

**Record of Determinations: Panel Meeting 10 January 2014**

Modification	Vote Outcome	Shipper Voting Members			Transporter Voting Members					Consumer Representative	Determination Sought
		AB	AM	CB	ARS	CWa	DM	JE	RH	KES	
0451V - Individual Settlements For Pre-Payment & Smart Meters	Not returned to Workgroup - unanimous vote against	X	X	X	X	X	X	X	X	X	Did consultation raise new issues
	Implementation not recommended - No votes in favour										Whether to recommend implementation
0451AV - Individual Settlements For Pre-Payment & Smart Meters	Not returned to Workgroup - unanimous vote against	X	X	X	X	X	X	X	X	X	Did consultation raise new issues
	Implementation not recommended - No votes in favour										Whether to recommend implementation
	Do not prefer 0451V - not votes in favour	X	X	X	X	X	X	X	X	X	0451V better facilitates the relevant objectives than 0451AV
	Prefer 0451AV - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	0451AV better facilitates the relevant objectives than 0451V

KEY	In favour	Not in Favour	No Vote Cast	Not Present
		✓	X	NV

**UNC Modification Panel**

**Minutes of the 152<sup>nd</sup> Meeting held on Friday 10 January 2014 by Teleconference**

**Attendees**

**Voting Members:**

<b>Shipper Representatives</b>	<b>Transporter Representatives</b>	<b>Consumer Representative</b>
A Barnes (AB), Gazprom A Margan (AMa), British Gas C Baldwin (CB), E.ON UK	A Ross-Shaw (ARS), Northern Gas Networks C Warner (CWa), National Grid Distribution D Mitchell (DM), Scotia Gas Networks J Edwards (JE), Wales & West Utilities R Hewitt (RH), National Grid NTS	K Elliott-Smith (KES), Consumer Focus

**Non-Voting Members:**

<b>Chairman</b>	<b>Ofgem Representative</b>
L Jenkins (LJ), Joint Office	A Rooney (ARo), Ofgem

**Also in Attendance:**

R Fletcher (RF), Secretary;

## Record of Discussions

### 152.1 Note of any alternates attending meeting

A Margan for C Wright (British Gas)  
A Ross-Shaw for J Ferguson  
C Baldwin for R Fairholme (E.ON UK)  
D Mitchell for A Musgrave (Scotia Gas Networks)  
J Edwards for S Edwards (Wales & West Utilities)

### 152.2 Record of Apologies for absence

A Musgrave, C Wright, J Ferguson, R Fairholme and S Edwards.

### 152.3 Minutes of the Last Meeting

The minutes of the last meeting were deferred to the 16 January meeting.

### 152.4 Consider Final Modification Reports

- a) Modification 0451V 0451AV – Individual Settlements For Pre-Payment & Smart Meters

There was a general discussion regarding the legal text provided by Northern Gas Networks as it contained square brackets in the Transition Rules and not an implementation date. ARS advised that as they did not know the implementation date until the Authority had made its decision, they would find it difficult to provide.

Members requested that ARS provide amended text which should include and implementation date in the Transition Rules section.

**New Action 10/01:** Northern Gas Networks (ARS) to provide amended text which includes an implementation date in Section 13 TPD Section E: Daily Quantities, Imbalances and Reconciliation, paragraph 13.1.1

ARo enquired whether Xoserve had been asked what was the first publication date for the required reporting. This information wasn't available to Panel Members and ARS was asked to follow this up with Xoserve.

**New Action 10/02:** Northern Gas Networks (ARS) to provide a view from Xoserve of the earliest date they could provide the reporting required under 0451V/0451AV

The Panel Chair summarised that Modifications 0451V and 0451AV seek to introduce a supplemental NDM allocation process. After completion of the standard processes as set out in the UNC, sites with a pre-payment meter would be subject to a further adjustment with the change being based on an assumed profile of consumption by pre-payment customers. The proposer of Modification 0451V has provided evidence to Xoserve and Ofgem supporting their view that, relative to credit meter customers, pre-payment customers tend to consume less gas in winter and more in summer. The modification seeks to ensure that these sites are subject to an allocation that is in line with this flatter profile. By doing this, costs for supplying pre-payment customers would be lower in winter and higher in summer, with a net cost reduction anticipated. This would be funded by an equal and opposite change in costs allocated to others. Modification 0451AV proposes that this arrangement would apply prospectively while Modification 0451V includes a retrospective element backdated to be effective from October 2012.

Members recognised that the intention of the modification is to deliver more accurate cost allocations for a particular market segment, and acknowledged that appropriate (cost reflective) allocations are a fundamental underpinning of a competitive market. However, Members did not consider evidence had been provided to make a sufficient case that change is justified for pre-payment customers, with the evidence falling short of the statistical standards expected for other aspects of the allocation process. In addition, Members noted that the proposed means of identifying pre-payment metered sites is not robust, being based on a flag in Xoserve's systems which is not used for any billing or allocation purposes, and which is not subject to scrutiny or validation. As such, the cost reflectivity and associated benefits of the proposed change may not be commensurate with any evidence presented from a sample of pre-payment customers.

Members similarly did not feel that sufficient evidence had been provided to demonstrate that any benefit from implementing the modification would be likely to outweigh Xoserve's projected implementation costs of £200k to £350k, especially since the benefits are only expected to accrue until delivery of the planned UK Link replacement. Members did not, therefore, consider that implementation could be expected to facilitate the relevant objective of securing effective competition.

Regarding the retrospective element proposed in Modification 0451V, Members considered that any retrospective modifications create uncertainty and risk and hence are damaging to the securing of effective competition. Members did not feel that compelling evidence had been provided to suggest that there were grounds for a retrospective adjustment in the case of Modification 0451V and, as such, there were no grounds for believing implementation of this element would facilitate the relevant objectives.

Members then voted and, with no votes in favour, failed to determine to recommend that Modification 0451V be implemented. With no votes in favour, Members also failed to determine to recommend that Modification 0451AV be implemented.

Members then considered which of Modification 0451V and 0451AV would, if one were to be implemented, better facilitate the achievement of the Relevant Objectives. In light of the absence of the retrospective element, Members voted unanimously that, of the two modifications, Modification 0451AV would be expected to better facilitate achievement of the relevant objectives.

**152.5 Any other business**

None raised.

**152.6 Conclude Meeting and Agree Date of Next Meeting**

10:30 16 January 2014, at the ENA.

**Action Table**

<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
1001	10/01/14	152.4	Provide amended text which includes an implementation date in Section 13 TPD Section E: Daily Quantities, Imbalances and Reconciliation, paragraph 13.1.1	Northern Gas Networks (ARS)	<b>Pending</b>
1002	10/01/14	152.4	Provide a view from Xoserve of the earliest date they could provide the reporting required under 0451V/0451AV	Northern Gas Networks (ARS)	<b>Pending</b>