

Review of Network Operator Credit Arrangements
Review Group (UNC0252) Minutes
Monday 22 February 2010
31 Homer Road, Solihull, B91 3LT

Attendees

John Bradley (Chair)	JB	Joint Office of Gas Transporters
Helen Cuin (Secretary)	HC	Joint Office of Gas Transporters
Beverley Viney	BV	National Grid NTS
Jenny Higgins	JH	RWE npower
Mandip Grewal	MG	Northern Gas Networks
Sue Davies	SD	Wales & West Utilities
Wendy Taylor	WT	Scotia Gas Networks
Vickey King	VK	National Grid

1. Introduction and Status Review

JB noted that today's meeting was inquorate.

1.1. Minutes from previous Review Group Meeting

There were a number of amendments to the minutes requested by National Grid NTS, which were reviewed and accepted. It was agreed to replace the set of minutes corrected by National Grid NTS subject to a quorate agreement.

1.2. Review of actions from previous Review Group Meetings

Action RG0252 0041: All parties to provide a view on reducing the £10,000 limit and linking it to the insolvency act (currently £750).

Action Update: It was agreed that further consideration will be given to raising a modification. It was agreed to reflect a recommendation in the Review Group Report. Some consideration was given to other sanctions that have a limit of £10,000. **Complete.**

Action RG0252 0042: All parties to provide a response to the Surety and Security suggested changes table provided by WWU.

Action Update: See item 2.2. It was agreed to reflect a recommendation in the Review Group Report to review and agree appropriate changes to the references via a modification. **Complete.**

New Action RG0252 0049: Legal view to be provided from Networks and Shippers on the definition of Surety and Security. **Pending.**

Action RG0252 0046: All to consider Notice Process Timelines and provide feedback on operational experiences.

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

Action RG0252 0047: Ofgem to provide details on the publication of RAV – and a link to Ofgem's web page.

Action Update: Paul Darby, Ofgem provided a link to the Gas Distribution Annual Report for 2007-08 document on the Ofgem website containing the GDN (gas distributor) RAV figures: http://www.ofgem.gov.uk/Networks/GasDistr/GDPCR7-13/Documents1/GasDistributionAnnualReport2007_8.pdf. It was agreed that the Review Group Report should reflect a recommendation for the re-definition of RAV in Section V3.1.1 (a). SD confirmed that this is already included within Appendix 1 – Corrections to UNC within the Review Group Report. **Complete.**

Action RG0252 0048: Review Group to consider Section S in line with changes to Section V.

Action Update: SD highlighted an anomaly between the timing of sanctions in V3.3.2 (d) and S3.5.3. It was agreed that the Review Group Report should recommend an investigation and corrective action. It was also agreed an entire review of Section S would be advisable for any other anomalies. **Complete.**

2. Review Group Discussion

2.1 Notice Process Timeline

The spreadsheet provided at the January 2010 meeting on the varying notices and time periods applied was reconsidered.

There were no issues raised from the January 2010 meeting. It was suggested that Section V3.2.11 should be amended to reflect that it should be for portfolio increases not transportation charges. SD confirmed this is already included within Appendix 1 – Corrections to UNC within the Review Group Report and relates to action RG0252 0019.

2.2 Surety and Security

SD explained that the Wales & West legal team had reviewed the UNC references to Surety and Security. Discussions have also taken place with National Grid. SD highlighted that National Grid does not agree with the suggested changes on lines 9,10,11. However, WWU believe some of the references need redefining. SD explained the legal view that security is a tangible asset such as a deposit deed whereas surety is a promise, a PCG is not a tangible asset it's a promise.

SD also questioned the definition of a Security Provider.

The Review Group acknowledged that there were identified inconsistencies in the use of these terms within Section V. It was agreed that these need further consideration and possible correction via a UNC Modification Proposal.

It was agreed to seek a Legal view from all Networks and Shippers. See Action RG0252 0049 within item 1.2.

JB expressed concern that any change may have an effect on Section X in relation to Energy Balancing Credit.

2.3 Payment History

The Review Group considered the draft Modification Proposal provided by National Grid NTS. BV welcomed feedback on the modification before formal submission to Panel.

JH highlighted a missing % sign on the rate of 0.0006.

JH questioned if any parties would be instantly affected by this change. WT believed there might be a case. VK confirmed that consideration could be

given as to what point the Payment History 2 year period would start. It was suggested that a three month soft landing period could be allowed for parties currently utilising Payment History to obtain an alternative arrangement. It was agreed that the 2 Year period would ordinary start from the accession date not from the starting period that Payment History was used.

SD highlighted some comments made by Opus Energy on Payment History that suggested freezing the level of credit rather than withdrawing at the point of two years. The Review Group discussed the option of raising an alternative proposal to consider the withdrawal of Payment History after 2 years and freezing the afforded unsecured credit at the Two Year point. There was a general consensus that it was not unreasonable to expect a company to secure sufficient funding after 2 years of trading. It was understood that the cost of obtaining a credit report was minimal. The Review Group acknowledged that any default on payment would need to be recovered and typically this would have to be reflected in the cost of supplying gas to consumers.

2.4 Review Group Report

The Review Group considered the Review Group Report.

