

## Development Work Group Modification Proposal 0090

### Minutes

Wednesday 27 September 2006

Elaxon, 350 Euston Road, London NW1 3AW

#### Attendees

John Bradley (Chair)	JB	Joint Office of Gas Transporters
Dennis Rachwal (Secretary)	DR	Joint Office of Gas Transporters
Anne Young	AY	National Grid Distribution
Beverley Grubb	BG	Scotia Gas Networks
Hydreace Ali	HA	RWE npower
Indra Thillainathan	IT	Ofgem
John Costa (alternate)	JCo	EDF Energy
Liz Spierling	LS	Wales and West Utilities
Mark Freeman	MF	National Grid Distribution
Martin Kew	MK	Northern Gas Networks
Paul Smith	PS	Ofgem
Phil Broom	PB	Gaz de France
Shelley Rouse	SR	Statoil
Tim Davis	TD	Joint Office of Gas Transporters

#### Apologies

Alex Thomason (alternate)	AT	National Grid Transmission
Eddie Proffitt	EP	MEUC
Helen Bray	HB	Chemical Industries Association
Julie Cox	JC	Association of Electricity Producers
Lorna Dupont	LD	Joint Office of Gas Transporters
Phil Brown	PBr	National Grid Distribution
Stefan Leedham	SL	EDF Energy

### 1. Introduction and Status Review

There was no consumer representative present thus the meeting was not quorate. However, attendees agreed to progress discussion and seek any formal endorsement from a subsequent quorate meeting.

#### 1.1 Minutes from previous meeting (20 September 2006)

The following comments were received:

*Minutes reference 2.1 paragraph 18* – to be amended to read, “JC commented that the NTS asked for sites willing to be interruptible for NTS purposes in September, did this then mean that the process would be for DN’s to establish DN sites that were willing to participate, for the DN to participate in the NTS tender and then for the DN to advise DN customers.”

*Minutes reference 2.1 paragraph 22* – to be amended to read, “CS wondered what would happen if an Emergency Interruption was called and there were no Interruptibles? Stage 1 effectively becomes obsolete and the focus moves immediately to Stage 3 firm load shedding.”

*Minutes reference 2.2, last paragraph* to be amended to specifically reference Ofgem’s Impact Assessment and thus read “Ofgem advised the Group that it would

welcome any comments or feedback on its Impact Assessment that could be included before the publication of the consultation document.”

Attendees accepted the minutes of the previous meeting.

## **1.2 Review of Actions from previous meeting**

The majority of the outstanding actions from previous meetings were addressed within the items scheduled for discussion at this meeting, and were subsequently recommended to be closed at the end of the meeting. Status updates where appropriate have been added to all remaining outstanding actions (see Action Table Appendix 1).

## **2. Specific Topics**

### **2.1 Review of Re-drafted Business Rules versions 1.4 and 1.5**

Version 1.4 of the Business Rules had been published 25 September 2006 and MF explained that DNs had made some further progress and proceeded to run through Version 1.5. Business Rule numbering in these minutes generally refer to Version 1.5.

#### **Section 1 Introduction**

MF outlined the changes, pointing out that the Business Rules would form part of a revised Modification Proposal.

Rule 1.13 on interruption payments – the DNs envisaged a Statement other than a transportation charging statement (since it involved payment and not just charges).

**Action D9035: Carried Forward** Ofgem to consider governance arrangements for DN statements that included interruption payments.

All other changes were for clarification or confirmation from previous discussions

#### **Section 2 LDZ Capacity Definition**

Rule 2.3.3 on SOQ increase or decrease had been added following DN consideration of matters arising from Actions D9033 and D9034.

Other changes were for clarification and confirmation.

#### **Section 3 NDM Supply Points**

There has been minimal change.

#### **Section 4 DM Supply Points & CSEPs – Firm**

Rule 4.1 now has clarification that the proposed change to apply UNC Firm procedures as the default for all DMs, following consideration of Action D9024. MF explained that some overlapping rules in Section 5 had therefore been deleted to aid clarity.

Rules 4.5 and 4.6 on Supply Point Ratchet and LDZ CSEP Overrun were discussed. MF explained that the Proposer had considered Action D9010 and decided to proceed with no alteration to existing UNC provisions for these two classes of connection as the difference was not unduly discriminatory.

Shipper representatives were invited to consider their preference as to whether the two mechanisms should be retained.

