

Gas Operational Forum

12th November 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. Distribution Networks - SOMSA Exit
10. Exercise Prelude
11. Any Other Business


Gas Operational Forum Presenters

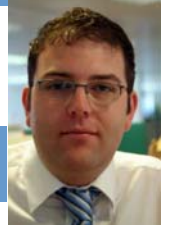
Andy Malins



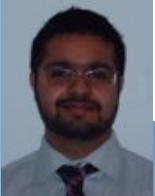
 01926 653442
 andrew.malins@uk.ngrid.com

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





Richard Griffiths



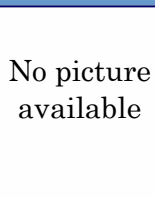
 0121 623 2334
 richard.w.griffiths@xoserve.com

John Bradley

 0121 623 2108
 john.bradley@gasgovernance.com





Roger Warren



 roger.warren@scotiagasnetworks.co.uk

Paul Youngman

 01926 654151
 paul.youngman@uk.ngrid.com



Gas Operational Forum Minutes

1. Introduction

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

2. Matters Arising

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

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/>

The compliance report for August and September 2008 was presented by Nolan Robertson.

There were 34 buy actions and 15 sell actions during October 2008. There were no material or non-material breaches during October, and year (calendar) to date.

4. Operational Overview

Weather

- There was variable weather in October; we saw one very mild weekend with 2 very cold periods book-ending the month, the cold temperatures at the end of the month led to the winter "switch on", indicated later on in the demand slides.
- October 2008's minimum temperatures were the 2nd coldest for an October on record.
- The unsettled weather is expected to continue into the winter.

Demand

- Demands have been on the rise as would be expected coming into winter; NDM demand levels at the end of October were approaching double those recorded at the start of the month.
- There was a clear "Switch On", indicated by sharp rises in total demand at the end of the month, following low temperatures at the end of October.
- However, Demand Forecasting performance remains very good despite the difficulty in predicting demand for October.
- Overall, we have seen "shoulder month" behaviour in October.

4. Operational Overview (Continued)

Supply and Storage Stocks

- Supplies were reasonably steady throughout the month, we saw some Storage Withdrawal towards the end of October, also there were some LNG Import flows (LRS and MRS) at the same time.
- The Storage Stock Levels look healthy and most sites are either full or close to full.

Market and Prices

- The System Price was volatile in October; a mild weekend in mid October prompted low traded prices, with Gas being traded at 0p/th on Sunday 12/10/2008.
- However, NBP Trades remained reasonably consistent throughout the reporting period.
- There were more National Grid Buys than Sells in October, particularly during the cold period at the start of the month, indicating that the system was generally short during this period.

Capacity

- Long Term Capacity appears to now be moving into Winter Contracts – there were higher amounts of QSEC sold, and no noticeable reduction in amount of short term capacity sold.
- There was a large price paid at Easington for MSEC in October.

Throughput & Neutrality

- Note:- Throughput and Neutrality data was only available until 30/09/2008 at the time of presenting. Also, next month the Neutrality period begins again (October 2008 to September 2009).
- Energy Neutrality:- For Period October 2007 to September 2008, there was a net Revenue to the Energy Neutrality pot of £15.82m.
- Capacity Neutrality:- For Period October 2007 to September 2008, there was a net Revenue of £887k to the capacity neutrality pot, the large increase from last month came primarily from over-runs in September.

Question

Questions were raised regarding the liquidity of the market. Any comments or thoughts regarding liquidity are asked to be forwarded to:

gasoperations.shipperliaison@uk.ngrid.com

5. APX Gas UK Update

The APX Gas UK Update was presented by Imran Chaudry, who gave Louis Hem's apologies. The average daily volume traded in October 2008 was almost 11 m therms. National Grid held a 5.62% share of total volume of trades.

6. Ofgem

James Crump presented an update from Ofgem.

It was confirmed that a decision would be made on Mod's 116/195 (Reform of the NTS Offtake Arrangements and an Introduction of Enduring NTS Exit Capacity Arrangements) by the end of this month.

Ofgem have stated that National Grid Gas can apply for a derogation from the obligation to have a methodology in place by 1st April 2009 on Substitution.

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:

- 10th October - Issues with connectivity to Gemini API Services
- 14th October - WDSEC Auction not run between 08:00 - 13:00
- 23rd October - External users unable to access the online and API Service

The Disaster Recovery Failure that took place on the 18th October was gone through. Richard explained the issues encountered and what the next steps will be.

An update was given on the enduring Transfer and Trade project. The project remains on schedule, and intends to be implemented on the 17th May 2009.

Due to changes in responsibility within xoserve, Richard will no longer be attending the Gas Operational Forum, and instead Dene Williams will attend.

8. UNC Modification Proposals

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

New Proposals

Mod 230 - Amendment to QSEC and AMSEC Auction Timetables

Mod 233 - Changes to Outstanding Energy Balancing Indebtedness Calculation

Mod 234 - To Correct Drafting Inconsistencies between Sections 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

8. UNC Modification Proposals (Continued)

Proposals in Development

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

Mod 217 - Gemini Code Contingency Arrangements

Mod 219 - Publication of UK Wholesale Gas Market Liquidity Data

Closed Out Proposals

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

Proposals with Ofgem

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

Mod 116 - Reform of the NTS Offtake Arrangements

9. Distribution Networks (DN) - SOMSA Exit

Roger Warren from SGN (Scotia Gas Networks) gave an update on the SOMSA (System Operator Managed Service Agreement) Exit and its impact.

The SOMSA agreement was set up in 2005 prior to Distribution Network Sales in order to ensure compliance with conditions of sale and taking Network Control. Various networks were sold in 2005, including Scotland, North of England, Wales and West and the South and South East. The area within the Midlands and the North West was kept by National Grid Distribution.

SGN transports gas through the South East, the South and Scotland. Now that SGN has fully "exited" all activities that were previously controlled by National Grid DNCC for these areas are now controlled by SGN's control room. The companies (Wales and West Utilities and Northern Gas Networks) that bought the other Distribution Networks that were sold, i.e. North of England will "exit" within the next 18 months. Communications to all relevant parties from the individual DN companies will be carried out when dates of migration are confirmed.

10. Exercise Prelude

Exercise Prelude was presented by Paul Youngman, who thanked everyone for their participation in the exercise. The objectives of the exercise were reiterated, and an explanation of the events over the two days confirmed. Paul asked for feedback and responses as soon as possible in order to able to produce a report for the HSE.

11. Any Other Business

There was no any other business.

**Date of Next Meeting:
9th December 2008 at The Radisson Grafton Hotel**