

Record of Determinations: Panel Meeting, 16 August 2012

Modification	Vote Outcome	Shipper Voting Members					Transporter Voting Members					Determination Sought
		AG	CH	CWr	PB	RF	CWa	EM	JF	PH	RCH	
0384S - UNC Modification Rules; housekeeping, clarity and minor drafting changes	To be considered at short notice - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Consider at short notice
0431 - Shipper/Transporter - Meter Point Portfolio Reconciliation	Not related to the Significant Code Review - unanimous vote against	X	X	X	X	X	X	X	X	X	X	Modification is related to Significant Code Review
	Is a Self-Governance Modification - 9 votes in favour, 1 against	✓	✓	✓	✓	X	✓	✓	✓	✓	✓	Modification should follow Self-Governance Procedures
	Proposed self governance determination date is 20 December 2012 - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Proposed self governance determination date to be 20 December 2012
	Issued to Workgroup 0431 - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Should be referred to Workgroup
	Workgroup to report by the December 2012 Panel - 9 votes in favour and 1 abstention	✓	✓	✓	✓	NV	✓	✓	✓	✓	✓	Workgroup to report by the December 2012 Panel
0410 – Responsibility for gas off-taken at Unregistered Sites following New Network Connections	Report referred to Workgroup 0410 - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Refer Report back to Workgroup
	Workgroup to report by the November 2012 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Workgroup to report by the November 2012 Panel
0420 - New Connections Interruptible loads	Proceed to consultation - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Issue to Consultation
	Legal text not required - with 9 votes in favour and 1 against	✓	✓	✓	✓	X	✓	✓	✓	✓	✓	Legal text not required for inclusion in DMR
	Cost estimate not required - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Cost estimate not required for inclusion in DMR

0424 - Re-establishment of Supply Meter Points – prospective measures to address shipperless sites	Proceed to consultation - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Issue to Consultation
	Legal text to be prepared	X	X	X	X	X	X	X	X	X	X	X	Legal text not required for inclusion in DMR
0426 - Amendment to the NTS System Entry Overrun Charge	Proceed to consultation - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Issue to Consultation
	Legal text to be prepared	X	X	X	X	X	X	X	X	X	X	X	Legal text not required for inclusion in DMR
0427S - Estimated Opening Meter Reads Code Amendment	Proceed to consultation - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Issue to Consultation
0396 - EU Third package: Three week switching	Consideration deferred - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Defer consideration
0403 - EU Third Package: 21 day switching with flexible objection period	Consideration deferred - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Defer consideration
0391 - Distributed Gas Charging Arrangements	Not returned to Workgroup - unanimous vote against	X	X	X	X	X	X	X	X	X	X	X	Did consultation raise new issues
	Implementation Recommended - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Whether to recommend implementation
0395 - Limitation on Retrospective Invoicing and Invoice Correction	Implementation not Recommended - with 4 votes in favour and 6 against	X	X	✓	X	X	X	X	✓	✓	✓	✓	Whether to recommend implementation
0398 - Limitation on Retrospective Invoicing and Invoice Correction (3 to 4 year solution	Implementation Recommended - with 7 votes in favour and 3 against	X	X	✓	X	✓	✓	✓	✓	✓	✓	✓	Whether to recommend implementation
Consider 0395 better facilitates the relevant objectives than 0398	Does not consider 0395 better facilitates the relevant objectives than 0398 - with 1 vote in favour, 6 votes against and 3 abstentions	X	X	NV	X	X	X	X	NV	✓	NV	NV	Consider 0395 better facilitates the relevant objectives than 0398

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

Attendees

Voting Members:

Shipper Representatives	Transporter Representatives
A Green (AG), Total C Hill (CH), First Utility C Wright (CWr), British Gas P Broom (PB) GDF Suez R Fairholme (RF), E.ON UK	C Warner (CWa), National Grid Distribution E Melen (EM), Scotia Gas Networks J Ferguson (JF), Northern Gas Networks P Hobbins (PH), National Grid NTS R Cameron-Higgs (RCH), Wales & West Utilities

Non-Voting Members:

Ofgem Representative	Terminal Operators' Representative	Chairman
J Dixon (JD)		T Davis (TD), Joint Office

Also in Attendance:

A Clasper (AC), National Grid Distribution; A Miller (AM), Xoserve; D Mitchell (DM), Scotia Gas Networks; R Fletcher (RF), Panel Secretary and S Leedham (SL), EDF Energy

Record of Discussions

128.1 Note of any alternates attending meeting

E Melen for A Gibson (Scotia Gas Networks)
P Hobbins for R Hewitt (National Grid NTS)
R Cameron-Higgs for S Edwards (Wales & West Utilities)

128.2 Record of Apologies for absence

A Gibson, R Hewitt and S Edwards

128.3 Minutes of the Last Meeting

The minutes of the last meeting were approved.

