

**Review Group UNC0264 Minutes**  
**16 September 2009**  
**Holiday Inn, 61 Homer Road, Solihull**

**Attendees**

Bob Fletcher (Chair)	TD	Joint Office of Gas Transporters
Helen Cuin (Secretary)	HC	Joint Office of Gas Transporters
Alison Meldrum	AM	Corus Group
Anne Jackson	AJ	SSE
Brian Durber	BD	E.ON UK
Chris Hill	CH	RWE npower
Chris Warner	CW	National Grid Distribution
David Watson	DW	British Gas
Dean Johnson	DJ	xoserve
Emma Smith	ES	xoserve
Fergus Healy	FH	National Grid Transmission
Gareth Evans	GE	Waters Wye Associates
Joanna Ferguson	JF	Northern Gas Networks
Joel Martin	JM	Scotia Gas Networks
Karron Baker	KB	Ofgem
Richard Street	RS	Corona Energy
Simon Trivella	ST	Wales & West UtilitiesSSE
Stefan Leedham	SL	EDF Energy
Steve Marland	SM	National Grid Distribution

**Apologies**

Eddie Proffitt	EP	MEUC
Shelley Rouse	SR	Statoil (UK)

**1. Introduction and Status Review**

**1.1. Minutes from previous Review Group Meeting**

The minutes of the previous meeting were approved.

**1.2. Review of actions from previous Review Group Meetings**

**Action RG0264 001:** CW and RS to review the problems, impacts and analyses required, and provide an update to the next meeting.

**Action Update:** See item 3.1. **Complete.**

**Action RG0264 002:** CW and DJ to report on potential transitional relief options to the next meeting.

**Action Update:** See item 3.1 and 3.2. **Complete.**

**2. Review Group Discussion**

**2.1. Analysis of Problems**

CW provided a presentation which considered the issues raised by UNC0244. The presentation included a background, the key points within Ofgem's decision letter and a

BTU Form summary. CW clarified that currently the UNC and its associated systems only recognises a live or isolated site and not a position in between e.g. curtailed production. He explained that National Grid Distribution have looked at a number of remedies short term and a transitional approach.

AM highlighted the urgency required to find a solution. RS highlighted the changes in the interruption regime which has prevented the ability to vary the level of charges in an alternative manner

CW explained that in the DM market there is not an ability to change the AQ, the changing of an AQ has no effect on reducing charges as these are calculated based on the SOQ and profile.

ST challenged any suggestion of discrimination against operating DM and NDM markets. RS highlighted that Ofgem recognise there is differential treatment of NDM and DM sites, questioning what is the appropriateness of treating the markets differently. KB confirmed that Ofgem recognise the markets are managed differently; however this is not necessarily undue discrimination if there are good reasons for different processes. It was highlighted that Ofgem need to understand the scope and impact any change would have on other customers, the appropriateness of differential treatment, and the potential demand for adjusting DM SOQs.

AM highlighted the effect on booked capacity and how this will need to be smeared across the remainder of the UK portfolio. AM emphasised that the lack of ability to reduce costs, can result in companies failing or even withdrawing from the UK.

The Review Group discussed the balance between Transporters recovering its charges, against the appropriateness of a system that does not allow a change when there is evidence in significant reduction in use unless the site chooses disconnect. AM was keen to have a solution which allows customers to turn down and gain some relief in capacity charges, rather than having to choose disconnection.

CW highlighted possible transitional relief approaches. RS was keen to see a solution for customers to reduce their costs and not have to pay capacity charges based on their previous usage.

CW explained the process for BTU forms. SL asked what would happen with manifest errors and questioned if there were other reasons an NDM AQ can be changed not just because of a change in plant. BD explained that the BTU form allows the ability to amend an AQ outside of the AQ Review process.

**Action RG0264 0004:** National Grid (CW) to set out the current reasons for allowed AQ changes.

SM questioned if sites are likely to be keeping plant with the ability to reuse it, he questioned if sites have the ability to use plant whether the capacity should be made available. ST pointed out that the AQ is a reflection of past usage and this needs to be accurate as possible of what has been taken off the system in the past 12 months.

SM questioned the ability to use the BTU form to frequently change the AQ, he also questioned that if the AQ is based on past usage how this is going to assist projected usage. ST pointed out that a change of an AQ for a DM site will not affect charges as these are based on SOQ with limits on BSSOQ.

ST challenged the ultimate aim, he questioned what are the two remedies: managing the AQ and SOQs or to remove BSSOQ with an option to reduce the SOQ below BSSOQ on a temporary basis.

BD also highlighted that EUC also have an impact on charges.

SM suggested that the Review Group needs to establish if there should be a difference between DM and NDM use for the BTU form or equivalent process.

CW believed long term regime change is inevitable but in the short term are there any other steps which could be taken.

SL questioned the focus on a UNC solution, he asked if charging is within scope and whether there is an ability to vary the charging mechanism for DM supply points.

ST questioned whose charges are being reviewed, Transporters or Suppliers. RS explained that typically contracts in this market pass Transportation charges through to the customers who currently see no benefit from a reduction in usage.

GE questioned when an amended AQ would become effective and when this change would affect the SOQ using the BTU Form process.

**Action RG0264 0005:** xoserve to produce a BTU Form process timeline.

DJ provided a presentation on the rules and options for BSSOQ Methodology Changes post UNC0244, this indicated some of the options that may be available both short and long term. He also explained the current BSSOQ process.

