

**Review of Industry Charging and Contractual Arrangements – DM Supply Point
Offtake Rates (shqs) and DM Supply Point Capacity (soqs)**

Review Group (UNC0329) Minutes

Tuesday 21 September 2010

at Energy Networks Association, 52 Horseferry Road, London

Attendees

Bob Fletcher (Chair)	BF Joint Office
Alison Meldrum	AM Corus Energy
Brian Durber	BD EON UK
Eddie Proffitt	ED MEUC
Gareth Evans	GE Waters Wye
Jemma Woolston	JW Shell Gas Direct
Joanna Ferguson	JF Northern Gas Networks
Joel Martin	JM Scotia Gas Networks
Jonathan Wisdom	JW RWE npower
Phil Lucas	PL National Grid Distribution
Richard Street	RS Corona
Simon Trivella	ST Wales & West Utilities
Tim Davis (Secretary)	TD Joint Office

1. Introduction and Review Group Operation

BF welcomed members to the first meeting and explained that this meeting was to discuss the proposed Terms of Reference and agree a work plan for the operation of the Review Group.

2. Outline of Proposal

JM presented an overview of the background and objectives that had led to the Proposal being raised.

Ofgem had noted that SHQs were below the actual maximum hourly Offtake that had been observed. EP questioned how this had been ascertained, and JM indicated that hourly data is available for DMs. AM said she had asked for this data as an end user but had not been able to obtain it. It was clarified that the UNC provides for the data to be made available to end users as well as Shippers when practical to do so.

Ofgem had also suggested that the existing charging and contractual arrangements may not place appropriate incentives on customers to declare accurate SHQs, and the Proposal had been raised to review this.

3. Consider Terms of Reference

The draft Terms of Reference were considered and discussed.

RS suggested that NDMs should be included within the scope of the Review,

for example to ensure there was no discrimination between NDM and DM sites. This would potentially be a bigger issue going forward as a result of DME and metering developments. JM suggested that only DMs had been included as an issue in the Ofgem decision letter and he would prefer to restrict the scope accordingly in order to ensure that the Review could be concluded in a timely fashion. EP supported RS's view, and emphasised that he was concerned about the potential impacts and the precedents that might be set. GE added that he believed that swing on the network would be greater as a result of NDM loads and that they should be considered, and he would expect this to drive network planning. Others suggested the issue was not about swing and that NDM variation may be more between days rather than within day.

BF suggested it might be possible to focus on the DM issues, as specified in the proposal, while looking at wider precedents in light of any conclusions drawn. RS did not feel this would be possible and that the whole picture of how a network is impacted and operated would need to be considered.

JM agreed that larger NDMs would inevitably be covered in the discussions but he would not want to be drawn into a discussion of the setting of SOQs for NDMs in general. However, all Shippers present and the end user representatives felt any analysis and solution should look at both the DM and NDM regime.

EP questioned whether the issue should be a review of network planning and the use of SHQs as part of the planning process – it could be argued that SHQs should not be relied on for network planning purposes. JM indicated an intention for a network planner to attend a future meeting in order to run through the planning process, which would cover the use of SHQs.

BD asked whether notifications of changes to Offtake Rate (through the Siteworks Process) were held and how they were used. JM indicated the network planning presentation would also be an opportunity to consider this, but he would ascertain the position.

Action 329/001: SGN (JM) to ascertain how notifications of changes to Offtake Rate are held and used

BD asked what the obligations were which meant that SHQs must be accommodated by the DNs. JM said this was a UNC obligation. ST added there is a general obligation to make gas available. However, a pressure drop could be observed and this may threaten the security of the Network.

The Terms of reference were reviewed and the Chair captured suggested changes on screen. The revised ToR were then agreed, which will be put to the Panel for approval.

4. Review Group Process

It was agreed that the Review Group would examine identified issues and consider potential solutions, over a number of meetings as below.

Meeting 2: 19 October 2010 - Impact of SOQ/SHQ on DN Investment decisions. To include:-

- overview of SGN (covering DM and NDM) planning process (which data items are used and their source, why SHQs are used, overview of IGEM

network planning document, why there is a 16 times rule for network referral but not below this value)

- impact of SOQ / SHQ on SGN planning decisions.
- impact of SOQ / SHQ on SGN physical network operation.
- Link to investment, price control and charges
- Other DNs confirmation of any significant differences in planning process

Meeting 3: 23 November 2010 - Overview of current UNC rules on setting SOQ / SHQ (evidence that they create a problem, especially with respect to incentives to state an accurate SHQ)

Ofgem to be invited to present the evidence which led to the concern that the existing charging and contractual arrangements may not place appropriate incentives on customers to declare accurate SHQs

Action 0329/002: Joint Office to invite Ofgem to attend meeting 3 to present their concerns and views on SHQ incentives.

Meeting 4: 13 December 2010 - Potential changes to UNC rules governing the setting of SOQs / SHQs. To include:-

- the current SOQ / SHQ relationship (G 5.4.1).
- the current SOQ Ratchet regime.
- Data availability and provision to support change
- Potential changes to network planning to address identified issues

Meeting 5: January 2011 - Impact on DN Transportation charges and recovery of such charges in relation to any changes to the SPOR / SPC regime (including the move to 100% capacity and its implications (if any))

Meeting 6/7: February/March 2011 – The process for increase and decrease of SOQ / SHQ. (Monitoring and updating of SOQ / SHQs on an ongoing basis)

Meeting 8: April 2011 – Conclude Review Group Report.

5. Diary Planning for Review Group

The next meeting will take place at 10:00 on 19 October 2010, National Grid, 31 Homer Road, Solihull B91 3LT.

6. AOB

None raised.

Review Group 0392 Action Log:

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0392 0001	21/09/10	3.0	Ascertain how notifications of changes to Offtake Rate are held and used	SGN (JM)	Pending
RG0392 0002	21/09/10	4.0	Invite Ofgem to attend meeting 3 to present their concerns and views on SHQ incentives.	JO (BF)	Pending