SD commented that within Section 3 of the Review Group Report "Topics identified" the implications of changes to EBCC and Administration charges for late payments need to be considered and a recommendation provided. Two sections were added to the Review Group Report for the Review Group to include some appropriate text.

SD confirmed that following the clarification on the use of Commercial judgement, feedback had been provided that it would be reasonable for a Network to implement the lower-of rule.

Specially commissioned ratings were discussed and whether these can be monitored. It was acknowledged that it is difficult to monitor specially commissioned ratings and any change to these. It was agreed that Section V3.2.5 should be reviewed. Section 4.11 Specially Commissioned Ratings (SCRs) was added to the Review Group Report. It was recommended that Specially Commissioned Ratings as defined in V3.1.1(d) be removed from the UNC.

JH asked about the number of average days used in the VAR calculation. This was currently 20 days compared to an average of 15 days in DCUSA. JH questioned why there was a difference. SD explained it related to the Capacity invoice due date of around 20th of each month.

The Review Group agreed that a Shipper should be obliged to have in place one or more of the available methods of security or unsecured credit at a level that avoids repeated issuing of 100% VAR notices. After discussion it was agreed that a Modification Proposal be raised to allow further consideration and to implement this obligation

The number of modifications required as a result of this Review Group was considered. The Review Group discussed how these could be managed. It was suggested that modifications be assigned to organisations to ensure they are raised.

3. AOB

None raised.

4. Diary Planning for Review Group

The Review Group considered that the Review Group Report was near to completion therefore it was recommended that the Review Group report be updated and published to allow all parties to consider prior to holding a meeting on Wednesday 03 March 2010 by teleconference. The purpose of this meeting will be to finalise the report and submit it to the March UNC Panel.

JH offered the use of a room at RWE npower in Solihull for those delegates who wish to attend this meeting in person.

03 March 2010, at 10:00, Teleconference

ACTION LOG - Review Group 0252

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0252 0041	15/12/2009	2.3	All parties to provide a view on reducing the £10,000 limit and linking it to the insolvency act (currently £750).	All	Complete
RG0252 0042	15/12/2009	2.4	All parties to provide a response to the Surety and Security suggested changes table provided by WWU.	All	Complete
RG0252 0046	28/01/2010	2.6	All to consider Notice Process Timelines and provide feedback on operational experiences.	All	Complete
RG0252 0047	28/01/2010	2.8	Ofgem to provide details on the publication of RAV – and a link to Ofgem's web page.	Ofgem (PD)	Complete
RG0252 0048	28/01/2010	2.8	Review Group to consider Section S in line with changes to Section V.	Review Group	Complete
RG0252 0049	22/02/2010	1.2	Legal view to be provided from Networks and Shippers on the definition of Surety and Security.	All	Pending

REVIEW GROUP REPORT ACTION LOG

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0252 0008	18/08/2009	2.1	Review Group to consider the introduction of additional Fitch Agency into the UNC and consider recommendations for the Review Group report.	Review Group	Review Group Report
RG0252 0010	18/08/2009	2.1	Review Group to consider if the "an approved credit" rating can be removed from section V3.	Review Group	Review Group Report
RG0252 0011	18/08/2009	2.1	National Grid Distribution to establish if the reference to V3.1.7 within V3.1.4 relates to a previous UNC Modification which should have been removed or if it should refer to an alternative paragraph.	National Grid Distribution (PL)	Review Group Report
RG0252 0016a	22/09/2009	1.2	Modification to be raised to remove incorrect reference within Section V3 and V4.	Review Group	Review Group Report
RG0252 0018	18/08/2009	2.1	Review Group to consider whether a provision needs to be included relating to 30 days within V3.2.4 (d).	Review Group	Review Group Report
RG0252 0019	18/08/2009	2.1	Ofgem to clarify the approval rationale for UNC0145, given that Section V3.2.11 appears to open up a three month window that the VAR is potentially not covered by an increase in security.	Ofgem (PD)	Review Group Report
RG0252 0020	18/08/2009	2.1	Review Group to consider if the whole of 3.2.5 should be referenced in 3.2.10.	Review Group	Review Group Report
RG0252 0021a	22/09/2009	1.2	Review Group to consider if the management of contact details could be done centrally.	Review Group	Review Group Report
RG0252 0024	18/08/2009	2.1	Review Group to consider if the current drafting should be amended to reflect one test at 80%	Review Group	Review Group Report

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0252 0025	18/08/2009	2.1	3.3.2 drafting error to be corrected – delete superfluous “V” in reference.	Review Group	Review Group Report
RG0252 0026	18/08/2009	2.1	Review Group to consider if clause 3.3.2 (c) should be redrafted in line with discussions.	Review Group	Review Group Report
RG0252 0030	18/08/2009	2.1	Review Group to consider relevance and use of bi-lateral insurance provisions used in section 3.4.	Review Group	Review Group Report
RG0252 0031	18/08/2009	2.1	Typo “an policy” to be corrected	Review Group	Review Group Report
RG0252 0032	18/08/2009	2.1	Definition Enforceable contains a typo in the last sentence change “provides” to “provide”.	Review Group	Review Group Report
RG0252 0035	22/09/2009	2.2	Review Group to consider amending TPDV 3.2.5 to include specially commissioned ratings and qualifying companies whose credit rating is reduced to A- or below.	Review Group	Review Group Report