SL challenged the period of the annual BSSOQ Review and questioned why the period is limited to October to January, he questioned why this couldn't be October to September.

RS was keen to give a customer choice, he recognised the industry does not want to jeopardise the market or allow gaming but ultimately any change is about allowing customer choice.

DJ provided four long term regime changes with very high level costs analysis, feasibility and timescales. He also provided some transitional solutions but these had more significant issues and required further analysis to confirm feasibility and timescales.

DJ offered a solution whereby the BSSOQ is redefined or discontinued; SM explained the impacts on ratchet charges. SM believed it was appropriate to have a period of time which restricts amendment to the SOQ currently this is up to two years, the question is whether this ought to be changed so capacity is locked in for no more than 1 year as this would be similar to NDM. This was further explained with a caveat that if you reduce capacity it should only be reduced once within a gas year. The extent of flexibility for DM sites was considered.

RS was keen to consider a long term solution such as reducing period time to effect a change in SOQ but wished to concentrate on a short term solution. CW made the group aware that xoserve will need feedback quickly to consider the options available to enable analysis to start.

GE asked if any of the long term solutions could be adapted possibly with a manual work around and used as a transitional arrangement.

FH expressed concern of resolving an issue for one customer group and having a detrimental affect on another group(s). DW believed anything was possible it will be about the costs of a solution and measuring the benefits against these costs.

## **2.2. Transitional Relief**

DJ offered an option for transitional relief using the principle of retrospective rebates. SL questioned the charging methodology changes for a rebate system.

SM challenged whether it was right to give a rebate for unused capacity and that this is not an option within the NDM market. He explained that if a level of capacity is required then this needs to be funded.

RS explained that in year one, the customer would request a reduction, this would be monitored and at the end of year one if the reduction in SOQ had been achieved, a request would be submitted again to reduce the SOQ and a rebate calculated on the difference.

ST highlighted that the concerns raised by Ofgem still need to be addressed.

RS asked if Ofgem had ruled out any options including the previous Proposals. KB confirmed that no solution had been ruled out however, Ofgem required the evidence it had highlighted previously to ensure the correct decision was reached.

AM challenged the need to provide the likely take up of capacity reduction, it was explained that the likely take up will assist understanding the costs, benefits and overall market impact.

GE explained that the solution will free up capacity and prevent Transporters for having to find capacity or undertake reinforcement for other developments and potentially reduce asset stranding, he did not believe that there was a cross subsidiary in these circumstances.

SL acknowledged that if a customer states they wish to have a certain capacity available to them for 12 months then this needs to be funded as this is a commercial decision.

ST suggested looking at the solutions further to assess the ability to operate the solutions.

SM suggested for an interim period only, that the confirmed SOQ could be changed within the 12 month period; with the application of ratchet charges should the actual SOQ exceed the revised value.

**Action RG0264 0006:** Transitional solutions to be considered to potentially allow the change to a DM SOQ after 01 October (CW/RS/SM/DJ).

A survey to customers was considered to gauge the likely take up and potential impacts, BD suggested the materiality would also need to be understood. It was suggested that customers may not want to indicate likely capacity turn down.

SL questioned if Transporters would be able to take daily meter reads and compare this to the Bottom SOQ to establish any differences and gauge likely take up.

ST raised a concern about redefining the BSSOQ, however he suggested that the SOQ could fall below the BSSOQ for a transitional period, though this may not affect SHQ.

CW was keen to establish the answers to Ofgem's concerns. It was acknowledged that this needs to be undertaken once the possible solutions are considered.

It was agreed to undertake a two step approach, by looking at an interim solution and a long term solution.

GE challenged if the short term solution is relatively cheap does it matter how many users are likely to use it. RS suggested that xoserve will need to understand the solutions as this will affect the cost of a work around.

### **2.3. Terms of Reference**

BF asked if there were any further feedback. No further feedback was provided. It was agreed that the terms of reference could be approved and published on the Joint Office website.

## **5. Diary Planning for Review Group**

10:00 Tuesday, 29 September 2009, Holiday Inn, 61 Homer Road, Solihull

10:00 Wednesday, 14 October 2009, Holiday Inn, 61 Homer Road, Solihull

Meeting mid November to be planned.

## **6. AOB**

None.

**ACTION LOG - Review Group 0264**

<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
<b>RG0264 0001</b>	01/09/2009	3.0	CW and RS to review the problems, impacts and analyses required, and provide an update to the next meeting.	National Grid Distribution (CW) and Corona Energy (RS)	Complete
<b>RG0264 0002</b>	01/09/2009	3.0	CW and DJ to report on potential transitional relief options to the next meeting.	National Grid Distribution (CW) and xoserve (DJ)	Complete
<b>RG0264 0003</b>	01/09/2009	3.0	Joint Office to amend draft Terms of Reference in light of discussions and publish for comment on the Joint Office website.	Joint Office (JB)	Complete
<b>RG0264 0004</b>	16/09/2009	2.1	National Grid (CW) to set out the current reasons for allowed AQ changes.	National Grid Distribution (CW)	Pending
<b>RG0264 0005</b>	16/09/2009	2.1	xoserve to produce an BTU Form process timeline.	xoserve (DJ)	Pending
<b>RG0264 0006</b>	16/09/2009	2.2	Transitional solutions to be considered to potentially allow the change to a DM SOQ after 01 October.	CW/RS/SM/DJ	Pending