

Record of Determinations: Panel Meeting, 21 June 2012

Modification	Vote Outcome	Shipper Voting Members					Transporter Voting Members					Determination Sought	
		AG	CH	CWr	AG (PB)	RF	CWa	EM	JF	RCH	RH		
0410A – Responsibility for gas off-taken at Unregistered Sites following New Network Connections	Not related to the Significant Code Review - unanimous vote against	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	Modification should follow Self-Governance Procedures
	Issued to Workgroup 0410 - 7 votes in favour and 3 votes against	X	X	✓	X	✓	✓	✓	✓	✓	✓	✓	Should be referred to Workgroup 0410
0427 - Estimated Opening Meter Reads Code Amendment	Not related to the Significant Code Review - unanimous vote against	X	X	X	X	X	X	X	NP	X	X	Modification is related to Significant Code Review	
	Is a Self-Governance Modification - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	NP	✓	✓	Modification should follow Self-Governance Procedures	
	Proposed self governance determination date is 21 September 2012 - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	NP	✓	✓	Proposed self governance determination date to be 21 September 2012	
	Issued to Workgroup 0427 - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	NP	✓	✓	Should be referred to Workgroup	
	Workgroup to report by the September 2012 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	NP	✓	✓	Workgroup to report by the September 2012 Panel	
0428 - Single Meter Supply Points	Not related to the Significant Code Review - unanimous vote against	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	Modification should follow Self-Governance Procedures	
	Issued to Workgroup 0428 - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Should be referred to Workgroup	
	Workgroup to report by the December 2012 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Workgroup to report by the November 2012 Panel	

0429 - Customer Settlement Error Claims Process	Not related to the Significant Code Review - unanimous vote against	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	Modification should follow Self-Governance Procedures
	Issued to Workgroup 0429 - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Should be referred to Workgroup
	Workgroup to report by the November 2012 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Workgroup to report by the November 2012 Panel
0391 - Distributed Gas Charging Arrangements	Consultation to close on 03 August - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Consultation to close on 03 August 2012
0423S – Removing the UNC TPD Section O requirement to publish nodal forecast data	Consultation to close on 10 July - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Consultation to close on 10 July 2012
0395 – Limitation on Retrospective Invoicing and Invoice Correction	Issued for further consultation - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Issue to Consultation
	Consultation to close on 10 July - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Consultation to close on 10 July 2012
0398 - Limitation on Retrospective Invoicing and Invoice Correction (3 to 4 year solution)	Issued for further consultation - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Issue to Consultation
	Consultation to close on 10 July - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Consultation to close on 10 July 2012
0407 – Standardisation of notice periods for offtake rate changes for all National Grid NTS Exit Users	Proceed to consultation - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Issue to Consultation
0412 - Changes to the Stages of Emergency Resulting from Changes introduced by Exit Reform	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

0416S – Extending the data provision permissions created by Modification 0279 regarding historic asset and read data provision	Proceed to consultation - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Issue to Consultation
0421 – Provision for an AQ Review Audit (previously 0379A)	Proceed to consultation - 9 votes in favour and 1 vote against	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	Issue to Consultation
0368 - Smoothing of Distribution Charge Variation	Workgroup to report by December Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Workgroup to report by December Panel
0383 - Profiling payment of LDZ transportation charges	Workgroup to report by November Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Workgroup to report by November Panel
0373 – Governance of NTS connection processes	Consideration Deferred - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Defer Consideration
0378 - Greater Transparency over AQ Appeal Performance	Consideration Deferred - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Defer Consideration
0404 - Profiling Payment of LDZ capacity transportation charges for Small Shipper Organisations	Consideration Deferred - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Defer Consideration
0411S – Removal of the Obligation to Publish Firm Gas Monitor from the UNC	Not returned to Workgroup - unanimous vote against	X	X	X	X	X	X	X	X	X	X	X	Did consultation raise new issues
	Implemented - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Whether to implement
0414S – Discontinuation of ANS usage for Interruption Communications by Transporters	Not returned to Workgroup - unanimous vote against	X	X	X	X	X	X	X	X	X	X	X	Did consultation raise new issues
	Implemented - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Whether to implement
0417S – Notice for Enduring Exit Capacity	Not returned to Workgroup - unanimous vote against	X	X	X	X	X	X	X	X	X	X	X	Did consultation raise new issues

Reduction Applications	Implemented - 9 votes in favour and 1 vote against	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	Whether to implement
0419 – Redefining the capacity of the Specified Exit Point used in the calculation of the NTS Optional Commodity tariffs	Not returned to Workgroup - unanimous vote against	X	X	X	X	X	X	X	X	X	X	Did consultation raise new issues
	Implementation recommended - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Whether to recommend implementation

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

Attendees

Voting Members:

Shipper Representatives	Transporter Representatives
A Green (AG), Total - also alternate for P Broom, GDF Suez C Hill (CH), First Utility C Wright (CWr), British Gas R Fairholme (RF), E.ON UK	C Warner (CW), National Grid Distribution E Melen (EM), Scotia Gas Networks J Ferguson (JF), Northern Gas Networks R Cameron-Higgs (RCH), Wales & West Utilities R Hewitt (RH), National Grid NTS

Non-Voting Members:

Ofgem Representative	Terminal Operators' Representative	Chairman
	R Monroe (RM), Centrica Storage	T Davis (TD), Joint Office

Also in Attendance:

A Miller (AM), Xoserve; A Miller (AMi), Centrica Storage; A Raper (AR), National Grid Distribution; D Ianora (DI), Ofgem; D Lond (DL), National Grid NTS; D Mitchell (DM), Scotia Gas Networks; G Evans (GE), Waters Wye Associates; L Dupont (LD), Deputy Panel Secretary;

By teleconference: E Hunter (EH), RWE npower.

Record of Discussions

126.1 Note of any alternates attending meeting

A Green for P Broom (GDF Suez)
E Melen for A Gibson (Scotia Gas Networks)
R Cameron-Higgs for S Edwards (Wales & West Utilities)

126.2 Record of Apologies for absence

A Gibson, P Broom and S Edwards

126.3 Minutes of the Last Meeting

The minutes of the last meeting were approved.

126.4 Consider New, Non-Urgent Modifications

- a) Modification 0410A – Responsibility for gas off-taken at Unregistered Sites following New Network Connections

CWa introduced the modification and its aims, advising that it was his view that this modification is an alternative to Modification 0410 (largely due to the energy charge element). GE did not agree with this and did not believe that a double charging scenario could occur if both modifications were implemented.

It was recognised that this Modification 0410A and Modification 0410 might develop solutions that overlap. GE expressed concern that coupling the two modifications together at this point may delay the progress on whichever one was ready to proceed more quickly. The merits of separating and harnessing together were discussed, and it was acknowledged that, either way, Ofgem was likely to wait for the other to catch up before reaching a decision. JF added that legal drafting discussions were continuing in respect of Modification 0410, which may require further amendment. TD confirmed that if accepted as an alternate, 0410A would follow the same timetable as 0410 and hence be due to report to the Panel in August.

For Modification 0410A, 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 may have a material impact on Users;
- Should be issued to Workgroup 0410 for assessment alongside the original modification.

- b) Modification 0427 - Estimated Opening Meter Reads Code Amendment

EH introduced the modification and its aims, indicating that this was a 'housekeeping' modification to remove the discretionary element and align the UNC to Xoserve's current practice of accepting opening reads within 10 business days. Xoserve had been engaged and were supportive of the aims.

For Modification 0427, 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 met as this modification codifies current practice such that it is unlikely to have a material impact on consumers, Users or Transporters;
- The Proposed Self-Governance determination date is 21 September 2012;
- Workgroup Assessment is required, with a report presented to Panel by September 2012.

c) Modification 0428 - Single Meter Supply Points

AR introduced the modification and its aims. Responding to questions he explained that the aggregation rules had originated in the time prior to competition and had been introduced to reflect that legacy position. It was considered now that the complexities of the legacy position were not appropriate to carry forward, especially with a view to new system builds approaching in the near future.

RH indicated that he would prefer it if this modification specifically excluded NTS offtakes. If it did not, then he suggested that it might also require discussion at the Transmission Workgroup to maintain full visibility across the Shipper community.

GE raised a concern that some parties might have selected specific engineering solutions in light of the available options and incentives. Changing the arrangements could mean those choices are no longer appropriate. It would be helpful, initially, to understand the extent of this potential issue with a view to considering the reasonableness of what is proposed. AR confirmed that, at this point, end users that may be impacted have not been directly engaged with.

For Modification 0428, 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 is likely to have a material impact on consumers and Users as it will change Transportation charges;
- Workgroup Assessment is required, with a report presented to Panel by December 2012.

d) Modification 0429 - Customer Settlement Error Claims Process

GE introduced the modification and its aims, emphasising it was a very manual, written process that would require provision of sound evidence in support of any claims. CW questioned if there would be any impact on the AUGÉ process, and GE explained his view of the issue.

For Modification 0429, 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 is likely to have a material impact on Users;
- Workgroup Assessment is required, with a report presented to Panel by November 2012.

126.5 Consider Legal Text

a) Modification 0391 - Distributed Gas Charging Arrangements

No issues were raised regarding the text, and Modification 0391 will therefore be issued to consultation, with Members agreeing a closing date of 03 August 2012.

b) Modification 0423S – Removing the UNC TPD Section O requirement to publish nodal forecast data only at the same time as the Ten Year Statement

No issues were raised regarding the text, and Modification 0423S will therefore be issued to consultation, with Members agreeing a closing date of 10 July 2012.

