

Uniform Network Code Modification Panel

Minutes of the 88th Meeting

Held on Friday 11 December 2009

Members Present:

Transporter Representatives: R Hewitt (National Grid NTS), C Warner (National Grid Distribution), J Ferguson (Northern Gas Networks), B Dohel (Scotia Gas Networks) and S Trivella (Wales & West Utilities)

User Representatives: M Young (British Gas Trading), P Broom (GDFSuez), S Rouse (Statoil) and S Leedham (EDF Energy)

Ofgem Representatives: J Dixon and J Boothe

Consumer Representative: A Hall

Joint Office: T Davis (Chair) and J Bradley (Secretary)

88.1 Note of any alternates attending meeting

B Dohel for A Gibson and M Young for C Wright

88.2 Record of Invitees to the meeting

None

88.3 Record of apologies for absence

A Gibson and C Wright

88.4 Consider Final Modification Report

Proposal 0275 - Reduction in DM LDZ Exit Capacity for Supply Points with Significant Changes in Usage

T Davis explained that, unlike the standard process, there was no provision in the urgent timetable for the Panel to determine whether new issues had been raised in consultation responses. The Panel therefore proceeded to discuss its recommendation.

Some Members considered that by removing the current barriers to downward adjustment of capacity bookings for DM Supply Points, implementation would facilitate capacity bookings better reflecting capacity requirements. This would lead to cost allocations which were more closely aligned with capacity requirements and, by improving cost reflectivity, would therefore facilitate the 'code relevant objective' of "*the securing of effective competition between relevant shippers*". However, Members recognised that any move to facilitate reducing capacity bookings and hence capacity charges for one group would, given no change in the total collected, increase the amount paid by others. M Young was concerned that, rather than improving cost reflectivity, this could create an undue cross-subsidy in favour of some DM Supply Points. He suggested that more information on the magnitude of take-up of DM capacity reductions, as a consequence of implementation, would determine whether or not implementation would, on balance, facilitate the 'code relevant objective' of "*the securing of effective competition between relevant shippers*". S Trivella added that the Proposal was about facilitating reductions in capacity bookings, not charges; he considered that the current transportation charges are cost reflective and, by implication, implementation would not be expected to improve cost reflectivity.

A Hall suggested that there would be merit in reviewing the level of take-up of capacity reductions, and T Davis clarified that, whilst the Modification Rules provide that the Panel may ask for a post-implementation review of an Urgent Modification, this option had only been exercised once. In response to a further question from A Hall, C Warner clarified that National Grid Distribution had drafted a Modification Proposal to deliver enduring arrangements, and this had been discussed and developed under the auspices of Review Group 0264, "Review of Industry Arrangements to Accommodate Reduced Demand at DM Supply Points".

M Young questioned whether implementation of the Proposal might create unintended opportunities for gaming. C Warner clarified that, as Proposer, he had concluded it was unnecessary to incorporate further anti-gaming incentives in this Proposal but acknowledged that there could be more justification for these in any enduring approach.

B Dohel suggested that, by facilitating the release of capacity by those who no longer required it, this could make capacity available to others. If this meant that investment was avoided, this could be expected to facilitate the efficient development of the System and hence the 'code relevant objective' of *"the efficient discharge of the licensee's obligations under this licence"*. Whilst supporting implementation of the Proposal, S Leedham considered that, as implementation would not lead to a reduction of physical System capability, it would not be expected to facilitate the 'code relevant objective' of *"the efficient discharge of the licensee's obligations under this licence"*. P Broom added that making capacity available to others within investment timescales could be expected to facilitate *"the securing of effective competition between relevant shippers"*.

Referring to Ofgem's decision letter in rejection of Modification Proposal 0244, "Amending DM Supply Point Data for Sites with Significant Changes in Usage" and its alternatives, M Young questioned whether the Proposal addressed the reasons given for rejection, such as the impact on NDM consumers. P Broom felt that this point had been addressed. He referred to the delay of at least eighteen months between physical reductions at DM offtakes and its reflection in Supply Point SOQs; with NDM Larger Supply Points the delay is shorter and implementation would address this current imbalance in timescales. In response, however, M Young suggested that implementation might strike the balance too far in favour of DM Shippers, especially since similar provisions did not exist for smaller NDM Supply Points. C Warner added that he believed all the points raised by Ofgem had been addressed as far as possible.

The Panel then voted by PANEL MAJORITY to recommend implementation, with the following Members casting votes in favour: R Hewitt, C Warner, J Ferguson, B Dohel, S Trivella, P Broom, S Rouse and S Leedham.

88.5 Consider New, Non Urgent Modification Proposals

Proposal 0276: "Alternative User Pays approach to – UNC Modification Proposal 0263 - Enabling the Assignment of a Partial Quantity of Registered NTS Exit (Flat) Capacity"

Following a brief presentation, R Hewitt responded to questions, by clarifying that the reference to a Demonstration Date was for the avoidance of date - NTS Exit (Flat) capacity would be deemed as registered to the User following the Demonstration Date and the Proposal is, in this respect, no different from Proposal 0263. Panel Members acknowledged this and concluded that the only significant difference between the two Proposals was the proposed cost

apportionment. S Leedham asked why DNOs would not share in the costs, noting that the Proposal did not specifically exclude them from using the partial assignment service. S Trivella responded that he could not envisage DNOs ever using this service and suggested, therefore, that the Proposal does not require any specific DNO exclusion.

R Hewitt acknowledged that the eventual charges would be to four decimal places; not five as indicated in the Proposal.

The Panel then voted UNANIMOUSLY for the Proposal to proceed to Consultation. The Panel then determined that neither legal text nor a detailed cost estimate were required, with no votes cast in favour of either, and agreed UNANIMOUSLY that representations should close-out on 11 January 2010.

88.6 Any Other Business

M Young informed the Panel that M Dalton (BG Group) wished to make a presentation at short notice at the 17 December 2009 Panel meeting. This followed the rejection of Proposal 0262, "Treatment of Capacity affected by Force Majeure". The intention was to garner advice from Panel Members regarding a way forward. Whilst some Members suggested that the issue would be better progressed through a Workstream, the request was agreed.

The Panel noted that Proposal 0278, "Amendments to NTS Shrinkage Reporting Process", had been raised subsequent to publication of the agenda for the 17 December 2009 Panel meeting. It was agreed UNANIMOUSLY that the Panel would consider this Proposal at short notice at that meeting.

88.7 Conclude Meeting and Agree Date of Next Meetings:

The Panel noted that the next meetings would be held at Elexon at 10.00 on 17 December 2009.