UNC Workgroup 0374 Minutes
Interruptible to Firm – Supply Point Transition
Wednesday 06 July 2011
at 31 Homer Road, Solihull, B91 3LT

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Helen Cuin (Secretary)	(HC)	Joint Office
Alan Raper	(AR)	National Grid Distribution
Ben Knights	(BK)	Total Gas & Power
Beverley Viney	(BV)	National Grid NTS
Chris Warner	(CW)	National Grid Distribution
Darren Lindsay	(DL)	E.ON UK
David Turpin	(DT)	Xoserve
David Watson	(DW)	British Gas
George Glenn	(GG)	Scottish Power
Joanna Ferguson	(JF)	Northern Gas Networks
Joel Martin	(JM)	Scotia Gas Networks
John Harris	(JH)	Xoserve
Karen Kennedy	(KK)	Scottish Power
Linda Whitcroft	(LW)	Xoserve
Lisa Harris	(LH)	Shell
Mark Jones	(MJ)	SSE
Steve Mulinganie	(SM)	Gazprom

Copies of all papers are available at www.gasgovernance.co.uk/0374/060711.

1. **Introduction and Status Review**

1.1. Review of minutes

The minutes of the previous meeting were approved.

1.2. Review of actions

No previous actions to review.

2. **Discussion**

BF noted that Draft Text had been provided but refers to modification 0367A, it was assumed that this reference would be corrected. AR confirmed that a new paragraph 6.1.4 would need inserting. The Workgroup considered paragraph 6.1.4, it was anticipated further clarity would be required within the legal text relating to ratchet charges and the period in which sites change to firm.

It was confirmed that the cheapest solution required ratchet charges to be levied and then reimbursed for a site transferring from interruptible to firm status from 01 April 2011 until 30 September 2012. SM enquired how the refunds would be managed, Xoserve confirmed that changes will be able to be identified monthly and refunds managed through an adhoc invoice process. If the existing facility to refund ratchet charges can be utilised Xoserve will attempt to use this facility to avoid extra costs.

The solution of the modification was considered, it was anticipated that this would be changed in line with the Workgroup Report amendments and an amended Modification would be re-submitted by the proposer to allow the Workgroup Report to be issued to Panel.

The relevant objectives were considered and what the appropriate relevant objective should be. It was discussed whether the modification would better secure efficient discharge of the licence obligations rather than the efficiency in the implementation and administration of the Code. However, there was no general consensus, DW believed the main benefit of the modification would be to the consumer he was concerned that there was not a relevant licence obligation. SM confirmed that the relevant objectives would be re-considered and further clarity provided in his consultation response.

CW asked if an exception should be made for a new world interruptible site, he believed that the date of 30th September 2012 within the legal text would include them. He questioned if a new defined term would be required for new world interruptible site. AR explained that new world interruptibles are treated as firm DM but will have a separate bi-lateral interruptible contract. It was recognised that there would only be a handful of these sites and as this was an interim process, they should not be excluded. It was therefore agreed to remove the reference to a site actually transferring and include all sites that had an interruptible status between 01 April 2011 and 30 September 2012 for charges applicable from the 01 October 2011 to 31 May 2012.

The Workgroup considered if the ratchet regime incentivised correct SOQs and that the removal of the charge may change behaviour. It was believed by some parties that the risk was negligible, as the physical constraints of the meter would cap the SHQ and therefore the SOQ. DT advised that one party had advised that 10% of the sites within their portfolio could exceed their current SOQ.

JM explained historically sites may have chosen not to change the SOQ and rely on the ratchet charge, this modification removes the financial incentive for the provision of an accurate SOQ and he believed this might create a material risk for the operation of the network. He also explained that this could disadvantage some Shippers that have invested time in correcting SOQs and then paying the correct charges. Some parties may have chosen to hold back any SOQ changes to pay a lesser charge and wait to see if the ratchet charge is removed encouraging wrong behaviours.

3. AOB

None raised.

4. Diary Planning for Review Group

No further meetings were planned.