

## Gas Customer Forum Minutes

Monday 01 December 2008

### Energy Networks Association

6<sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London

#### Attendees

Tim Davis (Chair)	(TD) Joint Office
Mike Berrisford (Secretary)	(JB) Joint Office
Andy Miller	(AM) Xoserve
Alex Spreadbury	(AS) B&Q
Bali Dohel	(BD) Scotia Gas Networks
Di Cedra	(DC) Xoserve
Eddie Proffitt	(EP) MEUC
Mark Freeman	(MF) National Grid Distribution
Peter Thompson	(PT) LAGUR
Phil Broom	(PB) GDF Suez UK
Richard Street	(RS) Corona Energy
Simon Trivella	(ST) Wales & West Utilities
Steve Pownall	(SP) National Grid NTS
Steve Sherwood	(SS) Scotia Gas Networks

#### Apologies

Alex Moczarski	Boots
Claire Gibney	NHS Purchasing & Supplies Agency
Ritchard Hewitt	National Grid NTS
Robert Cameron-Higgs	Northern Gas Networks
Robert Spears	UCC

#### 1. Introduction

Presentations are available at:

<http://www.gasgovernance.com/industryinfo/GasCust/2008Meetings/>

##### 1.1 Minutes of last meeting

Minutes of the 28 July 2008 meeting were accepted.

##### 1.2 Review of Actions

- GCF050: In the absence of R Cameron-Higgs the action was carried forward.

#### Action GCF050: Carried Forward

- GCF058: xoserve (AM) advised that information of the SOQ revision process had been prepared but is awaiting Transporter approval as interpretation of UNC Section G is required. A copy of the documentation will be published alongside these minutes.

#### Action GCF058: Closed

- GCF059: Corona, (RS) indicated that, while no overarching group had been established to consider AMR, an Interoperability Group, Chaired by N Nash of Ofgem had been established. Whilst their brief is to look at interoperability

aspects of AMR, it may be feasible to expand this to include other areas such as the AMR Service Provider Code of Practice.

When asked, TD suggested that it would be up to Ofgem to establish the appropriate Terms of Reference for its group. AS voiced concern surrounding a number of potential customer facing deadline related issues and emphasised that the need for a future proofed system remains paramount. RS offered to provide updates on the progress made by the Interoperability group.

**Action GCF059: Closed**

- GCF060: Please refer to item 2.3 below.
- GCF061: Please refer to item 2.3 below.

## 2. Presentations

Copies of all the various presentations are available to view and/or download from the Joint Office web site at: <http://www.gasgovernance.com/industryinfo/GasCust/2008Meetings/>

### 2.1 xoserve update (Project Nexus)

AM provided a brief presentation and discussions highlighted the following:

- xoserve would welcome user feedback on the scale and scope of any proposed Nexus changes;
- development of the current systems has been evolutionary, rather than revolutionary;
- there remains opportunity for additional functionality to be added to project Nexus provided proposer(s) can secure the necessary funding;
  - 12 month development window opportunity will be heavily dependent on the industry identifying the appropriate development, governance and funding requirements;
- current thinking is for a 'phased approach' to Nexus implementation;
  - experience gleaned from the initial phases will be utilised to 'shape' the later implementation aspects;
- currently Ofgem's iGT Working Group is not bringing any new requirements to light;
- Stage 3 provides the last opportunity to consider items such as:
  - inclusion of iGT supply points;
  - data management elements (central master hub)
  - ownership of SPA related data, including the concept of splitting out I&C data;
- User Pays (UP) has not significantly affected requests for, and utilisation of, xoserve services. Code constraints can make provision of certain aspects of data difficult. During the transition to a UP approach, some major energy users declined to take up the IAD option;
- the term 'as is' does not necessarily mean an exact match with current systems and any value added items to make the system more efficient could be included on a User Pays basis, and
- consideration should be given to whether or not it is more cost effective to ensure functionality is included in advance, regardless of subsequent utilisation or not.

In closing, members applauded xoserve for their project Nexus approach.

