

Development Work Group Modification Proposal 0090

Minutes

Wednesday 16 August 2006

Elxon, 350 Euston Road, London NW1 3AW

Attendees

John Bradley (Chair)	JB	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
Indra Thillainathan	IT	Ofgem
Lewis Hodgart	LH	Ofgem
Liz Spierling	LS	Wales and West Utilities
Mark Freeman	MF	National Grid UKD
Martin Kew	MK	Northern Gas Networks
Mitch Donnelly	MD	BGT
Phil Broom	PB	Gaz de France
Shelley Rouse	SR	Statoil
Stefan Leedham	SL	EDF Energy
Tim Davis	TD	Joint Office of Gas Transporters

Apologies

Bethan Winter	BW	National Grid UKD
Eddie Proffitt	EP	MEUC
Julie Cox	JC	AEP
Martin Baker	MB	Xoserve
Nigel Sisman	NS	National Grid NTS

1. Introduction and Status Review

1.1. Minutes from previous meeting (10 August 2006)

The Minutes of the previous meeting were then approved, with the exception of the following comment:

Minute ref 1.2/para Action D9002: The date of the meeting has now been set for 22 August 2006.

1.2. Review of Actions from previous meeting

For updates on all actions see Action Table below.

2. Business Rules

An in-depth discussion of the Business Rules took place, with appropriate amendments being made to draft version 1.1. Following these revisions the Business Rules document was renumbered to version 1.2, 16 August 2006.

2.1. LDZ DM Interruptible Supply Points and CSEPs - continued

Business Rules 5 - A discussion of the concluding sections took place, carrying on from the point where discussion had terminated at the previous

meeting owing to lack of time. Agreed amendments were made to each paragraph as the review progressed.

5.5.5.4 - In response to a question from a Shipper, it was confirmed that the Bottom-Stop SOQ (BSSOQ) process was defined elsewhere in the UNC. It was thought that adding a reference to this within the Business Rules would be helpful.

5.5.6.1 – In response to a question from a Shipper, it was confirmed that there would be advance notification of localised requirements.

5.5.6.2 – There was some doubt on where Allocation methodology would be described – possibly in the Transportation Statements, but probably in the Transporters' Transportation Charging Methodology.

Action D9016: DNs to check if all references to Transportation Statement are correct once Business Rules are finalised.

5.5.6.3 – This paragraph was discussed. It was agreed to split 5.5.71 into two separate paragraphs and renumber the second paragraph 5.5.7.2 in order to differentiate the provision of information.

Action D9017: DNs to consider making “application window” a Defined Term within UNC.

5.5.7.1 - HB and MD were concerned that no mention had been made of receiving an invalid notice and a resubmission within the application window.

Action D9018: DNs to consider validation required at the point of application submission.

PB questioned if bids would be kept whole - would partial or whole be acceptable, or would the next block be automatically taken up? MF thought that this would be covered in the Charging Methodology. BG commented that there might never be a perfect match. GE thought there might be a situation where partial interruption might be acceptable.

Action D9019: DNs to consider partial bids.

The group discussed how individual Supply Point requirements and overall system requirements could be reflected. MD would want to know details about offers at locations where there was more than one User. Information at Exit Zone level would not really help.

Action D9020: DNs to discuss with Ofgem the level of disaggregation at which to make information available.

The structure of the tender gave rise to discussion. MD's view was that any rejections or partial acceptances should be notified before the window closed. If it was 'all or nothing' then there was no room for negotiation. The DNs commented that offers would need to be specified clearly as they would only be able to accept what was there.

A similar issue to that identified at the previous meeting (Minute reference 3.3.5) was discussed, whereby Shippers felt that withdrawing and incoming Suppliers would need to know the contract terms. There may be implications for competition, whereby the original contracting Shipper has an advantage over subsequent Shippers, because it knows the contract terms. There was also a concern that the nature of terms being offered to a particular site might then be passed on to a competing Shipper. AR stated that the DNs could only pass on information gathered through the tender. The DNs were not a party to arrangements between Shipper and customer.

LH commented that Ofgem would address any points raised relating to competition in their impact analysis.

Action D9021: Shippers and Consumers to decide what information should be released to assist Supply Point transfer and competition.

A further point made by Shippers was that some of the community may not be keen to take part in the DN Interruption Process as this and Commercial Interruption could be seen to be mutually exclusive. It could be seen as a disincentive to Shippers agreeing Commercial Interruption terms that they were involved in this (Transportation Interruption) process.

