

Gas Customer Forum Minutes
Monday 26 January 2009
Elexon, 350 Euston Road, London NW1 3AW

Attendees

John Bradley (Chair)	(JB) Joint Office
Mike Berrisford (Secretary)	(MB) Joint Office
Alison Meldrum	(AMe) Corus
Andrew Marsh	(AM) EDF Energy
Claire Gibney	(CG) NHS Purchasing & Supplies Agency
Clare Temperley	(CT) Gas Forum
Damien Cox	(DC) John Hall Associates
Denis Aitchison	(DA) Scotia Gas Networks
Dennis Rachwal	(DR) National Grid NTS
Eddie Proffitt	(EP) MEUC
Jenny Boothe	(JBo) Ofgem
John Edwards	(JE) Wales & West Utilities
Kevin Woollard	(KW) British Gas Trading
Leigh Bolton	(LB) Holmwood Consulting Ltd
Robert Hetherington	(RH) Scotia Gas Networks
Richard Street	(RS) Corona Energy
Simon Trivella	(ST) Wales & West Utilities
Whitney Slavinskis	(WS) Gemserv

Apologies

Alex Spreadbury	B&Q
Chris Lewis	CIPS
Peter Thompson	LAGUR
Ritchard Hewitt	National Grid NTS
Robert Cameron-Higgs	Northern Gas Networks
Robert Spears	UCC
Tim Davis	Joint Office

1. Introduction

Presentations are available at:

<http://www.gasgovernance.com/industryinfo/GasCust/2009Meetings/>

1.1 Minutes of last meeting

Minutes of the 01 December 2008 meeting were accepted.

1.2 Review of Actions

Action GCF050: In the absence of R Cameron-Higgs, Chair (JB) enquired if:

- a. the action could be closed, or alternatively
- b. clarification as to what information is actually required

EP provided a brief summary of the background - the request for baseline information for Interruptible loads dates back to the GCF meeting in November 2007. Transco used to provide a chart indicating the breakdown of Interruptible sites. In more recent

times EP had requested an updated version from National Grid, who duly provided one, but in a different format (preventing direct comparisons being made). The problem has been compounded since DN sales because the various DNs have provided different sets of (incompatible) figures.

RCH had agreed to take an action to co-ordinate the compilation of a suitable report and thought it had been provided. However, EP confirmed that he would still like to see a report that displayed the current total number of interruptible sites per LDZ (on a Supply Point basis) and the total capacity (at an aggregated LDZ level). DA advised that the DNs had recently provided something similar to the Authority.

The DNs agreed to prepare a report for the April 09 meeting, and it was agreed to close the existing action.

Action GCF050: Closed

Action GCF062: DNs to prepare a report identifying the current number of interruptible sites per LDZ (on a Supply Point basis) and the total capacity (at an aggregated LDZ level)

2. Presentations

Before considering the main agenda items, attendees discussed several issues of concern:

Load Shedding Order – whilst acknowledging that this information is normally shared with an end user on a one-to-one basis, AM indicated that she would like to know what the load shedding ‘pecking order’ (Priority User List) comprised of.

RS pointed out that, historically, separate groups have considered market risks, including isolation/interruption, and maybe now is the time for a wider ranging review to consider additional issues such as gas quality, interruption and security of supply. CT understood that Ofgem is already looking into this. EP indicated that various requests to this end had been made to the Authority, and JB confirmed that there was an outstanding action on Ofgem at the Transmission Workstream which he was expecting them to respond to at its February meeting.

EP voiced concern that whilst Ofgem’s view remains that the market will meet demand (via trading mechanisms amongst other things), the reality is somewhat different. A major concern is the risk placed upon large firm sites to shed load (interrupt) in the event of, or to prevent, an emergency. He believed the issue was not the emergency procedures themselves, but rather what we do when the procedures fail? This was especially relevant with a decreasing number of interruptible sites and the consequent increased risk to the larger I&C players.

In response to these concerns JBo agreed to provide an update on emergency arrangements across both the gas and electricity markets at the April 09 meeting. ST agreed to investigate where the DNs are in respect of their firm load shedding work and to ascertain if a ‘pecking order’ can be incorporated.

Asked whether priority sites will need to be re-nominated in 2011, ST confirmed that they would. Attendees questioned whether the HSE is fully aware of the percentage of firm sites able to come off the system during an emergency and the timescales involved, and what back up fuel arrangements exist for these parties – it was accepted that the lead role on this matter did not simply rest with Ofgem and that other bodies have a responsibility as well.

