

Record of Determinations: Panel Meeting 19 September 2013

Modification	Vote Outcome	Shipper Voting Members					Transporter Voting Members					Consumer Representative	Determination Sought	
		AB	PB for AG	CWr	PB	RF	CWa	DM	JF	RH	SE	CH		
0450A - Monthly revision of erroneous SSP AOs outside the User AQ Review Period	Not related to the Significant Code Review - unanimous vote against	X	X	X	X	X	X	X	X	X	X	X	X	Modification is related to Significant Code Review
	Is not a Self-Governance Modification - unanimous vote against	X	X	X	X	X	X	X	X	X	X	X	X	Modification should follow Self-Governance Procedures
	Issued to Workgroup 0450 - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Should be referred to Workgroup 0450
0450B - Monthly revision of erroneous SSP AOs outside the User AQ Review Period	Considered at short notice - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Consider at short notice
	Not related to the Significant Code Review - unanimous vote against	X	X	X	X	X	X	X	X	X	X	X	X	Modification is related to Significant Code Review
	Is not a Self-Governance Modification - unanimous vote against	X	X	X	X	X	X	X	X	X	X	X	X	Modification should follow Self-Governance Procedures
	Issued to Workgroup 0450 - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Should be referred to Workgroup 0450
0431S – Shipper/Transporter – Meter Point Portfolio Reconciliation	Self-Governance status withdrawn - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Withdrawal from Self-Governance status
	Returned to Workgroup - unanimous vote against consultation	X	X	X	X	X	X	X	X	X	X	X	X	Issue to Consultation
	Workgroup to report by the December 2013 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Workgroup to report by the December 2013 Panel
0445 – Amendment to the arrangements for Daily Metered Supply Point Capacity	Returned to Workgroup - unanimous vote against consultation	X	X	X	X	X	X	X	X	X	X	X	X	Issue to Consultation
	Workgroup to report by the December 2013 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Workgroup to report by the December 2013 Panel

0455S - Updating of Meter Information by the Transporter	Workgroup to report by December 2013 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Extend Workgroup reporting date to December 2013 Panel
0457S - Extending the use of the UK Link Network (Information Exchange (IX)) to Meter Asset Provider (MAP) organisations	Legal text requested - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Request legal text
0463S - Recognition of the '2nd January' Scottish Bank Holiday as a Business Day for Supply Point related transactions	Workgroup to report by January 2014 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Extend Workgroup reporting date to January 2014 Panel
0452 - Introduction of the Planning and Advanced Reservation of Capacity Agreement (PARCA)	Legal text requested - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Request legal text
0450 - Monthly revision of erroneous SSP Aqs outside the User AQ Review Period	Workgroup to report by December 2013 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Extend Workgroup reporting date to December 2013 Panel
0454 - Introduction of a Long Term Non Firm Capacity Product	Legal text requested - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Request legal text
0440 - Project Nexus - iGT Single Service Provision	Workgroup to report by January 2014 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Extend Workgroup reporting date to January 2014 Panel
0432 - Project Nexus - Gas Settlement Reform	Legal text requested - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Request legal text
0434 - Project Nexus - Retrospective Adjustment	Legal text requested - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Request legal text
0453 - Project Nexus - Demand Estimation	Legal text requested - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Request legal text
0462 - Introducing Fast Track Self Governance into the Uniform Network Code	Workgroup to report by December 2013 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Extend Workgroup reporting date to December 2013 Panel

0407 – Standardisation of notice periods for offtake rate changes for all National Grid NTS Exit Users	Not returned to Workgroup - unanimous vote against	X	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
0451 - Individual Settlements For Pre-Payment & Smart Meters	Implementation not recommended - no votes in favour													Whether to recommend implementation
0451A - Individual Settlements For Pre-Payment & Smart Meters	Implementation not recommended - no votes in favour													Whether to recommend implementation
	Modification 0451A better facilitates the Relevant Objectives than 0451 - unanimous vote against 0451	X	X	X	X	X	X	X	X	X	X	X	X	Modification 0451 better facilitates the relevant objectives than Modification 0451A
0460S – Alignment of capacity and revenue treatment within the NTS Charging Methodology with RIIO-T1 arrangements	Not returned to Workgroup - unanimous vote against	X	X	X	X	X	X	X	X	X	X	X	X	Did consultation raise new issues
	Implemented - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Whether to implement

