

## Review Group UNC0264 Minutes

13 November 2009

Energy Networks Association,  
Dean Bradley House, 6<sup>th</sup> Floor, 52 Horseferry Road, London SW1P 2AF

### Attendees

Bob Fletcher (Chair)	BF	Joint Office
Alison Meldrum	AM	Corus
Anna Taylor	AT	Northern Gas Networks
Brian Durber	BD	E.ON
Chris Warner	CW	National Grid Distribution
David Watson*	DW	British Gas
Dean Johnson*	DJ	xoserve
Eddie Proffit	EP	MEUC
Emma Smith*	ES	xoserve
Jenny Boothe	JB	Ofgem
Joanna Ferguson	JF	Northern Gas Networks
Joel Martin	JM	Scotia Gas Networks
Karron Baker	KB	Ofgem
Lisa Waters	LW	Waters Wye Associates
Stefan Leedham	SL	EDF Energy
Tim Davis	TD	Joint Office

\* by teleconference

### 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 0008a:** xoserve to provide the number of SOQ reductions requested for 2007 and 2008 and a breakdown of how many sites went to bottom stop.

**Action Update:** DJ confirmed that the data had been published on the Joint Office website, showing less activity in the present year than the previous year. AM suggested that the data was consistent with what would be expected, showing bunched activity in January 2009. EP added that the high level of activity in the previous year reflected the change in the capacity/commodity split. DJ confirmed that disconnections had not been surveyed, which AM would be interested to see. **Closed.**

**Action RG0264 0008b:** xoserve to provide information on the number of disconnections taking place or requested of sites which may not have been able to reduce their SOQ/BSSOQ.

**Action RG0264 0010a:** SM to provide some scenarios of the financial effects of the sites reducing capacity down to 1 on all Networks.

**Action Update:** CW indicated he would be covering this in his presentation. **Complete.**

**Action RG0264 0012:** Develop a Straw man with business rules to be produced and considered at the next meeting.

**Action Update:** CW had provided this. **Complete.**

**Action RG0264 0013:** Transporters/xoserve to clarify the requirement for meter reads within the BTU process against what was stated in the UNC.

**Action Update:** BD confirmed that this had been clarified. **Complete.**

**Action RG0264 0014:** National Grid (CW) to provide a summary of responses to the evidence letter previously circulated to Shippers.

**Action Update:** CW indicated he would be covering this in his presentation. **Complete.**

## 2. Review Group Discussion

### 2.1. Short Term Proposals

The Review Group agreed to the agenda change and consider the items raised at late notice.

CW explained that National Grid Distribution would like to raise an urgent Modification Proposal as discussed previously, targeting implementation in December. This would enable, within the capacity reduction period, SOQ and BSSOQ to be reduced below the current BSSOQ. However, he was mindful of the requirement for supporting evidence to justify the case for urgency in the first instance as well as the case for implementation.

JB asked if, once reduced, the capacity would be lost, which CW confirmed would be the case – any subsequent application for an increase would be treated in the same way as any other application.

SL questioned the value of the proposed customer warranty, and CW confirmed that this was intended to provide a measure of comfort to meet the concerns raised by Ofgem regarding potential cross subsidies – the Transporters would not be seeking to validate the warranty.

EP and AM were concerned that any Proposal would have limited value if it did not extend the window for change beyond January. By the time a Proposal was implemented and action had been taken by Shippers to contact customers, there was likely to be insufficient time to make the required changes.

CW explained that if the reduced SOQ was breached at interruptible sites, transportation charges would be due as if the SOQ had not been reduced, and would be collected from the relevant Shipper over the period on a pro rata basis. It was suggested that it might be easier to apply the change in transportation charges to the incumbent Shipper at the time. However, this would create a risk for any incoming Shipper, and LW asked whether there would be a mechanism to warn incoming Shippers about possible risks. CW said this would not be feasible within the short term solution that would not be systematised.

CW confirmed that ratchets would continue to apply at firm sites. AM was concerned that mistakes could be made and the proposed retrospective billing effectively created an unreasonable penalty for interruptible sites and wondered if an investigation process could be adopted, similar to that for Failure to Interrupt charges. CW emphasised that the proposed mechanism would apply irrespective and there would be no investigation of the circumstances.

LW asked how the process would work in practice and expressed concerns over the proposed process timeline. ES said that a Conquest request would be raised, with a resulting appeal by the Shipper to enable the bottom stop to be amended. This would therefore take some time to work through, with a minimum of 8 business days before the new values would be effective within the system assuming that all the ratios were in line

with the UNC requirements. LW suggested writing into the Proposal that Shippers would receive confirmation on day 9 that everything had gone through.

EP was concerned that the timeline meant that any change would be extremely tight and challenging to achieve after the Proposal was implemented. DJ said that xoserve was aware of the timeline and was looking to complete the process as quickly as possible. Because the change had to be live by 31 January, the latest date to receive a request would be mid January. CW suggested, therefore, that parties interested in taking up the option might usefully begin preparing for this in order to be ready to act when and if Ofgem direct that the Proposal should be implemented.

BD questioned the process and timeline for SHQ reductions, and CW agreed that the drafting would need to be amended to reflect this issue.

LW asked why the Proposal would not apply to NTS supply points, since not doing so might be regarded as discriminatory. CW said that National Grid NTS had raised a number of issues that made application to NTS sites problematic, reflecting differences between NTS and DN Supply Points in the present arrangements. CW believed that this was likely to be clarified in the NTS response to the Proposal.

