

Joint Office of Gas Transporters

Distribution Workstream Minutes 28 July 2005

Amended Distribution Workstream Minutes Thursday 28 July 2005 Novotel, Birmingham International Airport

Attendees (AM)

Julian Majdanski (Chair)	JM	Joint Office of Gas Transporters
Helen Cuin (Secretary)	HC	Joint Office of Gas Transporters
Tim Davis	TD	Joint Office of Gas Transporters
Adam Frak	AF	SSE
Alan Raper	AR	National Grid (Gas Distribution)
Alex Garcia	AG	British Gas Trading
Alex Travell	AT	E.on
Amy Murphy	AM	National Grid (Gas Distribution)
Bryony Sheldon	BS	Ofgem
Gareth Evans	GE	Total
Joanna Ferguson	JF	NGN
Mark Pearce	MP	Corona Energy
Melanie Pilkington	MPi	xoserve
Mick Curtis	MC	E=mc ²
Mike Vallance	MV	National Grid (Gas Distribution)
Phil Lucas	PL	National Grid (Gas Distribution)
Philip Kershaw	PK	National Grid (Gas Distribution)
Richard Pomroy	RP	WWU
Robert Cameron-Higgs	RCH	Northern Gas Networks
Rupinder Dhalinal	RD	Scotia Gas Networks
Simon Howe	SH	RWE Npower
Steve Courtney	SC	Southern Gas Networks

Attendees (PM)

Julian Majdanski (Chair)	JM	Joint Office of Gas Transporters
Helen Cuin (Secretary)	HC	Joint Office of Gas Transporters
John Bradley	JB	Joint Office of Gas Transporters
Tim Davis	TD	Joint Office of Gas Transporters
Alan Raper	AR	National Grid (Gas Distribution)
Alex Garcia	AG	British Gas Trading
Mark Freeman	MF	National Grid (Gas Distribution)
Nick King	NK	National Grid (Gas Transmission)
Paul Roberts	PR	National Grid (Gas Transmission)
Richard Pomroy	RP	WWU
Robert Cameron-Higgs	RCH	Northern Gas Networks
Steve Courtney	SC	Southern Gas Networks

Apologies

Chris Warner	National Grid (Gas Distribution)
Steve Nunnington	xoserve

1. Introduction

JM apologised for moving the meeting from Old Bailey at short notice. JM sought views regarding Birmingham as an occasional venue for the Distribution Workstream meetings. General support was given.

2. Status Review

2.1. Minutes from June Distribution Workstream

No comments received. Minutes approved.

2.2. Review of Actions from June SP&B Workstream meeting.

See Action Table Appendix for updates. In addition to the tabled updates:-

Action 3.1 Incident Notification. PL confirmed "The Incident website uses the same industry standard 128bit certificated encryption security technology as all our other secure extranets and websites. Registered users are granted a unique password which gives them email notification (emails are not encrypted) of incidents and for certain account types, more detail within the received report. CO reports for example, are only sent to the relevant registered Shipper. The website presents a 'real time' public view of ongoing incidents but the public reports do not display the additional detail that is provided to registered Shippers and registered company operational staff (nor do the public get email notification). Our secure websites are penetration tested regularly by a third party electronic security specialist. On top of all this, the content of incident reports remains factual at all times thereby ensuring that the company is not compromised by hearsay or conjecture."

Action 4.2 Sub-deduct Isolations. MC expressed concern with regards to the conflicting views on sub-deduct isolations and requested clarification.

Action C/F: BS agreed to provide an update early August via the Joint Office further to Ofgem's initial view that it does not agree with Transco's position on primary and sub-deduct meters - provisions governing isolation of the primary meter.

Post Meeting Note:

Ofgem met with Transco 2 August 2005 to discuss the issue of primes and subs (isolations). Although subject to further development, a practical solution has been discussed that would enable shippers to withdraw from relevant primary supply meter points. BS, Ofgem will provide further details as they become available.

