
Development Work Group 0090
Minutes
Thursday 03 August 2006
Elxon, 350 Euston Road, London

Attendees

John Bradley (Chair)	JB	Joint Office of Gas Transporters
Lorna Dupont (Secretary)	LD	Joint Office of Gas Transporters
Mark Freeman (Proposer)	MF	National Grid UKD
Alan Raper (alternate)	AR	National Grid UKD
Bali Dohel (observer)	BD	Scotia Gas Networks
Beverley Grubb	BG	Scotia Gas Networks
Bethan Winter	BW	National Grid NTS
Chris Logue (observer)	CL	National Grid NTS
Christiane Sykes	CS	E.On Energy
Chris Wright (observer)	CW	Centrica
Ed Proffitt	EP	MEUC
Gareth Evans	GE	Total Gas & Power
Hydreace Ali	HA	RWE npower
Helen Bray	HB	Chemical Industries Association
Ian Taylor (alternate)	IT	Northern Gas Networks
Julie Cox	JC	AEP
Jeff Chandler	JCh	Scottish & Southern Energy
Lewis Hodgart	LH	Ofgem
Liz Spierling	LS	Wales & West Utilities
Martin Baker	MB	Xoserve
Mitch Donnelly	MD	Centrica Energy
Mike Young (observer)	MY	Centrica
Nigel Sisman	NS	National Grid NTS
Nick Wye	NW	Corona Energy
Phil Broom	PB	Gaz de France Energy
Paul Smith (alternate)	PS	Ofgem
Rob Cameron-Higgs	RCH	Northern Gas Networks
Stefan Leedham	SL	EDF Energy
Shelley Rouse	SR	Statoil
Tim Davis	TD	Joint Office of Gas Transporters

1. Introduction and Development Work Group operation

JB explained the UNC Modification Rules relating to the workings of the Work Group and the timetable for reporting progress to the UNC Panel. It was stressed that continuity of attendance would aid productivity, in view of the tight timescales for the development of this Modification Proposal.

JB also explained that he was exercising his discretion under the Modification Rules in permitting non-members to be present, in the expectation that their presence would not disrupt the business of the meeting.

2. Outline of Proposal

MF explained the rationale for raising the proposal and the intended outcome, as well as specific areas that the Work Group needed to address. The group discussed the matrices (displayed on the power point slide) and the potential availability of Interruption.

MF agreed with EP's observation that insufficient Interruption may be offered and that an emergency situation might, in that case, be reached more quickly than at present. JC questioned how that change would be acceptable to the HSE. MY asked that, if there was not enough DN Interruption available, would it be acceptable to declare Critical Transportation Constraint Emergency? In that case, there would probably be a 'post mortem' into events and the DN's operating processes. The Transporters were obliged to secure sufficient capacity for a 1-in-20 scenario and if they were unable to do this then they must build more. BG stated that the method of securing 1-in-20 capacity is through charging, not through the obligations on the Transporters. JC was concerned that certain future events might upset the Transporters' decisions to secure for a 1-in-20 and questioned whether enough 'headroom' would be left as a safety margin for this by the DNs.

EP reiterated that every site would be Firm unless an application was made and received to change its status.

BG, MF and NS agreed on the need to establish a suitable hierarchy/set of criteria for selecting and then exercising the various options, with the aim of optimising the 'best fit' for an interruption event. BW and BG questioned what was meant by 'location'. It was felt that this should be properly defined and MF stated that he hoped to have a planner sitting in on this Work Group to help profile and define locations; this might be at Exit Zone level or a smaller grouping of Supply Points. It was also agreed that transparency would be a requirement for any developed rules for selection.

Discussion moved on to the work areas to be covered. MF suggested establishing a natural order to approach the work. Concerns were raised regarding the publication of information and the need for transparency. Arising from this, EP stated that a critical piece of information, to commence the work, would be a comparison of the amount of Interruption the DNs required, against the costs of reinforcing the system, if no applications for Interruption were received. MF agreed this would form the basis of the DNs' investment decisions.

PS acknowledged one of the key points raised - the relevance of a cost benefit analysis - and stated that Ofgem expected to issue a draft in September, with a final analysis issued in December.

JB questioned whether Ofgem would look for the publication of information to be incorporated within the UNC or elsewhere. PS stated that Ofgem had no firm view at present but he would take this point away to establish a clearer view.

Action D9001: Ofgem to provide view on the appropriate governance for publication of information.

JC questioned over how many years the DNs should be considering their investment costs. LS and BG responded that the DNs were thinking about this question. JC stated that it was difficult to understand how the links between charging and the incentives fit, and would it be possible to establish this before going to the Modification Panel.