Action GCF063: Ofgem to provide an update on emergency arrangements across both the gas and electricity markets at the April 09 meeting

Action GCF064: ST to investigate where the DNs are in respect of their firm load shedding work and to ascertain if a ‘pecking order’ can be incorporated

2.1 Pricing Update – April Price Change Plans

DA confirmed that the April 2009 price change will not include any methodology changes. A change had been put forward (DNPC04) but feedback suggested implementation in 2009 would be extremely tight, and hence 2010 was now being considered. However, the initiation of a related Competition Commission investigation may lead to further delay.

DA indicated that a planned discussion paper on Exit Capacity Charges had been delayed pending approval of Modification Proposal 0195AV “Introduction of Enduring NTS Exit Capacity Arrangements”. When asked, DA confirmed that exit charges will be based on SOQs, which should reflect peak day demand. There are no plans to adopt a fixed SOQ approach, although this may be reviewed in due course for load factor generated SOQs.

DA confirmed that the DN price change window now runs from April to April, and the soon to be announced April 2009 charges will apply until April 2010. However, NTS charges are expected to change in October.

2.2 Uniform Network Code Governance Review

JBo reminded all of the Code Governance Review workshop scheduled to take place on Wednesday 11 February 2009 in Victoria, London. She then presented the issues in Ofgem’s consultation paper ‘**Code Governance Review – Major Policy Reform Proposals**’.

The following were highlighted as being of particular interest to the Gas Customer Forum:

- Plethora of change mechanisms makes it difficult for small parties to engage in the processes;
- Public policies, such as security of supply, sustainability and better regulation initiatives, are having an increasing impact upon industry;
- European Policies (i.e. environmental, energy services, measurement directives and cross border control issues) are driving industry change, and
- Current governance arrangements may not be seen to promote inclusiveness and therefore become a barrier to small parties;

Looking specifically at the Ofgem Reform Proposals, JBo pointed out:

- The process maps are derived from Ofgem’s holistic single solution approach – i.e. all 3 paths are adopted, or none;
- Path 1 – Major Policy Review
 - Ofgem lead, only anticipated to take place once or twice per year;
- Path 2 – Improved Status Quo
 - The existing approach but with process alignment between the Codes;
- Path 3 – Self Governance
 - Ofgem cease to be involved in a range of decisions on intra-industry issues
- The varied path approach is a potential improvement over the current position:
 - Attendees suggested the proposals look as though the Authority has the final vote regardless of which route is followed;

- Ofgem reviewed their modification decisions over a 12 month period, the information from which is contained in the annex of the consultation document;
- nothing is set in stone and Ofgem is keen to receive feedback.

JBo then presented on the '**Code Governance Review – Role of code administrators and small participant/consumer initiatives Proposals**'.

During discussions, the following items were highlighted as being of particular interest to GCF:

- arrangements are fragmented across 12 codes;
- when considering extending consumer representation rights on modification panels – if Consumer Focus represents smaller consumers, who represents I&C consumers?

Dissatisfaction remains that customer representatives are only able to attend UNC Modification Panel meetings as observers with no voting rights and are unable to propose modifications to the UNC. Third party modifications are restricted to information provision and are of little real value. In response, ST questioned the real value of consumer participation in bodies such as the UNC Modification Panel - very few consumer representations are received during the consultation processes.

Asked how the proposed reforms would benefit end users, JBo said the proposed changes sought to open up participation - Ofgem remains keen to receive feedback on the best route for achieving this.

Concern was raised that groups which currently meet with Ofgem do so outside of any formal governance mechanism. However, attendees acknowledged that they should consider how large a level of participation would be appropriate and that there is no real substitute for having customers present and involved in discussions;

- A Code Administrators Working Group (CAWG) report is expected towards the end of February

In response to concerns that Ofgem have taken CAWG report preparation in-house, JBo emphasised that attendees had agreed Ofgem should produce an initial draft report which would be edited and signed off by CAWG members;

- The iGT panel provides supporting evidence for their decisions which Ofgem finds beneficial;
- Ofgem is looking for guidance on what constitutes a small participant.

In closing, JBo emphasised that the review is about trying to build in a level of flexibility now, to meet future market demands and changes. The deadline for consultation responses is Friday 27 February 2009.

2.3 Transmission Issues

DR provided an update.

NTS Exit Reform

- Authority decision letter received 19/01/09;
- Workshop looking at the detail for the reform taking place at Elexon on Tuesday 27/01/09 with a further workshop scheduled for mid March;
- Changes with effect from April 09 for 2012 gas year;

- Changes in the relationship of the transmission system
 - charging arrangements;
 - user financial commitment for large changes;
 - interruptible (off peak product) capacity release (subject to defined rules); and
 - flexibility (variable NTS offtake rates) – no major change. More information on flexibility will be published in due course;
- Introduction of the regime
 - interested parties will be notified for 2012 in May 09;
 - detailed rules for capacity release will be subject to further industry discussion; and
- Presentation material will be published on the National Grid web site in due course at: <http://www.nationalgrid.com/uk/Gas/OperationalInfo/endureexitcap/>

Regarding interruptible capacity, DR confirmed that this will be made available on a daily basis and how this will operate will be discussed in more detail at the workshops. When asked how NTS Exit Reform might affect a daily metered (DM) site, ST believed that it should not result in an increase in charges. However, this is one area to be considered in future discussions.