RP requested the provision of the number of sub-deducts per Network.

Action: xoserve to provide number of sub-deduct configurations per Network

2.3. Review of Live Modification Proposals and Topics Log

JM reviewed Live Modification Proposals and Topics Log. Views were requested on the priority on Topic 006Dis DN Interruption. It was agreed the priority should remain low and the Topic be put On Hold.

3. Modification Proposals

3.1. 0031 'Re-assessment of User Unsecured Credit Limits'.

SH introduced Modification Proposal 0031 as 1 of 2 alternative views to Modification Proposal 0023. The difference being the ratings criteria incorporating BB- in line with Ofgem's Best Practice Guidelines.

GE requested clarification on the correct Moody's title used within the Modification Proposal particularly for the Legal Text.

Action: National Grid to provide correct Moody's Title for Modification Proposal 0031 Legal Text.

National Grid (Gas Distribution) confirmed they consider Moody's definitions along with credit histories and other gradings and are currently building a database for calculating more accurate credit limits.

A debate took place on the credit worthiness of companies and the breadth of ratings considered and whether there is a need to take into account BB-ratings. The likely-hood of a BB- defaulting on short-term credit is less than 1% likelihood. Ofgem's view is that this debate is ongoing

SH expressed concern that Network operators are not operating in line with best practice and what impact this may have on "pass through".

GE suggested that a 3rd alternative may be raised but would not be completely inline with Ofgem's guidelines.

JM reported that the Panel would have to decide on continuing to defer Credit Modifications to allow the suite of modifications to progress simultaneously given Ofgem's aspiration to have revised arrangements in place this Autumn.

It was noted that the potential for increased costs due to additional monitoring is perceived to be minimal for this Modification compared to Modification Proposal 0023. Potentially there will be more customers to monitor due to inclusion of BB- credit rating in Modification 0031. National Grid confirmed credit limits/arrangements in place for rated companies all un-rated companies have no unsecured credit limits.

One off cost for development would be incurred for assessing unsecured credit limits. Costs to be quantified. Pass-Through administration costs could be passed onto Users

RP concerned with risk of exposure. Unpredictable costs increasing exposure i.e. more companies with unsecured credit limit.

A brief discussion evolved around Barriers to entry; barring a group of Shippers with insufficient investment interest. Views on Short Term and Long Term affects for barriers to entry. Consensus could not be reached. Views need to be submitted with the responses.

Attached Workstream Report produced and agreed, incorporating comments from attendees for Panel consideration.

3.2. 0032 'Adjustment to the number of days in the V A R calculation to bring the Code Credit Rules into line with the Best Practice Guidelines, Conclusions document Feb 2005'.

SH briefly explained Value At Risk (VAR) proposal using Ofgem's suggested 1month + 15 days (31+15=46). Explaining the option to voluntary increase

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credit limits over winter months. National Grid (Gas Distribution) expressed concern with regards to the increased workload this would incur.

National Grid (Gas Distribution) expressed concern on the impact this Modification Proposal would have on the Shipper Termination Proceedings by changing the VAR to 46 days. National Grid considers a VAR of 46 days too low and could not terminate at a period any less than 59 days. A pragmatic view is that 56 days is more workable. However the view expressed was it is a Transporters decision not to terminate until 59 days. This is a Transporters Risk not industry exposure.

MV referred to the Ofgem Letter from Nick Simpson dated 24 May 2005 (attached)

National Grid (Gas Distribution) believes there will be a significant increase in administrative workloads and associated costs i.e. Re-assessments, Reviews and Negotiating Credit Limits.

Action: Transporters to provide evidence of costs associated with the implementation of Modification Proposal 0032 within representations when Draft Modification Report is issued.