CW then ran through his view as to whether the issues set out by Ofgem on 28 September had been addressed. Key to this was the likely extent of take-up. Most of the evidence received was anecdotal, but CW felt there was sufficient evidence to justify raising the Proposal. He was hopeful that supporting information might be provided in consultation responses. DW questioned why the evidence had not been provided and if there was sufficient evidence to justify the Proposal. EP said that there was evidence of one plant that had closed because of the lack of the option and if even one would take up the option that was enough to justify its implementation. LW added that the breadth of things to respond to meant that providing evidence was a challenge for most organisations that had stretched resources. However, DW remained concerned that Ofgem's key question had not been addressed.

EP emphasised that he had consistently said that Ofgem's question was inappropriate. A group of customers is disadvantaged by the present rules and this should be corrected. JB explained that Ofgem would consider any Modification Proposal on its merits, with the decision to grant urgency being based on the published criteria. Similarly any decision whether to direct implementation or not would have to be based on the standard assessment process. However, Ofgem would necessarily have to focus on the evidence put in front of them which, to date, was limited.

In conclusion CW indicated that he intended to raise this Proposal seeking urgent status either later on the day of the meeting or soon thereafter. JB asked whether legal text would be available for the Proposal, and CW said he foresaw no difficulties in producing legal text, which would be straightforward.

SL asked whether the proposed catch up method for interruptible sites could be implemented without the need for a Transportation Charging methodology change. AT confirmed that she believed this was the case – the UNC rules would be changed in order to alter the SOQ value applied within the methodology rather than the methodology itself being changed.

## **2.2. Longer Long Term Solutions**

CW introduced a draft Proposal to remove the BSSOQ from the UNC once the enduring exit arrangements are in place, i.e. April 2011.

AM asked whether, while removing UNC requirements in order to provide more flexibility, the capacity reduction window would be removed. CW confirmed that the Proposal did not cover this aspect and, as such, the existing window would continue to apply.

EP questioned the impact of ratchets and why, having been ratcheted, consistent capacity rights were not automatically available at that higher level. AT said there was no guarantee that capacity was available even if demand could be met at the time a ratchet was triggered. EP and LW suggested that this meant that the capacity was otherwise unused on the day and implied the ratchet was penal. JM suggested that others might be constrained as a result, and AT emphasised that appropriate behaviour should be incentivised even if on some occasions it did not, due to the circumstances on the day, create a problem in the same way that dangerous acts do not always lead to accidents. EP argued that each networks should be aware of demand on its network and, if the situation was tight, would be receiving data every six minutes from these DM sites such that appropriate action could be taken to maintain safe operation. While he accepted the principle of ratchets, he felt the ratchet was penal and the cost too high. SL drew a parallel with the NTS regime that prevents reductions for seven years. JF added that re-nomination provided an opportunity to respond quickly to a ratchet and avoid the implications by reconfirming within five days. EP accepted that with this five day window, of which he had not been aware, the regime provided an acceptable balance.

SL asked whether the BSSOQ was needed for operational reasons, and the Dens confirmed they were not aware of any such requirements.

**Action RG0264 0015:** DNs to confirm if BSSOQ data is needed for operational purposes.

CW drew attention to the draft Modification Proposal and invited comments such that this could be finalised ready to be raised once the Group was content with its content.

**Action RG0264 0015:** All to consider and comment on National Grid's draft Proposal seeking to remove BSSOQ from the UNC.

### 3. AOB

EP noted that no proposal had been raised to extend the window for amendments to be raised and wondered if this could be considered at short notice should there be any delay to implementation. CW explained that the short term solution had to be cognisant of the limitations of the existing systems and processes. Extending the window had been looked at, but no practical means of doing this could be identified

### 4. Diary Planning for Review Group

It was agreed to meet again to review National Grid Distribution's draft Modification Proposal and the Review Group Report for presentation to the Modification Panel.

**Action RG0264 0015:** JO to produce a draft Review Group Report ahead of the next meeting.

The next meeting is due to take place at 10:00 Friday, 11 December 2009, at ENA, 52 Horseferry Road London SW1P 2AF

**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 0008a</b>	14/10/2009	1.2	xoserve to provide the number of SOQ reductions requested for 2007 and 2008 and a breakdown of how many sites went to bottom stop.	xoserve	Closed
<b>RG0264 0008b</b>	13/11/2009	1.2	xoserve to provide information on the number of disconnections taking place or requested of sites which may not have been able to reduce their SOQ/BSSOQ.	xoserve (DJ)	Pending
<b>RG0264 0010a</b>	14/10/2009	1.2	SM to provide some scenarios of the financial effects of the sites reducing capacity down to 1 on all Networks.	National Grid NGD (SM)	Closed
<b>RG0264 0012</b>	14/10/2009	2.2	Develop a Strawman with business rules to be produced and considered at the next meeting.	National Grid /Northern Gas Networks	Closed
<b>RG0264 0013</b>	14/10/2009	3.0	Transporters/xoserve to clarify the requirement for meter reads within the BTU process against what was stated in the UNC.	Transporters xoserve	Closed
<b>RG0264 0014</b>	14/10/2009	3.0	National Grid (CW) to provide a summary of responses to the evidence letter.	National Grid (CW)	Closed
<b>RG0264 0015</b>	13/11/2009	2.2	Confirm if BSSOQ data is needed for operational purposes	DNs	Pending
<b>RG0264 0016</b>	13/11/2009	2.2	Consider and comment on National Grid's draft Proposal seeking to remove BSSOQ from the UNC	All	Pending
<b>RG0264 0017</b>	13/11/2009	4	Produce a draft Review Group Report ahead of the next meeting	Joint Office (BF)	Pending