128.4 Short Notice Items

- a) Modification 0384S - UNC Modification Rules; housekeeping, clarity and minor drafting changes

Following a short discussion, the Panel unanimously determined to consider the Legal Text at short notice.

128.5 Consider New, Non-Urgent Modifications

- a) Modification 0431 - Shipper/Transporter - Meter Point Portfolio Reconciliation

DM introduced the modification and its aims. AG asked if the modification should provide for resolution of any mismatch in data, questioning how implementation would move the issue forward if change is not compulsory. CWr was concerned that there may be impacts on Shipper systems and their ability to provide the information at a reasonable cost - this should be discussed by the Workgroup.

For Modification 0431, Members determined:

- The modification is not related to the Significant Code Review as it is not a related subject;
- The criteria for Self-Governance are met as this modification involves the exchange of non-personal data which has no material impact on Users or other parties;
- The Proposed Self-Governance determination date is 20 December 2012;
- Workgroup Assessment is required, with a report presented to Panel by December 2012.

128.5 Consider Legal Text

- a) Modification 0384S - UNC Modification Rules; housekeeping, clarity and minor drafting changes

No issues were raised regarding the text, and Modification 0384S will therefore be issued to consultation.

128.6 Consider Workgroup Issues

Workgroup Reports for Consideration

- a) Modification 0410 – Responsibility for gas off-taken at Unregistered Sites following New Network Connections

Members accepted the recommendation in the Workgroup Report and determined that for Modification 0410(A):

- Further Workgroup Assessment is required, with a report presented to Panel by the November 2012.

- c) Modification 0420 - New Connections Interruptible loads

Members accepted the Workgroup Report and determined that Modification 0420:

- should proceed to consultation;
 - that legal text is not required for inclusion in the draft Modification Report; and
- that a cost estimate is not required for inclusion in the draft Modification Report.

- d) Modification 0424 - Re-establishment of Supply Meter Points – prospective measures to address shipperless sites

Members accepted the Workgroup Report and determined that Modification 0424 should proceed to consultation.

- e) Modification 0426 - Amendment to the NTS System Entry Overrun Charge

Members accepted the Workgroup Report and determined that Modification 0426 should proceed to consultation.

- f) Modification 0427S - Estimated Opening Meter Reads Code Amendment

Members accepted the Workgroup Report and determined that Modification 0427S should proceed to consultation.

128.7 Existing Modification Proposals for Reconsideration

- a) Modification 0396 - EU Third package: Three week switching

JD advised that Ofgem were likely to issue a decision in the near future. For Modification 0396, Members determined that consideration of the modification should be deferred.

- b) Modification 0403 - EU Third Package: 21 day switching with flexible objection period

JD advised that Ofgem were likely to issue a decision in the near future. For Modification 0403, Members determined that consideration of the modification should be deferred.

128.8 Consider Final Modification Reports

- a) Modification 0391 - Distributed Gas Charging Arrangements

The Panel Chair summarised that Modification 0391 recognises that increasing numbers of entry points are expected to be developed within distribution networks, for example bringing biomethane into the distribution networks. Other things being equal, this gas will not travel through pipes that are upstream of the entry point, but transportation charges are based on the assumption that gas flows from the NTS to exit points. This modification therefore provides for a reduction in charges based on the reduced usage of the network for gas that enters the network on the lower pressure tiers. Also the modification provides for specific charges to be levied in respect of facilities provided by the DN to accommodate the entry point.

Members noted that, in order to be cost reflective, the DN transportation charging methodology takes account of the system tiers utilised. This modification ensures this principle is applied in the context of distributed gas and hence that the appropriate costs are reflected in transportation charges. In addition, the modification will ensure that specific costs associated with supporting a particular entry point are reflected in the charges levied upon Shippers entering gas at that point, and so will be more cost reflective than if no such provision was introduced. By better reflecting the costs associated with distributed gas, implementation of the modification would support delivery of a charging methodology that results in charges which reflect the costs incurred by the licensees in their transportation business.

Members also recognised that the desire for distributed gas to be allowed to enter distribution networks is a new development. Developing a charging regime that takes account of this development supports achievement of the relevant objective of taking account of developments in the transportation business.

