

# Gas Operational Forum

**9th December 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. Buy Back Options
10. MeteoGroup Services to National Grid
11. Any Other Business

Andy Malins	National Grid	Joy Chadwick	ExxonMobil
Anita Murray	RBS Sempra	Keith Staunton	JP Morgan
Ben Baker	Centrica Storage Ltd	Mel Wilson	Drax Power Limited
Chris Rees	MeteoGroup	Michael Doherty	Centrica Storage Ltd
Craig Purdie	Centrica Storage Ltd	Mike Wassell	National Grid
Dave Mitchell	National Grid	Morten Jeppesen	Dong Energy A/S
Doug Hazelwood	Citigroup Global Markets Ltd	Nolan Robertson	National Grid
Gareth Roberts	Marcquarie	Oliver Dare	Centrica Storage Ltd
Georgina Jones	Barclays Capital	Sandra Simpson	xoserve
Guy Hanay Wilson	Cheveron	Sanjit Lochab	BG International
Imran Chaudry	APX Gas Ltd	Scott Keen	Intergen
James Crump	Ofgem	Steve Ackroyd	ExxonMobil
Jamie Walsh	EON	Therese Simberg	APX Gas Ltd
Johan Cornel	Essent Energy	Toby Hockin	Accord
John Bradley	Joint Office	Tom Jesshop	ConocoPhillips (U.K.) Limited
John Farthing	APX Gas Ltd	Xavier Jacques	Essent Energy
John Marquiss	RWE		



# Gas Operational Forum Presenters

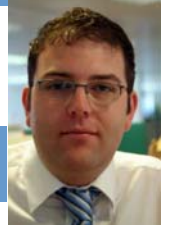
## Andy Malins



 01926 653442  
 andrew.malins@uk.ngrid.com

## Nolan Robertson

 01926 654047  
 nolan.robertson@uk.ngrid.com



## Imran Chaudry



 0207 841 5642  
 i.chaudry@apxgroup.com

## James Crump

 0207 901 7137  
 james.crump@ofgem.gov.uk




## John Bradley



 0121 623 2108  
 john.bradley@gasgovernance.com

## Mike Wassell

 01926 654167  
 mike.j.wassell@uk.ngrid.com

No picture  
available

## Chris Rees

 0207 963 7697  
 chris.rees@meteogroup.com

# Gas Operational Forum Minutes

## 1. Introduction—Complete

Andy Malins opened and welcomed everyone to the Gas Operational Forum. Andy also went through the Health and Safety information.

## 2. Matters Arising—Complete

There were no matters arising from the previous meeting in November 2008.

## 3. SMPS Compliance Reporting—Complete

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/>

The compliance report for November 2008 was presented by Nolan Robertson.

There were 7 buy actions and 26 sell actions during November 2008. There were no material or non-material breaches during November, and year (calendar) to date.

## 4. Operational Overview

The Operational Overview was presented by Nolan Robertson.

### **Weather**

- We have seen a volatile November in terms of the weather, although maximum temperatures, sunshine and rainfall have all been close to the seasonal average across much of the UK.
- There were three distinct cold snaps throughout November, highlighted by sharp dips in the CWV levels. This has had an effect on the later slides as mentioned below.
- December has been forecast as seasonally chilly, with a good chance of snow and overnight frost to be seen throughout the UK. Some milder interludes have also been forecast during December however.

### **Demand**

- Demands have again risen throughout November 2008, and the three cold snaps mentioned earlier can clearly be seen to have had an effect on the demand levels at that time, with NDM and

## 4. Operational Overview (Continued)

DM levels rising sharply, and a clear inverse relationship displayed between CWV and demand levels this month.

- There has also been a high range of Demands seen throughout November, with a swing of 50mcm seen in the space of 9 days towards the end of the month.
- However, the demands throughout November have been at or only just above the seasonal normal levels, only approaching the seasonal cold level once, at the start of the month.
- Interconnector Export levels have reduced as the colder weather has occurred, but there has been some small Storage Injection flow throughout much of November.

### Supply and Storage Stocks

- UKCS and Norway supplies have again been steady during November, peaks in demand seen as a result of the cold snaps have been met by Storage Withdrawal (from LRS and MRS). There have also been some LNG Import flows during November, coinciding with the LNG deliveries at Isle of Grain.
- The Storage Stock levels are still healthy despite the three withdrawal periods seen at the times of high demand. The withdrawal has been offset slightly by the Injection flows we have seen during the slightly milder periods.

### Market and Prices

- The System Price during November was less volatile than during October, with prices for much of the month at around 50-60 p/therm.
- Again, NBP trades remained reasonably consistent during November.
- National Grid became a net seller again in November, a switch that was primarily driven by the cold snap at the end of November (coupled with the high linepacks at the same time).
- However, there was less gas traded overall by National Grid during November 2008 than in November 2007.

### Capacity

- Discretionary Capacity (DRSEC) was sold for the first time, at Easington. There were large flows at Easington at the end of November 2008 (and at the start of December 2008), above the levels of Long Term Capacity sold at the terminal and up to the levels of Discretionary capacity sold.
- Again, there was a high price paid at Easington for MSEC during November.

### Throughput & Neutrality

- Note:- Throughput and Neutrality data was only available up until 31/10/2008 at the time of presenting. This marks the beginning of a new Neutrality period (October 2008 to September

## 5. APX Gas UK Update

The APX Gas UK Update was presented by Imran Chaudry. The average daily volume traded in November 2008 was almost 13 m therms. National Grid held a 3.81% share of total volume of trades. Through November 2007 to November 2008 there have been an average of 4,715 title trades per

## 5. APX Gas UK Update (Continued)

month.

