

GAS CUSTOMER FORUM

Minutes

Monday 24 April 2006

Elexon

350 Euston Road, London

Attendees

Tim Davis	(Chair)	(TD)	Joint Office of Gas Transporters
Mike Berrisford	(Secretary)	(MB)	Joint Office of Gas Transporters
Alison Meldrum		(AM)	Corus
Amrik Bal		(AB)	Shell
Chris Holcroft		(CH)	British Glass
Claire Gibney		(CG)	NHS
Damian Cox		(DC)	John Hall Associates Ltd
David Woolgar		(DW)	Society of British Gas Industries
Eddie Proffitt		(EP)	Major Energy Users Council
Grant Rogers		(GR)	Wales and West Utilities
Ian Dobson		(ID)	CIPS
Jacky Carroll		(JC)	National Grid
John O'Grady		(JO)	Northern Gas Networks
Marcus Stewart		(MS)	National Grid
Neil Mitchell		(NM)	Corona Energy
Nigel Sisman		(NS)	National Grid
Paul Savage		(PS)	energywatch
Rod Sinden		(RS)	LAGUR
Simon Watson		(SW)	Gaz de France
Stefan Leedham		(SL)	Chemical Industries Association
Stephen Reeson		(SR)	Food and Drink Federation

Apologies

Margaret Hunter	(MH)	Scotia Gas Networks
Alex Spreadbury	(AS)	B&Q
Sue Stanton	(SS)	National Grid
Claire Temperley	(CT)	British Gas

1. Introduction

- 1.1 TD gave an introduction, including the Elexon Emergency Evacuation arrangements.
- 1.2 Minutes of the meeting held on 30 January 2006 were accepted.
- 1.3 TD reviewed actions from the previous meeting. All outstanding action items accepted as closed apart from GCF006, which is to be carried forward to the 10 July 2006 meeting.

2. Presentations

2.1 Emergency Procedure Update

2.1.1 Exercise Moscow 2005 Review (J Carroll)

JC presented the Exercise Moscow Review. JC explained that the exercise focused on testing of Industry Downstream Response and concentrated on a Demand Side only emergency. A full report on the exercise had been prepared for the HSE with an abridged version issued to a wider audience.

Members enquired about Stage 2 of an emergency. JC advised that Stage 2 covered the supply side and as a consequence was only simulated during the exercise.

JC went on to explain that one shipper did not participate in the exercise as they had already completed a simulation with their customers the previous week. JC then highlighted the fact that contact times with end users varied, independent of portfolio size. Some shippers have acknowledged, that in some instances, they had not appropriately resourced the exercise (recognising it was an exercise). Members suggested the shippers concerned should be 'named and shamed' and that if results were to be published this would help consumers choose their shipper, and incentivise shippers to perform better in future exercises. JC went on to state that there were also issues with shippers reporting data and that a review of procedures surrounding this would be conducted.

Members feel that it is important that Interruptible Site Contact information is as accurate as possible and enquired what the newly implemented contact database for VLDMCs was. JC acknowledged that there have been teething problems with the contact database.

JC highlighted one LDZ was unable to participate in the exercise on the day as they were experiencing operational difficulties. Some LDZs experienced technical difficulties with their respective I.T. systems. However, a 3% improvement in contacts was witnessed in comparison to the Krakatoa 2003 exercise. However, JC did acknowledge that it appears that some consumers still do not fully understand their obligations. Members then asked why Moscow 2005 had only 1609 attempted contacts. JC responded by suggesting that this was a reflection of focusing on the top 200 sites (as opposed to 300 in previous exercises) based on volume status and that priority sites had been excluded. Some members were of the opinion that shippers should seek to contact all relevant sites and enquired if the same sites were being consistently utilised during these types of exercise. JC replied that whilst broadly the same sites are utilised the focus should be on data quality regardless of how the sample is selected.

JC summarised Moscow 2005 by stating that this was the 1st exercise of its type post DN Sales and that the majority of procedures appeared robust, but acknowledged that communications between participating parties need to be improved especially in the load shedding arena, the example being 1/3rd of sites which could not be 'closed down' for various reasons.

