

## MEETING NOTES

Venue: Ofgem, 9 Millbank, London  
Date: 2 September 2005 13:00 – 16:00

### Attendees

<b>Chairperson:</b>	Sonia Brown (SB)	Ofgem
Jo Witters	Ofgem	
Claire Rozyn	Ofgem	
Helen Connolly	Ofgem	
Olaf Islei	Ofgem	
Fiona Lewis	Ofgem	
Alan Rankin	National Grid (NG)	
Chris Logue	National Grid (NG)	
Eddie Balckburn	National Grid (NG)	
Barbara Vest	Gaz de France	
Helen Bray	Chemical Industries Assoc (CIA)	
Stefan Leedham	Chemical Industries Assoc (CIA)	
Sharif Islam	Total Gas and Power	
Alison Meldrum	Corus	
Christiane Sykes	E.ON UK	
Ben Mitchell	APX	

### **1. Comments on minutes from last meeting**

Alan Rankin (AR) commented that the action placed on NG in the previous meeting was to provide an update on NG's IE3 information system resilience rather than system resilience in general and that this should be amended in the minutes. Helen Bray (HB) noted that the grade of data (high and low grade) referred to the type of access to the data as well as the type of data itself. Sonia Brown (SB) confirmed that the minutes will be published on Ofgem's website.

### **2. National Grid update on IE3 resilience update – Alan Rankin**

AR commented that not all of the problems related to missing data on NG's information exchange website were as a result of the problems experienced with the IE3 system. In some cases this was due to problems with the file transfer system, an issue which, once NG had been notified of the problem, would be relatively easy to fix.

Having reviewed the data from last winter, NG found that November was the busiest month in terms of system workload with 180,000 data downloads taking place. NG also found that 89% of the downloads were accounted for by just five reports. The five most popular reports were SISR04 (Actual Demands), SISR03 (Forecast Demands), NTS

Entry End of Day Flow, NB92 (System Status Information), NORD01 (Daily Balance Report).

As a contingency back up AR stated that NG would ask their internet service provider (ISP) in India to manually check whether the five most popular reports were up to date and available ahead of the UK start of working day. This would be possible as India is five hours ahead of the UK. Therefore the ISP would have between 04:00am and 09:00am UK time to resolve any issues identified with those reports.

**Action: Transco will circulate the names of five most popular reports to the group (Actioned)**

**Action: Transco will circulate the list of favourite web downloads and others to the demand side working group by Friday's DSWG meeting so that they can feedback on which five reports they perceive as being most critical for Transco to check manually (Actioned)**

HB asked whether it would be possible for the ISP to manually check these reports throughout the working day.

AR stated that the contingency back up he had already negotiated with the ISP went beyond the support contract they had, however he would try and negotiate requiring the ISP to carry out further manual checks during the working day.

### **3. CIA feedback on information provision issues**

HB and Stefan Leedham (SL) gave feedback on customers' views on introducing a demand side contract based on some form of 'gas NISM' and other customer information provision requirements. HB noted that large users, estimated as being those who consume in excess of 50 million thermal units of gas annually, would find the introduction of a 'gas NISM' a useful tool; however they have their own resources to be able to identify when the system is under stress. HB noted that medium sized customers, those who consume between 10-50 millions units of gas annually, showed more interest in the idea of introducing a 'gas NISM' contract. However these customers were concerned that they would have to get the pricing right for their individual sites and that the contracts should be as simple and straightforward as possible.

SB asked whether shippers had any thoughts on creating a contract with a 'gas NISM' as the trigger.

Christiane Sykes (CS) commented that E.ON UK would be happy to discuss any form of contract that customers were willing to propose.

Barbara Vest (BV) stated that it needs to be made clear that the proposed 'gas NISM' contracts have got nothing to do with commercial interest. She commented that GDF were currently working on a number of possibilities with regard to potential contract structure.

Sharif Islam (SI) commented that 'gas NISM' contracts could be useful.

AR asked whether the group were suggesting that there was very little scope for commercial turndown.

SB noted that it was important to be clear that with regard to these contracts we are discussing a specific set of circumstances which were not in relation to commercial operation but only where the system was under real stress (i.e. before Stage 1 of a gas emergency). Specifically, customers would be happy to contract for demand side response on days when the system as a whole is under stress, but not when they are being asked to provide demand side response simply because a shipper is short of gas on any given day. SB noted that these contracts were specifically not for commercial interruption as options are available for the market in that respect.

BV asked whether NG had discussed internally the size of demand side response that would be needed.

SB noted that in the final modification report for UNC Modification proposal 044, NG had made a statement regarding the minimum volume of demand side response offer that they would accept during times of system stress. This stated that NG would accept all feasible offers as long as it was economic and efficient to do so.

EB commented that for an offer to be accepted by NG it would have to have a material effect on the likelihood or duration of a gas emergency. EB confirmed that NG could provide examples of the impact different sized actions would have on linepack.

