DEMAND SIDE WORKING GROUP MEETING
MEETING NOTES

Venue: Ofgem, 9 Millbank, London
Date: 2 November 2007

Attendees

Chair: Philip Davies (PD) Ofgem

1. Andrew Wallace	Ofgem
2. Claire Rozyn	Ofgem
3. Elio Zammuto	Ofgem
4. James Crump	Ofgem
5. Nick Thompson	Ofgem
6. Clair Hogg	Ofgem
7. Bob Brown	Cornwall Energy Associates
8. Richard Price	National Grid
9. Chris Logue	National Grid
10. Andrew Ryan	National Grid
11. John Perkins	National Grid
12. Jeremy Nicholson	EIUG
13. Martin Rawlings	Energytrak
14. Alison Meldrum	Corus
15. John Lucas	ELEXON
16. Eddie Proffitt	MEUC
17. Gareth Davies	CIA
18. Dan Jerwood	Gas de France ESS

NB: all presentations from the DSWG can be located on the Ofgem website:

http://www.ofgem.gov.uk/MARKETS/WHLMKTS/CUSTANDINDUSTRY/DEMSIDEWG/Pages/DemSideWG.aspx

1. Introduction

PD opened by welcoming attendees to the meeting.

2. Review of minutes and actions:

a) meeting notes from last meeting 17/09/07

No comments were received.

b) actions from DSWG meeting 17/09/07

Action: NGET to give a presentation to the next DSWG on the topic of embedded generation in order to explore the issues further (AR)

Considered as part of agenda item 8.

3. Performance of the Information Exchange – Website performance and Information Incentives update *– Chris Logue, NGG*

CL made a number of comments on problems which had affected NGG's website in the past month. Real-time data flow on NGG's website was down for 6 hours on Sunday 28 October. Data fields on the website were left blank. The outage was not reported by any external party. NGG were not sure whether there had been a material impact. Once identified it was resolved quickly.

CL explained that, where data has not been received from source (rather than the system being down) the last value will be posted and flagged as such.

CL also reported on NGG's performance against its Quality of Information incentives. The performance of the existing IE3 website is incentivised, with a payment due to NGG if no more than 131 minutes of downtime per quarter is exceeded. NGG failed to meet its target for the quarter to the end of September, recording a total of 1120 minutes of downtime, and as a result secured no incentive revenue.

NGG said that the continuing recent poor performance resulted from an intermittent issue with their software which is proving difficult to isolate and resolve. CL noted NGG's IE3 system is due to be replaced soon under the MIPI project by the more robust GMRS website platform (discussed below).

EP asked if the proposed system replacement had led NGG to take their 'eye off the ball'. He further noted that there was no downside under the incentive system and therefore NGG were not penalised if things went wrong. CL responded by saying that NGG had increased the level of support to the existing system and were holding weekly meetings in an attempt to iron out problems. Performance in October had therefore improved.

4. Delivery of new Gas Information System (MIPI project), update *– Chris Logue, NGG*

The intention of the MIPI project was improve the resilience of the NGG information website. CL said that there had been a number of problems identified through the testing the move from the use of the IE3 to GMRS platform to support the NGG information website. These centred on the way that data from NGG's IGSM (Integrated Gas Management System) central system was displayed. NGG anticipated that this problem would be fixed next week, but still required further testing. NGG did not wish to go live without this data even though this was possible.

The GMRS platform is due to be in place by the end of November. Both this and the IE3 system will be run in parallel and NGG will maintain support for the IE3 system for a two-week period. CL explained that the current IE3 system does not have automatic failure alarms when data is not published however, the new system will. Therefore the current practice of off-shore monitoring will cease following the introduction of MIPI and the initial two-week period of parallel running. NGG confirmed that monitoring of the current system would not be stood down if there were problems with the MIPI project.

CL noted that addressing problems within the Gemini system had seen resources diverted away from MIPI. PD noted that a problem with the industry's ability to access information from the website during the winter period would be highly undesirable.

EP noted that the depiction of IUK flows and BBL flows on NGG's gas daily summary report was a source of potential confusion, and that he was unsure precisely what it showed. CL noted that the graph shows the net of IUK and BBL flows, and suggested that other flows were aggregated on the summary page. Several DSWG members agreed this was confusing. EP argued that these flows should not be aggregated. It was noted that, IUK and BBL operate in a different way with the direction of gas flow on IUK responding to market conditions whilst BBL flows were unidirectional. PD suggested that desegregation or at least clear signposting of the composition of the aggregated value should be considered.

