

**UNC Modification Panel**

**Minutes of the 176<sup>th</sup> Meeting held on Thursday 21 May 2015 at ENA, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF**

**Attendees**

**Voting Members:**

<b>Shipper Representatives</b>	<b>Transporter Representatives</b>	<b>Consumer Representative</b>
A Green (AG), Total A Margan (AM), British Gas P Broom (PB), GDF Suez C Baldwin (CB), E.ON UK S Mulinganie (SM), Gazprom	C Warner (CW), National Grid Distribution E Melen (EM), Scotia Gas Networks J Ferguson (JF), Northern Gas Networks R Pomroy (RP), Wales & West Utilities F Healy (FH), National Grid NTS	

**Non-Voting Members:**

<b>Chairman</b>	<b>Ofgem Representative</b>
A Plant (AP), Chair	A Rooney (ARo), Ofgem

**Also in Attendance:**

H Chapman (HC), Xoserve; L Dupont (LD), Secretary; K Elliott-Smith (KES), Cornwall Energy; R Fletcher (RF). Joint Office; R Johnson (RJ), Wingas\*, and A Lam (AL), Ofgem.

\* via teleconference

## Record of Discussions

### 176.1 Note of any alternates attending meeting

C Baldwin for R Fairholme (E.ON UK)

R Pomroy for S Edwards (Wales & West Utilities)

### 176.2 Record of Apologies for absence

R Fairholme and S Edwards

### 176.3 Minutes and Actions of the Last Meeting(s)

Members approved the minutes from the previous meetings (16 April 2015 and 01 May 2015).

### 176.4 Consider New Non-Urgent Modifications

- a) Modification 0536 - Project Nexus - deferral of implementation of elements of Retrospective Adjustment arrangements

AP reiterated the Panel's view, sought by Ofgem and expressed at the meeting on 01 May 2015, that this modification was not recommended to follow urgent procedures; Ofgem had subsequently agreed with this view.

Notwithstanding this position, AP believed it would be prudent to anticipate in the near future a further application for urgent procedures once there was more certainty in respect of the details surrounding Nexus implementation. Panel concurred with this view.

Following a brief discussion, it was agreed that no benefit would be gained by sending this modification to Workgroup for development at this time. Instead, further consideration should be deferred to the June UNC Modification Panel meeting.

Members determined unanimously to defer consideration of Modification 0536 to the June UNC Modification Panel meeting.

- b) Modification 0537 – Change of Project Nexus Implementation Date to 1<sup>st</sup> April 2015

A similar situation pertained for Modification 0537. AP reiterated the Panel's view, sought by Ofgem and expressed at the meeting on 01 May 2015, that this modification was not recommended to follow urgent procedures; Ofgem had subsequently agreed with this view.

Notwithstanding this position, AP believed it would be prudent to anticipate in the near future a further application for urgent procedures once there was more certainty in respect of the details surrounding Nexus implementation. Again, Panel concurred with this view.

Just as for Modification 0536, it was agreed that no benefit would be gained by sending this modification to Workgroup for development at this time, and that further consideration should be deferred to the June UNC Modification Panel meeting.

Members determined unanimously to defer consideration of Modification 0537 to the June UNC Modification Panel meeting.

#### **176.5 Existing Modifications for Reconsideration**

- a) Modification 0500 - EU Capacity Regulations - Capacity Allocation Mechanisms with Congestion Management Procedures

AP drew attention to the checkpoint included in the Modification Rules, that Panel shall reconsider a modification once four months have elapsed since it was sent to Ofgem for decision.

Confirming the latest position (Ofgem was waiting for changes to Licence being processed), ARo anticipated that a decision might be expected before the August Panel meeting.

Asked for its views, the Panel then determined to defer further consideration to the August Panel meeting, unless a decision was received in the interim.

#### **176.6 Consider Workgroup Issues**

None for discussion.

