

Record of Determinations: Panel Meeting 17 September 2015

Modification	Vote Outcome	Shipper Voting Members					Transporter Voting Members					Consumer Member	Determination Sought
		AG	AM	PB		SM	CW	EM	FH	JF	RP	CA	
0554 - Gender-neutral terms within the UNC	Is a Self-Governance Modification - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Does Modification satisfy the Self-Governance criteria
	Is a Fast Track Modification - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Does Modification satisfy the fast Track Criteria
	Implemented - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Should Modification be implemented (only votes in favour recorded)
0555 - Review of the Market Operator (OCM) Provision	Request issued to Market Operator Workgroup (as Workgroup 0555R) with a report presented by the April 2016 Panel - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Issue Request to Workgroup 0555R with a report presented by the April 2016 Panel
0556 - Amendment to the Legal Text provided for "Modification 0548 Project Nexus – deferral of Implementation Date"	Is a Self-Governance Modification - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Does Modification satisfy the Self-Governance criteria
	Is a Fast Track Modification - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Does Modification satisfy the fast Track Criteria
	Implemented - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Should Modification be implemented (only votes in favour recorded)

0557 - Notice Period for Changes to Transportation Charges resulting from Uncertain costs allowed expenditure - financial adjustments	Consideration deferred to October Panel - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Defer consideration
0558 - Standardisation of Industry Payment Terms	Consideration deferred to October Panel - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Defer consideration
0527 – Implementation of Annual Quantity Arrangements (Project Nexus transitional modification)	Consideration deferred to November - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Defer consideration
0520 – Performance Assurance Reportings	Returned to Workgroup 0520 with a report presented by the November 2015 Panel - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Return to Workgroup 0520 with a report presented by the November 2015 Panel
0539 - Removal of NTS Exit Commodity Charges for Distributed Gas	Proceed to Consultation - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Should DMR be Issued to Consultation
	Legal text not required - <i>unanimous vote against</i>	X	X	X		X	X	X	X	X	X	X	Is further Legal text required for inclusion in DMR
	Cost estimate not required - <i>unanimous vote against</i>	X	X	X		X	X	X	X	X	X	X	Is a Cost estimate required for inclusion in DMR
	Consultation to close out on 08 October 2015 - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Should Consultation end on 08 October 2015
0545S - Changes to GDN MOD186 Publication	Proceed to Consultation - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Should DMR be Issued to Consultation
	Legal text not required - <i>unanimous vote against</i>	X	X	X		X	X	X	X	X	X	X	Is further Legal text required for inclusion in DMR

dates	Cost estimate not required - <i>unanimous vote against</i>	X	X	X		X	X	X	X	X	X	X	Is a Cost estimate required for inclusion in DMR
	Consultation to close out on 08 October 2015 - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Should Consultation end on 08 October 2015
0468 - Unique Property reference Number (UPRN) Population by Gas Transporters	Workgroup to report by November 2015 Panel - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Extend Workgroup reporting date to November 2015 Panel
0506/A - Gas Performance Assurance Framework and Governance Arrangements	Workgroup to report by November 2015 Panel - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Extend Workgroup reporting date to November 2015 Panel
0522(0479A) - Inclusion of email as a valid UNC communication	Workgroup to report by November 2015 Panel - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Extend Workgroup reporting date to November 2015 Panel
0526 - Identification of Supply Meter Point pressure tier	Workgroup to report by November 2015 Panel - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Extend Workgroup reporting date to November 2015 Panel
0551 - Protecting consumers who are disaggregated under Modification 0428 from Ratchet charges for Winter 2015	Legal Text requested - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Request Legal Text
0553 - Removal of National Grid LNG Storage UNC TPD Section Z obligations and associated cross-references	Legal Text requested - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Request Legal Text
0528V - Implementation of Supply Point Administration, gas allocation and settlement arrangements (Project Nexus transitional modification)	No new issues identified - <i>unanimous vote against</i>	X	X	X		X	X	X	X	X	X	X	Did consultation raise new issues
	Implementation recommended - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Should Modification be implemented (only votes in favour recorded)
	Is not a Self-Governance Modification - <i>with 5 votes in favour</i>	✓	✓	✓		✓	✓	X	X	X	X	X	Does Modification satisfy the Self-Governance criteria