Shippers also commented that DNs might not receive as many tenders as they hoped for to fulfil any planned Interruption. It was observed that these Interruption contracts would cover two different markets, potentially with two very different values. It was questioned what would happen if insufficient Capacity were offered in the tender process. The signals would not be enough to make decisions. Both HB and MD felt that the three years ahead stricture should be removed or reduced. The DNs observed that it was a trade-off between Interruption and Investment and that these views may be something for Ofgem's further consideration.

Action D9022: DNs to consider what may happen if not enough Capacity were made available through the tender process.

5.5.8 – It was agreed that a further section was needed to cover the Short Term Application Process.

Action D9023: Business Rules 5 paragraph 5.5.8 – DNs to add a further section covering Short Term Application Process.

HB was concerned on when the group would have sight of the Legal Text. JB advised that the Proposer could produce Legal Text at any stage but under the Modification Rules, Legal Text is only required when the Draft Modification Report is issued.

2.2. NDM Supply Points

Business Rules 3 - This section was discussed and agreed that amendments were made to each paragraph as the review progressed.

2.3. LDZ DM Firm Supply Points and CSEPs.

Business Rules 4 - This section was discussed and agreed amendments were made to each paragraph as the review progressed.

In MD's view parts of section 5 contradicted parts of section 4 (relating to supply Point ratchets).

Action D9024: Business Rules 4 and 5 – contradiction between sections. DNs to review and consider referencing.

It was agreed that 4.5 would be considered at a later point.

3. Specific Topics

3.1. Interruption Notice

A presentation was given by MF (see attached), who stated that there was no change proposed to the notice period, and little change to existing terms in UNC. The presented terms were discussed and agreed amendments were made as the review progressed.

It was noted that, as part of SOMSA exit, the DNs would have their own Control Rooms, but the assumption was made that communication

channels would not alter once the DNs have their own arrangements in place.

It was the Proposer's intention to remove the 'buddying' arrangement as this had only been taken advantage of on one occasion.

3.2. Interruptible Firm Allowance (IFA)

A presentation was given by MF (see attached), who stated that there was likely to be substantial change in view of the group's discussions. The presented terms were discussed and agreed amendments were made as the review progressed.

AY observed that, currently, there were many IFA Agreements in operation; Partial Agreements were favoured more by large sites and IFAs were generally associated with smaller sites. MF commented that there would not be a separate IFA process outside the main process. BG questioned whether separate rules might need to be considered. LS stated that an IFA was potentially a 'turn-down' rather than a complete Interruption, because an IFA gave a site the comfort of continuing to burn a small amount of gas throughout the Interruption period. It was thought that this might be more difficult to manage operationally.

Action D9026: IFAs – MF to write Business Rules to combine IFAs and Interruption.

3.3. Partial Interruption

A presentation was given by MF (see attached). The presented terms were discussed and agreed amendments were made as the review progressed.

MF stated that a request for IFA and partial could only be made through the Application Process. PB commented that an 'education process' may be needed for this to work, and stated that Interruption requests could change over time and may therefore need to be accommodated more flexibly. MF thought that this could be done through the Annual Application Process. PB stated that customers have a strong incentive to lock in to a five year contract may but may need to change/vary their IFA requirements within that timeframe. There was a possibility that customers, once accepted, would seek reduce their terms. The DNs commented that there was a distinction between planning requirements and operational requirements and questioned how the DNs would know that something was no longer available. The DNs thought that they might need to consider variations on volume.

AY stated that the minimum tranche size was 200,000 therms and that the minimum starting point for a Partial Interruption Agreement was a minimum of 400,000 therms (to be able to split into two tranches). No change was proposed to this, but it was thought that tranche size would be covered within the tender information.

AY explained what happened when the site transferred to another Supplier.

Action D9025: Partial Interruption – DNs and Shippers to consider what flexibility could be offered or expected in terms of tranches and total volumes (from both an increase or decrease perspective).

3.4. Shared Supply Points

This topic will be covered at a subsequent meeting.

3.5. Annual Application Process

BG gave a presentation. The presented terms were reviewed and there was a discussion focused on at what point did Short Term become Emergency Interruption. It was stated that the Annual Process has been worded to cover a year to three years ahead, but that the DNs might need to consider the wording of the process. Consideration would also need to be given to the number of days that may be required within the process.

Action D9027: Annual Application Process – DNs to reconsider wording of Annual Application Process.