**Action D9038:** Shippers to consider their preference on whether to retain differentiation between ratchets for Supply Points and overruns for LDZ CSEPs or whether to have one mechanism for both classes of connection.

PB expressed concern that ratchets had never been applied to current interruptible sites and this was therefore a considerable change. BG argued that the ratchet incentive should apply to all sites on all days except where interruption had been contracted in recognition that such gas offtake was using capacity on the system. PS indicated that the prevailing Ofgem view was for equitable treatment.

PB queried why the term “Interruptible Site” would be retained and BG responded that it would provide a flag to DNs that an interruptible contract arrangement was in place.

### **Section 5 LDZ DM Supply Points & CSEPs – Interruptible**

Rule 5.1.1 on transfer of Supply Points. Following consideration of Action D9007 DNs had decided not to propose that information would not be released to a potential incoming Shipper.

HA enquired what rules would apply to sites that cease to take gas and this may apply whether formally isolated or not. In discussion the concern was whether Failure to Interrupt charges could arise – see Section 7.

Rule 5.2.2 (NB ref v1.5) had been added to clarify the daily LDZ Capacity charge.

Rules 5.3 and 5.4 had been deleted to avoid duplication with Section 4 on ratchets and overruns.

Rule 5.5 (NB ref v1.5) on application for Interruptible LDZ Capacity similar to 4.1 has a statement added to clarify that all LDZ DM Users are Firm.

Rule 5.5.1.8 on interruptible capacity tranches was considered to have unclear terminology.

**Action D9039:** DNs to clarify terminology for interruptible capacity tranches (ref v1.5 Rule 5.5.1.8).

The Ranking Process that had been referred to in 5.5.5 of version 1.4 of the Business Rules was deleted following discussion that this would be a process outside the UNC where Transporters would be allowed discretion to respond to an incentive regime. The UNC may need to recognise principles such as that set out in Rule 5.5.6.2 (v1.5).

Rule 5.5.7 Results. PS enquired whether additional information could be published to inform parties whose offers had not been accepted, recognising that confidentiality may need to be protected. Following discussion, MF adopted and incorporated some of the suggestions.

### **Section 6 Interruption Notice**

There were no comments on this section

### **Section 7 Failure to Interrupt**

Rule 7.4 on failure to interrupt charges the wording was clarified and extended to avoid apparent duplication with Rule 7.5 of v1.4.

Rule 7.9 (v1.5) was added to address the concern identified during discussion of Section 5 regarding sites that ceased taking gas and also recognised that interruption compensation payments should also cease for such sites.

### **Section 8 Shared Supply Meter Points (SSMPs)**

Rule 8.3 AY confirmed that User Agent was an existing Code term.

Rule 8.4 of v1.4 was deleted as it was not considered appropriate to restrict to one Interruptible Supply Point contract.

Rule 8.7 on restriction of reallocation of firm and interruptible components. DNs were asked to consider whether this was appropriate.

**Action D9040:** DNs to consider whether a more flexible arrangement was possible for reallocation of firm and interruptible supply point components where an interruptible contract is in place.

**Section 9 Transition Arrangements**

There was a query as to how a new supply point would go firm if initially there is insufficient capacity available.

**Action D9041:** DNs to consider how best to accommodate the scenario of new supply points where there is insufficient firm capacity.

**2.2 Review of Development Work Group Report**

A first draft of the Development Work Group Report was reviewed and comments invited and incorporated such that a revised draft would be available for the next meeting.

**3. Any Other Business**

None.

**4. Diary Planning for Work Group**

Attendees did not recommend to proceed with a meeting on 28<sup>th</sup> September 2006.

Therefore the next meeting of the Work Group will be held at Elexon on 5<sup>th</sup> October 2006.

