

**UNC Workgroup 0403 Minutes**  
**EU Third Package: 21 day switching with flexible objection period**

**Thursday 22 December 2011**  
**at 31 Homer Road, Solihull, B90 1LF**

**Attendees**

Bob Fletcher (Chair)	(BF)	Joint Office
Helen Cuin (Secretary)	(HC)	Joint Office
Alan Raper	(AR)	National Grid Distribution
Andy Clasper	(AC)	National Grid Distribution
Anne Jackson	(AJ)	SSE
Chris Warner	(CW)	National Grid Distribution
David Addison	(DA)	Xoserve
Emma Smith	(ES)	Xoserve
Ed Hunter	(EH)	RWE npower
Erika Melén	(EM)	Scotia Gas Networks
Joanna Ferguson	(JF)	Northern Gas Networks
Joel Martin	(JM)	Scotia Gas Networks
Sue Davies	(SD)	Wales & West Utilities
Steve Mulinganie	(SM)	Gazprom
Sue Prosser	(SP)	Xoserve
Tabish Khan	(TK)	Ofgem
Wayne Hodgkins	(WH)	Shell

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0403/221211>

**1.0 Review of Minutes and Actions**

**1.1 Minutes**

The minutes of the previous meeting were approved.

**1.2 Actions**

**003b:** Scottish Power to confirm if there is any intention to operate on the second New Year Holiday.

**Update:** BF suggested that this action is closed as KK had already confirmed there was no known intention for Scottish Power to operate on the second New Year Bank Holiday. **Closed.**

**004:** CW to request a formal view from Ofgem at the 15 December Panel meeting regarding the funding arrangements.

**Update:** BF confirmed the question was provided to Ofgem on 15 December 2011. In response, Ofgem provided the following update at the UNC Panel:

*“Whilst Ofgem can see that it may be simpler for shippers to bundle such externally imposed and universal changes in with transportation changes, they do not feel that these reductions in switching lead times can properly be*

*considered to be a change in transportation activities and therefore warrant a change to their allowed costs and revenues. If such an additional pass through is ruled out then this change must be funded through User Pays, as no allowance has been made in the current price control, as previously mentioned in Workgroup 0396.*

*Although the impact of this change is universal, and certainly all shippers will have the opportunity to 'benefit' from the reduced timescales, it could be argued that they only tangibly accrue to the gaining shipper. Therefore, in order to match the allocation of costs to one of the principles of User Pays, that costs should be borne by the beneficiaries of the change, we consider that a transaction based charge should be explored; i.e. the indicative costs recovered over a reasonable period of time based in the number of supply point 'gained' in a given quarter, for example. Ofgem would welcome discussion on the feasibility of such a basis for cost recovery, though we would also give due consideration to any alternative ACS proposal that may be submitted in relation to UNC396 and UNC403, or indeed any alternative modification proposal."*

The Workgroup further discussed the funding arrangements see item 2.0.  
**Complete.**

**005:** National Grid Distribution to provide the Legal Text for consideration within the Workgroup Report.

**Update:** CW confirmed that the Legal Text had been provided. **Complete.**

## 2.0 Discussion

Further to Action update 0005 AJ expressed concern that Ofgem had not provided guidance on the percentage share. TK explained that the licence condition recognised that the change will affect Shippers, Transporters and Xoserve. However, it is expected that the percentage share would be 100% to Shippers using a transactional charge over time. The Workgroup expressed concern about having to use a transactional charge. TK didn't want to place undue complexity on the industry in relation to the charges. The funding arrangements were discussed and that an off-the-shelf process was being considered. AJ questioned if Ofgem would allow further time to consider the transactional charging mechanism. TK explained Ofgem were keen to progress the modification as the directive was now live.

Concern was expressed by the Shippers that a transactional charge would require a new charging mechanism and this is expected to be costly. It was believed that there was no appetite from Shippers to manage the costs through transactional charges and challenged why this was being suggested as viable solution. DA enquired about the option of Xoserve providing a Transactional ACS along with an alternative solution for consideration and the timescales around doing this.

SM wished to understand why Ofgem had concluded that Shippers should be expected to cover 100% of the charges and where within the directive text does it refer to this.

AJ expressed a view that Shippers would probably prefer a one off cost allocated cost to Shippers on a supply point basis rather than a complex transactional cost process. DA was concerned about the costs involved with transactional charges, he would have to take previous user pays charges and demonstrate the proportion of cost and whether this is disproportionate to the cost of the change. AJ felt that the transactional based charges would be disproportionate to the overall cost of the change.

**Action 006: Ofgem to provide a view on 100% Shipper user pays charge and a view on why Ofgem want transactional charges.**

It was anticipated that an update from Ofgem in relation to the 100% Shipper user pays charge would be provided at the Distribution Workgroup and needn't hold up progress of the Workgroup Report.

**Post Update Comment:** TK confirmed that costs on a supply point basis would be an acceptable solution as an alternative to transactional charges based on usage.

CW confirmed legal text has been provided but as the modification has been amended on 29 November 2011 he would re-confirm that the provided text is the definitive text.

**Post Update Comment:** CW provided the definitive text for inclusion in the Workgroup Report.

The Workgroup Report was considered to be concluded.

**3.0 Consider Terms of Reference**

No further comments were received on the Terms of Reference.

**4.0 Any Other Business**

None raised.

**5.0 Diary Planning for Review Group**

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

No further meetings were planned.

**Workgroup - Action Table**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
003b	05/12/11	1.2	Scottish Power to confirm if there is any intention to operate on the second New Year Holiday.	Scottish Power (KK)	Closed
004	05/12/11	2.0	CW to request a formal view from Ofgem at the 15 December Panel meeting regarding the funding arrangements:	National Grid Distribution (CW)	Complete
005	05/12/11	2.0	National Grid to provide the Legal Text for consideration within the Workgroup Report.	National Grid Distribution (CW)	Complete
006	22/12/11	2.0	Ofgem to provide a view on 100% Shipper user pays charge and a view on why Ofgem want transactional charges.	Ofgem (TK)	Action Closed update to be provided at Distribution Workgroup