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

UNC Modification Panel

Minutes of the 148th Meeting held on Thursday 19 September 2013 at ENA, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF

Attendees

Voting Members:

Shipper Representatives	Transporter Representatives	Consumer Representative
A Barnes (AB), Gazprom C Wright (CWr), British Gas P Broom (PB), GDF Suez, also alternate for A Green (Total) R Fairholme (RF), E.ON UK	C Warner (CWa), National Grid Distribution D Mitchell (DM), Scotia Gas Networks J Ferguson (JF), Northern Gas Networks R Hewitt (RH), National Grid NTS S Edwards (SE), Wales & West Utilities	C Hill (CH), Consumer Focus

Non-Voting Members:

Chairman	Ofgem Representative
T Davis (TD), Joint Office	

Also in Attendance:

A Raper (AR), National Grid Distribution; A Rooney (ARo), Ofgem; A Sheikh (AS), Ofgem*; H Chapman (HC), Xoserve; L Dupont (LD), Deputy Secretary; M Jackson (MJ), British Gas*; S McGoldrick (SM), National Grid NTS.

* by Teleconference

Record of Discussions

148.1 Note of any alternates attending meeting

D Mitchell for A Musgrave (Scotia Gas Networks).
P Broom for A Green (Total)

148.2 Record of Apologies for absence

A Musgrave and A Green.

148.3 Minutes of the Last Meeting

The minutes of the last meeting were accepted.

148.4 Consider New, Non-Urgent Modifications

- a) Modification 0450A - Monthly revision of erroneous SSP AQs outside the User AQ Review Period

MJ introduced the modification and its aims. It was British Gas' perception that the original intent of Modification 0450 had got lost whilst in development, and 0450A was, in British Gas' view, a restatement of the original intent, proposing an alternate approach whereby only the AQs of newly acquired customers can be appealed.

CWa pointed out that reference to 'Suppliers' should be to 'Users', and suggested the modification be revised to reflect this.

For Modification 0450A, 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 not met as this modification is expected to have a material impact on competition; and
- The modification be issued to Workgroup 0450 for assessment.

- b) Modification 0450B - Monthly revision of erroneous SSP AQs outside the User AQ Review Period

Members unanimously determined to consider this modification at short notice.

AB introduced the modification and its aims. Noting that Modification 0450 proposes to use the available Xoserve capability to allow erroneous AQs to be amended outside the established AQ Review period, Modification 0450B proposes a, different, limit per User of 200.

Referring to the use of technical or specialist terms such as 'T17 dataflows' within this modification (and also 0450A), RH suggested that 'plain English' should be used to aid the understanding of readers and facilitate conversion to legal text.

For Modification 0450B, 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 not met as this modification is expected to have a material impact on competition; and
- The modification be issued to Workgroup 0450 for assessment.

148.6 Consider Workgroup Issues

Workgroup Reports for Consideration

a) Modification 0431S – Shipper/Transporter – Meter Point Portfolio Reconciliation

TD noted that the Workgroup had recommended that the Self-Governance Statement should be withdrawn. DM explained that changes to the modification meant it was now likely there would be a material effect on consumers. CWa explained that this was because an auto registration process was included within the modification such that Shippers would not be required to refund any charges paid, and Transporters would not be required to bill consumers for the gas they had used – an impact that he considered material.

RH raised concerns that the modification may not be capable of implementation as it stands, or would not achieve what was intended. Referring to Business Rule 12, he noted that reports would be produced but that there was nothing in the Business Rules to say what would happen to these reports. CWa clarified that the legal text provided for these to be published, and that this had always been the intent of the modification.

