

Record of Determinations: Panel Meeting, 20 December 2012

Modification	Vote Outcome	Shipper Voting Members					Transporter Voting Members					Consumer Representative	Determination Sought	
		AG	CH	CWr	PB	RF	CWa	EM	ARS	RH	RCH	ER		
0439 – Notice for Enduring Annual Exit (Flat) Capacity Reduction Applications	Not related to the Significant Code Review - unanimous vote against	X	X	X	X	X	X	X	X	X	X	X	X	Modification is related to Significant Code Review
	Is not a Self-Governance Modification - with 1 vote in favour and 10 votes against	X	X	✓	X	X	X	X	X	X	X	X	X	Modification should follow Self-Governance Procedures
	Issued to Workgroup 0439 - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Should be referred to Workgroup
	Workgroup to report by the March 2013 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Workgroup to report by the March 2013 Panel
	Text requested - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Request Text
0440 - Project Nexus – iGT Single Service Provision	Not related to the Significant Code Review - unanimous vote against	X	X	X	X	X	X	X	X	X	X	X	X	Modification is related to Significant Code Review
	Is not a Self-Governance Modification - unanimous vote against	X	X	X	X	X	X	X	X	X	X	X	X	Modification should follow Self-Governance Procedures
	Issued to Workgroup 0440 - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Should be referred to Workgroup
	Workgroup to report by the June 2013 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Workgroup to report by the June 2013 Panel
0422 - Creating the permission to release data to Meter Asset Provider organisations	Proceed to consultation - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Issue to Consultation
	Legal text not required - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Legal text not required for inclusion in DMR
	Cost estimate not required - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Cost estimate not required for inclusion in DMR
	Consultation to end on 08 February 2013 - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Consultation to end on 08 February 2013

0430 - Inclusion of data items relevant to smart metering into existing industry systems	Returned to Workgroup - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Further assessment required
	Workgroup to report by March 2013 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Workgroup to report by March 2013 Panel
0433S - Inclusion of the Transmission to Distribution "System Operator Agreement Guidelines" within the Offtake Arrangements Document	Workgroup to report by April 2013 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Workgroup to report by April 2013 Panel
0425 - Re-establishment of Supply Meter Points – Shipperless sites	Legal text to be prepared - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Request the provision of Legal text
0395 - Limitation on Retrospective Invoicing and Invoice Correction	Consideration deferred - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Defer Consideration
0398 - Limitation on Retrospective Invoicing and Invoice Correction (3 to 4 year solution)	Consideration deferred - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Defer Consideration
0421 - Improve AQ Performance	Not returned to Workgroup - unanimous vote against	X	X	X	X	X	X	X	X	X	X	X	Did consultation raise new issues
	Implementation not Recommended - with 4 votes in favour				✓		✓		✓			✓	Whether to recommend implementation
0424 - Re-establishment of Supply Meter Points – prospective measures to address shipperless sites	Not returned to Workgroup - unanimous vote against	X	X	X	X	X	X	X	X	X	X	X	Did consultation raise new issues
	Implementation Recommended - with 7 votes in favour			✓			✓	✓	✓	✓	✓	✓	Whether to recommend implementation

KEY	In favour	Not in Favour	No Vote Cast	Not Present
	✓	X	NV	NP

UNC Modification Panel

Minutes of the 132nd Meeting held on Thursday 20 December 2012 at ENA, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF

Attendees

Voting Members:

Shipper Representatives	Transporter Representatives	Consumer Representative
A Green (AG), Total C Hill (CH), First Utility C Wright (CWr), British Gas P Broom (PB), GDF Suez R Fairholme* (RF), EON UK	A Ross-Shaw (ARS), Northern Gas Networks C Warner (CWa), National Grid Distribution E Melen (EM), Scotia Gas Networks R Cameron-Higgs (RCH), Wales & West Utilities R Hewitt (RH), National Grid NTS	E Reed (ER), Consumer Focus

Non-Voting Members:

Ofgem Representative	Terminal Operators' Representative	Chairman
		T Davis (TD), Joint Office

Also in Attendance:

A Miller (AM), Xoserve; A Miller (AM1), Centrica Storage; D Ianora (ID), Ofgem; G Evans (GE), WatersWye; M Clarke* (MC), ScottishPower; M Lapper (ML), National Grid Distribution and R Fletcher (RF)

* By Teleconference

Record of Discussions

132.1 Note of any alternates attending meeting

A Ross-Shaw for J Ferguson (Northern Gas Networks)
E Melen for A Musgrave (Scotia Gas Networks)
R Cameron-Higgs for S Edwards (Wales & West Utilities)

132.2 Record of Apologies for absence

A Musgrave, J Ferguson and S Edwards.

132.3 Minutes of the Last Meeting

The minutes of the last meeting were approved.

132.4 Consider New, Non-Urgent Modifications

- a) Modification 0439 - Notice for Enduring Annual Exit (Flat) Capacity Reduction Applications

AM1 introduced the modification and its aims. PB asked what would be the impact on the price level if this were implemented. AM1 agreed this should be discussed in the Workgroup and noted that other work was taking place, which may mitigate the risks or impacts of price volatility. RH agreed that it might change the level of charges but is very dependent on take up.

PB asked if it would apply to DN capacity as DNs are defined as Users. RH thought it would but that this should be clarified.

DI indicated that Ofgem would support the modification following the self-governance route.

For Modification 0439, Members determined:

- The modification is not related to the Significant Code Review as it is not a related subject;
- The criteria for Self-Governance are not met as this modification could have a material impact on charges and so on Shippers and competition;
- Workgroup Assessment is required, with a report presented to Panel by March 2013.
- Legal Text should be prepared by the Transporters.

- b) Modification 0440 - Project Nexus – iGT Single Service Provision

CWa introduced the modification and its aims. CWr asked if the UNC would be amended so that an iGT is defined as a different type of User. CWa advised that this an option but the detail has not been thought

through yet.

RH asked why IGTs don't accede to the UNC as Transporters. CWa felt this would be a significant change and probably could not be accommodated under this modification. PB felt it would be worth discussing the governance within the Governance Workgroup framework. Members agreed that the Workgroup should meet on a separate day to other Workgroups to ensure the correct representation to the assessment process.

For Modification 0440, Members determined:

- The modification is not related to the Significant Code Review as it is not a related subject;
- The criteria for Self-Governance are not met as this modification would have a material impact on iGTs, Shippers and Transporters;
- Workgroup Assessment is required, with a report presented to Panel by June 2013.

132.5 Consider Workgroup Issues

Workgroup Reports for Consideration

- a) Modification 0422 - Creating the permission to release data to Meter Asset Provider organisations

Members accepted the recommendation in the Workgroup Report and determined that Modification 0422:

- should proceed to consultation, with a closing date of 08 February 2013;
- that legal text is not required for inclusion in the draft Modification Report;
- that a cost estimate is not required for inclusion in the draft Modification Report.

- b) Modification 0430 - Inclusion of data items relevant to smart metering into existing industry systems

Members accepted the recommendation in the Workgroup Report and determined that for, Modification 0430, further Workgroup Assessment is required, with a report presented by the March Panel.

Request the Provision of Legal Text

Members determined unanimously to request the provision of text for Modification 0425 - Re-establishment of Supply Meter Points – Shipperless sites.

Consideration of Workgroup Reporting Dates

- a) Modification 0433S - Inclusion of the Transmission to Distribution “System Operator Agreement Guidelines” within the Offtake Arrangements Document.

Members determined unanimously to extend the date by which Workgroup 0433S should report, with a report presented by the April Panel.

132.6 Existing Modification Proposals for Reconsideration

- a) Modification 0395 - Limitation on Retrospective Invoicing and Invoice Correction

Members determined unanimously to defer consideration.

- b) Modification 0398 - Limitation on Retrospective Invoicing and Invoice Correction (3 to 4 year solution)

Members determined unanimously to defer consideration.