0534S - Maintaining the Efficacy of the NTS Optional Commodity ('Shorthaul') Tariff at Bacton Entry Points	No new issues identified - <i>unanimous vote against</i>	X	X	X		X	X	X	X	X	X	X	Did consultation raise new issues
	Implementation not recommended - <i>with 5 votes in favour</i>	✓	✓	✓		✓						✓	Should Modification be implemented (only votes in favour recorded)
0546S - Reduction of the Minimum Eligible Quantity (100,000kWh) for European IP capacity	No new issues identified - <i>unanimous vote against</i>	X	X	X		X	X	X	X	X	X	X	Did consultation raise new issues
	Implemented - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Should Modification be implemented (only votes in favour recorded)
0547S - Corrections to the EID arising from implementation of Modifications 0493/0500	No new issues identified - <i>unanimous vote against</i>	X	X	X		X	X	X	X	X	X	X	Did consultation raise new issues
	Implemented - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Should Modification be implemented (only votes in favour recorded)
0552S – UNC Section Y Housekeeping	No new issues identified - <i>unanimous vote against</i>	X	X	X		X	X	X	X	X	X	X	Did consultation raise new issues
	Implemented - <i>unanimous vote in favour</i>	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	Should Modification be implemented (only votes in favour recorded)

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

UNC Modification Panel

Minutes of the 181st Meeting held on Thursday 17 September 2015 at ENA, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF

Attendees

Voting Members:

Shipper Representatives	Transporter Representatives	Consumer Representative
A Green (AG), Total A Margan (AM), British Gas P Broom (PB), GDF Suez S Mulinganie (SM), Gazprom	C Warner (CW), National Grid Distribution E Melen (EM), Scotia Gas Networks F Healy (FH), National Grid NTS J Ferguson (JF), Northern Gas Networks R Pomroy (RP), Wales & West Utilities	C Alexander (CA), Citizens Advice

Non-Voting Members:

Chairman	Ofgem Representative
A Plant (AP), Chair	J Thomson (JT)

Also in Attendance:

C Baldwin (CB), E.ON UK*; F LaRoche (FL), E.ON UK*; H Chapman (HC), Xoserve; J Welch (JW), RWE npower*; K Elliott-Smith (KES), Cornwall Energy; L Dupont (LD), Secretary; and L Jenkins (LJ), Joint Office.

* via teleconference

Record of Discussions

181.1 Note of any alternates attending meeting

R Pomroy for S Edwards (Wales & West Utilities)

181.2 Record of Apologies for absence

S Edwards and R Fairholme

181.3 Minutes and Actions of the Last Meeting(s)-

Members approved the minutes from the previous meeting (20 August 2015).

181.4 Consider Urgent Modifications

a) Modification 0548 – Project Nexus – deferral of implementation date

AP reminded Panel that it is required to consider whether any Urgent modifications that have been implemented should be considered further by a Workgroup.

In considering this matter, AP also drew attention to new Modification 0556 and the item raised under Any Other Business 181.12 (a), and advised that it may be preferable to consider these matters at the same time.

Having considered the position (see Modification 0556, below) Panel determined that there was no need to refer Modification 0548 to a Workgroup for further consideration.

181.5 Consider New Non-Urgent Modifications

a) Modification 0554 - Gender-neutral terms within the UNC

EM advised that the modification had been raised to update references within the UNC to make them gender neutral. Responding to questions regarding the apparent exclusion of references noted elsewhere in UNC, she explained that these had been reviewed and it was considered that as they were within the Transition Document they will naturally fall away over time, and therefore only the references as set out in the included legal text were to be amended. EM confirmed that the legal text provided was the formal text.

For Modification 0554, Members determined:

- The criteria for Self-Governance are met as this modification is not expected to have a material impact on transportation, competition or consumers;
- The criteria for Fast Track Self-Governance are met as this modification is properly a housekeeping modification; and
- That Modification 0554FT should be implemented.

b) Request 0555 - Review of the Market Operator (OCM) Provision

FH advised that the subject of this Request would inform both National Grid NTS and the industry of the options available should the Market Operator provisions require amendment. The Panel's attention was directed to Ofgem's letter. Some preparatory activities had already been undertaken with interested parties to reach this point, and National Grid NTS believed that now was an appropriate time to raise this topic for consideration by a wider audience and to assess and develop any modification(s) that might then be required.