Please note the change to the start time of the meeting scheduled for Thursday 05 October, which will now commence at 14:00hrs. The agenda for this meeting will include the following topics:

- Review and finalise re-drafted Business Rules
- Review and finalise Work Group Report
- Finalise Modification Proposal

Date		Venue	Time
Thursday 05 October 2006	Meeting 9	Elexon, 350 Euston Road, London NW1 3AW	14:00 (previously 13:00)

### Action Table (Appendix 1)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
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	<b>Closure recommended 27/09/06</b> Propose that information should not be provided.
D9008	10/08/06	3.3.2	Business Rules paragraph 5.2.7 DNs to review wording.	DNs	<b>Closure recommended 27/09/06</b> Business Rules revised.
D9009	10/08/06	3.3.3	Business Rules paragraph 5.3.4 - DN's to provide clarity on Customer Charge ratchet and LDZ CSEP Overrun components.	DNs	<b>Closure recommended 27/09/06</b> Business Rules clarified and DN's propose continuation of prevailing arrangements subject to consideration of shipper preference – action D3039
D9010	10/08/06	3.3.4	Business Rules paragraphs 5.3 and 5.4 - DN's to review the inclusion of ratchets and CSEP overruns, and consider segregating and raising as separate modification proposals.	DNs	<b>Closure recommended 27/09/06</b> No separate Proposal envisaged by DN's
D9013	10/08/06	3.3.5	Business Rules paragraph 5.5.4.2 DN's to provide indicative pro forma that reflects information set out in this paragraph.	DNs	<b>Closure recommended 27/09/06</b> Information requirements set out in Business Rules
D9018	16/08/06	2.1	DN's to consider the validation required at the point of application submission.	DNs	<b>Closure recommended 27/09/06</b> Included in draft of the Business Rules.
D9024	16/08/06	2.3	Business Rules 4 and 5 – contradiction between sections. DN's to review and consider referencing.	DNs	<b>Closure recommended 27/09/06</b> Business Rules revised.
D9028	16/08/06	3.5	Annual Application Process – Shippers and DN's to consider number of days required within Annual Application Process. Reworded to: Shippers and DN's to consider once the Application window closes how quickly a Transporter has to respond or a Shipper to resubmit.	DNs & Shippers	<b>Closure recommended 27/09/06</b> Business Rules revised.
D9029	30/08/06	2.1	Shared Supply Meter Points - xoserve to confirm and advise the number and location of all sites currently designated as SSMPs.	xoserve	<b>Closure recommended 27/09/06</b> Data from xoserve circulated 26/09/06 and presented 27/09/06

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
D9030	30/08/06	2.1	Shared Supply Meter Points - The DNs to consider the role of the Allocation Agent within the bid process.	DNs	<b>Closure recommended 27/09/06</b> User Agent referred to in Business Rules section 8.
D9033	30/08/06	2.4	New Supply Points - DNs and xoserve to look at what happens in the current process whereby the SOQ increases through the ratchet and the increased flow cannot be accommodated immediately.	DNs and xoserve	<b>Closure recommended 27/09/06</b> Note circulated from xoserve 26/09/06
D9034	30/08/06	2.4	New Supply Points - DNs to consider UNC G5.5.4 and any impacts, and how to manage an increase/decrease in capacity in an existing site.	DNs and GE	<b>Closure recommended 27/09/06</b>
D9035	14/09/06	2.1	DNs to devise appropriate governance arrangements and a "payment methodology statement".	DNs and Ofgem	27/09/06 Business Rules Section 1 identifies need and Ofgem to consider title and governance. <b>Action carried forward</b>
D9036	14/09/06	2.1	The DNs to produce and publish a Pricing discussion document to be issued as soon as possible to a wider audience. Once produced the Pricing paper to be tabled for discussion at appropriate industry meetings.	DNs	<b>Closure recommended 27/09/06</b> 25/09/06: Pricing Discussion Paper published with reps close out 11 <sup>th</sup> Oct and meeting scheduled for 2pm 10 <sup>th</sup> Oct.
D9037	20/09/06	2.1	The DNs and the NTS to establish with xoserve the feasibility of bringing forward the demand forecasting activities.	DNs and NTS	<b>Action carried forward</b> 27/09/06 No xoserve or NTS representative in attendance.
D9038	27/09/06	2.1 Section 4	Shippers to consider their preference on whether to retain differentiation between ratchets for Supply Points and overruns for LDZ CSEPs or whether to have one mechanism for both classes of connection.	Shippers	
D9039	27/09/06	2.1 Section 5	DNs to clarify terminology for interruptible capacity tranches (ref v1.5 Rule 5.5.1.8).	DNs	
D9040	27/09/06	2.1 Section 8	DNs to consider whether a more flexible arrangement was possible for reallocation of firm and interruptible supply point components where an interruptible contract is in place.	DNs	
D9041	27/09/06	2.1 Section 9	DNs to consider how best to accommodate the scenario of new supply points where there is insufficient firm capacity.	DNs	