

Review Group UNC0264 Minutes
14 October 2009
Holiday Inn, 61 Homer Road, Solihull

Attendees

Bob Fletcher (Chair)	BF	Joint Office of Gas Transporters
Helen Cuin (Secretary)	HC	Joint Office of Gas Transporters
Alison Jennings	AJ	xoserve
Anna Taylor	AT	Northern Gas Networks
Chris Hill	CH	RWE npower
Chris Warner	CW	National Grid Distribution
David Winter	DW	RWE npower
Denis Aitchison	DA	Scotia Gas Networks
Emma Smith	ES	xoserve
Gareth Evans	GE	Waters Wye Associates
Kevin Woollard	KW	British Gas
Steve Marland	SM	National Grid NTS
Brian Durber	BD	E.ON

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

Action Update: AJ provided a spreadsheet on the use of BTU forms, it illustrated a reduction in AQ for 33 NDM sites and 11 DM sites, in total this equated to a 17% decrease in AQ. **Complete**

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

Action Update: AJ provided a spreadsheet summarising capacity reduction activity. **Complete**

New 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. **Pending**

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 Update: See Action update 0008. **Complete**

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

Action Update: CW provided a presentation illustrating the portions of charges that relate to the LDZ capacity charge, 1.4% of total LDZ capacity charges are levied to

interruptible sites. CW explained that if all interruptible sites reduced their capacity down to 1 this would indicate the effect on the LDZ capacity charge. SM explained that the total magnitude would not be a significant amount of money as take up is likely to be small, any lost revenue would be put into K. CW asked if metrics could be obtained on the financial effects. **Complete.**

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

AT expressed concern on producing data on hypothetical scenarios that may not even occur. GE suggested the data would indicate the worse case scenario, which could be useful when considering the overall impact.

2. Review Group Discussion

2.1. Review of interim proposal

CW provided an update on the draft modification proposal presented at the previous meeting, he explained that he had not raised the proposal, however he had written out to all Shippers and Panel members with a request for evidence of the interest for the service, with site specific details, current SOQ, current BSSOQ and what the likely reduction would be. Responses were requested by 30 October and he was unlikely to consider raising the modification proposal until Shipper responses had been reviewed.

CW explained that Ofgem have made it clear that for urgent procedures to be granted, the proposal would need to include evidence of a problem and the benefits of making an urgent change.

CW reiterated that an email had been issued to Shippers and Panel members and agreed that this email could be issued to the UNC communication list.

Action RG0264 0011: Joint Office to reissue email from National Grid to the UNC Communication list. **Complete.**

2.2. Longer Term Solutions

CW was in mind to discuss the aspirations of the exit capacity regime, not just in context of this modification, he was mindful of interruption reform in 2011 and wanted to ensure any changes are fit for purpose considering 2011.

He questioned what was required post 2011 and if there is an opportunity to simplify things. He questioned is the regime is fit for purpose long term, he suggested that the BSSOQ may not even be required and that the SOQ and SHQ are the critical data items. CW recognised that the BSSOQ was there for a number of reasons, and any new regime should feature protection against inappropriate behaviour in the management of capacity. In this context it was important to understand the existing charging regime and what BSSOQ actually does.

BF asked if this could be picked up by Project Nexus, however CW did not believe it could be due to the interruption regime changes scheduled for 2011.

BD noted the forthcoming DM elective regime and the existence of AMR sites, suggesting the industry may want to get to a position where profiling is not used.

CH suggested that there could be an argument for BSSOQ to remain in place to prevent 'gaming'.

AT explained the Capacity charging mechanism and the use of the BSSOQ. It was acknowledged that there is an incentive for interruption customer to nominate a high SOQ; however the existence of commodity charge rates based on the BSSOQ encouraged interruptible customers to have a realistic SOQ.

DA explained there is no incentive for interruptible sites to maintain high SOQ and that the logic to bring in the BSSOQ was removed in 2008 when the charging of interruptible sites changed to include capacity charges.

DA suggested that BSSOQ could be removed from the existing interruptible regime with a need to apply ratchet charges through out the year.

SM explained that come 2011 all sites will become firm.

There was a general agreement that the BSSOQ needed to be removed. The ratchet charges would then become an incentive not to have an SOQ below the likely gas consumption as the ratchet charges would incentivise the correct nominated SOQ.

AT explained that if there is no BSSOQ theoretically sites could ratchet up to 110% and move down again within the capacity reduction window. Therefore a process would need to be considered whereby that ratchet would be applied to a period for example the previous 12 months, to discourage frequent fluctuations in the SOQ.

CW suggested NGD could identify a suggested regime with some business rules on how it may work and a set of principles, bring it back to the review group for consideration. KW asked if this could include how the current regime works to allow a comparison.

AT agreed to provide a summary of the current regime for ratchet charges.

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

It was agreed that the Review Group needs to concentrate on the longer term regime. It was agreed to obtain clarity on what happens now and what regime may look like with some indicative rules.

3. AOB

BD asked if xoserve could clarify the BTU process, he explained that it was unclear what evidence should be provided, he explained that there appears to be a mandatory provision of meter reads in the UNC, however the xoserve process suggests that these may not be required.

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

AJ confirmed a response would be provided on the interpretation of the UNC. Her initial thoughts were that reads would be required for manifest errors, however they would not be required for a change in plant as any reads would be based on previous plant.

GE asked if National Grid could provide an update on the responses received from the request for evidence letter issued to Shippers and Panel members.

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

4. Diary Planning for Review Group

10:00 Friday, 13 November 2009, at ENA, 52 Horseferry Road London SW1P 2AF

10:00 Friday, 11 December 2009, at ENA, 52 Horseferry Road London SW1P 2AF

ACTION LOG - Review Group 0264

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0264 0007	29/09/2009	2.1	xoserve to provide statistical data of BTU capacity request changes, including its impacts on overall NDM demand.	xoserve (DJ)	Complete
RG0264 0008	29/09/2009	2.1	xoserve to provide the number of SOQ reduction requests from 01 October 2009.	xoserve (DJ)	Complete
RG0264 0008a	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	Pending
RG0264 0009	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)	Complete
RG0264 0010	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)	Complete
RG0264 0010a	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)	Pending
RG0264 0011	14/10/2009	2.1	Joint Office to reissue email from National Grid to the UNC Communication list.	Joint Office	Complete
RG0264 0012	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	Pending
RG0264 0013	14/10/2009	3.0	Transporters/xoserve to clarify the requirement for meter reads within the BTU process against what was stated in the	Transporters xoserve	Pending

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			UNC.		
RG0264 0014	14/10/2009	3.0	National Grid (CW) to provide a summary of responses to the evidence letter.	National Grid (CW)	Pending