CS agreed that it would be helpful to get extra clarity on these issues and noted that it was unfortunate that the recent SMPS consultation was not used as an opportunity to clarify whether these offers could be accepted on the OCM.

SI noted that it would be helpful to clarify the minimum volume of what NG considered to be economic and efficient.

**Action: NG to provide clarity on the minimum volume of demand side bids/offers NG would be likely to require in these types of circumstances. NG to also provide clarity as to how this would work if there were a group of bids accepted – could these be aggregated together? NG to also confirm whether the SMPS needs to be changed.**

EB indicated that NG could look at linepack and consider what impact of taking balancing actions has on the system.

**Action: NG to provide more information at the next meeting as to what impact this has on the system.**

SL commented that CIA members wanted NG to make sure that all of the within day reports were ready for this winter.

Jo Witters (JW) asked whether NG had any information on how frequently their information systems failed and if NG looked for any correlation between system workload and the frequency of system failure.

AR stated that NG had not looked at the correlation between system workload and the frequency of system failure.

BV commented that NG must have some information on the frequency of system failure because there would likely be a condition in NG's contract with their ISP regarding the frequency of system failure.

SB commented that it would be helpful for customers to have some information on the frequency with which NG's information system crashes and the contingency plans have been put in place in the event that it does crash.

AR commented that the type of contingency plan NG could put in place depends entirely on the type of report that has failed and that this was why they were trying to ascertain which reports customers found most useful.

SL asked whether NG published comparable data in its reports. For example in NG's NTS Entry End of Day Flow report NG reports both actual physical flows and nomination. SL commented that it should be possible for NG to publish physical flows for all NTS entry points in their end of day report.

SB noted that Ofgem had recently discussed with storage facility operators the option of providing NG with day-1 information stock levels which can be combined with nominations data to calculate physical flows. SB also noted that the release of physical flows at all NTS entry points was the topic of a further UNC modification proposal and it would not be appropriate to discuss at this group before a decision on the Authority was made.

HB noted that customers would also find it useful for physical data to be provided by Transco LNG. SB noted that there was clear business separation between NG and Transco LNG and that Ofgem would speak to Transco LNG in respect of any information requests.

JW noted that Ofgem had contacted all storage operators in respect of the release of daily storage information. All operators had indicated they were happy for this information to be released by NG.

**Action: JW to send NG copies of letters of confirmation regarding information release (Actioned)**

AR confirmed that help text within all of the reports and on IE3 was being reviewed.

SB noted that it would be useful for reports to identify which information was based on nominations and which data was based on physical flows, and that a possible middle ground would be for NG to highlight this clearly on the reports (possibly by shading the relevant text). SB noted that NG should run its IS process for releasing the information consistently with the UNC on the basis that there is general industry agreement.

**Action: NG to make sure that the storage information data secured by Ofgem is updated on NG's website.**

SL queried whether it was possible to clarify who was responsible for the publishing of information. In other words, who could CIA and their members contact if they have any issues regarding information provision.

SB stated that with the exception of offshore information, for which DTI has regulatory responsibility, NG provides information to the market to fulfil its obligations as a gas transporter. As Ofgem has regulatory responsibility for gas transporters Ofgem would be the appropriate authority to approach.

#### **4. National Grid presentation of draft website**

AR gave a presentation further explaining the draft web pages that NG had developed. This presentation will be made available on Ofgem's website: [www.ofgem.gov.uk](http://www.ofgem.gov.uk).

The group discussed whether NG's storage level forecasts could potentially be misleading for the market. It was agreed that the information contained in the storage information table on the first page was very useful. However the group was concerned that the graphical representation of this on the storage charts may be misleading. Of particular concern was the use of a seven day average of storage withdrawals as an indicator of what could happen in the future.

SB commented that it would be helpful for NG to visually differentiate those figures on its website that are based on factual information from those that are based on NG's calculations.

The group discussed the system warnings that would be published on the website and whether the methodology that NG proposed was appropriate given customers desire for some form of 'gas NISM'. AR stated that the website warnings had been created on the understanding that NG would release ANS (Active Notification System) messages to customers as well as shippers and that this could act as a form of 'gas NISM'. It was noted that warnings should only be provided for supply and demand purposes. It was agreed that the group would have to discuss in more details the form of system warnings that would be most appropriate given the requirements of both shippers and customers. HB asked what kind of trigger NG would use to identify a potential issue. EB commented that NG would compare predicted demand and supply and, if they had any concerns, send out an ANS. The group agreed that it may be appropriate to put ANS messages on the NG website.

The group agreed that where NG had made any assumptions in producing the data/graphs on the draft website it was important that NG provide a clear description of them.

BV noted that it would be useful for NG to consider a range of scenarios and bring these to the next meeting for the group to discuss. BV also noted that she had thought gas-NISMS would be more dynamic.

SB agreed that they were a blunt instrument, but that so were electricity NISMs, and that as long as all parties know how they work then that is fine. AR confirmed that all information would be provided on a definitions page, with the relevant information accessible for each section.