132.7 Consider Final Modification Reports

- a) Modification 0421 Improve AQ Performance

DI advised that Ofgem felt there is no clear benefits case that this modification should be implemented or rejected. A number of meetings have been held with the proposer to discuss these concerns. In addition, the recent performance information provided by Xoserve may further erode any benefits identified within the report and Project Nexus implementation may further erode the time the benefits would be enjoyed.

MC advised that they had tried to reflect the comments made by Ofgem in their benefits case and tests of the methodology against market sectors. They do not think there is any reason to go back to the Workgroup as they do not think they can add any more information to support the benefits case.

CWr asked if a Shippers portfolio is 100% accurate but unchanged from the previous year, would they be penalised even though their information is as good as it can be. MC advised that they would, but she did not regard this as a viable scenario - any submission of meter reads in line with UNC obligations would lead to a change in AQs, even if it is only marginal.

The Panel Chair summarised that this modification seeks to introduce charges that would be applied to Shippers if less than 85% of the AQs of either their LSP or SSP portfolio were recalculated during an AQ Review. The income from these charges would be redistributed to the remaining SSP Shippers. In addition, those below the 85% standard would bear the Transporter administrative costs associated with the scheme.

Panel Members recognised that the intention of the modification is to improve the accuracy of AQs and consequently the accuracy of cost allocations to the extent that these are based on AQs. This would be achieved by incentivising the submission of additional meter reads, such that additional AQs recalculate. Any improvement in the accuracy of cost allocations between Shippers would be consistent with facilitating the development of effective competition between Shippers since this is a fundamental underpinning of competitive markets, thereby avoiding inappropriate cross-subsidies.

Some Panel Members believed that the modification would lead to increased read submissions, and consequently to more AQs being recalculated, and that – being based on additional information - these AQs would be expected to be more reflective of true consumption than if the modification were not implemented. They therefore believed that implementation would deliver more accurate cost allocations and hence facilitate the securing of effective competition between Shippers.

Other Panel Members were concerned that both the 85% target and the proposed charge rate are arbitrary. It was argued there might be good reasons why the AQ recalculation rate varies between portfolios, including as a result of portfolio size. Consequently unduly penal charges may be applied to some Shippers, such that the impact of the change in cost allocations could be detrimental rather than beneficial. Equally some Panel Members were concerned that the incentive created would be to submit meter reads rather than to submit accurate reads, and potentially to focus on smaller loads rather than the loads that have the biggest impact. If the reliability of reads submitted deteriorated, this would also be likely to be detrimental to the accuracy of cost allocations.

Some Panel Members were concerned that the proposed approach was predicated on the basis of the existing process whereby AQs are recalculated annually. As part of Project Nexus, a move to rolling AQs is anticipated and it is unclear how the Modification 0421 regime would operate under this scenario, if at all. As a result, some Members were concerned that implementation may increase market costs but the benefits could be limited due to the potentially short period of operation. It was argued that implementing a modification when there was a prospect of the benefits not exceeding the costs would be inconsistent with facilitating effective competition.

Members then voted and with four votes in favour of recommending implementation, failed to determine to recommend implementation of Modification 0421.

b) Modification 0424 - Re-establishment of Supply Meter Points – prospective measures to address shipperless sites

The Panel Chair summarised that this modification seeks to change the UNC obligations where it is established that gas is being offtaken at an unregistered (shipperless) site, and that the meter involved is that which was in place when the site was last registered. The modification proposes that the previously registered Shipper be made responsible for the site and for the gas offtaken while the site has been Shipperless.

Members recognised that accurate allocation of costs between parties provides a fundamental underpinning that facilitates the development of effective competition, with parties facing they costs for which they are

responsible. In this context, the modification proposes changing the allocation of costs since the previously registered Shipper would become responsible for costs as if the site had never become Shipperless. Some members felt that this would be expected to increase the accuracy of costs allocations. This reflects the fact that Shippers would have an incentive to ensure arrangements are in place to avoid the situation arising where gas is being offtaken at a shipperless site using the previously live meter. It was also noted that registration would create a deemed supply contract such that costs could be recovered from the party using the gas, such that costs could be appropriately passed to the consumer in question. However, other Members were concerned that the proposed arrangements would increase the risk faced by Shippers, and that this risk is largely beyond their control. An increase in risk premiums could therefore be expected, with additional costs being seen in the market. As Shippers do not control metering arrangements, they are not the party best able to manage this risk and so the cost of the risk premium would be expected to be higher than if the risk were to be targeted on the parties best positioned to manage that risk. Introducing such costs into the market was seen as being contrary to facilitating the securing of effective competition.

