

**Uniform Network Code Modification Panel**

**Minutes of the 86<sup>th</sup> Meeting**

**Held on Thursday 15 October 2009**

**Members Present:**

**Transporter Representatives:** R Hewitt (National Grid NTS), C Warner (National Grid Distribution), J Ferguson (Northern Gas Networks), J Martin (Scotia Gas Networks) and S Trivella (Wales & West Utilities)

**User Representatives:** A Bal (Shell), C Wright (British Gas Trading), P Broom (GDFSuez) (from Agenda item 86.10), S Rouse (Statoil UK) and S Leedham (EDF Energy)

**Ofgem Representative:** J Dixon

**Joint Office:** T Davis (Chair) and J Bradley (Secretary)

**86.1 Note of any alternates attending meeting**

J Martin for A Gibson (Scotia Gas Networks)

**86.2 Record of Invitees to the meeting**

Gareth Evans (WatersWye) and David Moore (Gas Forum)

**86.3 Record of apologies for absence**

A Gibson and A Hall (Consumers' Representative)

**86.4 Receive report on status of Urgent Modification Proposals**

None

**86.5 Consider New, Non-Urgent Modification Proposals**

**a) Proposal 0268: "Change to the Provisions Determining the Earliest Reading Date Applicable within the AQ Review"**

Following a presentation by C Warner (National Grid Distribution), the Panel voted UNANIMOUSLY for this Proposal to be referred to the Distribution Workstream for consideration and development. The Workstream was requested to report to the 17 December 2009 Panel meeting, and to consider in particular the User Pays aspect of the Proposal and how implementation would impact the Relevant Objectives.

**b) Proposal 0269: "Provision of Exit Information at all NTS Exit Points for the transitional exit period"**

Following a presentation by R Hewitt (National Grid NTS), the Panel voted UNANIMOUSLY for this Proposal to be referred to the Transmission Workstream for consideration and development. The Workstream was requested to report to the 17 December 2009 Panel meeting, and to consider in particular how the Proposal had been amended to take account of issues raised regarding the draft Proposal, and how implementation would impact the Relevant Objectives.

**86.6 Consider New Proposals for Review**

**Review Proposal 0267: "Review of UNC Governance Arrangements"**

Following a presentation from C Wright (British Gas Trading) and a discussion, the Panel voted UNANIMOUSLY for the Proposal to proceed to

Review. This would be incorporated within the business of the Governance Workstream. A report to the July 2010 Panel meeting was requested.

#### **86.7 Consider Terms of Reference.**

##### **Review Proposal 0267: “Review of UNC Governance Arrangements”**

The Governance Workstream was requested to submit Terms of Reference for approval.

#### **86.8 Existing Modification Proposals for Reconsideration**

##### **Proposals 0246, 0246A, 0246B: “Quarterly NTS Entry Capacity User Commitment”**

Members noted that Ofgem had recently issued a Regulatory Impact Assessment on these Proposals and therefore UNANIMOUSLY agreed to defer consideration. It was further agreed that this would not be placed on the agenda of subsequent Panel meetings.

#### **86.9 Consider Variation Requests**

None.

#### **86.10 Consider Workstream Monthly Reports**

##### **Matters for Panel’s Attention**

##### **Extensions Requested**

##### **a) Proposal 0248: “Meter Reading Replacement”**

Following a request, the Panel voted UNANIMOUSLY to extend the time for the Distribution Workstream to report until January 2010.

##### **b) Review Proposal 0251: “Review of the Determination of Daily Calorific Values”**

Following a request, the Panel voted UNANIMOUSLY to extend the time for the Review Group to report until January 2010.

##### **Workstream Reports for Consideration**

##### **a) Proposal 0231: “Changes to the Reasonable Endeavours Scheme to better incentivise the detection of Theft”**

The Panel considered the Workstream Report. R Hewitt questioned the reason given in the Report for the Proposal not being classified as a User Pays Proposal. In his opinion, the test as to whether or not a Proposal falls within the User Pays category should be whether or not there is an impact on xoserve’s activities. It was clarified that this was not considered to be a User Pays Proposal since it was an existing obligation and did not require any amendment to xoserve activities. It was agreed that the Draft Modification Report should reflect this.

