

Development Work Group Modification Proposal 0090

Minutes

Thursday 10 August 2006

Elxon, 350 Euston Road, London NW1 3AW

Attendees

John Bradley (Chair)	JM	Joint Office of Gas Transporters
Lorna Dupont (Secretary)	LD	Joint Office of Gas Transporters
Alan Raper (alternate)	AR	National Grid UKD
Alex Thomason (alternate)	AT	National Grid NTS
Anne Young (alternate)	AY	National Grid UKD
Beverley Grubb	BG	Scotia Gas Networks
Gareth Evans	GE	Total
Hydreace Ali	HA	RWE npower Ltd
Helen Bray	HB	Chemical Industries Association
Jeff Chandler	JC	Scottish & Southern Energy
Lewis Hodgart	LH	Ofgem
Liz Spierling	LS	Wales and West Utilities
Martin Baker	MB	Xoserve
Mitch Donnelly	MD	BGT
Mark Freeman	MF	National Grid UKD
Martin Kew	MK	Northern Gas Networks
Paul Smith	PS	Ofgem
Robert Cameron-Higgs	RCH	Northern Gas Networks
Stefan Leedham	SL	EDF Energy
Shelley Rouse	SR	Statoil

Observers

Sally Brown	National Grid UKD
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Apologies

Bethan Winter	BW	National Grid UKD
Eddie Proffitt	EP	MEUC
Julie Cox	JC	AEP
Nigel Sisman	NS	National Grid NTS
Phil Brown	PB	National Grid UKD
Tim Davis	TD	Joint Office of Gas Transporters

1. Introduction and Status Review

1.1. Minutes from previous meeting (03 August 2006)

The following comments were received and noted.

Minute ref 2/para 1: BG stated that DN obligations in relation to the 1-in-20 were not changing, just the method by which they would be secured.

Minute ref 2/para 5: Ofgem expected to issue a draft in September, with a final analysis issued following a modification decision in January.

The Minutes of the previous meeting were then approved.

1.2 Review of Actions from previous meeting

D9001: Provide the Work Group with view on the appropriate governance for publication of information.

In response to the action from the previous meeting, PS explained that Ofgem considered that the overall principles and behavioural approach to information and transparency should be addressed in the DNs' licences, but the detail of the information to be published was best set out in the UNC. Following an initial review, Ofgem considered that Standard Special Condition D5, which requires DNs to have procurement guidelines for system management services might be capable, without modification, of providing the relevant principles, but that Ofgem intended to review the provisions further with their legal team to consider whether they could apply to interruptions. While accepting the principles of what is covered in the licence and what is covered in the UNC, the DNs were concerned about the specific provisions of SSC D5. It was agreed that this could be discussed separately between Ofgem and the DNs.

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

RCH advised the group that there was to be a meeting on 21 August and that feedback would be provided following this. *Action carried forward.*

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

Action ongoing.

2. Terms of Reference

2.1 Approval of changes to Term of Reference

The amended version of the Terms of Reference was approved and the Terms of Reference will be submitted to the UNC Panel.

2. Business Rules

JB advised the group that they might consider three categories of change:

- 1) Approve
- 2) Approve with minor changes
- 3) Identify more complex area that needs to be set aside for further detailed discussion.

It was agreed that the order of the Agenda would be changed and the Business Rules would be discussed in the following sequence:

- 1) Introduction
- 2) LDZ Exit Capacity Definition
- 3) LDZ DM Interruptible Supply Points and CSEPs
- 4) NDM Supply Points
- 5) LDZ DM Firm Supply Points and CSEPs.

An in-depth discussion of the Business Rules then took place, with appropriate amendments being made to draft version 1.0 (see attached).

3.1 Introduction

Business Rules 1 - A discussion of the high level principles set out in this section ensued, and agreed amendments were made to each paragraph as the review progressed. AY questioned whether the existing booking arrangements would continue and observed that currently the DNs do not have access to Gemini. Current methodology was discussed.

Action D9004: DNs to consider how Firm Capacity booking arrangements may be managed in the future.

AY questioned whether 'location' had been defined. MF advised that this had been discussed at the previous meeting and could be an Exit Zone, or something smaller or greater. BG stated this needed to be a fairly flexible definition as it could change year on year, dependent on each Network's constraints. GE observed that countrywide consistency would be welcome. MF advised that specified locations might be included in the tender document, perhaps identified on a postcode basis, for example, or by other means.

JC questioned for how many sites would tenders be received. It was acknowledged that the number of Interruptible Supply Points had fallen over the years. Keeping the current classification there were thought to be 1400 Interruptible Supply Points over 200,000 therms. It was confirmed that DM Firm is datalogged at 2 million therms, and it was questioned whether Firm Supply Points between 5,860,000 kWh (200,000 therms) and 58,600,000 kWh (2 million therms) would be brought in as datalogged. By 2010 any Supply Point over 5,860,000 kWh would be able to offer to be Interruptible. MF wondered whether there should be a provision included that a site should be already datalogged when bidding into the tender process for being Interruptible but the consensus was that there should be sufficient lead time to fit the datalogger if the application were successful.