JC advised that Exercise Neptune is scheduled to commence late August/early September 2006. Members enquired why in four (4) exercises (3 previous + the proposed Neptune exercise) has there been two (2) different methodologies applied. JC responded by reiterating that the data returned will be consistent across all four (4) exercises, and that the successful contact information year on year is the important element. TD reminded members that it is a difficult balance between consistency and learning from experience, but that the 'base information' remains consistent.

Members indicated their wider dissatisfaction that matters do not appear to be improving in this area and do not incentivise maintenance of accurate contact data.

2.1.2 Exercise Minsk (M Stewart)

MS informed members that National Grid had conducted its own exercise to test the site contact information for its top 200 sites in each of its LDZs. Following the exercise National Grid has also undertaken a 'root cause' analysis exercise to try to establish why contact failed.

JO and JC advised members that the divested networks have found both exercises beneficial, and that the HSE has subsequently written to each network. They are now working to resolve the outstanding issues.

In summary MS outlined the next steps, advising that National Grid intends to submit a report of its finding to the HSE and that it would look to improve its information and processes in light of its findings. MS also advised members that National Grid intends to provide feedback and support via various means, such as reporting back to the GCF, conducting an 'awareness exercise' during summer 2006 and working alongside shippers in improving their shipper/consumer relationships. Members suggested that education should be approached from a national perspective.

Action GCF008: JC to ascertain if 'naming and shaming' can be part of exercise Neptune.

Action GCF009: JC to ascertain if the worst Moscow performers can be named.

Action GCF010: JC to make available the sanitised "short" report on Moscow.

Action GCF011: JC to consider preparing a one page note for wide circulation setting out consumer issues and obligations.

2.2 A Year in the Life of a DN (J O'Grady)

JO gave the enclosed presentation on Northern Gas Networks NGN. JO explained to members that NGN is currently in discussion with the DTI regarding development of incentives to expand their network.

Members asked whether or not consumers are correct in their thinking that, from their perspective, United Utilities (UU) is Northern Gas Networks. JO advised that this is correct in that ex-Transco operational staff were transferred to UU who now provide operational services.

Members enquired about the timescales for completion of NGN's Control Centre and were advised that the projected timeline is through to 2012. NGN also advised they are looking to undertake the distribution of their own emergency work, although National Grid will remain the focal point of contact for all emergency calls.

Members enquired on NGN's Capex spend to date, and asked if NGN had matched its forecast. JO advised members that NGN had in fact overspent, but that the majority of this was accrued under the National Grid ownership and that 'tensions' between Capex and overspend should not compromise security of supply.

JO advised that NGN intend to move away from Fulcrum Connections and develop their own connections strategy in due course.

Members enquired in what market segment NGN foresaw the most growth. JO advised that it was in the new housing and industry sectors and that no new power stations were anticipated, although there may be some 'fuel change overs' in future.

Members then enquired about NGN's rate of return, specifically asking if it was at the projected 6% level. JO advised members that no information of that type would be available until formal publication of their financial statement.

TD asked members if this DN presentation had 'matched' their expectations, to which the consensus was yes.

2.3 Transmission Issues – NTS Update (N Sisman)

NS gave the enclosed presentation. NS updated members on Transmission Charging Methodology Forum (TCMF) and Exit and Offtake Working Group (EOWG) progress. NS also advised members about the recent Ofgem seminar on the Transmission Price Control Process. Members asked if the Ofgem proposals would result in the removal of the auctions and were advised that this would not be the case, but that the new process recognises Ofgem's concerns surrounding the limitations of the current entry auction approach.

Members enquired if the NTS exit reform proposals would result in the demise of interruptible supply points. NS acknowledged that any benefits would be through provision of services rather than automatic, and this is a significant change. However, indications within the price control documentation have identified 'tight' points on the NTS and that continued efficient investment is crucial and requires the right incentives to be in place. Some members believed this potentially rewards National Grid for a lack of investment. TD suggested that this reflects the regulators argument that if it is cheaper for National Grid to buy back rather than invest, investment should be avoided.