Action: BS to provide clarification on VAR Best Practice

Post Meeting Note:

Credit cover - calculation of VAR. Ofgem can confirm that the approach set out in the February 2005 conclusions document, paragraph 3.30 (a), is based on actual indebtedness in terms of amounts billed, but not necessarily due, rather than on peak trading activity.

Attached Workstream Report produced and agreed, incorporating comments from attendees for Panel consideration. No consensus was reached regarding implementation of this Modification Proposal.

3.3. 034 'Netting off of Payments and Credits relating to Transportation Charges'.

Mike Valance summarised the main differences between Modification Proposal 0027 and Modification Proposal 0034. Modification 0027 was offsetting Debit and Credits within a period of time – across invoice documents whereas Modification 0034 Debit and Credit offsetting within one invoice.

AG suggested that if Modification 0027 were elective Mod 0034 would not need to be implemented. Mod 34 is not elective.

A debate occurred around the practicality of proceeding with both Modifications i.e. if Modification 0034 was implemented could Modification 0027 also be implemented. RP stated WWU's choice would be not to operate to Modification 0027.

Concerns were expressed with regards to withholds and interest provisions.

WWU agreed to provide an estimate of increased cost as part of the consultation stage – covering both costs as a result of withhold and system development costs.

Attached Workstream Report produced and agreed, incorporating comments from attendees. Apart from WWU, attendees agreed implementation of Modification 0034.

4. Topics on Agenda

4.1. Shipper Initiated Capacity Referrals

PL re-capped UNC Requirements UNC Section G5.1.4 (presentation attached). A Draft Modification Proposal was circulated for discussion.

GE enquired why it was believed this proposal was needed. NG confirmed existing arrangements have been causing problems.

PL confirmed there are no proposed changes to UK Link File Formats.

Clarification provided that this Proposal is not limited to DM Meter Points on NTS.

GE expressed concern with timescales to implement. Concern was also expressed with regards to Response Times, Shippers have to provide 21 days notice however there is no standard for National Grid's response. Clarification was sought on when the 21 days notice starts and if this is period is frozen when National Grid request further information.

Action: National Grid to consider and provide a response with regards to Shipper Capacity Referral Response Times.

Attendees wish to receive discussed amendments to Draft Modification Proposal with minutes before providing Modification Proposal to Modification Panel.

Post Meeting Note:

Transco will be raising the Modification Proposal imminently. Transco has considered the suggestion to incorporate a timescale for Transporter response within the Modification Proposal but does not believe this is necessary. Transco can nevertheless confirm that a response to the Capacity Referral request will be targeted to be within the 21 days from the date of submission of the request as with other connections requests agreed with Ofgem.

Response timescales are not appropriate as performance levels are set through agreement with Ofgem and the industry for all these activities and are occasionally redefined.

4.2. Any new topics

4.2.1. Demolition – Service Disconnection (WWU)

Large scale disconnections for urban renewal (brown field) sites. Letter received from Deputy Prime-Minister on the Governments Sustainable Communities Programme.

AT asked for clarification on extent of issue.

Action: Transporters to report back on current Demolition Disconnection/Discontinuance process

Action: Shippers to report back on electricity Demolition Disconnection/Discontinuance process

4.2.2. Sunset Provisions 12 July 2006. Modification 0704 'Revised requirement for users to ensure non-domestic supply meter installations are installed and maintained by accredited Meter Asset Managers' (Ofgem)

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4.2.3. Distribution Charges 1 October 2005 - revised Structure.

5. AOB

5.1. 038 'Provision of Information to Support Development of the NTS Investment Programme'

Initial timetable 1 September 2005 delayed to 14 September 2005. Legal text needs to be revised Section O paragraph 3.2.1(a) needs rewording also need to insert two new paragraphs.

Opinions requested by National Grid (Transmission) on Modification Proposal. PR asked if there were any major concerns. No concerns were raised.

SC enquired about forecast/indications of availability levels of NTS flows. Clarification was provided that this is covered within the Modification Proposal.