SB noted that it would be useful for NG to look at the previous three winters and assess how many times system warnings would have been issued based on NG's working assumptions. AR considered that the answer was likely to be none. SB noted that the information would still be valuable to parties.

**Action: NG to look at the previous three winters and assess how many times system warnings would have been issued based on NG's working assumptions.**

SB noted it would also be useful for NG to reflect on the issue of system alerts given that the group has agreed that as a concept they would be a useful tool to aid response to balance the overall system. SB also noted that the concept of short term alerts was likely to be more useful than the longer term 'winter duration' alerts.

HB noted that it would be important to be able to download the information in Excel or CSV files. Printing optionality would be useful but less important.

**Action: NG to reflect on the comments they have received at the meeting regarding system alerts and feedback to the next group meeting on the following points:**

- Is the system alert purely for demand/supply balancing
- If purely for d/s balancing, are system alerts sufficiently dynamic triggers
- Provide examples of where a system alert would have been used in the past
- Consider how information associated with transportation constraints would be treated
- Confirm whether data behind graphs would be provided to download
- Clarify information on the help pages as to how each of the calculations are being made – this needs to be very easy to understand and access for users.

The group discussed whether there were any key areas where they felt that the website could be improved. SL suggested that hourly physical flows onto the NTS should be published on the website. BV asked whether there were any changes that NG could make to speed up the implementation of the new website or increase its resilience. AR commented that the one thing that would bring forward the implementation date for the website would be to reduce the number of downloads on it.

SB asked for comments to be provided to NG ASAP in respect of the proposal. It was asked that comments be limited to only essential information requirements to ensure that implementation of the proposal would not be delayed.

HB confirmed that CIA were happy in principle with the proposal but would feed back any comments from members to NG by close of play Tuesday.

**Action: CIA would feedback the views of their members on the website to NG within 2 working days.**

**Action: NG to confirm delivery date for IS requirements at next meeting – to be available on Monday.**

## **5. Presentation on APX Markets**

Ben Mitchell (BM) gave a presentation on the OCM and other APX markets. The presentation focused on the mechanics of trading on the market as well as the types of trades that the market would support. This presentation will be made available on Ofgem's website: [www.ofgem.gov.uk](http://www.ofgem.gov.uk).

SB asked whether NG would ever consider trading in markets other than the OCM that allowed for trading further out into the future. EB commented that if it was economic

and efficient for NG to do so, they would consider trading in other markets. SB asked how actions taken in other markets would feed through to cash out prices. EB confirmed that currently only OCM trades can affect the cash out price.

Alison Meldrum (AM) asked whether it was possible for bidders to bid for only a proportion of any offer. BM stated that when placing an offer there was an option you could choose which would allow bidders to bid for only a proportion of your offer.

EB commented that the advantage of trading on the OCM was that it would actually result in the physical delivery of gas, whilst trading in the NBP market you could not be sure that this would be the case. This is one reason why NG view the OCM as the most economic and efficient platform on which to trade.

EB noted that in an NBP type market it would be difficult to prove that the most appropriate trade was taken. NG would accept a higher price trade if it was physical or locational, over any title trade. The NBP market would essentially be all title trades which are anonymous – NG could essentially be buying out someone's position.

AR noted that NG cannot use physical trades where there are constraints on the system. SB noted that there was a difference for parties between wanting to provide a physical response and being involved in a commercial market.

AM queried whether flow rates mattered or whether it was acceptable for gas to be provided over the course of the day. AR noted that ramp rates may need to be revealed in offers. BW noted that physical/locational trades are rarely used these days.

HB asked whether it was possible to put a rolling day-ahead offer on the OCM for a number of days.

BM noted that technically it was possible to link a few days on the OCM. However, because the OCM is defined by code there would need to be a code change. This would also require financing.

SB queried whether if NG went through all the offers on the OCM and the only gas that would be available was offered for more than one day, would NG buy that gas? EB noted that to date NG had not done so, but that if this was the case then NG would do so.

SB queried how this currently feeds into cash out prices and EB confirmed that currently these trades would not feed into cash out. SB noted that NG would need to look into this. SB noted that trades that were made on the OTC market and bilateral trades made between participants would need to feed into cash-out prices.

**Action: NG to consider the impact on cash out prices where offers are accepted on the OCM for more than one day.**

EB stated that NG's position on residual balancing was the position set out in Modification Proposal UNC 0740A. That is, physical and locational actions would be accepted on the OCM and demand side response would likely be operationally suitable if locational.

SB noted that this was NG's interpretation of its licence.

**Action: NG was asked to give a presentation on its interpretation of its residual balancing role – particularly in relation to taking actions that went ‘beyond the wall’.**

BW noted that partial lots were accepted now on the OCM, with most parties lodging their bids as such.

BW also noted that APX could look at linking more than one day on the OCM. BW noted that this was technically possible, although code changes would likely be required, but that there would be costs involved to set this up.