NS then went on to talk about the Winter Outlook and advised members that National Grid is actively seeking views on this subject and would welcome any feedback, especially on demand side response. NS advised members that this winter was slightly warmer than average.

NS provided an overview of demand side response and suggested that the data reflected a move away from gas fired to coal fired generation. On NTS Industrial loads, Members enquired if the peaks shown within the LDZ Daily Metered (DM) Interruptible slide were in fact 'booked' capacity and asked why the model showed an increase towards the end of the winter period - could this be an indicator of issues surrounding high prices and shutdown? NS advised that the peaks were not indicating 'booked' capacity, rather they reflect a 'best guess' approach within the model itself and that the rise towards the end of the winter period might indicate temperature variation. NS advised that NDM Demand Forecasting was also lower than expected. Any enquiries regarding this matter could be directed to National Grid's forecasting team.

NS provided a brief overview on information provision should Modification proposal 006 be implemented. The data will be issued in 'raw' form to match what the control room sees. Members asked if storage data was included, which NS confirmed will be on the same basis as other entry points.

NS went on to talk about Ofgem's proposed forecast incentives and requested that members should respond directly to Ofgem's consultation on the matter. Members raised several concerns suggesting amongst other things that the data utilised is out of date and that the forecast demand report (day ahead) is not a true reflection of actual demand. NS asked members what they thought the number should actually represent - what is actually trying to be forecast. Members suggested that it is a 'stretch' for customers to tell National

Grid what they should be forecasting as they themselves have a limited understanding and that no one wishes to see 'beautiful incentives' that deliver nothing.

Members then returned to the winter outlook information and suggested that they struggle to understand the peak demand figure whereby the actual peak is consistently around the 440 mark but National Grid's 1 in 20 peak is 100 above this. NS advised that this reflects modelling assumptions of a theoretical peak.

Members asked if they could have the data behind the slides. NS indicated that he is happy to provide this.

Action GCF012: National Grid to provide the background data utilised for the demand side response slides.

TD asked if members were happy with the update provided especially the winter items, to which the consensus of members present was yes.

3. Modification Proposals

3.1 Review of UNC Modification Proposals (T Davis)

TD highlighted UNC Modification Proposals that he expected to be of greatest interest to the GCF, specifically:

- 0005(0726) "Provision of a Guarantee of Pressure for Meter Points operating above 21 mbar by the Relevant Transporter", which was rejected by Ofgem on 19 April 2006,
- 0006(0727) "3rd Party Proposal : Publication of Near Real Time Data at UK sub-terminals", which is currently awaiting an Ofgem decision after a Revised Final Modification Report was sent to Ofgem on 3 April 2006. TD also advised members that energywatch have indicated that they are happy with National Grid's system changes to accommodate this modification,
- 0073 "Revision to the Notice Period regarding the implementation of changes to Transportation Charges", which Ofgem have indicated that they are 'minded to reject',
- 0081 "AQ Review Process – publication of information" – given concerns expressed about AQs, members may wish a closer look at this proposal which seeks to expand the level of published information.

4. Customer Issues

4.1 DNO Update

MS advised the members that it is xoserve's intention to attend the 10 July 2006 meeting but that they (xoserve) would welcome an indication of which aspects of the AQ Review members would wish to see covered. Members indicated that they want an opportunity to challenge areas of the AQ process and approach, and are unhappy with the 'Transporter knows best' approach. Members pointed out that some suppliers are developing their own AQ systems and that the original request was to help obtain an overview of developments. Members suggested that perhaps a way forward was to utilise the current AQ Process overview, as previously released by xoserve, as a good starting point and then supporting this with a clear indication of responsibility and communication lines.

Action GCF013: Joint Office to obtain and distribute copies of the xoserve AQ Review presentation and confirm xoserve will attend the 10 July 2006 GCF meeting.