RCH enquired if the July CV data is used for anything else other than the PS3 Planning Process and if there are any issues for the CV data used in July.

Attached Workstream Report produced and agreed, incorporating comments from attendees. Attendees agreed to go to Consultation.

6. Diary Planning for Workstream

Next Meetings:

Thursday 25 August 2005, 10:00, 10 Old Bailey

Thursday 22 September 2005, 10:00, TBA

Thursday 27 October 2005, 10:00, 10 Old Bailey

Thursday 24 November 2005, 10:00, TBA

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Action Table (Appendix 1)

Action Ref	Meeting Date	Action	Owner	Status Update
4.1	26/05/05	Legal Text for mods 0023, 0024, 0025, 0026, 0027	National Grid (CW)	C/F Legal Text To be provided with the Draft Mod Reports
3.1	23/06/05	Transco to review UNC to ensure e-mail/web communications recognised for implementation of Mod 0649 on 01 October 05 and provide update at next meeting.	National Grid (CW)	Modification 0033 Raised. DMR due 11/08/05 Action Complete
3.1	23/06/05	Transporters to collate and bring views to next meeting	National Grid (CW)	Action Closed.
3.1	23/06/05	Transco to clarify if RIDDOR / Incident Notifications will have to be actively monitored by Shippers on the web.	National Grid (CW)	Clarification provided that the system will issue email prompts. Action Complete.
3.1	23/06/05	Transco to provide further detail and information on system ownership.	National Grid (CW)	Clarification provided that the system will initially be owned by National Grid.
3.2	23/06/05	Joint Office to contact Members of Transmission Workstream for additional comments for the Workstream reports	Joint Office (JM)	Action Complete
4.1	23/06/05	Shippers to provide feedback on Prime and Sub-deduct Meter Process Flow Diagram to Steve Nunnington	Shippers (All)	C/F <i>Post Meeting Note: No Feedback received on process map. Request to Close Action.</i>
4.2	23/06/05	Transco to seek legal advice regarding sub-deduct customer protection	National Grid (CW)	C/F to August Meeting

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Action Ref	Meeting Date	Action	Owner	Status Update
4.2	23/06/05	Transco to consider providing Legal Guidance with regards to the referred Prime and Sub-deduct Agreement. As currently ambiguous.	National Grid (CW)	C/F to August Meeting
4.2	23/06/05	Post Meeting Note/Action: Ofgem's initial view is that it does not agree with Transco's position on primary and sub-deduct meters - provisions governing isolation of the primary meter. Ofgem to provide further information by the next meeting.	Ofgem (BS)	BS provided update See Post Meeting Note 2.2. Further details to follow - Action C/F
4.3	23/06/05	Transco to examine Siteworks process and ensure Shipper Initiated Capacity Referral Proposals will not create duplication	National Grid	Agenda Item 28/07/05 4.1. Action Complete.
2.2	28/07/05	xoserve to provide number of sub-deduct configurations per Network	xoserve	
3.1	28/07/05	National Grid to provide correct Moody's Title for Modification Proposal 0031 Legal Text.	National Grid	
3.2	28/07/05	Transporters to provide evidence of costs associated with the implementation of Modification Proposal 0032 within representations when Draft Modification Report is issued.	Transporters	
3.2	28/07/05	BS to provide clarification on VAR Best Practice	Ofgem (BS)	BS provided response. See Post Meeting Note 3.2. Action Complete.

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Action Ref	Meeting Date	Action	Owner	Status Update
4.1	28/07/05	National Grid to consider and provide a response with regards to Shipper Capacity Referral Response Times.	National Grid	See Post Meeting Note 4.1 Action Complete.
4.2.1	28/07/05	Transporters to report back on current Demolition Disconnection /Discontinuance process	Transporters	
4.2.1	28/07/05	Shippers to report back on electricity Demolition Disconnection /Discontinuance process	Shippers	