

UNIFORM NETWORK CODE MODIFICATION PANEL
MINUTES OF THE 69th MEETING
HELD ON THURSDAY 20 NOVEMBER 2008

Members Present:

Transporter Representatives: R Hewitt (National Grid NTS), C Warner (National Grid UKD), B Dohel (Scotia Gas Networks) and R Cameron-Higgs (Northern Gas Networks).

User Representatives: A Barnes (BG Group), C Wright (British Gas Trading), R Fairholme (E.ON UK), P Broom (Gaz de France) (agenda items 69.5 g) onwards) and A Bal (Shell) (up to agenda item 69.10)

Ofgem Representative(s):

J Dixon

Joint Office:

T Davis (Chairman) and J Bradley (Secretary)

69.1 Note of any alternates attending meeting

B Dohel for A Gibson (Scotia Gas Networks), R Cameron-Higgs for S Trivella (Wales & West Utilities), A Bal for P Broom (Gaz de France) (up to agenda items 69.5 f)), P Broom for A Bal (agenda items 69.11 onwards).

69.2 Record of apologies for absence

A Gibson, S Trivella

69.3 Record invitees to meeting

C Temperley (Gas Forum)

69.4 Receive report on status of Urgent Modification Proposals

None

69.5 Consider New, Non-Urgent Modification Proposals

a) Proposal 0228: "Correct Apportionment of NDM Error - Energy"

Following a presentation from M Donnelly (British Gas Trading) and a discussion, the Panel voted whether to defer consideration of the Proposal, the following Members casting votes in favour: C Wright, R Hewitt, C Warner, and R Cameron-Higgs (also proxy vote for S Trivella). Therefore consideration of the Proposal was not deferred but it was instead referred to the Distribution Workstream, with a report to the December 2008 Panel Meeting requested.

b) Proposal 0231: "Changes to the Reasonable Endeavours Scheme to better incentivise the detection of Theft"

Following a presentation from M Donnelly (British Gas Trading) and a discussion, the Panel voted UNANIMOUSLY to refer the Proposal to the Distribution Workstream, with a report to the February 2009 Panel Meeting requested.

c) Proposal 0233: "Changes to Outstanding Energy Balancing Indebtedness Calculation"

Following a presentation from C Wright (British Gas Trading) and a discussion, the Panel voted UNANIMOUSLY for the Proposal to proceed to Consultation. They did not determine that legal text was required, with no votes cast in favour. The Panel voted UNANIMOUSLY for the consultation period to close-out on 9th December 2008.

On behalf of Ofgem, J Dixon requested that the Transporters prepare legal text for this Proposal.

- d) Proposal 0234: "To Correct Drafting Inconsistencies between Sections X and V of the UNC in Respect of User Default and Termination"

Following a presentation from C Hill (RWE Npower) and a discussion, the Panel voted UNANIMOUSLY for the Proposal to proceed to Consultation. They did not determine that legal text was required, with no votes cast in favour. The Panel voted UNANIMOUSLY for the consultation period to close-out on 9th December 2008.

- e) Proposal 0235: "Recovery of Debt and Smearing of Revenues via Energy Balancing Neutrality"

Following a presentation from R Fairholme (E.ON UK) and a discussion, the Panel voted UNANIMOUSLY for the Proposal to proceed to Consultation. They did not determine that legal text was required, with no votes cast in favour. The Panel voted UNANIMOUSLY for the consultation period to close-out on 9th December 2008.

On behalf of Ofgem, J Dixon requested that the Transporters prepare legal text for this Proposal.

- f) Proposal 0236: "Amendment to px (TGPP) Limited Network Entry Agreement"

Following a presentation from J Baldwin (Energy24) and a discussion, the Panel voted UNANIMOUSLY for the Proposal to proceed to Consultation. They did not determine that legal text was required, with no votes cast in favour.

- g) Proposal 0237: "Disposal of Dynevor Arms LNG Storage Facility"

Following a presentation from R Hewitt (National Grid NTS) and a discussion, the Panel voted by PANEL MAJORITY to proceed to Consultation, the following Members casting votes: A Barnes, C Wright, P Broom, A Bal, R Hewitt, C Warner, B Dohel and R Cameron-Higgs (also proxy vote for S Trivella). They did not determine that legal text was required, with no votes cast in favour. The Panel voted UNANIMOUSLY for the consultation period to close-out on 12th January 2009.

