

Record of Determinations: Panel Meeting 19 December 2013

Modification	Vote Outcome	Shipper Voting Members					Transporter Voting Members					Consumer Representative	Determination Sought	
		AB	AG	AM	AG for PB	RF	CWa	EM	JE	JF	RH	KES		
0473 - Project Nexus – Allocation of Unidentified Gas	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 0473 - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Should be referred to Workgroup 0473
	Workgroup to report by the June 2014 Panel - unanimous vote against	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Workgroup to report by the June 2014 Panel
0474 - Inclusion of the guidelines relating to the “Customer Settlement Error Claims Process” within UNC governance	Considered at short notice - unanimous vote in favour	NP	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	To 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 a Self-Governance Modification - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Modification should follow Self-Governance Procedures
	Legal Text requested - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Request legal text
	Issued to Workgroup 0474 - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Should be referred to Workgroup 0474
	Workgroup to report by the April 2014 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Workgroup to report by the April 2014 Panel
0445 - Amendment to the arrangements for Daily Metered Supply Point Capacity	Returned to Workgroup - with 1 vote in favour and 10 votes against	X	X	X	X	X	X	X	X	X	✓	X	X	Issue to Consultation
	Workgroup to report by the May 2014 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Workgroup to report by the May 2014 Panel

0455S - Updating of Meter Information by the Transporter	Returned to Workgroup - unanimous votes against	X	X	X	X	X	X	X	X	X	X	X	Issue to Consultation
	Self-Governance Status retained - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Withdrawal of Self-Governance Status
	Workgroup to report by the February 2014 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Workgroup to report by the February 2014 Panel
0461 - Changing the UNC Gas Day to Align with the Gas Day in EU Network Codes	Proceed to consultation - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Issue to Consultation
	Legal text not required - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Legal text not required for inclusion in DMR
	Cost estimate not required - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Cost estimate not required for inclusion in DMR
	Consultation to close out on 27 January - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Extend consultation
0463S - Recognition of the '2nd January' Scottish Bank Holiday as a Business Day for Supply Point related transactions	Proceed to consultation - unanimous vote in favour	✓	NP	✓	NP	✓	✓	✓	✓	✓	✓	✓	Issue to Consultation
	Legal text not required - unanimous vote in favour	✓	NP	✓	NP	✓	✓	✓	✓	✓	✓	✓	Legal text not required for inclusion in DMR
	Cost estimate not required - unanimous vote in favour	✓	NP	✓	NP	✓	✓	✓	✓	✓	✓	✓	Cost estimate not required for inclusion in DMR
	Consultation to close out on 27 January - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Extend consultation
0471S - Amending the start time that a Day-ahead Market Offer can be accepted	Proceed to consultation - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Issue to Consultation
	Legal text not required - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Legal text not required for inclusion in DMR
	Cost estimate not required - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Cost estimate not required for inclusion in DMR
	Consultation to close out on 27 January - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Extend consultation
0440 - Project Nexus – iGT Single Service Provision	Workgroup to report by February 2014 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Extend Workgroup reporting date to February 2014 Panel
0467 - Project Nexus - iGT Single Service Provision; data preparation	Workgroup to report by February 2014 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Extend Workgroup reporting date to February 2014 Panel
0418 - Review of LDZ Customer Charges	Implementation recommended - with 10 votes in favour	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	Whether to recommend implementation

	Legal text not required - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Legal text not required for inclusion in DMR
	Cost estimate not required - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Cost estimate not required for inclusion in DMR
	Consultation to close out on 08 January - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Extend consultation
0452 - Introduction of the Planning and Advanced Reservation of Capacity Agreement (PARCA)	Variation is immaterial - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Variation immaterial
0452V - Introduction of the Planning and Advanced Reservation of Capacity Agreement (PARCA)	Legal Text requested - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Request legal text
	Implementation recommended - with 10 votes in favour	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	Whether to recommend implementation
0465 - Introduction of the Planning and Advanced Reservation of Capacity Agreement (PARCA), Weighted Average	Variation is immaterial - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Variation immaterial
0465V - Introduction of the Planning and Advanced Reservation of Capacity Agreement (PARCA), Weighted Average PARCA Security	Legal Text requested - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Request legal text
	Implementation recommended - with 10 votes in favour	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	Whether to recommend implementation
	Prefer 0452V	X	✓	X	✓	✓	✓	✓	X	✓	✓	X	0452V better facilitates the relevant objectives than 0465V
	Do not prefer 0465V	✓	X	✓	X	X	X	X	✓	X	X	✓	0465V better facilitates the relevant objectives than 0452V
0462 - Introducing Fast Track Self Governance into the Uniform Network Code	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