126.6 Consider Workgroup Issues

Workgroup Reports for Consideration

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

A revised Final Modification Report (FMR) had been published that included the Workgroup's responses to Ofgem's questions. Next steps were discussed. DI observed that Xoserve may not have fully answered all the questions, and that some may require elaboration. (AM reconsidered these during the meeting and, referring to Question 3, committed to providing Ofgem with a further response.)

DI indicated that Ofgem favoured a second consultation, inviting comments on the revised FMR.

Members accepted the additions to the revised Final Modification Report and determined that Modification 0395:

- should proceed to further consultation, with a closing date of 10 July 2012.

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

Members accepted the additions to the revised Final Modification Report and determined that Modification 0398:

- should proceed to further consultation, with a closing date of 10 July 2012.

c) Modification 0407 – Standardisation of notice periods for offtake rate changes for all National Grid NTS Exit Users

DI understood that further analysis was being prepared and that Ofgem's analysts believed it to be appropriate that this should be available before issuing the modification to consultation. The likely timescales for the provision of the NTS analysis (4-5months) and the DN analysis were discussed, and concerns were raised at the length of time this might actually take. It was observed that the basis of any assumptions needed to be clear and consistent.

TD pointed out that the modification had been raised because of the apparent constraint on a customer, and that any decision to extend the timeframe ought to take into account the detriment that the modification seeks to address. JF agreed, adding that she was loathe for any delay to the process if there was likely to be a 'distressed' customer at the end of it.

Members accepted the Workgroup Report and determined that Modification 0407:

- should proceed to consultation.

d) Modification 0412 - Changes to the Stages of Emergency Resulting from Changes introduced by Exit Reform

Members accepted the Workgroup Report and determined that Modification 0412:

- should proceed to consultation;
- that legal text is not required for inclusion in the draft Modification Report; and
- that a cost estimate is not required for inclusion in the draft Modification Report.

e) Modification 0416S – Extending the data provision permissions created by Modification 0279 regarding historic asset and read data provision

Members accepted the Workgroup Report and determined that Modification 0416S:

- should proceed to consultation.

f) Modification 0421 – Provision for an AQ Review Audit (previously 0379A)

RH questioned the provision of the audit report, the assumption being that it would go to Ofgem and the party concerned, although the recipients did not seem to be expressly stated in the modification.

DI observed that the implementation cost estimates seemed on the high side, to which AM responded that Xoserve had provided an initial estimate; work on this was continuing and the current estimate was now around £400k - £600k. DI stated that a strong demonstration of benefits would be required to support this level of cost. RH suggested that the Panel may wish to consider requesting a DCA (detailed cost estimate) given the range and level of costs involved.

Members accepted the Workgroup Report and determined that Modification 0421:

- should proceed to consultation.

Consider Workgroup Report Dates

The Panel reviewed the work plan for modifications currently under assessment and unanimously agreed to amend the following Workgroup reporting dates:

- a) Modification 0383 - Profiling payment of LDZ transportation charges; housekeeping, clarity and minor drafting changes, is to report by the November Panel.
- b) Modification 0368 - Smoothing of Distribution Charge Variation, is to report by the December Panel.

126.7 Existing Modification Proposals for Reconsideration

- a) Modification 0373 - Governance of NTS connection processes

For Modification 0373, Members considered the amended legal text and determined that consideration of the modification should be deferred.

- b) Modification 0378 - Greater Transparency over AQ Appeal Performance

For Modification 0378 Members considered the amended legal text and determined that consideration of the modification should be deferred.

- c) Modification 0404 – Profiling payment of LDZ capacity transportation charges for Small Shipper Organisations

For Modification 0404 Members considered the amended legal text and determined that consideration of the modification should be deferred.

126.8 Consider Final Modification Reports

- a) Modification 0411S – Removal of the Obligation to Publish Firm Gas Monitor from the UNC

The Panel Chair summarised that this modification seeks to remove the obligation on National Grid NTS to publish the Firm Gas Monitor. With the changes introduced by Exit Reform in October 2012, firm load on the system will be increased and it is expected that the monitor would be immediately and continually breached. However, no action would be expected as a result of that breach, which could therefore be regarded as potentially misleading in that it may inappropriately suggest that there is a security of supply problem. During the assessment and consultation process, no party has indicated that they use the Firm Gas Monitor information and that a detriment would arise from its non-availability.

Removing the obligation to publish the Firm Gas Monitor is, therefore, expected to have no adverse impact on market participants, and has the ability to avoid confusion when no market response is expected when there is a breach. Coupled with the subsequent reduction in resources to produce the information, implementation would facilitate efficiency in the implementation and administration of the Code.

Panel Members then voted and unanimously determined that Self-Governance Modification 0411S should be implemented.