C Warner questioned whether there was anything further that could be done to help address the issue raised by Ofgem about the justification for increasing the level of costs that can be claimed to £1,000 rather than any other figure. It was agreed that this should be highlighted when the Draft Modification Report is issued and that it should be clear that information can be provided directly to Ofgem. The Panel then voted UNANIMOUSLY for the Proposal to proceed to Consultation. Members determined UNANIMOUSLY that legal text should be prepared prior to the Proposal being issued for consultation.

**b) Proposal 0255: “Publication of Objection Rates for LSP Supply Points”**

The Panel considered the Workstream Report. R Hewitt questioned the reason given in the Report for the Proposal not being classified as a User Pays Proposal. In his opinion, the test as to whether or not a Proposal falls within the User Pays category should be whether or not there is an impact on xoserve’s activities – costs are not relevant. He therefore concluded that this was a User Pays Proposal and that, unless the Panel determined otherwise, the process required a ROM to be commissioned prior to the Proposal being issued for consultation.

Others Panel Members did not accept this definition of a User Pays Proposal and felt that the explanation in the Report reflected what had been discussed and agreed at the Distribution Workstream. While not a formal ROM, xoserve had provided the information, which would be included in a ROM that showed implementation costs of around £4,000. The Proposer’s view was that this was insufficient to justify the administrative effort and costs involved in establishing a User Pays charge. If any party wished to dispute this, they could cover this in representations or raise an Alternative Proposal.

It was agreed that the Draft Modification Report should record that this is a User Pays Proposal with 100% of costs allocated to Transporters.

The Panel then voted UNANIMOUSLY for the Proposal to proceed to Consultation. The Panel did not determine that a ROM was required, with no votes cast in favour. Also the Panel did not determine that legal text was required, with no votes cast in favour.

**c) Proposal 0259: “Removal of Obligations To Install UK Link User Equipment and UK Link User Software for UK Link Users who utilise the services of an UK Link User Agent”**

The Panel considered the Workstream Report. R Hewitt questioned the reason given in the Report for the Proposal not being classified as a User Pays Proposal. In his opinion, the test as to whether or not a Proposal falls within the User Pays category should be whether or not there is an impact on xoserve’s activities. Notwithstanding that xoserve’s costs would not increase and might reduce, he considered that this should be a User Pays Proposal because there would be an impact on xoserve’s service lines. Other Members indicated that the classification was consistent with the User Pays Guidance Document and should remain as not User Pays.

J Dixon indicated that Ofgem intend publishing further guidance to help inform views as to whether or not Proposals should be classified as User Pays. This was likely to be in the form of a decision tree.

The Panel then voted whether to proceed to consultation with the following votes cast in favour: C Warner, J Ferguson, J Martin, S Traveller, A Bal, C Wright, P Broom, S Rouse, and S Leedham. The Panel therefore determined by PANEL MAJORITY to proceed to Consultation. Members did not determine that legal text was required, with no votes cast in favour.

**d) Proposal 0263: “Enabling the Assignment of a Partial Quantity of Registered NTS Exit (Flat) Capacity”**

The Panel accepted the Workstream Report and voted UNANIMOUSLY for the Proposal to proceed to Consultation. Members did not determine that legal text was required, with no votes cast in favour.

R Hewitt informed the Panel that an Alternative Proposal had been submitted to the Joint Office that would seek to classify the proposed service as User Pays. This would require development and National Grid were recommending that this should proceed to the Transmission Workstream. T Davis indicated that the Modification Rules do not provide for this since an Alternative Proposal follows the same process and timescale as the original Proposal. If National Grid NTS submitted a Proposal that required development prior to being issued to consultation, the Joint Office would not be able to accept it as an Alternative.

### **Consider Final Modification Reports**

**a) Proposal 0258: “Facilitating the Use of Remote Meter Reading Equipment for the Purposes of Demand Estimation Forecasting Techniques”**

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 widening the range of equipment that Transporters may install at Demand Estimation sites, implementation of the Proposal would facilitate economic and efficient choices being made regarding which equipment to procure. This would be consistent with facilitating the ‘code relevant objective’ of *“the efficient discharge of the licensee’s obligations under this licence”* and *“the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code”*. The Panel then voted UNANIMOUSLY to recommend implementation.