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

UNC Modification Panel

Minutes of the 151st Meeting held on Thursday 19 December 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 A Green (AG), (Total) and alternate for P Broom A Margan (AM), British Gas R Fairholme (RF), E.ON UK	C Warner (CWa), National Grid Distribution E Melen (EM), Scotia Gas Networks J Edwards (JE), Wales & West Utilities J Ferguson (JF), Northern Gas Networks R Hewitt (RH), National Grid NTS	K Elliott-Smith (KES), Consumer Focus

Non-Voting Members:

Chairman	Ofgem Representative
L Jenkins (LJ), Joint Office	A Rooney (ARo), Ofgem

Also in Attendance:

A Miller (AM), Xoserve; A Raper (ARa), National Grid Distribution; M Wassell (MW), National Grid NTS; R Fletcher (RF), Secretary; S McGoldrick (SMc) National Grid NTS and T Davis (TD), Joint Office.

Record of Discussions

151.1 Note of any alternates attending meeting

A Green for P Broom (Total)

A Margan for C Wright (British Gas)

E Melen for A Musgrave (Scotia Gas Networks)

J Edwards for S Edwards (Wales & West Utilities)

151.2 Record of Apologies for absence

A Musgrave, C Wright, P Broom and S Edwards.

151.3 Minutes of the Last Meeting

The minutes of the last meeting were accepted.

151.4 Consider New, Non-Urgent Modifications

a) Modification 0473 - Project Nexus – Allocation of Unidentified Gas

AB introduced the modification and its aims. JF asked if the legal text is proposing to amend the UNC as it stands now or is the text post Project Nexus implementation. CWa advised that the implementation is aligned to Project Nexus (0432) and therefore amends its text. JF advised that should Modification 0432 be rejected then it should follow that this modification would need to be withdrawn or reconsidered.

AM advised that the AUGE would need to be appointed prior to Project Nexus implementation to be able to deliver a methodology in time for 01 October 2015.

The Workgroup is requested to consider the following:

Should this modification be User Pays as it amends an existing service;
Consideration of Legal text both pre and post Project Nexus implementation;
Review the implementation plan.

For Modification 0473, 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;
- The modification be issued to Workgroup 0473 for assessment with a report presented by the June 2014 Panel.

- b) Modification 0474 – Inclusion of the guidelines relating to the “Customer Settlement Error Claims Process” within UNC governance

CWa provided a presentation introducing the modification and its aims. JE asked who would be drafting the guidelines. CWa advised that Xoserve were developing draft guidelines and that these are likely to be available for the first Workgroup meeting.

For Modification 0474, Members determined:

- To consider the modification at short notice;
- 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 is not expected to have a material impact on consumers or competition;
- To request Legal Text;
- The modification be issued to Workgroup 0474 for assessment with a report presented by the April 2014 Panel.

151.5 Consider Workgroup Issues

Workgroup Reports for Consideration

- a) Modification 0445 - Amendment to the arrangements for Daily Metered Supply Point Capacity

JF asked if the additional modification assessment had resolved the issues for which it was returned to Workgroup. ARa confirmed that the opportunity for double reductions in capacity had been addressed.

There was a discussion about the relevant objectives and should there be a positive impact to Relevant Objective A as the Workgroup had rejected this.

TD questioned how the legal text drafted for Project Nexus would take account of this modification and vice versa – currently they are incompatible. CWa felt that this would issue need to be addressed as with all future modifications of this nature, based on the current regime and then incorporated into Project Nexus text should Modification 0432 be directed for implementation.

The Workgroup is asked to consider the following:

Confirm the implementation date; and
Consider the potential impacts on text should Modification 0432 be directed for implementation.

Members accepted the recommendations in the Workgroup Report. Members then determined for Modification 0445 that:

- It should be returned to Workgroup;
- The modification be issued to Workgroup 0445 for assessment with a report presented by the May 2014 Panel.

b) Modification 0455S - Updating of Meter Information by the Transporter

Members discussed the Self Governance status of this modification as some Workgroup participants felt that the implications of Transporters amending Shippers data should not be down to a Panel decision.

RH wanted to understand what elements of the Self-Governance criteria were impacted by this modification. AM raised concerns around the aspects of data updates on behalf of shippers for which that shipper was not in control.

ARo could not see where the Self-Governance criteria were impacted and therefore Ofgem were not of the opinion at this stage that it should be.

The Workgroup is asked to consider the following:

To consider the Self-Governance Status against the relevant criteria; and Review the User Pays section.

Members determined for Modification 0455S that:

- It should be returned to Workgroup;
- That the Self-Governance Status should be retained;
- The modification be issued to Workgroup 0455S for assessment with a report presented by the February 2014 Panel.

c) Modification 0461 - Changing the UNC Gas Day to Align with the Gas Day in EU Network Codes

AB asked what happens should Transporters and Ofgem fail to agree a funding mechanism. ARo advised that they felt that there is insufficient evidence at the moment for them to make a recommendation on the modification and for funding and they would like a question considered in representations. ARa asked if this is a change to UNC or other aspects outside UNC. ARo advised this is restricted to UNC but the information is required so the full impact of implementation can be understood.

