

**UNC Workgroup 0404 Minutes**  
**Profiling payment of LDZ capacity transportation charges for**  
**Small Shipper Organisations**  
**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
George Glenn*	(GG)	Scottish Power
Graham Wood*	(GW)	British Gas
Joanna Ferguson	(JF)	Northern Gas Networks
Joel Martin	(JM)	Scotia Gas Networks
Marie Clarke*	(MC)	Scottish Power
Sue Davies	(SD)	Wales & West Utilities
Steve Mulinganie	(SM)	Gazprom
Sue Prosser	(SP)	Xoserve
Tabish Khan	(TK)	Ofgem
Wayne Hodgkins	(W)	Shell

*\*denotes teleconference*

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0404/221211>

**1. Review of Minutes and Actions**

**1.1 Minutes**

The minutes of the previous meeting were accepted.

**1.2 Actions**

**Action 001:** Establish the maximum exposure with 100% take-up of the proposed arrangements

**Update:** JM explained that all DNs need to assist establishing the exposure on a National Basis as SGN can only provide information for Scotland and Southern networks. It was anticipated a portfolio snapshot will need to be undertaken to identify which Shippers qualify, he suggested Xoserve would be able to assist and collate an aggregate position. **Carried Forward.**

**Action 002:** Illustrate the interest rates implied by the modification.

**Update:** JM highlighted that the modification will have no effect on the current UNC provisions, he referred to Section S 3.6 which specifies a late payment rate of 8% above base rate plus an administrative charge. **Complete.**

## 2. Discussion

JM explained the background to the modification. This was supported with a review of the Business Rules.

The cashflow of small Shippers with revenue schemes, direct debits and budget schemes were considered. The relationship with Suppliers and revenue schemes was also considered. It was anticipated that Ofgem might be able to assist in gaining a view from some smaller shippers and suppliers on the modification solution. It was anticipated that a new entrant would use a flat rate profile. SD wondered if there was an alternative solution to taking on such risks. SM explained that new businesses should hedge revenue carefully in the summer to ensure there is enough cash available to cover the winter. However he expressed concern that other parties could be speculating on the risk. JM clarified that if a Shipper defaults the debt would be recuperated through existing arrangements he referred to Section S 3.6 which specifies a late payment 8.5% above base rate, plus an administrative charge. SM challenged if 8.5% was a true level of the risk as it may not be a true measure of the funding costs if this was a preferable rate to that provided by the financial markets. SD was concerned if there was a true requirement for the service and challenged if the Modification is developing a costly process which no one will use.

It was agreed to identify the smaller shippers and suppliers and contact them to encourage views on the modification. JM tried to provide a definition of a qualifying small Shipper/Supplier, he suggested criteria of small supply point counts of less than 100,000 and less than £500,000 credit with each individual DN. He suggested the Workgroup might wish to consider if this is a suitable criterion and if there were any other criteria in the market place that can be considered. The Green Deal was mooted, though not universally accepted.

**Action 003: Smaller Shippers to be approached and encouraged to provide view on the modification.**

The treatment of VAT within the Business Rules was considered. JM confirmed the VAT requirements should be considered by a VAT expert.

Due and undue discrimination was discussed. Some concern was expressed about the possibility of financing other businesses and businesses using the system as a source of revenue, with Transporter being a lender of last resort. It was challenged who would ultimately pay if a Shipper/Supplier business fails, and if there would be any undue discrimination by treating Shippers differently. The exposure to the market was also considered.

**Action 004: Ofgem to provide a view of on undue discrimination**

**Action 005: Ofgem to provide a view on the funding by the remaining participants funding if a shipper goes bust.**

**Action 006: DNs to consider the modification costs and administration funding.**

JF believed the following link to Modification 0383 – Phased Payment Example presentation provided by Northern Gas Networks would be of benefit:

[www.gasgovernance.co.uk/0383/280611](http://www.gasgovernance.co.uk/0383/280611)

**3. Any Other Business**

None raised.

**4. Diary Planning for Review Group**

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

The next meeting of the Workgroup will take place within the business proceedings of the Distribution Workgroup, 26 January 2012, 31 Homer Road, Solihull, B91 3LT, with an additional teleconference 10 February 2012.

**Workgroup - Action Table**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0001	24/11/11	3.0	Establish the maximum exposure with 100% take-up of the proposed arrangements	All DNs	Carried Forward
0002	24/11/11	3.0	Illustrate the interest rates implied by the modification	SGN (EM)	Closed
0003	22/12/11	2.0	Smaller Shippers to be approached and encouraged to provide view on the modification.	SGN (JM) & Ofgem (TK)	Pending
0004	22/12/11	2.0	Ofgem to provide a view of on undue discrimination	Ofgem (TK)	Pending
0005	22/12/11	2.0	Ofgem to provide a view on the funding by the remaining participants funding if a shipper goes bust.	Ofgem (TK)	Pending
0006	22/12/11	2.0	DNs to consider the modification costs and administration funding.	All DNs	Pending