Having talked through paragraph 1.15 relating to New Supply Points the group agreed that this topic would need further discussion.

Action D9005: Paragraph 1.5 (also 5.12) DNs to consider precise arrangements for New Supply Points and associated pricing issues.

3.2 LDZ Exit Capacity Definition

Business Rules 2 - This section was discussed and agreed amendments were made to each paragraph as the review progressed. Failure to Interrupt (FTI) was identified as a separate topic for further discussion.

Action D9006: JO (JB) to schedule Failure to Interrupt (FTI) as a topic for further discussion.

3.3 LDZ DM Interruptible Supply Points and CSEPs

Business Rules 5 - This section was discussed and agreed amendments were made to each paragraph as the review progressed.

3.3.1 Registration Process

This section was discussed and an issue concerning the provision and release of information was identified. Shippers asked if a User could submit a nomination just to find out what the Interruptible Terms are, or should there be another route that should be used, ie via the consumer. The DNs were of the view that specific tender pricing information should not be available, and had concerns regarding information sensitivity and confidentiality. LS advised that the DNs have started discussions with xoserve as to how and at what point in the process the information may be made available. The Shippers felt that they needed to understand what the information requirements were, especially any timescales, and pointed out that transfer of ownership part way through the process may complicate this.

Shippers were asked what details they would need to know and MD and GE stated the following items:

- Site status (interruptible)
- Contract duration in years
- Number of interruptible days offered in each year
- Volume of interruption
- AQ and SOQ
- IFA/tranches/partial

It was agreed that the release of information would need to be considered further.

Action D9007: Business Rules paragraph 5.1.1 – DNs to look at the advance provision of information to potential incoming Shipper (what, when, availability, route, required response times, etc).

Shippers also felt that recompense for change of status within year needed to be reviewed. The DNs advised that this depended on individual pricing arrangements.

3.3.2 Application for Supply Point Capacity

This section was discussed and it was agreed that the DNs would review the wording of paragraph 5.2.7.

Action D9008: Business Rules paragraph 5.2.7 – DNs to review wording.

3.3.3 Supply Point Ratchet and 3.3.4 LDZ CSEP Overrun

These sections were discussed together as the same issues arose. Shippers were concerned about the extension of the new changes to the existing arrangements for interruptible customers. MF confirmed that this did not form part of the DNs allowable revenue - ratchets were transportation charges. PS stated that Firm sites already have to consider this risk. HB was of the view that consumers might raise their AOs by 10% or more to provide a comfort zone, in effect overbooking capacity. AR commented that a consumer would pay capacity charges on SOQ. BG made it clear that the arrangements were not designed as an incentive to overbook but rather to book accurately, in line with Ofgem's aims. A balance needed to be struck between an increase in business costs by paying more capacity charges

through overbooking and the risk of incurring a ratchet charge through use of unbooked capacity.

Action D9009: Business Rules paragraph 5.3.4 – DNs to provide clarity on Customer Charge ratchet and LDZ CSEP Overrun components.

Action D9010: Business Rules paragraph 5.3 and 5.4 – DNs to review the inclusion of ratchets and CSEP overruns, and consider segregating and raising as separate modification proposals.

General discussion progressed and brought out the need to clarify both the Annual and the Short Term Capacity Application Process within the Business Rules.

Action D9011: Proposer to revise Business Rules to reflect both the Annual and the Short Term Capacity Application Process.

3.3.5 Application for LDZ Capacity

This section was discussed. It was observed that there should be provision for multiple bids within the Application Process.

Action D9012: Business Rules paragraph 5.5 – DNs to revise Business Rules to permit multiple bids.

Shippers felt that it would be useful to know precisely what information was required, and by when, and it was agreed that the provision of a pro forma to encompass these requirements would be useful.

Action D9013: Business Rules paragraph 5.5.4.2 – DNs to provide indicative pro forma that reflects information set out in this paragraph.

Action D9014: BG to review/clarify Invitation Timescales (Annual Process and Short Term Process).

In further discussion, MD highlighted what may be a 'On the day' issue. For example, the DN may hold information that an Interruptible site's use of gas is X. However the site may have reduced its offtake by X-50% for its own operating reasons and be running at that reduced offtake 'as normal' for some time. If the site was then called upon for constraint reasons to interrupt the DN will not then see the expected 100% reduction of X amount it thinks should be associated with asking that site to interrupt. This is because the site was already flowing a reduced amount of gas and the actual reduction or turn off would in reality only be 50% of X.