- h) Proposal 0238: "Amendment to Protected Information Provisions to facilitate DNO compliance with SPAA Schedule 23"

Following a presentation from C Warner (National Grid Distribution) and a discussion, the Panel voted UNANIMOUSLY for the Proposal to proceed to Consultation. They did not determine that legal text was required, with no votes cast in favour.

- i) Proposal 0239: "Reinstatement of NTS Interruption"

Following a presentation from R Hewitt (National Grid NTS) and a discussion, the Panel voted UNANIMOUSLY for the Proposal to proceed to Consultation. They did not determine that legal text was required, with no votes cast in favour. The Panel voted UNANIMOUSLY for the consultation period to close-out on 9th January 2009

69.6 Consider New Proposals for Review

None

69.7 Consider Terms of Reference.

None

69.8 Existing Modification Proposals for Reconsideration

None

69.9 Consider Variation Requests

None

69.10 Consider Workstream Monthly Reports

Matters for Panel's Attention.

- a) Proposal 0213: "Introduction of User Pays Governance Arrangements into the UNC"

Following a discussion, the Panel voted UNANIMOUSLY for the Proposal to proceed to Consultation. They determined UNANIMOUSLY that legal text was required.

- b) Proposal 0219: "Publication of UK Wholesale Gas Market Liquidity Data"

Following a discussion, the Panel voted UNANIMOUSLY for the Proposal to proceed to Consultation. They did not determine that legal text was required, with no votes cast in favour. The Panel voted by PANEL MAJORITY for a consultation period of twelve Business Days the following Members casting votes: A Barnes, C Wright, R Fairholme, P Broom, A Bal, R Hewitt, B Dohel, R Cameron-Higgs (also proxy vote for S Trivella).

- c) Proposal 0230: "Amendment to the QSEC and AMSEC Auction Timetables"

Following a discussion, the Panel voted UNANIMOUSLY for the Proposal to proceed to Consultation. They did not determine that legal text was required, with no votes cast in favour.

69.11 Consider Final Modification Reports.

- a) Proposal 0194: "Framework for correct apportionment of NDM error"

Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal. They did not determine that new issues had been raised that justified seeking further views from a Workstream or Development Work Group.

Some members considered that implementation would facilitate Shippers proposing different allocations, potentially of a more equitable nature and this could be expected to further the GT Licence 'code relevant objectives' of "*the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code*" and "*the securing of effective competition between relevant shippers*". Other members responded to this by suggesting that inequitable allocations resulted from the "pollution of RbD" rather than RbD itself, and that implementation would undermine the RbD principle which facilitated entry of Shippers to the Smaller Supply Point market.

Other Members suggested that implementation would create the possibility of cross subsidies between the Smaller Supply Point and Larger Supply Point market, which would not be expected to further the GT Licence 'code relevant objective' of "*the efficient discharge of the licensee's obligations under this licence*".

Some members also considered that, by introducing provisions into the UNC which had no practical impact and were potentially redundant, implementation would not be expected to further the GT Licence 'code

relevant objective' of *"the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code"*.

The Panel then voted whether to recommend implementation of the Proposal, the following Members casting votes: C Wright, R Hewitt and C Warner. Therefore the Modification Panel did not recommend implementation of the Proposal.

- b) Proposal 0194A: "Framework for correct apportionment of LSP unidentified gas"

Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal. They did not determine that new issues had been raised that justified seeking further views from a Workstream or Development Work Group.

Some Members considered, compared to Proposal 0194, reliance on a fixed volume for reallocation would provide greater certainty, particularly in the Larger Supply Point market, and hence implementation could be expected to further the GT Licence 'code relevant objective' of *"the securing of effective competition between relevant shippers"*. Some Members also considered that, compared to Proposal 0194, implementation would discriminate less between market participants, which would be expected to further the GT Licence 'code relevant objective' of *"the efficient discharge of the licensee's obligations under this licence"*.

The Panel then voted whether to recommend implementation of the Proposal, the following Members casting votes: A Barnes, R Fairholme, P Broom, A Bal, R Hewitt and C Warner. Therefore by PANEL MAJORITY the Modification Panel recommended implementation of the Proposal.