#### **176.7 Workgroup Reports for Consideration**

- a) Modification 0468 - Unique Property Reference Number (UPRN) Population by Gas Transporters

CB had been working on development with Xoserve, and expected to finalise a draft for Workgroup consideration soon. RP expressed concern regarding facilitation of the relevant objectives and questioned the perceived benefits, believing that these required more explicit explanation for a common number between gas and electricity. CW added that interaction was needed with the joint electricity and gas group to understand how this fits together - it needed further clarity. MRA population was briefly discussed; AM explained the position. FH observed that the NTS has Supply Points but not MPRNs, and CB noted this for review.

Having considered the Workgroup's recommendation and the suggested revised timetable for progression, Members then determined unanimously that Modification 0468 should be returned to Workgroup 0468 for further assessment, and that the Workgroup should consider the points raised by Panel Members and set out in the paragraph above, with a reporting date of 20 August 2015.

- b) Modification 0498 - Amendment to Gas Quality NTS Entry Specification at BP Teesside System Entry Point; *and* Modification 0502 - Amendment to Gas Quality NTS Entry Specification at the px Teesside System Entry Point

The Panel noted the Workgroup's statement that the assessment of both modifications was substantially complete but that, late in the lifecycle of this assessment, external factors have resulted in a deferral of the decision date for the Jackdaw development, and that consequently the

Workgroup therefore wished to reconsider the Carbon Cost assessment and confirm the impacts before completing the report.

Having considered the Workgroup's recommendation and the suggested timetable for progression, Members then determined that Modifications 0498 and 0502 should be returned to Combined Workgroup 0498/0502 for further assessment, with an extended reporting date of 16 July 2015.

- c) Modification 0518S - Shipper Verification of meter and address details following system meter removals

AP asked EM to confirm the position regarding legal text. EM explained that the legal text had been recently revised since the Workgroup's Report, and that minor amendments had been made to reflect comments received in respect of Defined Terms, and to add clarity.

EM confirmed that the legal text provided was suitable for inclusion in the Draft Modification Report.

Members accepted the recommendation within the Workgroup Report.

Members then determined that Modification 0518S:

- Should proceed to Consultation;
- Further legal text is not required for inclusion in the draft Modification Report;
- A cost estimate is not required for inclusion in the draft Modification Report; and
- Consultation should close on 22 June 2015.

- d) Modification 0523S - Supply Point registration - Facilitation of 'faster switching' for Shared Supply Meter Points

Members accepted the recommendation within the Workgroup Report.

CW confirmed that the legal text provided with the Workgroup report was suitable for inclusion in the Draft Modification Report.

Members then determined that Modification 0523S:

- Should proceed to Consultation;
- Further legal text is not required for inclusion in the draft Modification Report;
- A cost estimate is not required for inclusion in the draft Modification Report; and
- Consultation should close on 26 June 2015.

- e) Modification 0529 - Implementation of Retrospective Adjustment arrangements (Project Nexus transitional modification)

CB questioned whether this modification should be deferred to take account of recent changes in circumstances (deferral of Modification 0536). CW explained why he felt deferral was not appropriate. The Project Nexus transitional modifications had been carefully developed and structured to work regardless of what the final Nexus approach and

implementation date finally are. He also observed that he felt the industry would face additional uncertainty if this modification did not proceed.

Members accepted the recommendation within the Workgroup Report.

CW confirmed that the legal text provided with the Workgroup report was suitable for inclusion in the Draft Modification Report.

Members then determined that Modification 0529:

- Should proceed to Consultation;
- Further legal text is not required for inclusion in the draft Modification Report;
- A cost estimate is not required for inclusion in the draft Modification Report; and
- Consultation should close on 22 June 2015.

f) Modification 0531 - Provision and Development of Industry Testing Prior to Nexus Go-Live

Members accepted the recommendation within the Workgroup Report that this modification should be returned to Workgroup 0531 for further assessment (once the revised Market Trials plan for Nexus is known), with a reporting date of 20 August 2015.

Members then determined that Modification 0531 should be referred to Workgroup 0531 for further assessment, with a report to be presented no later than the August 2015 Panel.

g) Modification 0535 - Implementation of Non-Effective Days to enable Annual AQ Review (independent of Nexus transition)

Noting that the legal text had been recently revised, AP asked EM to confirm the position. EM replied that the text had been amended to include more detail and add clarity at the request of the Workgroup; no substantive changes had been made.