It was noted that a separate Market Operator Workgroup would be formed to address this Request, if sent for assessment to a Workgroup.

For Request 0555, Members determined:

- That the Request was valid and should be issued to Workgroup 0555R for assessment, with a report to be presented no later than the April 2016 Panel.

c) Modification 0556 - Amendment to the Legal Text provided for "Modification 0548 Project Nexus – deferral of Implementation Date"

CW advised that the modification had been raised to correct reference numbering errors and enable the insertion of Legal Text into the UNC Transition Document in accordance with the original intent of Modification 0548. (See discussions at 181.4(a), above.) The inadvertent duplication of text numbering was recognised to be a consequence of so many modifications being prepared and progressed at the same time. Members confirmed the view that, once a modification has been signed off by Panel or the Authority for implementation it is deemed to be a part of the UNC, which would allow Fast Track Self Governance procedures to be used to address faults in Text.

FH suggested that the Legal Text Guidance Document should be reviewed to clarify this understanding. LJ and CW agreed to revise the document and present for review at the October Panel meeting.

For Modification 0556, Members determined:

- The criteria for Self-Governance are met as this modification is not expected to have a material impact on transportation, competition or consumers;
- The criteria for Fast Track Self-Governance are met as this modification is properly a housekeeping modification required as a result of some error or factual change; and
- That Modification 0556FT should be implemented.

d) Modification 0557 - Notice Period for Changes to Transportation Charges resulting from Uncertain costs allowed expenditure - financial adjustments

Before specifically considering this Modification and Modification 0558, AP commented that a reading of both these Modifications led him to make an observation that they were both 'light' in terms of justification, and assessment of impacts on consumers and the industry. There did not

appear to be much explanation or evidence of why these changes were being proposed. He therefore asked for the Panel's view on whether these were considered to be sufficiently informative and developed, at this stage, for immediate progression.

Moving on to the presentation of Modification 0557, CB introduced the proposal, advising that the modification had been raised to extend the notice period for Uncertain Costs Allowed Expenditure Financial Adjustments so that they do not affect allowed revenues in the formula year that immediately follows the Authority Decision to permit the adjustment. Further background was provided in the introductory presentation.

CA observed that some sense of materiality would be helpful, as this was not obvious from a reading of the modification. JF questioned the timescales proposed, noting that these were quite challenging and may not fit with the publication of 2016/17 prices. JF also noted that there were concerns in relation to a potential contravention of Licence Condition 3F, and asked if the Proposer had given this any consideration. FL provided further background and examples to support the raising of the proposal, noting there was a 'disconnect' between the availability of information on what has been incurred and what has been presented to industry. JF referred to the Uncertainty mechanism within the Licence and explained in more detail how certain actions may put the Transporters in contravention. JF suggested it was an issue requiring a Licence change rather than a UNC charging methodology change, and other Panel members agreed with this view. CA observed there were parallels with the electricity industry which has been a position to move earlier on such issues; though it was recognised that this was likely to be more a result of the electricity Price Control following behind its gas equivalent.

JF reiterated her strong belief that this was a Licence matter and suggested that Ofgem be requested to provide an early view on this before the Modification was progressed, so it could be ensured it could be addressed through the appropriate channels. JT was asked to seek and provide an Ofgem view on the appropriate way forward, at the October Panel meeting.

FH suggested there might be ways that Shippers could address this through their contracts. SM observed that Shippers want stable, visible, predictable pricing, and agreed Ofgem's view should be sought before anything else was done.

CB affirmed she was content to await the view from Ofgem.

For Modification 0557, Members determined:

- To seek a view from Ofgem and to defer consideration until the October Panel.

e) Modification 0558 - Standardisation of Industry Payment Terms

JW advised that this modification had been raised to amend the payment terms within UNC TPD Section S and replace the current 12 and 20 day payment terms for invoices with 30 day payment terms. Energy suppliers often have contracts based on 30 days or a number of months with their customers therefore this modification seeks to align Industry Transportation costs with these terms. An increase in the length of

payment terms will also provide Gas Shippers with more time to validate (and if necessary dispute) industry data, leading to a potential increase in accuracy for the consumer.

Following questions, JW clarified and confirmed that the proposal relates to transportation invoices (NTS and DNs) only, and not to energy invoices.

