit Capacity

- Mod 116  
Reform of the NTS Offtake Arrangements
- Mod 195/AV  
Introduction of Enduring NTS Exit Capacity Arrangements

### Closed Proposals

- Mod 187/A  
Alterations to the RMSEC Auction to Accommodate Transfer and Trade of Capacity between ASEP's
- Mod 198  
Extension of the Current Sunset Clauses for Registration of Capacity at NTS Exit Points
- Mod 212  
Revision of the Rough Storage Connection Agreement

## 9. Maintenance Notices Update

The maintenance notices update was presented by Andy Malins. An update was given on the On Line Inspections completed, and the ones that are still to be carried out. It was explained that isolation of a section of Feeder 7 was required in order to repair a tee. This is scheduled between 29th July 2008 and 2nd August 2008.

### **Question**

A question was raised as to whether feeder 7 being shut down would affect entry capacity. It was confirmed that entry capacity would not be affected, and that any relevant sites affected by this closure had already been notified through the maintenance notice procedures.

## 10. Trade and Transfer

Kay Haycock presented to the forum the Trade and Transfer process which is being introduced. In the previous 3 years a total of 16 mod's were raised to address the issue of trade and transfer. In May 2008 Pöyry undertook an audit to review the process implemented by mod 169A, the results of which are available on the Ofgem website.

With effect from 1st June 2008 mod 187A was implemented "Alterations to the RMSEC Auction to Accommodate Transfer and Trade of Capacity between ASEP's". It was confirmed that the old rules still apply for the June 2008 RMSEC (allocating July capacity). The surrender process for the July RMTTSEC for August capacity commences in June 2008. Consequently there will be some overlap of the two auction processes. Definate dates of the process within the RMTTSEC will be included within the "Trade Initiation Invitation" which will be published on the 23rd June 2008.

Kay proceeded to go through timelines, explaining the surrender invitation and how to place offers and bids, as well as adding offers and bids to Gemini. The allocation of available capacity was detailed with examples demonstrated. (Please note that these slides can be viewed in the Trade and Transfer presentation on the Gas Operational Forum website).

All results from the RMTTSEC will be able to be viewed at the below location:

<http://www.nationalgrid.com/uk/Gas/Data/CA/reports>

### Questions

Sam Parmar (Statoil Hydro) asked the following questions:

What was the appetite like when the Trade and Transfer process was first trialled?

The appetite was high with 16 mods being raised.

Was there a noticeable difference between the trial and the actual mod?

The last mod was a two round auction, for a period of 5 capacity months and included a sunset clause. This mod (187A) is enduring and is designed as a rolling monthly process.

Are there physical parameters within the system to prevent movement from ASEP to ASEP?

There are no physical parameters, however, network analysis does have to be carried out and exchange rates decided. Also, auction results are sent to Ofgem.

Will the exchange rates be published?

The exchange rates will be published.

Jamie Adcock (Centrica Storage Ltd) asked:

Will the results be audited?

Yes. It was explained the results and analysis will in all likelihood be audited .

## 9. Transfer and Trade (Continued)

Sam Parmar proceeded to ask:

Is there a percentage of shippers that will participate in forthcoming auctions?

The number of participants will be published as part of the publication results. These will be published along with the existing reports at:

<http://www.nationalgrid.com/uk/Gas/Data/CA/reports>

## 11. Gemini Contingency

Paul Gallagher presented an update on the Gemini Contingency arrangements and associated governance. It was explained that National Grid thought the best way of taking this issue forward was through the formation of a UNC review group. The proposal for a review group will be drafted on the 19th June 2008. The scope for the review group was defined and it was reiterated that National Grid and the community need to be signed on.

## 12. Any Other Business

### Shipper Account Management

Nick King introduced himself as the Team Manager of the Shipper Account Management Team. He proceeded to inform the forum of his teams role what their aim is.

### Winter Consultation Report

Andy Malins announced that the Winter Consultation Report was to be published on the 10th June 2008. He confirmed that this year's consultation is a 2 stage process as opposed to the 3 stage process that took place last year. Comments have been requested on all aspects of the process, and the deadline for comments is the 12th September 2008. Responses should be e-mailed to:

[energy.operations@uk.ngrid.com](mailto:energy.operations@uk.ngrid.com)

### Questions

Andy Malins addressed the floor and asked for any questions.

Jason Singh (Merrill Lynch), Jamie Adcock (Centrica Storage Ltd) and Sam Maidment (BG International) raised questions regarding the timing of National Grid balancing actions. Questions were centred around whether the system was balanced at the discretion of National Grid or whether there was a

## 12. Any Other Business (Continued)

rigid format that had to be followed. It was also raised that a shipper can take a position on imbalance levels earlier in the day, and that when National Grid then balances a lot later in the day the shipper may be affected.

Dave Mitchell, Steve Kew and Andy Malins addressed the questions in explaining that back in 1996 there were operational guidelines that were very prescriptive. The regime changed circa 2000 and the operational guidelines were rewritten and National Grid became incentivised to operate with discretion in order that the system is operated in an economic and efficient way. Since 2000 things have changed within the market—the question was raised as to whether the current cashout price provided sufficient incentive on shippers to balance given the increase in gas prices?. Dave Mitchell also brought the meetings attention to the SO Incentives Review taking place on the 25th June, and impressed on shipper representatives to provide these sorts of observations and input to the review as they will be particularly welcomed.