Members accepted the recommendation within the Workgroup Report.

EM confirmed that the legal text provided was suitable for inclusion in the Draft Modification Report.

The suggestion of a shortened consultation period (closing on 12 June 2015) and proposed acceptance of the report at short notice for consideration at the June Panel meeting was briefly discussed, with the majority Panel view being in favour.

Members then determined that Modification 0535:

- Should proceed to Consultation;
- Further legal text is not required for inclusion in the draft Modification Report;
- A cost estimate is not required for inclusion in the draft Modification Report; and
- Consultation should close on 12 June 2015; and

- That the report should be accepted at short notice for consideration at the June UNC Modification Panel meeting.

### 176.8 Consideration of Workgroup Reporting Dates and Legal Text Requests

Members determined unanimously to extend the following Workgroup reporting dates:

<b>Workgroup</b>	<b>New Reporting Date</b>
0506/0506A - Gas Performance Assurance Framework and Governance Arrangements	August 2015
0509 - Permission to release Protected Information to an Authorised Third Party for Performance Assurance settlement risk analysis	August 2015
0520 - Performance Assurance Reporting	August 2015
0532 - Implementation of Non-Effective Days (Project Nexus transitional modification)	August 2015
0534S - Maintaining the Efficacy of the NTS Optional Commodity ('Shorthaul') Tariff at Bacton Entry Points	August 2015

Members determined unanimously to request Legal text for the following modification(s):

<b>Modification</b>
0525 - Enabling EU Compliant Interconnection Agreements

### 176.9 Consideration of Variation Requests

None for consideration.

### 176.10 Final Modification Reports

- a) Modification 0510 - Reform of Gas Allocation Regime at GB Interconnection Points

FH noted that BBL had raised some new issues in its representation, relating to close out dates and proportional allocation, and recommended that Modification 0510 be returned to Workgroup for further consideration.

For Modification 0510, members determined that new issues had been identified, and that Modification 0510 should be referred to Workgroup 0510 for further assessment, with a report to be presented no later than July 2015 Panel.

- b) Modification 0516S - Information provision by large Customers to aid understanding of site characteristics

For Panel discussion see the Final Modification Report published at [www.gasgovernance.co.uk/0516](http://www.gasgovernance.co.uk/0516).

Of the 9 votes cast, 5 were in favour. Members determined by majority vote to implement Modification 0516S.

- c) Modification 0519 - Harmonisation of Reference Conditions at Interconnection Points

For Panel discussion see the Final Modification Report published at [www.gasgovernance.co.uk/0519](http://www.gasgovernance.co.uk/0519)

Members noted that the formal consultation provided no clear preferences in response to the Panel's question regarding self-governance status.

The Panel unanimously reaffirmed its initial view that this modification was not eligible for self-governance status.

Members determined unanimously to recommend the implementation of Modification 0519.

- d) Modification 0527 - Implementation of Annual Quantity arrangements (Project Nexus transitional modification)

For Panel discussion see the Final Modification Report published at [www.gasgovernance.co.uk/0527](http://www.gasgovernance.co.uk/0527).

Members determined unanimously to recommend the implementation of Modification 0527.

- e) Modification 0528 - Implementation of Supply Point Administration, gas allocation and settlement arrangements (Project Nexus transitional modification)

AP invited AM to expand upon British Gas' points raised in its representation. AM set these out and added that meetings held since its submission had failed to address/resolve these. There were concerns regarding movement and timing, and the actual mechanics of implementing it. CW believed it was still sustainable.

CB indicated she held similar concerns, pointing out that circumstances had changed since the consultation closed out, and that given the level of uncertainty more time was required to reconsider the implications.

For Modification 0528, members determined by majority vote that new issues **had** been identified, and that Modification 0528 should be referred to Workgroup 0528 for further assessment, with a report to be presented no later than July 2015 Panel.