The Panel then proceeded to a vote on which of the two Proposals would better facilitate achievement of the Relevant Objectives. Of the eight Voting Members present, capable of casting ten votes, one vote (C Wright) was cast in favour of implementing Proposal 0194 in preference to Proposal 0194A, whereas eight votes (A Barnes, R Fairholme, P Broom, A Bal, R Hewitt, C Warner, B Dohel and R Cameron-Higgs) were cast in favour of implementing Proposal 0194A in preference to Proposal 0194. Therefore, the Panel determined that, of the two Proposals, implementation of 0194A would better facilitate the achievement of the Relevant Objectives than 0194.

- c) Proposal 0220: "Invoicing Arrangements for Late Payments"

Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal. They did not determine that new issues had been raised that justified seeking further views from a Workstream or Development Work Group.

Members considered that by clarifying that interest invoices should be raised in a timely manner, implementation could be expected to further the GT Licence 'code relevant objective' of *"the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code"*. Members then voted UNANIMOUSLY to recommend implementation of the Proposal.

On behalf of Ofgem, J Dixon requested that the Transporters prepare legal text for this Proposal.

- d) Proposal 0223: “Provision of day ahead Gas Flow Nomination data at major Aggregated System Entry Points”

Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal. They did not determine that new issues had been raised that justified seeking further views from a Workstream or Development Work Group.

Members considered that, by providing additional information to the market, implementation of the Proposal could further the GT Licence ‘code relevant objective’ of *“the securing of effective competition between relevant shippers”*. While recognising that implementation would be consistent with suggestions being promulgated on a Europe wide basis, Members were nonetheless unsure whether there would be any material impact on the achievement of this GT Licence ‘code relevant objective’ and suggested that implementation might even raise false expectations of accurate information provision in the market.

The Panel then voted whether to recommend implementation of the Proposal, the following Members casting votes: A Barnes, C Wright, R Fairholme, R Hewitt, C Warner, B Dohel and R Cameron-Higgs (also proxy vote for S Trivella). Therefore by PANEL MAJORITY the Modification Panel recommended implementation of the Proposal.

- e) Proposal 0225: “Revised Timescales for LDZ Shrinkage Arrangements”

Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal. They did not determine that new issues had been raised that justified seeking further views from a Workstream or Development Work Group.

Members considered that, by utilising more timely network and operational data when carrying out shrinkage estimates, implementation of the Proposal could further the GT Licence ‘code relevant objective’ of *“the efficient and economic operation of the pipe-line system to which this licence relates”*. Members then voted UNANIMOUSLY to recommend implementation of the Proposal.

- f) Proposal 0226: “Additional Data Requirements for the Administration of CSEP Supply Points”

Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal. They did not determine that new issues had been raised that justified seeking further views from a Workstream or Development Work Group.

Members considered that, by improving the reflectivity of consumption at Meter Points and improving iGT settlement processes, implementation of the Proposal could further the GT Licence ‘code relevant objectives’ of *“the securing of effective competition between relevant shippers”* and *“the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code”*. Members then voted UNANIMOUSLY to recommend implementation of the Proposal.

69.12 Receive report on status of Consents.

The following consents are with Ofgem for approval.

- a) C020: “Changes to Document References Contained Within the UNC”
b) C021: “Changes to Cross References Contained Within UNC TPD Section F – System Clearing, Balancing Charges and Neutrality”
c) C026: “Revision to the reference in TPD Section X4.1”

69.13 Any Other Business

The Terminal Operators had identified that Centrica Storage Limited would be willing to represent them as a non-voting Panel Member. However, Centrica Storage is an affiliate of a User who has a representative on the Panel, which is contrary to the Modification Rules. Members considered that it was desirable for Terminal Operators to be represented and this should override any apparent conflict of interest. It was pointed out that Centrica Storage Limited would not have a vote and, as a user, had an entitlement to attend as an observer in any event. J Dixon responded that, if it was considered necessary, Ofgem would be prepared to issue a derogation which would facilitate Centrica Storage acting as the terminal Operators' Representative. Members then concluded that the nomination should stand.

69.14 Conclude Meeting and Agree Date of Next Meeting:

The Panel noted that the next Panel meeting is due to be held at Elexon, 350 Euston Road, on 18 December 2008.