Winter Update

DA said the Winter Daily Summary Report is available from the National Grid web site at: <http://marketinformation.natgrid.co.uk/gas/ReportExplorer.aspx>

The data suggests that it had been a cold start to 2009 and, reflecting market conditions, the trigger point for a Gas Balancing Alert (GBA) had been changed on three separate occasions. This situation is being closely monitored by National Grid NTS. He added that National Grid NTS remain committed to engaging with the industry on these matters and would welcome feedback.

JB added that information provided by National Grid NTS demonstrates that the gas supply position remains superior to that experienced in previous years, and the change in the trigger level of the GBA should not be seen as an indication of an underlying problem. If the GBA methodology needed amending, National Grid NTS would follow the appropriate procedures in doing so. JB pointed out that industry discussions had considered GBA mechanisms, especially with regard to the short range measures - DR confirmed that short range storage focuses on localised and short lived provision. JB said National Grid NTS invests time and effort in trying to predict requirements in the uncertain world we live in. However, National Grid NTS is heavily dependent on the accuracy of the information provided to it.

Attendees pointed out that this comes back to a wider industry issue surrounding security of supply. Some felt that issues are compounded by what appears to be Ofgem's reluctance to appreciate market impacts associated with their decisions - the market reaction to prevailing signals is more important than National Grid NTS's actions. RS added that the UK should be wary of potentially breaching EU law in the event of interrupting supplies to mainland Europe.

Asked if there were any plans to remove LNG storage (utilised for system support), JB responded that only Avonmouth is now a constrained site and LNG storage facilities, as a rule, are available to meet both local and national requirements.

3. Modification Proposals

JB provided an update on the UNC Modifications Proposals likely to be of most interest to GCF attendees:

- 0194/0194A “Framework for correct apportionment of LSP unidentified error”. BGT’s proposal identifies RbD error allocation changes, whereas the Corona alternative suggests a fixed amount approach. Ofgem have said their decision whether or not to accept either Proposal will be delayed to allow other related proposals to progress through the change process;
- 0208 “Information relating to Unallocated Energy”. Review Group expected to report to the February Modification Panel. RS said the recommendation is that the Panel write to Ofgem regarding theft of gas and connection related issues suggesting Ofgem initiate a more holistic view, looking beyond the confines of the UNC;
- 0209 “Rolling AQ”. The Development Work Group is due to report to the April Modification Panel. Legal drafting is being prepared for consideration;
- 0213V “Introduction of User Pays Governance Arrangements into the UNC”. Consultation on the proposal ends 06/02/09;
- 0217 “Gemini Code Contingency Arrangements”. The Review Group is scheduled to meet on 12/02/09 to consider various process flow map related requirements;
- 0219 “Publication of UK Wholesale Gas Market Liquidity Data”. Provides for publication of the day ahead gas flow nomination data which would align GB with European proposals. Most of this data is already available on National Grid’s website. However, if this proposal were implemented the data would be provided in a graphical form without any data manipulation;
- 0221 “Review of Entry Capacity and the Appropriate Allocation of Financial Risk”. The Review Group is scheduled to report to the March Modification Panel. The Group is looking the level of credit to be posted before parties are allowed to bid in entry capacity auctions;
- 0224 “Facilitating the use of AMR in the Daily Metered Elective Regime”. This Proposal to introduce a revised settlement regime for the above 25k therms/day market. It would be available to the largest sites initially, and the Development Work Group is due to report to the February Modification Panel. However, the level of costs and their recovery remains unclear;
- 0227 “Implementation of an Industry AMR database to facilitate the change of supply process”. RS explained this constitutes one of three strings of preparatory work to ensure that AMR will work when introduced. The other two elements are looking at standardisation of processes (ESTA & SPAA);
- 0228/0228A “Correct Apportionment of NDM Error – Energy”. Consultation on the proposals ends 06/02/09;
- 0229 “Mechanism for correct apportionment of unidentified gas”. The Workstream is due to report to the April Modification Panel;
- 0230/0230AV “Amendment of QSEC and AMSEC Auction Timetables”. Seeking to move the long term entry capacity auction timetable. These Proposals have been issued for a second round of consultation which ends 13/02/09;
- 0231 “Changes to the Reasonable Endeavours Scheme to better incentivise the detection of Theft”. The Workstream is due to report to the February Modification Panel;