ACTION: NGG to consider whether the confusion associated with the aggregation of BBL and IUK flows on the Demand Summary page can be clarified and resolved.

5. Update on recent NISMS – *Richard Price/Andrew Ryan, NGET*

Please see presentation for details.

NGET had issued two system warnings (NISMs) to the market last month. One was issued on Friday 19th October and one on Monday 29th October.

The NISMs occurred due to contingency reserve requirements not being met, largely due to plant losses and maximum export limit redeclarations. AR said that the requirement was missed by a relatively small amount. The NISM was issued well ahead of real time in order to give the market time to react.

AR explained that the reserve requirement is set at the 99.7% confidence interval so that enough generation exists to meet demand. A NISM is triggered when reserves fall below the 95% confidence interval. In addition to a NISM, specific further warnings can be issued where the margin becomes more critical. NGET issue 2 and 14 day-ahead margin information to allow the market to respond to these signals.

PD suggested there exists a need for Ofgem and NGET to be proactive in communicating the full implications of a NISM to the market. It was suggested that this subject could be addressed at the next DSWG meeting.

AR noted that NGET's communications system experienced a problem at the time of this NISM being issued. The failure was unrelated to the NISM, but affected NGET's ability to communicate with the markets.

ACTION: NGET to provide a note on the reasons for the communications outage.

6. Electricity Market Information Update – *Richard Price/Andrew Ryan, NGET*

Please see presentation for details.

RP and AR briefed the group on the progress towards developing a website summary page of electricity market data. Following this year's consultation on industry requirements NGET had now published conclusions report. This set out their commitment to putting in place the new webpage using the BMRS platform.

To support the summary page NGET had raised two BSC mods (P219 and P220). These were due to be sent to the Authority in February and March 2008. AR said

that NGET and Elexon had begun to consider the changes that would need to take place so that the full solution summary page could be in place for Summer 2008.

The group noted NGET's view that to deliver the 100% solution for the electricity summary page, two BSC modifications were required. There was general consensus that it would be most helpful if the summary page was introduced in Summer 08, as indicated in the NGET presentation.

RP said that progress was being made on a summary page Phase 1 solution that could be in place at the start of 2008. This represented the 60% solution.

7. Gemini Update – *Chris Logue, NGG*

Please see presentation for details.

Severe problems were encountered at the upgrading of NGG's Gemini system to Oracle v10 on 22 October. NGG undertook a series of dry-runs prior to introduction and shippers were advised of the planned outage. At 5pm on Sunday 21st October NGG were alerted to problems regarding intermittent functionality and on 22nd October one shipper alerted NGG that they were able to see another user's data in one of the screens. The system was immediately disabled and contingency plans implemented by NGG, with functionality being gradually restored over the next week.

CL explained that full system access including the disabled screen had been returned on Thursday 1 November, and that the API service was due to return on the afternoon of the DSWG meeting. An internal investigation had started and would report to the UKLINK committee.

CL assured attendees that NGG were taking the issue very seriously, and asked attendees to note that Gemini and its predecessor ATLINK had previously proved to be a very robust system, and had never previously seen any outage on this scale or for this length of time.

CL explained that the problems had been triggered by the system upgrade. JN inquired whether any further material changes were planned to the hardware or software. CL confirmed that upgrades usually took place twice a year, in October and April, and are performed on a Sunday evening to minimise impact. No additional changes had been scheduled.

EP expressed serious concern about the impact of the Gemini system outage as it caused NGG to publish false demand forecast figures, and that the lack of information provision had contributed to a 3.5p rise in gas prices, which in turn had severe financial implications for customers. He argued that contingency arrangements had clearly failed. CL said that the problem had occurred in non-daily metered demand attribution, and that during the week there had been a 10% swing in NDM demand attribution figures. He argued that the actual forecasts were accurate.

EP highlighted an difference of 22mcm in the supply nominations over 24 hours. JN argued that in a jittery market uncertainty will affect prices, and that even the aggregate effect of a 0.5p/therm increase in prices could be very significant. EP considered that lessons needed to be learnt, in particular on the risk of upgrading in October.

ACTION: Ofgem to consider the impact of the Gemini outage on market participants.