## **2.2 DN Interruption Reform**

### **2.2.1 Ad-hoc Interruption Invitation**

#### Scotia Gas Networks

SS provided a brief summary of his presentation and highlighted the following:

- Scotland Gas Networks will require reinforcement sometime in the future;
- SGN will be submitting their Price Control views in relation to a potential re-opener to Ofgem;
- 2011 requirements are indicative until September 2009;
- 4<sup>th</sup> year figures will go from indicative to firm and may result in SGN not having to purchase future interruption;
- currently the system is capable of supplying all the 2011 interruption requirements, however any further growth will impact this position; and
- the DNs have discussed improving future tender (2009) related processes and communications whilst maintaining customer confidentiality.

#### National Grid

MF said that information is available on both the National Grid and Joint Office web sites, and suggested that the October 2008 tender displayed similar levels of activity as the June one. He added that any interruption requirement shortfall could be 'covered' by reinforcement.

MF indicated that National Grid do not anticipate requesting a CAPEX re-opener.

#### Wales & West Utilities

ST emphasised that whilst some capacity offers had been made and were extremely close to 'WWU's requirements, WWU ultimately deemed these uneconomic and therefore declined to accept.

WWU will be looking at ways of addressing the predicted 1.3GWH/day shortfall for 2011/12 and do not anticipate requesting a CAPEX re-opener.

#### Northern Gas Networks

ST provided a brief presentation on behalf of NGN. His understanding was that NGN would still have a constraint for 2011 and hence may undertake another ad-hoc tender, or alternatively raise a UNC Modification Proposal seeking to allow 2011 requirements to be included within the annual process (which would otherwise be for 2012 onwards).

In general discussions about the tenders, ST pointed out that the figures provided by the DNs highlight some of the problems with the current publication format whereby two similar looking figures contained within a table may, in fact, have differing 'background' aspects resulting in significantly differing prices – especially as they represent the fully exercised value.

Attendees noted that the number of interruptible sites had fallen from approximately 14,000 to 27. Furthermore, discussions with Shippers have highlighted that some may no longer wish to be interruptible in future. EP indicated that in his view the various changes undertaken pose a security of supply risk and in the event of a gas emergency, there is a distinct possibility of a rapid escalation to stage 3, thereby negating the beneficial effects of stages 1 and 2. RS added that he has concerns surrounding load shedding and its impact upon the market, potentially at the expense of system balancing. He went on to state that he does not believe that the Authority

fully appreciated the benefits (capacity/commodity) of the old system before moving to the current position.

### 2.2.2 Safety Case Update

ST explained that the HSE believe that some Safety Case changes will be required to accommodate the changes introduced by Modification 0090, although these may not be of a material nature. He added that exercise prelude is also expected to have some impact upon the safety case and the DNs are currently undertaking an impact assessment. Whilst the process is ongoing he acknowledges that firm load shedding will need further consideration.

EP argued that the DNs have an obligation to educate the larger capacity firm sites that their interruption status is changing given that there will no longer be a large body of interruptible load to remove from the system initially in the event of an emergency. ST accepted this may be appropriate and emphasised that WWU was already in contact with some key customers.

## 2.3 Transmission Issues

SP provided an update, as follows:

- Operating Margins
  - tender due shortly and process is looking to see if parties are able to come off the system within 2 hours;
  - network operations recently undertook a consultation exercise including looking at direct connects coming off the system first;
  - NBP trades are also being considered, and
  - discussions with the bigger loads are ongoing - further meeting tomorrow to discuss direct connects requirements and UNC change timeline - a UNC modification (TPD Section K) will be required in due course.

### Action GCF060: Closed

- Exit Reform
  - UNC modification suite 0116/0195 – Authority decision due to be communicated shortly. Ofgem remains concerned about possible legal challenges in light of a late potential change to the legal text associated with the Proposals.
- Winter Update
  - Operation Forum presentations indicate some demand reduction – potentially a result of the anticipated extension to the Christmas shutdown period for a number of hard pressed industries.

- NEC Network Emergency Exercise – Exercise Prelude

SP clarified that during stages 2 and 3, suspension of National Grid's participation on the OCM as the Residual Balancer coincides with the cash out prices being frozen at stage 2. SP added that he shares EP's view that the transition between stages 1, 2 & 3 will potentially take place far quicker in future when fewer sites are classified as interruptible. SP said it is expected that the final Prelude report will be published in Q1 2009.

SS provided a brief update on behalf of SGN, which now operates its own control centre. The unsuccessful contact percentages (about 45%) are a concern. He pointed out that contact information is supplied by the shippers and there is clearly scope for improvement. Looking at the 2 – 50MTPA sites,

six sites had concerns about interrupting. However, following site visits, it is believed that should they have been required to come off the system, they could have done so within 3 hours.