A charging methodology that better reflects the cost impacts of distributed gas helps to ensure that costs are appropriately allocated within the GB gas market. Members noted that ensuring costs are appropriately targeted supports the development of effective competition. In addition, developing proposals at this stage provides confidence to potential entrants about the charging regime that will be faced by distributed gas,

and this certainty and appropriate allocation of costs may facilitate the development of such gas sources. This could in turn better facilitate effective competition between gas shippers since additional sources of gas will be available to the market.

Panel Members then voted and unanimously determined to recommend that Modification 0391 be implemented.

b) Modification 0395 - Limitation on Retrospective Invoicing and Invoice Correction

RCH advised that he had reflected on the views put forward and was now of the opinion that the modification would not create a divergence between I&C and domestic markets. He considered implementation would facilitate competition as it would not significantly increase risk for I&C Shippers but, by shortening the reconciliation window, would create an increased degree of certainty in the market. JF agreed with this view, suggesting implementation is likely to create a more stable environment.

CH disagreed with these views as any increase in certainty would be provided by an artificial cut off which disproportionately impacts the I&C market due to the potential risk posed under the statute of limitations, bearing in mind that the usual arrangement is a pass-through contract for transportation charges.

JD was concerned that a clear argument against implementation had not been made and explained. Ofgem would have appreciated more detail on any different impacts between domestic and non-domestic markets, and indeed whether there may be a case for establishing two different invoicing arrangements. A clear exposition had not been provided as to why the impacts would be different in each market and, in particular, why the statute of limitations creates a risk when Modifications 0395 and 0398 relate to invoicing between Shippers and Transporters and also the statute of limitations is not generally an issue in circumstances where a contract exists.

PB explained that he is against both Modifications 0395 and 0398 in principle as there is a possibility that a business could go bankrupt should they receive a large claim from a consumer after the cut off date, which could be due to an error that is outside the Shipper's control.

Members then voted and with four votes in favour of implementation and six against, did not determine to recommend that Modification 0395 be implemented.

c) Modification 0398 - Limitation on Retrospective Invoicing and Invoice Correction (3 to 4 year solution)

CWa indicated that he felt that, unlike Modification 0395, implementation of Modification 0398 would further the relevant objectives. The reasons for this were as stated in National Grid Distribution's representation.

Members then voted and with seven votes in favour of implementation and three against, determined to recommend that Modification 0398 be implemented.

Implementation dates for Modification 0395 and 0398

The Panel Chair invited views on the appropriate implementation date if either modification were implemented.

JF stated that there is less development work to implement Modification 0398 as implementation of Modification 0395 would have an impact on the USRV process and would consequently require more effort.

SL explained that 01 April was specified in Modification 0395 in order to reduce Xoserve costs - the line is the sand is adjusted each April in any event. The view from Panel Members was that an April implementation date is desirable.

Members then voted whether, assuming one of the modifications were to be implemented, Modification 0395 would better facilitate the relevant objectives than Modification 0398. With one vote in favour, six against and three abstentions (on the grounds that each had the same impact on the relevant objectives), Members considered that implementation of Modification 0398 would be likely to further the relevant objectives to a greater extent than implementation of Modification 0395

JD was concerned that analysis has not been provided which indicates which modification is the optimum solution, with no clear explanation as to why the difference in period is significant in the context of the relevant objectives.

128.10 Any Other Business

a) UNC GT Licence referencing

PH indicated that a review of references in the UNC to Transporter licences is being undertaken in light of licence changes being proposed under RIIO. National grid would welcome views on whether this should be progressed as a Consent to Modify, as with similar changes in the past, as opposed to a modification being raised.

Members were opposed to a consent being used for this purpose and recommended that a Self-Governance Modification be raised.

b) Request to raise a consent

JF noted that there is a reference in Section V to MAM governance by Ofgem which has now been moved to SPAA – would Members agree that the Consent route be used to amend this reference?

Members agreed a consent to modify would be sufficient as this was one specific reference.

JD asked for views on the appropriateness of creating a fast track Self-Governance process for these types of change, i.e. where consultation would not be proportionate or efficient for a simple correction. The Panel could be empowered to adopt a process similar to the consent process, with sufficient safeguards being built in to prevent any concerns around

abuse – for example requiring a unanimous vote, potentially including positive affirmation by the Ofgem Panel Representative.

Members agreed this could be of benefit to the governance process and suggested that it should be discussed by the Governance Workgroup.

128.11 Conclude Meeting and Agree Date of Next Meeting

10:30 20 September 2012, at the ENA.