Action D9028: Annual Application Process – Shippers and DNs to consider number of days required within Annual Application Process.

No amendments to text were made at this meeting. Subject to an interim revision the process will be reviewed at a subsequent meeting.

4. AOB

None.

5. Diary Planning for Work Group

Date		Venue	Time
Wednesday 30 August 2006	Meeting 4	Elexon, 350 Euston Road, London NW1 3AW	11:00
Thursday 07 September 2006	Meeting 5	Elexon, 350 Euston Road, London NW1 3AW	13:00
Thursday 14 September 2006	Meeting 6	Elexon, 350 Euston Road, London NW1 3AW	12:00
Wednesday 20 September 2006	Meeting 7	Elexon, 350 Euston Road, London NW1 3AW	10:00
Wednesday 27 September 2006	Meeting 8	Elexon, 350 Euston Road, London NW1 3AW	13:00
Thursday 05 October 2006	Meeting 9	Elexon, 350 Euston Road, London NW1 3AW	13:00

Action Table (Appendix 1)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
D9002	03/08/06	2	Ascertain the progress of any charging methodology discussions and provide an update to the group.	NGN (RCH)	Feedback to be provided following a meeting on 22/08/06. 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)	Programme of work presented to group 16/08/06. Action closed
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	Action carried forward
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	Under discussion. Action carried forward
D9006	10/08/06	3.2	Schedule FTIs for discussion	JO	Scheduled for Meeting 4 on 30/08/06. Action closed
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 Shipper (what, when, availability, route, required response times, etc)	DNs	Scheduled for presentation/discussion at Meeting 4 on 30/08/06. Action carried forward
D9008	10/08/06	3.3.2	Business Rules paragraph 5.2.7 DNs to review wording.	DNs	Scheduled for presentation/discussion at Meeting 4 on 20/09/06. Action carried forward
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	Action carried forward
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	Action carried forward
D9011	10/08/06	3.3.4	Proposer to revise Business Rules to reflect both Annual and Short Term Capacity Application Process.	MF	Group's views sought - responses to Enquiries@gasgovernance.com
D9012	10/08/06	3.3.5	Business Rules paragraph 5.5 DNs to revise Business Rules to permit multiple bids.	DNs	Action carried forward
D9013	10/08/06	3.3.5	Business Rules paragraph 5.5.4.2	DNs	Provision to next meeting 30/08/06. Action carried

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			DNs to provide indicative pro forma that reflects information set out in this paragraph.		forward
D9014	10/08/06	3.3.5	BG to review/clarify Invitation Timescales (Annual Process and Short Term Process)	BG	Group's views now sought - responses to Enquiries@gasgovernance.com
D9015	10/08/06	3.3.5	DNs to consider charging methodology in relation to provision of SOQs.	DNs	Scheduled for presentation/discussion at Meeting 5 (07/09/06)
D9016	16/08/06	2.1	Check if all references to Transportation Statement are correct once Business Rules are finalised.	DNs	
D9017	16/08/06	2.1	Consider making "application window" a Defined Term within UNC.	DNs	
D9018	16/08/06	2.1	DNs to consider the validation required at the point of application submission.	DNs	
D9019	16/08/06	2.1	DNs to consider partial bids	DNs	
D9020	16/08/06	2.1	DNs to discuss with Ofgem the level of disaggregation at which to make information available.	DNs & Ofgem	
D9021	16/08/06	2.1	Shippers and Consumers to decide what information should be released to assist Supply Point transfer and competition.	MD & HB	
D9022	16/08/06	2.1	DNs to consider what may happen if not enough Capacity is made available though the tender process.	DNs	
D9023	16/08/06	2.1	Business Rules 5 paragraph 5.5.8 – DNs to add a further section covering Short Term Application Process.	DNs	
D9024	16/08/06	2.3	Business Rules 4 and 5 – contradiction between sections. DNs to review and consider referencing.	DNs	
D9025	16/08/06	3.3	Partial Interruption – DNs and Shippers to consider what flexibility could be offered or expected in terms of tranches and total volumes.	DNs (MF) & Shippers (MD)	
D9026	16/08/06	3.2	IFAs - Write Business Rules to combine IFAs and Interruption.	MF	
D9027	16/08/06	3.5	Annual Application Process – DNs to reconsider wording of Annual Application Process.	DNs	
D9028	16/08/06	3.5	Annual Application Process – Shippers and DNs to consider	DNs & Shippers	

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			number of days required within Annual Application Process.		