MS gave the enclosed presentation on the Ofgem proposals on Distribution Charges advising members that National Grid believes it is a balanced but challenging approach, which will necessitate that the distribution networks work together for full implementation to coincide with the new price controls – October 2008. Members expressed some surprise that Ofgem wants DNs to collaborate, which MS advised may require a licence derogation. TD reminded members that the licence only allows the DNs to amend their charges on 01 October in each year.

Members enquired as to progress on DN interruption reform, which remained a licence obligation. MS advised members that the DN interruption reform was to be conducted on a 'best endeavours' basis. JO went on to advise members that Ofgem are of the view that a process needs to be in place in 2007 with a proposed go-live of 2010. MS advised that a DN Review Group would be established to look into this. Members pointed out that they believe Ofgem are looking to publish their views in May 2006.

TD updated members on the provision of load band information requested at the January 2006 meeting. While this has mainly been provided (NGN excepted), Members were concerned that information provision is a deteriorating service where accuracy and content is poor and not what they require. TD asked the members to consider what to do - write the DNs, ask the DN members present for information, or seek a UNC modification to force the issue. MS suggested members could pay xoserve to provide reports that are prepared for Shippers. JO said NGN could raise this at the next xoserve Board Meeting.

Action GCF014: NGN to provide the requested information by the end of the week.

Action GCF015: JO to report on the xoserve discussion at a future GCF meeting.

4.2 Customer Issues

Members present indicated that they had no additional issues for discussion.

4.3 Regulatory Issues

Members acknowledged that, in the absence of an Ofgem representative, National Grid had provided a suitable update.

5. Date of next meeting and agenda items

5.1 Future Meeting Venues

TD advised members that the 10 July 2006 GCF meeting is scheduled to take place at 51 Homer Road, Solihull and asked if any members had an issue with the location. The consensus amongst members was that London is the easier and superior venue and that following the 10 July meeting, all future GCF meetings should take place at Elexon in London provided no concerns are raised at the 10 July meeting.

Dates and locations are also included on the Joint Office calendar, at <http://www.gasgovernance.com>

6. A.O.B.

There were no matters raised.

TD closed the meeting and asked members to submit any suggestions for agenda items to the Joint Office via enquiries@gasgovernance.com

Appendix A

Action Log – Gas Customer Forum – 24 April 2006

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner*	Status Update
GCF003	30/01/06	2.3	National Grid to provide an update on experience this winter at the next GCF meeting.	NS	Completed 24/04/2006
GCF005	30/01/06	4.2	Chair to write requesting the DNs provide information on the distribution of firm and interruptible loads in each load band.	TD	Completed 24/04/2006
GCF006	30/01/06 & 24/04/06	4.2	Joint Office to include AQ Review as an agenda item for the next GCF, and seek an appropriate presenter.	MB	Carried Forward 10/07/2006
GCF008	24/04/06	2.1.2	National Grid to ascertain if 'naming and shaming' can be part of exercise Neptune.	JC	10/07/2006
GCF009	24/04/06	2.1.2	National Grid to ascertain if the worst Moscow performers can be named.	JC	10/07/2006
GCF010	24/04/06	2.1.2	National Grid to make available the sanitised "short" report on Moscow.	JC	10/07/2006
GCF011	24/04/06	2.1.2	National Grid to consider preparing a one page note for wide circulation setting out consumer issues and obligations.	JC	10/07/2006
GCF012	24/04/06	2.3	National Grid to provide the background data utilised for the demand side response slides.	NS	10/07/2006
GCF013	24/04/06	4.1	Joint Office to obtain and distribute copies of the xoserve AQ Review presentation and confirm xoserve will attend the 10 July 2006 GCF meeting.	TD	10/07/2006

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner*	Status Update
GCF014	24/04/06	4.1	Northern Gas Networks to provide the requested information by the end of the week.	JO	28/04/2006
GCF015	24/04/06	4.1	Northern Gas Networks to report on the xoserve discussion at a future GCF meeting.	JO	10/07/2006