Question for consultation

Can respondents provide views on the time constraints and effort required to implement this modification in their representations.

Members accepted the recommendations in the Workgroup Report and determined for Modification 0461 that:

- It should proceed to consultation;
- 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 27 January 2014.

d) Modification 0463S - Recognition of the '2nd January' Scottish Bank Holiday as a Business Day for Supply Point related transactions

Members accepted the recommendations in the Workgroup Report and determined for Modification 0463S that:

- It should proceed to consultation;
- 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 27 January 2014.

e) Modification 0471S - Amending the start time that a Day-ahead Market Offer can be accepted

RH asked if User Pays applies to Traders. AM advised it would if they were a User Trader, though there are no Trader Users at this time.

Members accepted the recommendations in the Workgroup Report and determined for Modification 0471S that:

- It should proceed to consultation;
- Legal text is not required for inclusion in the draft Modification Report; and
- A cost estimate is not required for inclusion in the draft Modification Report; and
- Consultation should close on 27 January 2014.

Consideration of Workgroup Reporting Dates and Legal Text Requests:

Members determined unanimously to extend the following Workgroup reporting dates:

Workgroup	Reporting Date
0440 - Project Nexus – iGT Single Service Provision	20 February 2014
0467 - Project Nexus - iGT Single Service Provision; data preparation	20 February 2014

151.6 Consider Variation Requests

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

LJ presented the Variation Request. JF advised that the business rules had changed though this was done to allow the drafting of legal text. AB was concerned that the changes proposed could be considered as material as they were not just correcting a mistake but were adding rules, which may or may not change views in consultation.

ARo advised that this modification was raised as an Urgent modification and that Ofgem would like to consider the report as soon as possible and were disappointed that the process was taking longer than expected.

There was a general discussion about the need for further consultation and whether the content of the recent changes were material to warrant further consultation.

JF explained that in their opinion the modification was not sufficiently developed to allow the production of legal text as originally targeted and the variation should be considered material as a material changes were required to allow legal text to be produced.

Following discussion, Members unanimously determined that the Modification 0451 Variation Request was material.

Modification 0451 will therefore be deemed withdrawn and replaced by Modification 0451V, which.

For Modification 0451V Members determined:

- To request the provision of Legal Text;
- It should proceed to consultation;
- 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;
- Consultation should close on 08 January 2014; and
- To consider the Final Modification Report at short notice on 10 January 2014.

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

LJ presented the Variation Request. See discussion for 0451 above.

Members noted that Modification 0451A had been raised as an alternative to Modification 0451. However, as Modification 0451 had been withdrawn and replaced by Modification 0451V which had already been issued to consultation, therefore the varied Modification 0451AV could not be consider an alternative to Modification 0451V and separate Final Modification Reports would need to be presented Modifications 0451V and 0451AV.

Following discussion, Members unanimously determined that the Modification 0451A Variation Request was material.

Modification 0451A will therefore be deemed withdrawn and replaced by Modification 0451AV.

For Modification 0451AV Members determined:

- To request the provision of Legal Text;
- It should proceed to consultation;
- 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;
- Consultation should close on 08 January 2014; and
- To consider the FMR at short notice on 10 January 2014.

c) Modification 0452 - Introduction of the Planning and Advanced Reservation of Capacity Agreement (PARCA)

MW presented the Variation Request and explained that it makes the Summary and Solution consistent.

MW explained that changes to the legal text were those discussed in the Workgroup and identified in their own representation.

Following discussion, Members unanimously determined that the Modification 0452 Variation Request was immaterial.

Modification 0452 will therefore be deemed withdrawn and replaced by Modification 0452V, which will continue through the modification procedures at the same stage as reached by 0452.

- d) Modification 0465 - Introduction of the Planning and Advanced Reservation of Capacity Agreement (PARCA), Weighted Average PARCA Security

Following discussion, Members unanimously determined that the Modification 0465 Variation Request was immaterial.

Modification 0465 will therefore be deemed withdrawn and replaced by Modification 0465V, which will continue through the modification procedures at the same stage as reached by 0465.

151.7 Final Modification Reports

- a) Modification 0418 0418A - Review of LDZ Customer Charges

The Panel Chair summarised that both modifications proposed that customer charges be put on a DN specific basis and also that the structure of the charges be altered to reflect the costs incurred.

