

**Review Group UNC0264 Minutes**  
**29 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
Anna Taylor	AT	Northern Gas Networks
Anne Jackson	AJ	SSE
Bali Dohel	BD	Scotia Gas Networks
Chris Hill	CH	RWE npower
Chris Warner	CW	National Grid Distribution
David Watson	DW	British Gas
Dean Johnson	DJ	xoserve
Eddie Proffitt	EP	MEUC
Emma Smith	ES	xoserve
Gareth Evans	GE	Waters Wye Associates
Joanna Ferguson	JF	Northern Gas Networks
Richard Street	RS	Corona Energy
Shelley Rouse	SR	Statoil
Simon Trivella	ST	Wales & West Utilities
Stefan Leedham	SL	EDF Energy

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

**Action Update:** See action RG0264 0005. **Complete**

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

**Action Update:** DJ provided a presentation on the BTU Form process which included the current reasons for allowed AQ changes for clarification. **Complete**

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

**Action Update:** See item 2.1. **Complete**

**2. Review Group Discussion**

BF confirmed that Ofgem had clarified the issues any new modification proposal should address in an email and these were provided to the group for discussion. The Ofgem email is to be published on the Joint Office website.

## 2.1. Transitional Relief

CW provided a presentation. Subsequent to this meeting National Grid Distribution in conjunction with a number of other Review Group members, have examined some ideas of what could be done in the short term. He explained that the window for capacity reductions was drawing near and suggested if the UNC modification route is used it will need to be under urgent proceedings.

ST asked what the criteria would be for granting Urgency. CW explained that the process is a time bound event. It was recognised that any delay in implementation would affect the ability to reduce capacity during the window commencing 01 October 2009.

CW confirmed that any transitional terms would need to have an end date until a longer-term solution can be agreed. He explained that the current system is heavily systemised but has looked at what could be done on a transitional basis. He confirmed some high level principles.

SL questioned the warranty requirements for interruptible sites. RS explained for a consumer to want to use this they would need to give instruction to the Supplier, to ensure the SOQ going forward is the correct one.

CW explained the catch-up mechanism providing a diagram to illustrate this and how retrospective charges would be levied if there was any breach to the rules for example daily usage spikes above the appealed BSSOQ and SOQ.

ES suggested they may want to consider an incentive for increasing the SOQ when it was required. EP expressed that the incentive to get the SOQ right is that the ratchet will be back to the original SOQ and charges should usage exceed booked capacity.

AT suggested that the catch up process could be used for Firm and Interruptible sites.

CW was keen to gain consensus on what needs to be done. RS believed the balance was right to ensure accuracy of SOQs and avoid guesswork.

CH suggested having a tolerance level for example 10%. Some concern was expressed with the use of a tolerance. AT suggested that the customer should consider a tolerance bespoke to them to avoid the risks associated with a breach.

GE asked how any spike would be identified. DJ confirmed a report would enable any identification.

There was a general consensus that the process needs to be as simple as possible due to its temporary status and short timescales.

DW highlighted the requirements outlined by Ofgem and that this may hinder the success of the modification. It was acknowledged that it would be impossible to collect evidence of the number of customers that would be likely to "go bust" if an interim solution was not implemented nor would it be likely to identify the number of customers that are likely to use such a service.

RS believed the use would be small as this was a process for extreme cases with a carried risk of losing capacity rights.

GE reiterated a concern expressed by Alison Meldrum at the last meeting that users are only likely to provide a response to service availability. AT suggested that previous and current capacity reductions could indicate likely take-up. ES confirmed that xoserve are not aware of any requests.

ST confirmed that WWU were not aware of requirements on the WWU Network. RS believed that there are users, just because parties are not aware of the need to reduce capacity it doesn't mean that there is not a need for such a service.

EP believed there would be a very low level of take-up as consumers were mindful of the risk of losing available capacity. ST agreed but Ofgem have requested evidence. It was suggested that xoserve have undertaken an analysis of the impacts to the industry. SL suggested confidential responses could be provided to Ofgem from users who support the proposal and will use the service.

The Review Group was not able to identify the cost and the impact of the change. EP thought that this would be a one off cost this winter and the xoserve information could be used to detail the likely impact and cost depending on levels of take up.

Potential cross subsidiary was considered. EP believed that large users who are not using capacity are actually cross subsidising the domestic customers, however AT highlighted that users pay for capacity rights to ensure capacity is available for when they want to use it.

The level of evidence was debated. xoserve, WWU and Corona Energy were not aware of any likely demand.

SR confirmed having contacted Statoil's contract team and there are three or four of their largest customers reviewing their capacity with a likely reduction during the capacity window. AT asked if other Shippers could ascertain the number of customers that are intending to already reduce the BSSOQ.

EP confirmed he had been advised that six to seven ceramic industry consumers (which include brick works etc) covering thirty-six sites, have shown an interest in this proposal and are likely to want to use the process at some stage.

SL asked about the charging methodology. AT explained the structure of the relevant charges and when they are reviewed and set up at a specific point in time. The relative levels are examined and scaled equally to recover the allowed revenue.

CW questioned if NTS supply points would want to be excluded or not. He confirmed that he had excluded NTS supply points in scope of the draft modification. Though it was perceived that Power Stations would not want to utilise the process.