PS stated that Ofgem's aim in this reform was to improve investment signals, not eliminate uncertainty about prices. JC observed that this could generate spurious investment signals, as the DNs will choose to keep many sites Firm and offer enticing discounts only if they think they really need it. It was felt that a lot of investment may be undertaken but, even if nothing were done, many sites would stay as they were, as they do not want this change. Some would go Firm if they discovered their discount was too small, and some NSLs who wanted to be Firm before but could not change status would go Firm if the bureaucracy were removed.

In answer to the Consumer representative's view, PS stated that Ofgem has made a commitment to carry out an Impact Analysis and would consider all points within the analysis.

There was a short discussion on items that were 'out of scope' and what should be ignored or considered.

PB stated that a Shipper did not necessarily have a position three years out, and EP stated that a consumer did not always want to sign for a three year contract.

There was some concern that changes in NTS Exit regime would affect the work relating to this modification proposal. JB reminded the meeting of the Proposer's suggestion that the work should be based on the situation as it was now. NS observed that an NTS Modification Proposal was expected shortly. MY stated that Shippers are buying/using the DN Capacity and not the NTS Capacity, and how the DNs acquired the capacity was up to them. JC questioned how were NTS Exit Capacity charges reflected in the LDZ Exit Capacity charges?

NW stated that he did not think that the charging methodology was appropriate, and that the group may find it necessary to take into consideration within this proposal any changes made to the charging methodology. In NW's view this was integral to the whole proposal, and any discussions would need to include this. BG understood that it was out of scope, but agreed that it should not be ignored and that potential changes to charging methodology may have to be recognised. LS advised that there was a charging methodology group that was part of ENA, and RCH agreed to ascertain the progress of any charging methodology discussions and update the group.

Action D9002: RCH to ascertain the progress of any charging methodology discussions and provide an update to the group.

NS commented that NTS Exit reform had an impact on charging, and BG observed that this could influence the level of Interruption a DN might want to be looking for.

3. Consider Terms of Reference

The Terms of Reference were then considered in light of the previous items, and JB directed attention to the parameters. The group discussed the 'Scope'.

HB felt that impact on Shipper/consumers contracts should be considered. RCH agreed, but stated although this could be referred to, it could not necessarily be resolved.

EP commented that Consumer groups have not accepted that this proposed change should happen, and that the consumers should be debating this with Ofgem outside this group. LS observed that there was nothing to stop Shippers having additional commercial interruption arrangements in place outside the scope of this proposal. BG stated that this proposal was solely concerned with Transporter Interruption. PS advised that Ofgem was happy to debate these issues with any interested party. TD suggested that the Consumer groups might wish to look at Ofgem's Impact Analysis when this was produced.

It was then agreed that the following two additions would be made to the Scope of the Terms of Reference:

- Interaction with NTS
- Information – publishing and transparency.

'Deliverables' were discussed and it was agreed that Ofgem's Impact Analysis should be taken into consideration when it was produced.

'Composition' was discussed. It was noted that there was a proposed change to a member – Stefan Leedham to replace John Costa.

There was a short discussion on the constitution of a quorum, and it was agreed that the Work Group meeting would be quorate provided representatives from two Transporters, two Users, and one Consumer group were present.

4. Work Group Process

Working arrangements for the Work Group were discussed and agreed, as were the actions that needed to be completed ahead of the next meeting.

It was agreed at the end of the presentation that a natural sequence of work to be covered in the meetings should be devised to make best use of the time available.

Action D9003: MF to liaise with the Joint Office to produce a programme of work to be covered in each Work Group meeting.

5. Diary Planning for Work Group

Next Meetings (timings subject to confirmation):

Thursday 10 August 2006, 11.30hrs at Elexon, 350 Euston Road, London

Wednesday 16 August 2006, 10:00hrs at Elexon, 350 Euston Road, London

Wednesday 30 August 2006, 10.00hrs at Elexon, 350 Euston Road, London

Thursday 07 September 2006, 13:00hrs at Elexon, 350 Euston Road, London

Thursday 14 September 2006, 12:00hrs at Elexon, 350 Euston Road, London

Wednesday 27 September 2006, 12:00hrs at Elexon, 350 Euston Road, London

Thursday 28 September 2006, 13:00hrs at Elexon, 350 Euston Road, London

Thursday 05 October 2006, 13:00hrs at Elexon, 350 Euston Road, London

Action Log

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
D9001	03/08/06	2	Provide the Work Group with view on the appropriate governance for publication of information.	Ofgem (PS)	
D9002	03/08/06	2	Ascertain the progress of any charging methodology discussions and provide an update to the group	NGN (RCH)	
D9003	03/08/06	4	Liaise with the Joint Office to produce a programme of work to be covered in each Work Group meeting.	NG UKD (MF)	