**b) Proposal 0258A: “Facilitating the Use of Remote Meter Reading Equipment and the Procurement of Data from a Third Party for the Purposes of Demand Estimation Forecasting Techniques”**

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 recognised that this Proposal extended the options envisaged in Proposal 0258 by adding the option of procuring data from other parties. As with Proposal 0258, implementation of Proposal 0258A would facilitate economic and efficient choices being made by the Transporters. This would be consistent with facilitating the ‘code relevant objective’ of *“the efficient discharge of the licensee’s obligations under this licence”* and *“the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code”*. The Panel then voted UNANIMOUSLY to recommend implementation.

The Panel then proceeded to vote on which of the Modification Proposals would, in its opinion, better facilitate the achievement of the ‘code relevant objectives’. The following members considered that implementation of Proposal 0258A would further the ‘code relevant objectives’ better than 0258: R Hewitt, C Warner, J Ferguson, J Martin, S Trivella, A Bal, C Wright, S Rouse, and S Leedham. No members considered that implementation of Proposal 0258 would further the ‘code relevant objectives’ better than 0258A. Therefore the Panel determined that, by offering additional options, implementation of Proposal 0258A would

better facilitate achievement of the Relevant Objectives than implementation of Proposal 0258.

**c) Proposal 0265: “Creation of a NTS Entry Capacity Retention Charge within the Uniform Network Code”**

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.

The September Panel had voted to defer consideration of this Proposal pending Ofgem’s issue of an impact assessment on entry capacity substitution. Since this had not been issued, the Panel discussed whether or not to defer consideration. C Wright indicated that the case for deferral remained since implementation might be justified against the Relevant Objectives if substitution was in place, but not otherwise. This made it difficult for Panel Members to make a recommendation. J Dixon and R Hewitt requested that the Panel make a recommendation at this meeting in order to ensure that all substitution related decisions could be taken by Ofgem at the same time, and to ensure that the published timetable could be achieved. The Panel therefore agreed to proceed to a recommendation.

Members recognised that under the current NTS methodologies, implementation would add redundant conditions into the UNC and hence implementation could not be expected to better facilitate achievement of the ‘Code Relevant Objectives’. However, implementation would ensure that the UNC was consistent with proposed changes to the Transportation Charging Methodology, and that these changes could be implemented as part of the introduction of entry capacity substitution. This would therefore further the ‘code relevant objective’ of *“the efficient discharge of the licensee’s obligations under this licence”* and *“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 with the following Members casting votes in favour: R Hewitt, C Warner, J Ferguson, J Martin, and S Trivella. The Panel therefore did not determine to recommend implementation.

**d) Proposal 0266: “Amendment to the Gas Quality NTS Entry Specifications for the North Morecambe Terminal”**

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

J Dixon highlighted an Ofgem request for quantitative assessment of this Proposal by National Grid NTS and asked whether, as this information had not yet been provided, the Panel may wish to defer consideration. This would enable the Panel recommendation to take account of the information that Ofgem expected to consider when taking its decision. T Davis suggested that if additional information were to be made available, there may also be a case for repeating the consultation such that all parties had the same opportunity to consider any new information. C Wright indicated that the Proposal had been raised to accommodate short term operational issues in order to enable gas to continue to flow and, as such, he would prefer the Proposal to be progressed and would

welcome a special Panel meeting being arranged should consideration be deferred. Panel members then agreed to make a recommendation, with no votes cast in favour of deferring consideration.

Members considered that, by giving shippers bringing gas into the system through the Barrow facility the potential to increase supplies, this would be consistent with facilitating the 'code relevant objective' of "*the securing of effective competition between relevant shippers*". It was also recognised that having additional gas available to enter the system can facilitate economic and efficient system operation, but that this could be offset if National Grid were to take actions with a view to minimising CV shrinkage.

The Panel then voted UNANIMOUSLY to recommend implementation.

#### **86.11 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) **C033: "Removal of a Redundant Cross Reference & Clarification of TPD Section K"**

#### **86.12 Any Other Business**

The Joint Office aim to present a revised template for Modification Proposals and Reports, developed for the Code Administrators Code of Practice, at the November Panel meeting.

J Dixon would present at a subsequent meeting the "back casting" exercise on Proposals that might have qualified for self-governance.

#### **86.13 Conclude Meeting and Agree Date of Next Meeting:**

The Panel noted that the next meeting was planned for 19 November 2009.