- 0232 “Allocation of Unidentified Gas via the Distribution Networks Charges”. This proposal is likely to be withdrawn;
- 0233 “Changes to Outstanding Energy Balancing Indebtedness Calculation”. Part of a set of three modifications (0233, 0234 & 0235) looking at reducing risk in the event of a party going into administration;
- 0234 “To Correct Drafting Inconsistencies between Section X and V of the UNC in Respect of User Default and Termination”. Implemented with on 29/01/09;
- 0235 “Recovery of Debt and Smearing of Revenues via Energy Balancing Neutrality”. Currently awaiting an Ofgem decision;
- 0236 “Amendment to px (TGPP) Limited Network Entry Agreement”. Implemented on 06/02/09;

Attendees voiced concern over issues associated with the alignment of UK and European gas specifications - issues remain over who should fund nitrogen ballasting if this is used to resolve the problem.

- 0237 “Disposal of Dynevor Arms LNG Storage Facility”. Currently with Ofgem awaiting a decision.
- 0238 “Amendment to Protected Information Provisions to facilitate DNO compliance with SPAA Schedule 23”. Currently with Ofgem awaiting a decision;
- 0239 “Reinstatement of NTS Interruption”. This provides for the extension of current arrangements for an additional year. Currently with Ofgem awaiting a decision;
- 0240 “Promoting Competition in Operating Margins Provision”. Currently with Ofgem awaiting a decision. JB pointed out that this does not mean that all HSE issues have been resolved;
- 0241 “Delaying the implementation of the Ad-hoc application principle of the enduring offtake arrangements”. This seeks to remove the possibility of ad-hoc exit capacity allocations until October 2009, after the first Annual Allocations have taken place.

4. Customer Issues

4.1 DNO Update

No additional issues raised.

4.2 Customer Issues

EP said no meaningful figures had yet been provided regarding the latest emergency exercise. DR indicated that the report submitted to the HSE indicated that there were no significant improvements in emergency contact performance. The report will be made available as soon as the necessary approvals have been received.

One attendee was concerned by reports of poor performance by her organisation during the exercise when she is unable to get to the source of the information. CT understood that the Gas Emergency Action Group is to be reconvened in 2009.

AMe questioned where her capacity resides and the associated potential for carrying of cost across the industry. Her problem is compounded by the impact of the capacity/commodity split in the current economic climate. In her view, industry is likely to be carrying a high level of fixed capacity costs and she would welcome any advice from the DNs on how consumers may reduce their potential costs, especially in light of the impending closure of the UNC window at the end of January. She sees three potential barriers to reducing her costs:

- the Capacity Reduction Period, Code – whereby she will be unable to reduce her bottom stop SOQ (the highest capacity day from the previous winter) after January;
- redundant plant; and
- mothballed plant that prevents flexing of capacity bookings.

Responding to AMe's concerns, ST pointed out that the DNs are also constrained by the UNC provisions (UNC TPD Section G5.2.1(a) and 5.2.2) and, as such, are not in a position to provide any flexibility. However, he agreed to take an action to discuss the matter with the other DNs and report his findings at the April meeting.

Action GCF065: ST to discuss issues surrounding the capacity reduction window and the potential for industrial consumers to reduce their costs

4.3 Regulatory Issues

No additional issues raised.

5. Date of next meeting and agenda items

The next meeting of the Gas Customer Forum is scheduled to take place at the Elexon Office in London at 1:00pm on Monday 27 April 2009.

Dates and locations of future meetings are available on the Joint Office calendar, www.gasgovernance.com/Diary, and papers on the Gas Customer Forum section of the website, www.gasgovernance.com/industryinfo/GasCust.

Suggestions for agenda items can be sent to enquiries@gasgovernance.com

6. Any other business

None

Action Log – Gas Customer Forum – 26 January 2009

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner*	Status Update
GCF050	30/11/07	1.2	Investigate progress on the provision of baseline information for Interruptible Loads and report back at the next meeting.	Northern Gas Networks (RCH)	Discussions undertaken Closed
GCF062	26/01/09	1.2	Prepare a report identifying the current total number of interruptible sites per LDZ (on a Supply Point basis) and the total capacity (at an aggregated LDZ level)	All DNs	Update due at 27/04/09 meeting.
GCF063	26/01/09	2	Provide an update on the emergency arrangements across both the gas and electricity markets	Ofgem (JBo)	Update due at 27/04/09 meeting.
GCF064	26/01/09	2	Investigate where the DNs are in respect of their firm load shedding work and to ascertain if a pecking order can be incorporated	WWU (ST)	Update due at 27/04/09 meeting.
GCF065	26/01/09	4.2	Discuss issues surrounding the capacity reduction period window and the potential for consumers to reduce their costs	WWU (ST)	Update due at 27/04/09 meeting.

*** Key to action owners**

JBo Jenny Boothe, Ofgem

ST Simon Trivella, Wales & West Utilities