ACTION: NGG to report back to the next DSWG on their internal investigation relating to the recent problems with Gemini.

8. Embedded Generation issues – *Richard Price/Andrew Ryan, NGET*

Please see presentation for details.

In response to an action from the previous DSWG NGET gave a presentation on the topic of embedded generation. The presentation outlined with the role of embedded generation in system balancing, the metering of generators participating in the balancing mechanism, and how this affects NGET's forecast and availability figures. In the future NGET expects the volume of embedded generation to increase, and acknowledges that it may need to increase visibility of output at certain sites (for instance offshore wind sites). In England sites of less than 100mw are not automatically metered in real time although some are on a discretionary basis; in Scotland NGET has the right to meter 'large' stations connected at distribution level (the definition of large varies: it is greater than or equal to 30MW in the SPT transmission area, and greater than or equal to 10MW in the SHET transmission area). This means that roughly 6GW in England and 1GW in Scotland are not metered in real time, although these sites will subsequently provide 'ex-post' data to Elexon, which is usually picked up 4-7 days after 'real time'. NGET will continue to assess the requirement for operational metering at future embedded generation sites.

EP noted that whilst 438 wind sites were monitored, not one approached 100MW of generation (the level at which BMUs are typically metered).

EP asked whether all embedded sites were metered, and if so, whether all this information was available to NGET. AR said that whilst it was a BSC requirement for all embedded generation to be metered above the microgeneration limit, not all meters produced real time data. Whilst NGET did not meter generation from smaller units, this information was provided to Elexon.

ACTION: NGET to investigate 'ex-post' data picked up by Elexon and assess opportunities to provide this information to market and potential market impact.

EP said that the industry needed to see total demand/generation and to understand where it was coming from.

JN observed that in the future it may be difficult to separate the drivers of volatility between demand and embedded generation, and wind in particular.

BB observed that if, as suggested, there was a potential of 7GW of embedded generation capacity then, even if metered generation was not operationally needed by NGET it was likely to be very important to the market.

DJ observed that more reliance on intermittent generation (i.e. wind) may mean heavier reliance on contingency reserves, which in turn may feed down to increased BSUoS costs.

PD impressed the need for NGET to be on the front foot on these issues, and in particular the need to consider the possibility of increased SO costs.

9. EC 3rd Package of Legislation / Green Supply Tariffs, update – *Nick Thompson, Clair Hogg, Ofgem*

See presentations for details.

NT gave a short presentation on the new EU "third package" of legislation, which is intended to provide a legal and regulatory framework for building integrated energy markets across Europe.

NT summarised that Ofgem had promoted the continued development of competitive markets and independent regulation and saw the proposals, in broad terms, as an endorsement of the GB approach. There were many positive aspects of the proposals, such as the provisions on unbundling and the strengthening the powers and independence of national regulators; but the 'devil is in the detail' and several issues have legal implications which need to be worked through ie. the role of the proposed EU agency and the extent of its decision making powers.

NT also outlined the expected future timetable for the current political negotiations. There was some expectation that agreement would be sought before the European Parliament elections in June 2009. There would also be a period of a roughly 2 further years for implementation into national law. However, it is not clear how and when decisions will be taken – the nature of the EU legislative process is that things 'take as long as they take'.

CH gave a presentation outlining Ofgem's proposals for cutting consumer confusion around green energy tariffs.

Ofgem produced a document – 'Developing guidelines for green supply' – in June 2007. The key proposals of this document were for a star rating scheme for green suppliers and extending voluntary and self-regulating guidelines to both domestic and non-domestic suppliers as well as introducing a third party certification scheme. Following the consultation process, Ofgem's proposals have changed significantly and the proposals they will be consulting upon in their second consultation will seek to improve transparency of information about renewable and low carbon tariffs so customers make informed choices. Ofgem are also proposing that there will be an industry-funded third party certification scheme to enable consumers to make informed decisions concerning the environmental sustainability of products. There was considerable interest in the proposals. After the second consultation process it is proposed that revised guidelines will be published in January/February 2008.

There was some concern from members of the DSWG about double counting by suppliers of green energy. CH explained this was a significant concern of the first consultation process and the revised proposals seek to remove the ability for suppliers to double count green energy. There was also some concern about the effectiveness and sanctions for self governance of this process by suppliers.

10.AOB

Date for next meeting: 11:45pm, Friday 7 December at Ofgem's Millbank Offices.