Imran discussed the NBP Market Relaunch, which will offer visibility of prices, improved margining and a full suite of prompt products.

A service update was also given on the New APX EuroLight Client that has been introduced, the Enhanced EuroLight and the Broker OTC Give-up (which has proved very popular with the power sector)

## 6. Ofgem

James Crump presented an update from Ofgem.

Following on from the update given by Ofgem last month, the Offtake Arrangements which it was thought would have been decided on has been delayed due to a legal issue. An update will be given at the next Gas Operational Forum.

A workshop was held at the beginning of December on Substitution. Another workshop will be held in January, the date of which has not yet been confirmed, but will be updated on the Ofgem website.

The System Operator Incentives have been published. Responses should be submitted by the 19th December 2008, on which Ofgem will consult at the end of February 2009.

## 7. Gemini Update

Due to a quiet month with no major incidents Sandra Simpson gave a brief update on Gemini. Sandra confirmed that the Enduring Trades and Transfers project will be implemented in May 2009, following the approval of file formats and no appetite for shipper testing.

Sandra asked the forum if they would prefer updates on Gemini at every forum, or by exception. It was decided that xoserve would update the forum by exception, for instance, in the event of an incident.

## 8. UNC Modification Proposals

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

### New Proposals

Mod 239 - Reinstatement of NTS Interruption

### Proposals in Consultation

Mod 219 - Publication of UK Wholesale Gas Market Liquidity Data

## 8. UNC Modification Proposals (Continued)

There have been 10 responses to mod 219. 7 were in favour of the mod, 1 made comments, and 2 were not in favour.

Mod 230/A - Amendment to QSEC and AMSEC Auction Timetables

John explained the differences between these mods via a timeline which can be viewed in the slide pack.

Mod 233 - Changes to Outstanding Energy Balancing Indebtedness Calculation

Mod 234 - To Correct Drafting Inconsistencies between Section X and V of the UNC in Respect of User Default and Termination

Mod 235 - Recovery of Debt and Smearing of Revenues via Energy Balancing Neutrality

Mod 236 - Amendment to px (TGPP) Limited Network Entry Agreement

Mod 237 - Disposal of Dynevor Arms LNG Storage Facility

### Review Proposals

Mod 217 - Gemini Code Contingency Arrangements

Mod 221 - Review of Entry Capacity and the Appropriate Allocation of Financial Risk

### Proposals with Ofgem

Mod 223 - Provision of day ahead Gas Flow Nominations data at major Aggregated System Entry Points

Mod 116 - Reform of the NTS Offtake Arrangements

Mod 195/AV - Introduction of Enduring NTS Exit Capacity Arrangements

It was decided that following an alteration to the commodity arrangements (these should stay as they are now) that this mod should be reconsulted on.

### Implementation Proposal

Mod 222 - Amendment of Interconnector UK's Minimum Wobbe Limit

## 9. Buy Back Options

Mike Wassell presented on the Buy Back Options.

National Grid forecast buy back risks and have so far issued 2 option tender invitation notices to help manage those risks (October 2008—at East Coast ASEPS for Nov 08 to Feb 09, and Nov 08 for all ASEPS for the period Dec 08 to Feb 09). Unfortunately no offers have been received, National Grid encourages shippers to participate in this tender round. Buy Back options are one of a suite of Entry Capacity Management tools available to National Grid, to mitigate against potential entry capacity constraint risks. The key criteria defined by National Grid are:- Max Number of Days (that Users may offer firm capacity for within the given period), Option Exercise Period (the period(s) that National Grid would like the Users to consider offering entry capacity buy back options for), Premium Price (the unit price paid by Users on acceptance of the buy back option tender), and ASEP(s) (the aggregated system entry points National Grid are considering in order to manage the risk).

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## 9. Buy Back Options (continued)

Buy Back options offer benefits to both National Grid and the user. For National Grid it is a flexible tool to mitigate against forecast risk and an efficient means of mitigating risk (compared with “on the day” buy backs), it also provides operational clarity and certainty ahead of the day.

For Users the Premium Price allows Users a guaranteed revenue if a tender offer is accepted and the Exercise Price provides Users further revenues if National Grid exercise the buy back option.

Factors that may influence National Grid in accepting a tender offer include the ASEP offered and the risk probability amongst others.

A look back at Historical Options Tenders was provided with a commentary that there has been a noticeable decline in the interest shown in these Options seen recently.

### Question

A question was raised about how many times options had been exercised in the last year?

ASEP	Period	No. of days of option offers accepted	No. of Days options exercised
Bacton	Jan-07 to Mar-07	12	0
Easington	Nov-07	5	0
Bacton	Feb-08	6	0
Bacton	Mar-08	6	0

## 10. Meteogroup

Chris Rees presented an overview on Meteogroup which was founded in 1986, and has forecasting offices in seven regional offices throughout Europe. The company has a worldwide client base, and is Europe’s largest private weather business.

The Services provided to National Grid by Meteogroup include Site Specific Data for the Gas Demand Model, Low Temperature Warnings for Gas Pipe Maintenance, Hub Height Wind forecasting, and Website Delivery.

Meteogroup provides 2 hourly temperature forecasts and 4 hourly wind speed forecasts to National Grid, along with longer term forecasting up to D-7.

## 11. Any Other Business

There was no any other business.

**Date of Next Meeting:**

**14th January 2009 at The Radisson Grafton Hotel**