CW observed that the modification did not address consequential impacts. JF pointed out there was a factual inaccuracy in the Solution (there were no 20 day terms in UNC). SM remarked that the modification needed to be better focused and provide more detail. FH queried if this should be an Issue that is referred for development rather than a formal Modification, as it is not sufficiently well formulated at this stage.

LJ suggested that it could be placed on the Distribution Workgroup's next meeting agenda and be further developed there, and then be re-presented to Panel at its October meeting.

The Panel might expect the Proposer, with the Workgroup's assistance, to consider and demonstrate the following:

- Evidence of industry standard(s)
- Effects on credit control and cash flow (Transporters and all types of Shippers)
- Payment terms - these require clarity and accuracy
- Provide other supporting information/evidence as appropriate.

Panel members were encouraged to contact JW to further discuss this proposal (john.welch@npower.com).

For Modification 0558, Members determined:

- To defer consideration until the October Panel.

At the conclusion of the consideration of Modifications 0557 and 0558 AP summarised that the difficulties related to these modifications may be indicative of a wider issue, whereby there was a growing sense that Panel expected a greater level of impact assessment to be demonstrated in modification proposals. He suggested that a review of the Templates for modifications might help parties to formulate a proposal with better quality information and focus. LJ added that the submission of proposals 'at the last minute' so close to the deadline, with no prior discussion, gave no opportunities for the Joint Office in its role as 'critical friend' to consider and advise on improvements or suggest the need for resubmission if the proposal did not meet the basic criteria for acceptance. There was an expectation that a certain level of information should be provided in each modification. Panel members reiterated that Proposers should ideally contact the Transporters, Xoserve and the Joint Office well in advance of submission to discuss their proposals. There was also the opportunity for pre-modification discussions at the main Workgroups.

It was observed that Modifications 0557 and 0558 were perhaps more at the stage of 'ideas' to be taken forward for discussion, rather than formal proposals. AP concluded that parties needed to think more about using

a Request group or the pre-modification discussions at the main Workgroups as an appropriate first step before formally raising a modification.

181.6 Existing Modifications for Reconsideration

- a) Modification 0527 - Implementation of Annual Quantity arrangements (Project Nexus transitional modification)

JT reported that this was still under consideration; Ofgem was seeing how the UNC text interacts with Modifications 0528 and 0529.

Members determined to defer consideration of Modification 0527 to the November meeting.

181.7 Consider Workgroup Issues

None for discussion.

181.8 Workgroup Reports for Consideration

- a) Modification 0520 - Performance Assurance Reporting

Panel members noted that the Proposer is considering amendments to the modification solution and to the reports document register, which is to be appended to the modification and that these amendments may require changes to the Legal Text.

Members accepted the recommendation within the Workgroup Report that Modification 0520:

- Should be returned to Workgroup for further assessment with a report presented to the November Panel.

- b) Modification 0539 - Removal of NTS Exit Commodity Charges for Distributed Gas

The Panel considered the Workgroup Report, and interpretation of the wording in 'Section 6 Impacts' was discussed and some amendments were made to give better clarity. FH confirmed there was no impact on the NTS.

Panel Members noted the Distribution Networks' request that the Final Modification report be considered at the October Panel meeting to allow sufficient time for the January 2016 Pricing Statements to reflect the proposals in this modification, should it be implemented.

Members accepted the recommendation within the Workgroup Report.

Following a brief discussion, it was suggested that Panel seek industry views on the current self-governance status of this modification. Panel therefore asked that Consultation respondents provide clear views and supporting evidence on the self-governance status identified in Section 1 of the Draft Modification Report focusing, in particular, on whether they believe this proposal is likely to have a material impact upon competition

in the shipping, transportation or supply of gas.

Members then determined that Modification 0539:

- Proceed to Consultation;
- Further legal text is not required for inclusion in the draft Modification Report;
- A cost estimate is not required for inclusion in the draft Modification Report;
- Consultation should close on 08 October 2015; and
- The Final Modification Report will be taken at short notice at the October Panel.

c) Modification 0545S - Changes to GDN MOD186 Publication dates

CA pointed out that not all parties may understand what 'MOD186' was, and it was noted that in future modifications Proposers should consider providing clarity in respect of terms and references made.

The relevant objectives were considered. JF explained how (f) was facilitated. Following a short discussion, Panel members also considered that having more certainty of transporter revenues would improve the ability of Shippers to price their consumer contracts accurately, which would be likely to further objective (d) Securing of effective competition between relevant shippers.