It was suggested that end users wanting such a service need to provide Ofgem with representations to indicate the likely take up. It was agreed that xoserve would collate the number of requests submitted from 1 October 2009 seeking a reduction in their booked capacity/SOQ.

AT questioned if the offset of reducing the BSSOQ would be affected by a commodity price increase that could outweigh the benefit of capacity charge reductions. If a Shipper increases the pence per therm for a lower gas consumption it wasn't clear what the benefit would be.

It was suggested that the modification could focus on the release of capacity that DM customers could utilise and the removal of differential treatment.

The review group considered at what point should the modification be submitted to Ofgem and whether there was value waiting for xoserve to confirm the level of capacity reductions made last year and any requests submitted this year. CW anticipated submitting the modification and allowing such information to flow through as part of the representation process.

AJ asked if the modification could be used as a pilot to judge the use and collect evidence for longer-term solutions. This would limit the cost risks for a period of one or two years.

CW asked if xoserve could confirm from historical data the rate of capacity reductions and whether they are typically submitted at the beginning of October. RS suggested that previous years may not be that useful as recent regime change which may not be

reflective of on going requirements. SL expressed concern that previous years may not be reflective of the current economical climate.

DW expressed concern that Ofgem may reject any proposal if it does not provide the required information, which had already been confirmed as required in their recent email.

A debate occurred on whether any requests submitted to xoserve are anecdotal of the demand for this service. ES highlighted that any submission is an indication of the first steps customers are taking to reduce SOQ and transportation charges.

EP was uncertain if customers would be willing to unilaterally offer information to Ofgem and that the submission of a modification would prompt a dialogue between Ofgem and customers.

The point at which the modification should be submitted was discussed and whether Ofgem would reject the modification without the required evidence and how evidence may not be forthcoming from customers unless the modification is raised.

AT suggested that the modification is amended to state that there is an expectation that all relevant parties will participate within the representation process to generate the required evidence, including direct representation to Ofgem if information is commercially sensitive.

The ability to answer questions 2a and 2b in Ofgem's list of evidence requirements was discussed and how this could be provided without understanding the level of demand to determine costs.

**Action RG0264 0007:** xoserve to provide statistical data of BTU capacity request changes, including its impacts on overall NDM demand.

**Action RG0264 0008:** xoserve to provide the number of SOQ reduction requests from 01 October 2009.

It was recognised that the NDM and DM process operates differently and that Ofgem wished to understand the impacts of allowing DM sites to operate a similar process offered to NDM sites and whether any discrimination was undue.

It was discussed if the process should only be applied to mandatory DMs sites and that DM sites below the mandatory threshold or voluntary DM sites are able to use an alternative option and could become NDM sites, whereby capacity can be reduced using the BTU process.

**Action RG0264 0009:** xoserve to look at sites that have gone through the BTU process this year and provide a comparison of the requested capacity change against the AQ.

**Action RG0264 0010:** xoserve to look at DM sites and confirm percentages of capacity related / Transportation charges compared to NDM (2b).

It was agreed that the 3<sup>rd</sup> question asked by Ofgem was already addressed within the modification.

xoserve could confirm from historical data the rate of capacity reductions and whether they are typically submitted at the beginning of October

AT suggested that the short-term interim solution available for one year would free up capacity forward for one year and that longer-term investment decisions may not want to be made on such short-term interim solutions.

EP disagreed; he believed that Transporters would not hold onto customer capacity rights in case a customer wanted to increase capacity back to original levels. It was agreed that this is the risk the customer takes and that other customers can use any capacity released.

CW confirmed due consideration will be given to the discussions taken today and the evidence required, he was mindful of the timeliness of the modification. The expectation was an urgent modification would be submitted and the evidence sought will be included within the Modification Report.

## **2.2. Long Term Solution**

It was agreed that the long-term options will be discussed at the October Meeting and that monthly meetings would be organised.

## **3. AOB**

It was agreed that an interim Review Groups report will be drafted for the next meeting.

## **4. 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

10:00 Friday, 13 November 2009, at a London venue to be confirmed.

10:00 Friday, 11 December 2009, venue to be confirmed.

**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 0004</b>	16/09/2009	2.1	National Grid (CW) to set out the current reasons for allowed AQ changes.	National Grid Distribution (CW)	Complete
<b>RG0264 0005</b>	16/09/2009	2.1	xoserve to produce an BTU Form process timeline.	xoserve (DJ)	Complete
<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	Complete
<b>RG0264 0007</b>	29/09/2009		xoserve to provide statistical data of BTU capacity request changes, including its impacts on overall NDM demand.	xoserve (DJ)	Pending
<b>RG0264 0008</b>	29/09/2009	2.1	xoserve to provide the number of SOQ reduction requests from 01 October 2009.	xoserve (DJ)	Pending
<b>RG0264 0009</b>	29/09/2009	2.1	xoserve to look at sites that have gone through the BTU process this year and provide a comparison of the requested capacity change against the AQ.	xoserve (DJ)	Pending
<b>RG0264 0010</b>	29/09/2009	2.1	xoserve to look at DM sites and confirm percentages of capacity related / Transportation charges compared to NDM (2b).	xoserve (DJ)	Pending