RS pointed out that Corona has undertaken a validation of its emergency contact information and have found that all but five sites appear to be okay. He believes that the issues surrounding who, and how, to contact during an emergency is largely related to consumer understanding and behaviour. AS also remained concerned that 'middle industry' does not fully appreciate what is required and shippers appear to have little appetite to rectify the situation. PT suggested that the issues are compounded by the misguided perception that the supply of gas, 24/7, 365 days a year, is guaranteed.

MF pointed out that removal of interruptible sites via exit reform may require a safety case change. However, he believes that firm load shedding may not be as significant a Transporter resourcing issue as some attendees had suggested, especially when considering that shedding of a few of the largest sites has the maximum impact in the minimum period of time.

ST advised that, prior to Exercise Prelude, WWU had undertaken an exercise to review their emergency contact information as supplied via UKLink. WWU had subsequently utilised the contact information during prelude. ST suggested that it was difficult to fully identify the 28% improvement shown in WWU's contact rate between 2007 and 2008. In his view, the 'move' of interruptible into firm load shedding sites will potentially imply a need for the Transporters to engage with the largest sites to maximise interruption potential and so minimise system impacts. The issue is not about the type of contact provision, but rather the ability to 'hit' the right point of contact within an organisation in the shortest period of time. Furthermore, a recent medium pressure main strike in Devon tested WWU's emergency procedures - the conclusion being that they appear to be robust.

EP remained concerned that the Transporters appear to be 'protecting' the domestic market at the expense of the larger industrial sites, especially when you consider that the electricity side treats all parties the same – i.e. during an emergency all categories of site would be switched off at the same time. In response, ST pointed out that it is far easier to switch electricity off and then back on again.

EP remained disappointed that the contact 'hit rate' remains around the 50% mark irrespective of all the work undertaken, believing that responsibility for obtaining accurate contact information should reside with the Transporters and that this should be a licence/code obligation. This was not a view shared by ST who pointed out that the responsibility rightly resides with the supplier who has a contractual relationship with the consumer and is, therefore, better placed to maintain the data.

#### **Action GCF061: Closed**

### **3. Modification Proposals**

TD provided a brief update on the UNC Modifications Proposals of most interest to GCF:

- 0194/0194A "Framework for correct apportionment of LSP unidentified error". BGT's original modification identifies RbD error allocation changes, whereas the Corona alternative suggests a fixed amount approach.

TD explained that a number of variants have subsequently been proposed, with Total suggesting an element be added to Transportation charges to cover the cost of the identified energy volume. Shell has proposed appointing

an independent expert to consider unidentified gas issues, who could develop the necessary supporting methodologies.

Attendees questioned BGT's view that any losses are purely I&C related as there seems to be little proof of this. RS suggested that, viewed in this context, of the various proposals arguably Shell's had most merit in that it seeks to establish an independent view of the appropriate allocation to the I&C market.;

- 0202 "Improvement to More Frequent Readings Provisions to allow benefits of AMR". Implemented with effect from 01 October 2008.

AM advised that xoserve has engaged with individual shippers to address meter reading issues - misuse of the AMR 'flags' could potentially result in shippers incurring large 'Must Read' charges. However, some attendees felt that making the provision of must reads mandatory reduced the potential for abuse;

- 0219 "Publication of UK Wholesale Gas Market Liquidity Data". Provides for publication of the Day Ahead Gas Flow Nominations data which would align GB with European proposals;
- 0224 "Facilitating the use of AMR in the Daily Metered Elective Regime". PB advised that this Proposal is in the development stage and looks to introduce a regime for the above 25k therms/day market. Furthermore, the Proposal is looking to introduce a 'top down' approach, being available to the largest sites initially, and the Work Group is looking to report to the January 2009 panel with a recommendation that the Proposal goes to consultation.

EP suggested that a more flexible approach to setting threshold levels could have been adopted and that historic figures have indicated that approximately 12k non-NDM datalogger sites could be 'pulled in' to the regime.

PB indicated that a 'Rough Order of Magnitude' exercise has identified potential development costs in the region of £250–400k whilst ongoing costs remain unclear at this time. Hopefully, implementation could result in a reduction of the present cost of being a DM site, which stands at between £600 and £800.