Members noted that a potential impact of implementing the modification is that more meters will be removed from sites. This could make reconnection and subsequent offtake of gas at a site more difficult and discourage these sites being connected. Discouraging the offtake of gas could be seen as being detrimental to the development of effective competition both because it would be more difficult for end users to access the market and because the scale of the gas market as a whole could be marginally reduced.

Some Members felt that it is inappropriate and inefficient to use the UNC as a vehicle to seek to change behaviours in the metering market, and that any such change should be targeted directly at the parties involved – such as through the Meter Asset Manager Code of Practice. As such, implementation of the modification could be regarded as inconsistent with the efficient implementation and administration of the UNC, because it is targeting an area that lies outside the UNC itself through placing incentives on UNC parties to influence the metering market. Other Members saw the existence of shipperless sites as undermining the efficient implementation of the UNC and felt that any measures to reduce this population would therefore be consistent with facilitating the relevant objective of promotion of efficiency in the implementation and administration of the Code.

Members then voted and with seven votes in favour of recommending implementation, determined to recommend implementation of Modification 0424.

132.8 Any Other Business

a) iGT Business Requirements pre-mod consultation process

AM requested that members note that the iGT Business Requirements pre-mod consultation has opened and is due to close on 18 January 2013. Industry responses are welcome and, in particular, costed information would help the benefits case.

b) Performance Assurance

MC asked members for their views on the development of an industry performance assurance scheme similar in nature to the electricity industry. Would the Panel consider setting up a Workgroup to consider this option?

TD explained that members could determine to set up a Workgroup in a similar vein to the Project Nexus Workgroup, considering and developing requirements prior to modifications being raised. AG wanted assurance that the terms of reference would have a clearly defined scope.

CWr asked what performance is to be assured. AM suggested this could be around meter read performance, meter asset data etc.

PB asked if the terms of reference could include Transporter and Shipper performance, which was agreed.

Members determined unanimously that a Workgroup should be established and that the Workgroup should be asked to initially define appropriate terms of reference.

c) Organisation Changes to APX ENDEX

RH advised that industry participants have been notified that APX ENDEX is about to separate into two organisations and this is likely to have an impact on the UNC. The separation impacts the indebtedness clauses in Section X, which need to be amended to ensure that the Trading System Clearer (TSC) and not the Trading System Operator (TSO) are on the hook for indebtedness.

RH wanted to ensure Shippers were aware of the change, as it is their money that is at risk. These issues need to be resolved soon and a modification would be raised. DI was not sure that urgency would be agreed and felt that it may be a self-governance change, which could be implemented quickly.

CWr asked if there are any checks to ensure the new TSC is a reasonable and prudent operator. RH advised that checks were carried out. However, it is Ofgem who provide the designation to transporters.

RH confirmed that EBCC members would be contacted to get their views regarding the modification and he suggested members contact their EBCC representatives to discuss any issues.

d) Consideration of Relevant Objectives for User Pays cost allocation modifications such as Modification 0437S -

CWa asked Members for their views as to why a modification of this type should be tested against the relevant objectives – a modification that is about apportioning costs and not if whether it is a good idea to populate MAM ids as that is beyond the scope of Modification 0437S.

TD advised there is no alternative in the GT Licence nor Modification

Rules and that the test for all modification is whether the changes they introduce facilitate achievement of the relevant objectives. Precedents exist for other enabling modifications, such as permission to release data, where the consequential benefits of whatever has been enabled have been recognised. It is also likely that implementing modifications of this style might be expected to facilitate achievement of licence obligations, and/or efficient administration and implementation of the UNC.

132.9 Conclude Meeting and Agree Date of Next Meeting

10:30 17 January 2013, at the ENA.