

# Note of Gas Safety Reserve Meeting – Below the Line Considerations

**Date: 17 May 06**

**Time: 15-16:30**

**Location: Ofgem**

Attendees:

Tim Dewhurst (TD) (Chair) - Representing Ofgem  
Hydreace Ali – RWE NPower  
Peter Bolitho (PB) – E.on UK  
Simon Bradbury – Ofgem  
John Bradley – Joint Office  
Phil Broom – Gaz de France ESS  
Mick Curtis – E=MC<sup>2</sup>  
Sharif Islam - Total Gas and Power  
Fiona Lewis – EDF Energy  
Heather Lockyer – National Grid LNG Storage  
Chris Logue (CL) - National Grid NTS  
Angela Love – ILEX  
Alan Raper – National Grid Distribution  
Angus Paxton – ILEX  
Shelley Rouse – Statoil UK Ltd  
Charles Ruffell – RWE Npower  
Chris Stewart – Ofgem  
Richard Vernon - RVA  
Stuart Waudby – Centrica Storage  
Nick Wye (NW) – WWA  
Mike Young - Centrica

The meeting opened with TD welcoming everyone to the meeting and thanking them for their attendance. TD asked for any comments or amendments on the note/minutes of the last meeting. There were none.

TD went through the actions from the last meeting. These were

- **26 April 2006 Action – National Grid (NGG)** to form a view of the approximate volume of contingency reserve that - in addition to the existing below the line arrangements - it would seek to secure from the market under such arrangements.

TD explained that this action had been undertaken by NGG. However, as this analysis related to the recently raised UNC mod proposal 0085, suggested that this should be circulated by the Joint Office. TD stated this would ensure the assessment of mod proposal 0085 and the Gas Safety Reserve work would be properly separated.

- **Action – Industry** to decide what, if any, modifications to propose and then do so.

TD clarified that GdF has raised UNC mod proposal 0085.

- **Action – NGG** to provide a detailed explanation of the current compensation arrangements and present this to the group.
- **Action – E.on UK** to investigate improvements to the status quo and present these to the group.

NGG and E.on UK presentations were on the agenda for this meeting.

TD pointed out there was one other action on NGG to provide analysis on the accuracy of the five day-ahead demand forecasts they produce. NGG provided a brief presentation on this to the group.

### **NGG Presentation – Five-day ahead Demand Forecast**

CL talked to the NGG presentation titled 'Gas Demand Forecasting'. He noted that Dave Mitchell, who drafted the presentation, sent his apologies to the group for his absence.

CL highlighted that the analysis was on NGG's five-day ahead forecasting accuracy for the top ten demand days of Winter 2005/06. Inaccuracies for this data set were in the region of 10% to 12%. TD noted this compared to around 4% for the day-ahead forecast. A reason put forward for the inaccuracy was that there were no assumptions regarding price responsiveness built into the forecast. Uncertainty regarding when and where weather conditions will change five days ahead was also a major cause of the errors. For example, cloud cover can change temperature by approximately 5 to 8 degrees Celsius which has corresponding implications for demand. CL indicated NGG would be able to publish the demand forecasts if the view of the market was that this data was valuable.

Group consensus was that this data was probably useful to the market, but there was concern over how it should be presented given it has the potential to skew or condition the market if its limitations were not fully understood. TD stated it would be useful to get ideas from the group on the information that should accompany any five-day ahead demand forecast (such as the average level of inaccuracy and the range of inaccuracy thus far identified) in order to minimise poor interpretation.

**Action: Attendees** to provide feedback (to Ofgem and NGG) on:

- a) whether NG should provide Five-day ahead forecasts on their website;  
and
- b) what form this information should be provided.

### **NGG Presentation – Storage Curtailment Compensation Arrangements**

CL presented slides on 'Storage Curtailment Compensation Arrangements'. This provided the group with background and the details of the current arrangements (based on accepted modification 0071a).

### **E.on presentation – Possible Refinements to Storage Curtailment Compensation**

PB spoke to the E.on presentation titled 'Possible Refinements to Storage Curtailment Compensation'. This presentation provided further background and examples of the current arrangements and put forward two possible ideas for modifying the current arrangements before next winter. The two refinements

mooted were compensation based on types of storage and a post emergency gas in store auction.

The group discussion concluded that neither of the approaches would be clearly more preferable than the status quo. The group did not feel any need to change below the line options for this winter.

CL suggested that there may be scope for a change to avoid "double compensation" for affected gas in the event that an emergency escalates and affected gas is used by the NEC. It was decided that NGG should develop this and may, if it believes necessary, raise a mod which would be considered under the transmission work-stream.

**Action – NGG** to investigate the compensation arrangements surrounding when gas in store is actually used during an emergency. NGG to decide whether to raise a modification if it believes this is appropriate.

TD stated that, because of time constraints, it would soon be necessary to begin to consider whether any (more fundamental) changes to gas safety reserve arrangements would be appropriate for Winter 07/08. NW noted that the group was specifically set up to consider potential changes for Winter 06/07. He also suggested that, so long as the group considered no further changes to the arrangements were appropriate for this winter that the immediate work of the group should be considered complete.

With agreement of the rest of the meeting attendees, TD stated this was an appropriate course of action, and closed the meeting.