- f) Modification 0533S - Corrections to Network Entry Provisions in the

National Grid NTS-BBL Interconnection Agreement

For Panel discussion see the Final Modification Report published at [www.gasgovernance.co.uk/0533](http://www.gasgovernance.co.uk/0533).

Members determined unanimously to implement Modification 0533S.

**176.11 Any Other Business**

a) CACoP amended Principle 13 for review and approval

AP summarised the intent of the Principle, which was recognising the benefits in working more effectively across the different codes, to the benefit of consumers.

The document was briefly reviewed and a short discussion ensued. Responding to RP's suggestion that there should be greater focus on making sure that a modification is raised under the most appropriate governance regime, CB believed that the Code Administrator in its role as a "Critical Friend" could help redirect a Proposer to the most appropriate route to achieve their purpose. CW suggested that Panel might consider adopting a more proactive and challenging stance when initially considering a modification.

RP observed that having to align dates if raised under an inappropriate code might give rise to problems. CB reiterated that if the Code Administrator was operating as a "Critical Friend" then that surely would be the first line of advice to the Proposer, and gave the strongest opportunity for persuasion to convince the Proposer of the correct governance route. RP asked whether this should be more clearly defined under the Code Administrators Code of Practice (CACoP).

BF advised that another formal review of CACoP would be starting in the next couple of months where any suggestions for change/improvements can be raised and discussed to establish where they might best fit; an invitation will be issued in June. The CACoP will go out for consultation, followed by a formal review meeting in September.

Reference was made to the Joint Group and BF briefly explained the expectations. JF noted there had not been much opportunity to co-ordinate with the electricity side. ARo encouraged members to submit any comments/suggestions to their Code Administrators for discussion at their next meeting.

Members then unanimously gave their approval to the CACoP amended Principle 13.

b) Ofgem Letter on Code Governance

Attention was drawn to the recently issued communication concerning a further review of industry code governance. AP briefly summarised the issues set out in the letter.

The Competition and Markets Authority (CMA) review was continuing and ARo advised that Ofgem was looking at and seeking views on these issues, the difficulties currently being faced by codes and any thoughts on streamlining the system/processes.

AM pointed out that the gas position is very different to that of electricity (there are many electricity codes) and that the gas codes have evolved



to be fit for purpose. It was felt this point should be made quite strongly. ARo noted the views expressed and encouraged feedback through the consultation.

Considering suggestions for greater alignment of the codes, it was noted that voting arrangements were inconsistent. BF advised that it would need a formal modification to make any change to the UNC Modification Rules. JF thought changes might create unintended consequences for right of appeal; the wording in Statutory Instruments is different for different codes, and the structure/arrangements under UNC had been devised/approved for particular reasons. SM was concerned that professional indemnity/liabilities might be affected if existing voting arrangements were to change; any proposed changes to voting structures would need careful consideration to avoid individual culpability. It was noted that gas had very dynamic codes, but should adopt change only for the right reasons.

AP suggested that, as well as the individual responses, the UNC Modification Panel itself might also provide a formal response to this consultation. There was unanimous agreement for this approach. A response will be drafted on behalf of the UNC Modification Panel for review/approval at the June Panel meeting.

Subject to responses to this consultation, Ofgem expect to consult on more detailed proposals for potential change in late summer 2015. Ofgem also intends to hold a stakeholder workshop to provide a further opportunity to seek views, and will issue an open invitation to a workshop on its website in the coming weeks.

Responses to this initial consultation should be sent to [industrycodes@ofgem.gov.uk](mailto:industrycodes@ofgem.gov.uk) by 26 June 2015, and should be clearly marked confidential if not for publication.

c) Ofgem - Change of Panel Representative

ARo advised that she would shortly be retiring from the role of Ofgem's Panel representative and introduced her replacement, Andrew Lam.

AP thanked ARo for her valued contribution to the work of the UNC Modification Panel, and wished her well in her new role at Ofwat. He also welcomed Andrew Lam and said that the Panel all very much looked forward to working with him.

**176.12 Conclusion of Meeting and agreed Date of Next Meeting**

10:30, Thursday 18 June 2015, at the ENA.