Members determined for Modification 0431S that:

- The self-governance statement be withdrawn;
- The modification be returned to the Workgroup for further assessment, with a report presented by the December Panel.

b) Modification 0445 – Amendment to the arrangements for Daily Metered Supply Point Capacity

AR advised that some issues had been identified and that the legal text would need to be amended. Given this, he suggested that the modification be returned to the Workgroup such that the changes could be explained and assessed. CH was concerned that this change was intended to provide benefits to consumers, and there had been an expectation that a suitable arrangement would be in place for the forthcoming winter. The Transporters confirmed that they were not aware of any customer seeking to make use of the mechanism, and that the time-expired transition rules could potentially be resurrected via an urgent modification if that proved to be necessary.

Members determined that Modification 0445 be returned to Workgroup 0445 for further assessment, with a report presented by the December Panel.

Consideration of Workgroup Reporting Dates

Members determined unanimously to extend the following Workgroup reporting dates:

Workgroup	Report By Panel Meeting
0440 - Project Nexus - iGT Single Service Provision	January 2014
0450 - Monthly revision of erroneous SSP AQs outside the User AQ Review Period	December 2013
0455S - Updating of Meter Information by the Transporter	December 2013
0462 - Introducing Fast Track Self Governance into the Uniform Network Code	December 2013
0463S - Recognition of the '2nd January' Scottish Bank Holiday as a Business Day for Supply Point related transactions	January 2014

Legal Text Requests

Members determined unanimously to request that legal text be provided for Modifications:

- 0432 - Project Nexus - Gas Settlement Reform;
- 0434 - Project Nexus - Retrospective Adjustment;
- 0452 - Introduction of the Planning and Advanced Reservation of Capacity Agreement (PARCA);
- 0453 - Project Nexus - Demand Estimation;
- 0454 - Introduction of a Long Term Non Firm Capacity Product; and
- 0457S - Extending the use of the UK Link Network (Information Exchange (IX)) to Meter Asset Provider (MAP) organisations.

148.7 Final Modification Reports

- a) Modification 0407 – Standardisation of notice periods for offtake rate changes for all National Grid NTS Exit Users

Members unanimously determined that views should not be obtained from the Workgroup on issues raised in consultation responses.

The Panel Chair summarised that the UNC limits the change in aggregate rate of offtake in any LDZ by a maximum of 5% every two hours. This modification provides that any change that exceeds this 2 hour 5% rule will be accepted by National Grid NTS provided that doing so is not expected to give rise to an Operational Balancing Requirement.

The Chair drew attention to the information provided by the system operators that, to enable them to efficiently meet customer requirements, this rule is frequently breached by the distribution networks. The Transmission System Operator has not sought to enforce the rule since, to date, they have been able to accommodate the requested changes. Implementation of the modification could, therefore, be regarded as codifying the existing arrangements. Members accepted that implementation of the modification would not be expected to have a significant impact on the way in which systems are operated, and hence would be neutral with respect to the relevant objective of facilitating efficient and economic operation of the pipeline system.

Transporter licences require economic and efficient development of the system. Members noted that implementation of the modification would retain the Transmission System Operator's right to enforce a 2 hour 5% rule when operationally necessary, thereby avoiding any investment that National Grid NTS may need to incur to meet its obligations if the rule were not to apply under any circumstances. Similarly, implementation of the modification would clarify that the DNs are not expected to invest in their systems such that they can meet their obligations without breaching the 2 hour 5% rule. By ameliorating the risk of investment being undertaken that has been shown to be operationally unnecessary under most operating conditions, Members considered that implementation would facilitate the relevant objective of efficient discharge of the licensee's obligations.

Members recognised that implementation of the modification would provide assurance that the DNs would be more likely to be able to accommodate connection requests from loads that may wish to connect to an LDZ provided flexible operation can be provided. This potentially allows additional load to be connected to the system, thereby expanding the market. As such, implementation would be consistent with facilitating the securing of effective competition between Shippers.