- b) Modification 0414S – Discontinuance of ANS usage for Interruption Communications by Transporters

The Panel Chair summarised that the UNC obliges the DNs to offer ANS as a means of communication regarding interruption. However, batch transfer is no longer in use for interruption notifications and hence the related ANS communication is also no longer in use.

By removing a redundant obligation from the UNC, implementation of the modification has the potential to reduce costs and is consistent with facilitating efficient administration and implementation of the Code.

Panel Members then voted and unanimously determined that Self-Governance Modification 0414S should be implemented.

- c) Modification 0417S – Notice for Enduring Exit Capacity Reduction Applications

The Panel Chair summarised that this modification seeks to allow exit capacity to be released at NTS exit points where the transportation charge has increased since the capacity was first booked such that the full user commitment amount will have been paid, albeit in a shorter period than anticipated.

Panel Members recognised that implementation would increase the ability of Users to hold capacity that matches their true requirements at the prevailing price. It was also recognised that any capacity that is released could be made available to others. Implementation could

therefore assist in exit capacity being efficiently allocated between Users, and consequently in Users facing charges that more accurately reflect the cost they impose on the network. Implementation could therefore be expected to facilitate accurate cost allocations and, consequently, the development of effective competition between Shippers. To the extent that modified exit capacity allocations are subsequently reflected in actual gas flows, implementation may also facilitate economic and efficient system operation since improved information regarding system usage would be available to the system operator, facilitating efficient management of the system.

Some Members felt that, by reflecting actual capacity requirements, implementation would provide improved investment signals and so facilitate economic and efficient investment in the network, thereby facilitating National Grid NTS in meeting licence obligations regarding economic and efficient system development. However, other Members did not believe that investment plans would be changed as a result of implementation given the timing of the amended signal in the investment cycle and the range of information available to National Grid NTS.

One Member was not clear that there would be any benefit from implementing the modification since capacity holdings could be reduced, and subsequently reallocated, through existing mechanisms. In addition they felt that implementation could be regarded as undermining the principle of user commitment since it would allow Users to move away from a firm commitment to hold and pay for capacity. This principle underpins investment planning and any move away from it could undermine confidence in the mechanisms used to inform investment decisions and subsequently risk less economic and efficient investment. This would not facilitate National Grid NTS in meeting its licence obligations with respect to economic and efficient system development. To the extent that this then resulted in under-investment, there could be system constraints and costs. If there were over-investment, Shippers and consumers would face higher than justified costs. Neither of these outcomes would be consistent with facilitating competition between Shippers.

Panel Members then voted, and with nine votes cast in favour and one vote against, determined that Self-Governance Modification 0417S should be implemented.

- d) Modification 0419 – Redefining the capacity of the Specified Exit Point used in the calculation of the NTS Optional Commodity tariffs

The Panel Chair summarised that in October 2012, when the Exit Reform changes become effective, the existing formula for calculating the optional NTS commodity tariff may, in some case, become undefined. This is because the divisor can be zero. This modification aims to avoid this by specifying a divisor that will, in all cases, be positive.

Members noted that implementation would remove the possibility of an equation being undefined as a result of zero as the divisor. Ensuring that, while remaining cost reflective, the NTS charging methodology is workable and generates defined charges ensures efficient discharge of

the licensee's obligations to maintain an appropriate charging methodology.

Members recognised that the use of MNEPOR as the capacity of the Specified Exit Point would provide a visible and transparent number with which to calculate the NTS Optional Commodity Rate, and enable Users to elect the NTS Optional Commodity Rate in respect of sites where it would otherwise be undefined after the introduction of NTS exit reform. Ensuring that the option is available helps to avoid undue discrimination and provide the same opportunity to Users to adopt the tariff. Since the tariff is set to be cost reflective, ensuring it is available would be expected to improve the allocation of costs between Users. Implementation of this modification would therefore support the securing of effective competition between relevant Shippers.

Members also noted that, by removing the possibility of an equation (NTS Optional Commodity tariff) in the UNC being undefined as a result of zero as the divisor, implementation of the modification would be consistent with promoting efficiency in the implementation and administration of the Code.

Panel Members then voted unanimously in favour of recommending implementation of Modification 0419.

126.10 Any Other Business

a) Ofgem Stakeholder Satisfaction Survey 2012

DI presented the Ofgem Stakeholder Satisfaction Survey 2012 results, summarising that, while all aspects had shown an improvement when compared to the previous year's survey, the responses had identified a number of common issues for potential further improvement. DI detailed those related to the UNC and presented results in graphical form. It was pleasing to note that the degree of satisfaction had increased compared to the previous year.

126.11 Conclude Meeting and Agree Date of Next Meeting

10:30 19 July 2012, at 31 Homer Road, Solihull (teleconference facilities will be available).