The DN's calculations would therefore be incorrect and other sites/arrangements would be necessary to accommodate the shortfall and achieve the calculated reduction required. Would flowing a reduced amount be a contract change? Whose responsibility was it to tell the DNs of any contract changes, and how was this affected when there was a transfer of the site between shippers? The DNs thought that responsibility would be transferred to the incoming Shipper and commented that a DN does not have any contract with the consumer.

MD also commented that the issue was three years ahead, as the SOQ can be increased/decreased and currently the process is annual. Potentially there could be three Shipper and three SOQ changes.

MD observed that at each change of Shipper a new SOQ could be confirmed, and questioned whether the DNs would review this each time and adjust as appropriate against the interruption contract.

SR questioned how Interruption Application information was reviewed and assimilated in this new process.

The DNs commented that there was a difference between Interruption requirements for planning and within day operation, and that nominations could be looked at for more accurate figures. Fluctuation in SOQ was seen to be a DN risk.

Action D9015: DNs to consider charging methodology in relation to provision of SOQs.

3.4 NDM Supply Points

It was agreed that this section would be discussed at the next meeting.

3.5 LDZ DM Firm Supply Points and CSEPs

It was agreed that this section would be discussed at the next meeting.

4 AOB

None.

5 Diary Planning for Work Group

Date		Venue	Time
Wednesday 16 August 2006	Meeting 3	Elaxon, 350 Euston Road, London NW1 3AW	11:00
Wednesday 30 August 2006	Meeting 4	Elaxon, 350 Euston Road, London NW1 3AW	10:00
Thursday 07 September 2006	Meeting 5	Elaxon, 350 Euston Road, London NW1 3AW	13:00
Thursday 14 September 2006	Meeting 6	Elaxon, 350 Euston Road, London NW1 3AW	12:00
Wednesday 27 September 2006	Meeting 7	Elaxon, 350 Euston Road, London NW1 3AW	13:00
Thursday 05 October 2006	Meeting 8	Elaxon, 350 Euston Road, London NW1 3AW	13:00

Table of Issues (captured on flip chart at this meeting)

1	Firm Capacity booking arrangements – currently GNCC. Future?
2	Description of 'location', eg LDZ/Exit Zone/site? - <i>Agreed that this would be in the Tender documentation</i>

	<i>Tender documentation</i>
3	Discussion still required on precise arrangements for New Supply Points – also pricing issue
4	Failure to Interrupt (FTI)
5	Section on Short Term Application Process needed
6	Clarification on Customer Charge – Ratchets - DNs
7	Consider scope (Ratchets and Overruns) – DNs
8	Clarify Invitation Timescales – BG
9	Need provision for multiple bids - DNs
10	DNs to provide pro forma for Supply Point details.

Action Table (Appendix 1)

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)	Update provided - see Minutes ref 1.2. Action closed
D9002	03/08/06	2	Ascertain the progress of any charging methodology discussions and provide an update to the group.	NGN (RCH)	Update provided see Minutes ref 1.2. Action carried forward
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)	Action ongoing
D9004	10/08/06	3.1	Business Rules paragraph 1.3 DNs to consider how Firm Capacity booking arrangements may be managed in the future.	DNs	
D9005	10/08/06	3.1	Business Rules paragraphs 1.15 and 5.12 DNs to consider precise arrangements for New Supply Points and the associated pricing issues.	DNs	
D9006	10/08/06	3.2	Schedule FTIs for discussion	JO	
D9007	10/08/06	3.3.1	Business Rules paragraph 5.1.1 DNs to look at the advance provision of information to a potential incoming	DNs	

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			Shipper (what, when, availability, route, required response times, etc)		
D9008	10/08/06	3.3.2	Business Rules paragraph 5.2.7 DNs to review wording.	DNs	
D9009	10/08/06	3.3.3	Business Rules paragraph 5.3.4 DNs to provide clarity on Customer Charge ratchet and LDZ CSEP Overrun components.	DNs	
D9010	10/08/06	3.3.4	Business Rules paragraphs 5.3 and 5.4 DNs to review the inclusion of ratchets and CSEP overruns, and consider segregating and raising as separate modification proposals.	DNs	
D9011	10/08/06	3.3.4	Proposer to revise Business Rules to reflect both Annual and Short Term Capacity Application Process.	MF	
D9012	10/08/06	3.3.5	Business Rules paragraph 5.5 DNs to revise Business Rules to permit multiple bids.	DNs	
D9013	10/08/06	3.3.5	Business Rules paragraph 5.5.4.2 DNs to provide indicative proforma that reflects information set out in this paragraph.	DNs	
D9014	10/08/06	3.3.5	BG to review/clarify Invitation Timescales (Annual Process and Short Term Process)	BG	
D9015	10/08/06	3.3.5	DNs to consider charging methodology in relation to provision of SOQs.	DNs	