

Gas Transmission Charging Methodologies Forum

Draft Meeting Report: 05 March 2009

This report outlines the key discussions of the thirtieth Gas TCMF meeting held at Elexon Offices, 350 Euston Road, London NW1 3AW on 5th March 2009. Supporting material can be found at www.nationalgrid.com/uk/Gas/Charges/TCMF

Attendees

| | |
|--------------------------|--|
| Tim Davis (Chair) | TD Joint Office |
| Craig Purdie | CP Centrica Storage |
| Debra Hawkin | DH National Grid NTS |
| Eddie Blackburn | EB National Grid NTS |
| Emma Hayes | EH BG Group |
| Gareth Evans | GE WatersWye Associates |
| Ismail Gun | IG Centrica |
| Jenny Boothe | JeB Ofgem |
| Jeff Chandler | JeC SSE |
| John Bradley | JoB Joint Office |
| Jemma Spencer | JS National Grid NTS |
| James Thomson | JT Ofgem |
| Julie Cox | JuC Association of Electricity Producers |
| Martin Watson | MW National Grid NTS |
| Paul O'Donovan | PODOfgem |
| Richard Fairholme | RF E.ON UK |
| Rochelle Hudson | RH Centrica |
| Richard Jones | RJ xoserve |
| Rekha Patel | RP Waters Wye Associates |
| Sofia Fernandez Avendaño | SFA Total |
| Steve Gordon | SG ScottishPower |
| Shelley Rouse | ShR Statoil UK |
| Stefan Leedham | SL EDF Energy |
| Steve Rose | StR RWE Npower |
| Tariq Hakeem | TH National Grid NTS |

1. Introduction

JB welcomed attendees to the meeting.

2. Report of Previous Meeting

The meeting report of the forum held on 05 February 2009 was approved.

3. Review of actions.

Action 58: *S and D Balancing Rules - A Discussion Paper to be produced and the use of the TYS data to be revisited to see if better options could be identified.*

This has been issued.

Closed

4. Update on Recent Pricing Consultation and Discussion Papers

4.1. GCM14 Constrained LNG Credits

This has been approved by Ofgem and the credits have been published.

4.2. GCM05 NTS Exit (Flat) Capacity Re-consultation

The consultation conclusions report, including the final proposal, has been sent to Ofgem for decision and is essentially unchanged from the proposal within the re-consultation document.

5. Supply and Demand Balancing Rules for Capacity Price Setting

5.1. GCD06 Discussion Document

JS gave this presentation and invited comments. She outlined four alternative sources of supply data:

- Historical Data
- Obligated Entry Capacity
- Physical Capability; and
- Combinations of Supply Data

She then concluded by summarising the variations in three successive Ten Year statements (2006 to 2008) for the main sources of Supply for gas year 2009/10. Whilst LNG storage and some of the beach terminals demonstrated a high level of consistency, other entry points did not.

SL recognised that this year to year variation would affect pricing stability and suggested instead using averaging of historic and ten year statement forecast data. National Grid NTS responded that this would be worth considering but emphasised that, for capacity purposes, you need to assume extreme flow cases not average flows. TD asked whether (in the data presented) increases for some entry points would be balanced by reductions at others in order to meet demand. TH responded that, as the supplies didn't represent a match to demand, increase wouldn't necessarily be cancelled out by decreases.

StR asked about whether baselines could be used instead of ten year statement data. EB responded that this had been considered but National Grid had concerns that use of ten year statement data at some entry points might be better as often baselines considerably exceeded maximum forecast flows. EB clarified that use of capability data might be appropriate for LNG storage but not for a terminal such as St Fergus. Terminal capability might be defined by its processing capability but the flow capability would actually be limited by the connected fields and this is what the ten year statement was seeking to forecast. A pragmatic approach may therefore be to use TYS data at beach and capability or obligated capacity levels elsewhere. SL believed that capability was a relevant parameter as pipelines only change when there

is specific investment. JeC acknowledged that this would produce stability but was concerned that this might be at the expense of cost reflectivity. EB replied that it should be possible to produce both stable and cost reflective prices. RF asked whether alternatives could be analysed to assess the effect on stability and cost reflectivity. National Grid NTS offered to generate data based on capability.

It was agreed that National Grid NTS would bring some analyses to the next meeting. StR suggested that responses to the consultation could include suggestions for further analysis.

Action 61: Supply Source Data – Further analysis based on alternate sources of supply data to be produced.

6. Gas TCMF Survey 2009

EB gave this presentation. Most of the feedback had been positive. It was agreed that paper handouts were not required if the material was placed on the website a few days in advance. StR appreciated the value of the Transportation Model training sessions but felt that some development was indicated to make it more useful to those who already had some knowledge. A number of attendees indicated interest in having training sessions and National Grid NTS agreed to organise these.

7. Ofgem Governance Review

JeB gave this presentation. There had been a variety of responses to the consultation on charging methodology governance. In general there was more support from network operators than other parties for retention of the status quo. A further consultation/impact assessment would take place in April/May 2009.

MW asked about variation between the energy regimes. JeB responded that there was a reluctance to change governance in Electricity Transmission with large Transmission Access changes taking place. No particular area stood out as embodying “best practice”. EB asked about precedence between codes and charging methodology – usually the UNC defines the rules at high level and the methodologies take the UNC and define how prices will be generated. JeB responded that this aspect had not been considered but would be.

JeB referred to the following Ofgem website location if members wished to view the responses.

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=79&refer=Licensing/In dCodes/CGR>

8. Charging Information

8.1. TO and SO Revenue Data

The “186” data would be loaded onto the Joint Office website shortly. EB confirmed that there were differences with the DN data. More commentary and detail was provided to reflect the greater complexity. Transmission data was not extrapolated past the current price control period.

8.2. Charging Methodology Statement Update

National Grid NTS was working on this. EB emphasised that the charging team was open to feedback on this statement.

9. Any Other Business

SFA raised a question regarding the outcome of the GCD04 charging discussion paper, which looked at NTS Entry capacity discounts including the potential to remove the clearing auction obligation that results in zero on-the-day firm reserve prices. Ofgem had previously suggested that this should be looked at post implementation of entry capacity substitution. POD suggested that the removal of the clearing obligation might only happen with the next price control.

The next meeting will be held on Thursday 2nd April 2009 at Elexon, 350 Euston Road, following the Transmission Workstream.

Action Log

| No. | Date Raised | Description | Status | Comments |
|-----|-------------|---|--------|--|
| 58 | 06/11/08 | S and D Balancing Rules – A Discussion Paper to be produced and the use of the TYS data to be revisited to see if better options could be identified. | Closed | Discussion paper presented summarising the analysis and potential methodology changes. |
| 61 | 03/03/09 | Supply Source Data – Further analysis based on alternate sources of supply data to be produced. | Open | |