Ensuring the UNC reflects underlying operational requirements and does not impose unnecessary restrictions is consistent with furthering the relevant objective of promotion of efficiency in the implementation and administration of the Code. By ensuring that the 2 hour 5% rule does apply when needed, and does not when not needed, Members considered that implementation of the modification would further this relevant objective.

Members then voted and determined unanimously to recommend that Modification 0407 be implemented.

b) Modification 0451(A) - Individual Settlements For Pre-Payment & Smart Meters

The Panel Chair summarised that Modifications 0451 and 0451A 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 0451 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 0451A proposes that this arrangement would apply prospectively while Modification 0451 includes a retrospective element backdated to be effective from October 2012. Members also noted that legal text had not been finalised for the Modifications and that the lawyers had indicated that completion would be difficult since the modifications do not clearly articulate the solution that is required.

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 nor 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 £300k to £500k, 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 0451, 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 0451 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 0451 be implemented. With no votes in favour, Members also failed to determine to recommend that Modification 0451A be implemented.

Members then considered which of Modification 0451 and 0451A 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 0451A would be expected to better facilitate achievement of the relevant objectives.

- c) Modification 0460S – Alignment of capacity and revenue treatment within the NTS Charging Methodology with RIIO-T1 arrangements

Members unanimously determined that views should not be obtained from the Workgroup on issues raised in consultation responses.

The Panel Chair summarised that this is a housekeeping modification to ensure that the National Grid NTS charging methodology within Section Y of the UNC reflects the changes that were introduced as part of the last price control process.

Members recognised that modifying the charging methodology in line with the latest version of the Transporter licence helps to ensure the charging methodology properly takes account of developments in the transportation business (i.e. the RIIO outcome), and hence implementation facilitates this relevant objective.

Members then voted unanimously to implement Self-Governance Modification 0460S.

148.8 Any Other Business

- a) Ofgem's Christmas publishing moratorium/code modification decision KPIs

ARo drew attention to Ofgem's KPI of issuing 90% of code modification decisions within 25 working days of receiving Final Modification Reports (or the closing date of the Impact Assessment/consultation, if applicable). In its Annual Report 2012/13 it noted that it may take into account the days that fall during Ofgem's Christmas 'publishing moratorium' when calculating this KPI. During the Christmas period Ofgem does not generally publish decisions or other information on its website.

ARo indicated that Ofgem intends to take account of the publishing moratorium for KPI/indicative decision dates over the Christmas period this year. This may extend the decision timetable for some code modification decisions, but Ofgem expects this would be by no more than approximately 7 working days. This should continue to ensure transparency around decision timings and reduce scope for Ofgem issuing a high number of decisions ahead of or during the publishing moratorium period, which it expects industry, in particular smaller parties, will welcome.

ARo urged the Panel to take this into account when considering modification timescales. She also noted that it might be appropriate to issue certain code modification decisions during the publishing moratorium (for example, for reasons of urgency) and Ofgem will consider this on a case-by-case basis.

The dates of Ofgem's publishing moratorium this year are not yet confirmed. This will be communicated to the Panel when known.

- b) Consent to Modify

RH drew attention to the recent withdrawal of Consent 51. He explained that Consent 52 had been raised that includes additional drafting beyond that in Consent 51 in order to fully deliver the intended outcome. TD

indicated that, in keeping with precedent, Consent 52 will be on the October Panel agenda to provide an opportunity for Members to consider whether they feel the Consent route is appropriate.

c) Change of Panel Chair

TD advised that Authority approval is required when the Transporters wish to appoint a different Panel Chair. A letter seeking this approval is being submitted to Ofgem. If approved, the new Chair would be expected to be in place for the December Panel meeting.

148.9 Conclude Meeting and Agree Date of Next Meeting

10:30 17 October 2013, at the ENA.