Members accepted the recommendation within the Workgroup Report.

Members then determined that Modification 0545S:

- Should proceed to Consultation;
- Further legal text is not required for inclusion in the draft Modification Report;
- A cost estimate is not required for inclusion in the draft Modification Report; and
- Consultation should close on 08 October 2015.
- The Final Modification Report will be taken at short notice at the October Panel.

181.9 Consideration of Workgroup Reporting Dates and Legal Text Requests

Members determined unanimously to extend the following Workgroup reporting date(s):

Workgroup	New Reporting Date
0468 - Unique Property reference Number (UPRN) Population by Gas Transporters	November 2015
0506/A - Gas Performance Assurance Framework and Governance Arrangements	November 2015
0522 (0479A) - Inclusion of email as a valid UNC communication	November 2015
0526 - Identification of Supply Meter Point pressure tier	November 2015

Members determined unanimously to request Legal text for the following modification(s):

Modification
0551 - Protecting consumers who are disaggregated under Modification 0428 from Ratchet charges for Winter 2015
0553 - Removal of National Grid LNG Storage UNC TPD Section Z obligations and associated cross-references

181.10 Consideration of Variation Requests

None presented.

181.11 Final Modification Reports

- a) Modification 0528V - Implementation of Supply Point Administration, gas allocation and settlement arrangements (Project Nexus transitional modification)

For Panel discussion see the Final Modification Report published at www.gasgovernance.co.uk/0528.

Members determined unanimously to recommend implementation of Modification 0528V.

- b) Modification 0534S - Maintaining the Efficacy of the NTS Optional Commodity ('Shorthaul') Tariff at Bacton Entry Points

For Panel discussion see the Final Modification Report published at www.gasgovernance.co.uk/0534.

Members reconsidered the self-governance status in light of the representations made and agreed that the proposal is likely to have a material impact on competition in the shipping, transportation or supply of gas and therefore should not be self-governance.

For Modification 0534S, Members determined:

- The criteria for Self-Governance are not met, as this modification is expected to have a material impact on transportation, competition or consumers.

For Modification 0534, Members voted and, with 5 votes in favour (out of a possible 10), failed to recommend implementation of Modification 0534.

- c) Modification 0546S - Reduction of the Minimum Eligible Quantity (100,000kWh) for European IP capacity

For Panel discussion see the Final Modification Report published at www.gasgovernance.co.uk/0546.

Members determined unanimously to implement Modification 0546S.

- d) Modification 0547S - Corrections to the EID arising from implementation of Modifications 0493/0500

For Panel discussion see the Final Modification Report published at www.gasgovernance.co.uk/0547.

Members determined unanimously to implement Modification 0547S.

- e) Modification 0552S – UNC Section Y Housekeeping

For Panel discussion see the Final Modification Report published at www.gasgovernance.co.uk/0552.

Members determined unanimously to implement Modification 0552S.

181.12 Any Other Business

- a) Agreement of the definition of “in Code” (following Modification 0548 and Consent to Modify application C053)

See discussions at 181.4 and 181.5 (Modification 0556), above.

- b) UNC Modification Panel Election Process

SM raised concerns in regard to the existing process operated by The Gas Forum, through which UNC Modification Panel Members were nominated and elected. He was not comfortable with the concept that a person not directly employed by a Licensed party could be elected to the Panel and represent and make decisions on Licensed parties' contracts. The legal view was that the current process/rules was ambiguous; the process and guidance does not seem to have the expected level of clarity and it is not

clear why The Gas Forum should operate it. SM asked whether this should be reviewed. A short discussion ensued.

LJ explained the position from the standpoint of the UNC Modification Rules, and had discussed the situation with Ofgem. It was observed that the contractual relationship with an employer was not a relevant consideration; any Panel Member could leave their current employment after appointment, and that other Codes employ consultants on their Panels. Ofgem originally appointed The Gas Forum to operate this process and may change it if it so wishes. A formal modification would be required to make any changes to the Modification Rules.

It was suggested that the outcome of Ofgem's Code Governance Review be awaited before any further review is considered.

181.13 Conclusion of Meeting and agreed Date of Next Meeting

10:30, Thursday 15 October 2015, at the ENA.