PB confirmed the proposal that roll-out would be in three stages based on EUC bands - consumers should talk to their shippers if they wished to identify which EUC band they sit in, which is AQ based. PB indicated that the timescales for a specific site would be dependent on UNC and systems implementation and the Proposal should not be viewed as a 'quick fix' but rather a step in the right direction;

- 0227 "Implementation of an Industry AMR database to facilitate the change of supply process". Discussions with xoserve have suggested consideration be given to the adoption of a database that sits outside the UKLink system and hence could be outside the UNC. Corona would be happy to adopt a flexible approach and would support whichever of the two proposed models was the preferred 'market' choice.

Member's opinions were polarised over whether or not the provision of Supplier details in any database would be a benefit. AM advised that the proposal is for an 'industry system' whereby information would only be accessible to those parties entitled to view it. At a recent Distribution Workstream meeting, attendees believed that only signatories to the AMR Service Providers Code of Practice should be allowed access to the information. Questions remain as to where best to position this – within or outside the regulatory framework;

- 0230/0230A “Amendment of QSEC and AMSEC Auction Timetables”. Seeking to move the long term entry capacity auction timetable;
- 0233 “Changes to Outstanding Energy Balancing Indebtedness Calculation”, 0234 “To Correct Drafting Inconsistencies between Section X and V of the UNC in Respect of User Default and Termination” & 0235 “Recovery of Debt and Smearing of Revenues via Energy Balancing Neutrality”. A suite of credit related Proposals which in reflect recent experience with failed Shippers;
- 0237 “Disposal of Dynevor Arms LNG Storage Facility”. Attendees voiced concern that the proposed disposal of this storage facility could compromise and erode security of supply, especially in the event that Milford Haven was not flowing gas into the system. TD confirmed that National Grid NTS had concluded Dynevor Arms was not required for system security purposes, and making the site available to a commercial storage provider could be seen as enhancing security of supply.
- 0239 “Reinstatement of NTS Interruption”. This provides for the extension of current arrangements for an additional year.

#### **4. Customer Issues**

##### **4.1 DNO Update**

TD provided a brief overview of the indicative charge changes published by the DNs to take effect from April 2009.

##### **4.2 Customer Issues**

No additional issues raised.

##### **4.3 Regulatory Issues**

No additional issues raised.

#### **5. Date of next meeting and agenda items**

When asked, members indicated that they would be more than happy to schedule the next GCF to immediately follow on from the January 2009 DCMF meeting. Furthermore, they would be happy with ENA as the venue.

Dates and locations of future meetings are available on the Joint Office calendar, [www.gasgovernance.com/Diary](http://www.gasgovernance.com/Diary), and papers on the Gas Customer Forum section of the website, [www.gasgovernance.com/industryinfo/GasCust](http://www.gasgovernance.com/industryinfo/GasCust).

Suggestions for agenda items can be sent to [enquiries@gasgovernance.com](mailto:enquiries@gasgovernance.com)

#### **6. Any other business**

None

**Action Log – Gas Customer Forum – 01 December 2008**

<b>Action Ref</b>	<b>Meeting Date(s)</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner*</b>	<b>Status Update</b>
GCF050	30/11/07	1.2	Investigate progress on the provision of baseline information for Interruptible Loads and report back at the next meeting.	Northern Gas Networks (RCH)	Some information provided by Ofgem more to be provided by RCH <b>Carried Forward</b>
GCF058	28/07/08	2.1	Advise through the Joint Office the deadline for nomination and confirmation of Supply Points in order to ensure revised SOQs are on-line by 01 October 2008.	xoserve (AM)	Update provided. <b>Closed</b>
GCF059	28/07/08	2.3	Contact Ofgem and invite them both to identify who will be leading the AMR working group and to the next GCF meeting.	Joint Office (TD)	Update provided. <b>Closed</b>
GCF060	28/07/08	2.5	Provide an update on Operating Margins arrangements.	National Grid NTS (AIT)	Update provided. <b>Closed</b>
GCF061	28/07/08	4.2	Provide an update on emergency arrangements under the new interruption regime.	DNs (ST)	Update provided. <b>Closed</b>

**\* Key to action owners**

RCH      Robert Cameron-Higgs, Northern Gas Networks