The modifications differed in that Modification 0418 proposed charging for the asset related costs (mainly the Domestic Load Connection Allowance (DLCA) costs) based on a single flat rate charge applied to all Supply Points irrespective of size. This would mean that these costs would be recovered from all Supply Points, but with no attempt to vary the contribution by size of Supply Point. Whereas Modification 0418A proposed that asset related costs be based on a flat unit rate charge (pence/kWh) applied to all Supply Points, which would mean that the costs would be recovered from all Supply Points but the amount paid would vary with consumption.

Members recognised that implementation of either modification would better facilitate the achievement of relevant objective a) by changing the structure of customer charges in each DN to reflect the costs of that DN rather than reflecting a national cost structure, and facilitating the objective of the charging methodology resulting in charges which reflect the costs incurred by the licensee in its transportation business. In addition, some Members considered that Modification 0418 would further benefit relevant objective a) since the proposed charging functions are being driven by data.

Members recognised that implementation of either modification would better facilitate the achievement of relevant objective b), in that the charging methodologies proposed properly to take account of developments in the transportation business, because either would make the structure of LDZ customer charges reflect the structure of the distribution networks.

Some Members considered that Modification 0418 furthered relevant objective c) as it provides a reasonably balanced apportionment of costs in line with the DLCA by allocating costs to all customers in a non-discriminatory manner. They saw pence/supply point as an appropriate basis when recovering a Supply Point related cost allowance, with costs not related to throughput of gas. Some Members also felt that the larger percentage impacts of Modification 0418A on some market sectors would mean that its implementation would be more disruptive than that of Modification 0418. Therefore, Modification 0418 would be consistent with relevant objective c) by facilitating effective competition by minimising potential disruption in charge levels and be consistent with maintaining stable and predictable transportation charges.

Some Members considered that Modification 0418A would better facilitate relevant objective c) as the intent of the Gas Act is to recover the DLCA allowance from all gas customers. Given this, a pence/kWh charge would provide a reasonably balanced apportionment of this cost across all customers. Whereas a pence/supply point charge (as proposed in Modification 0418) would only recover approximately 98% of the cost from the group of customers the allowance was intended to benefit, which seems inappropriate. Therefore recovering the asset related costs on a pence/kWh basis, rather on a pence/supply point basis, better preserves the intent of the DLCA and avoids distorting the market. Avoiding market distortions facilitates the securing of effective competition.

Some Members recognised that Modification 0418A maintained current industry practice and hence is familiar to the industry and offers an approach that is understood. Adopting a new approach rather than retaining that which is familiar and established would introduce uncertainty into the market and increase the risks faced by Shippers. The implementation of Modification 0418A in preference to Modification 0418, would avoid this detrimental effect and so facilitate relevant objective c) by the securing of effective competition between Shippers.

Members then voted and with 9 votes cast in favour, determined to recommend that Modification 0418 should be implemented. With 1 vote cast in favour, Members failed to determine to recommend that Modification 0418A should be implemented.

Members then considered which of the two modifications, if one were to be implemented, would be expected to better facilitate the relevant objectives. With 9 votes preferring Modification 0418, and 1 vote preferring Modification 0418A, Members determined that, of the two, Modification 0418 would be expected to better facilitate the relevant objectives.

b) Modification 0448 - Aligning UNC with Licence Conditions relating to European legislative change and Alternative Modification Proposals

The Panel Chair summarised that Modification 0448 focuses on changing the Modification rules to enable the Authority to raise Modifications and alternative Modifications to the UNC where the Authority considers a modification is necessary to comply with or implement any European regulatory change and allow the Authority to direct the Modification development timetable. This Modification also restricts Transporters' ability to withdraw Modifications related to European regulatory change and to align Modification procedures with

Transporter licence Standard Special Condition A11 (9(c)) which enables the Authority to direct that an alternative Modification may not be raised.

Members considered the representations raised and in particular the comments on the perceived additional governance by the Authority strengthening Ofgem's control over the governance of modifications. Particular concern was expressed with regards to preventing alternative Modifications being raised however it was recognised such change was required to align the process with EU law.

Members considered the relevant objectives (c), (f) and (g). Members agreed that implementation would deliver improved alignment between the Uniform Network Code and Special Standard Condition A11 of the GT Licence; would introduce clarity regarding the modification process to be followed if Ofgem exercise the relevant powers under the Transporter's Licence, implementation would create transparency and certainty and ensure that all parties understand the process to be followed, which is consistent with promoting efficiency in the implementation and administration of the Code; and implementation potentially facilitates future compliance in a timely manner with fixed timetables associated with EU legislation. Conversely, members briefly discussed British Gas' observation that the Panel was not a Code Party and obligations placed on it were unenforceable. As such this may add confusion to the rules rather than clarity. It was noted that there were already many such references existing in the Modification Rules and Members agreed that this was an appropriate way to proceed.

Members agreed that implementation would expect to further these relevant objectives. Members voted unanimously to recommend implementation of Modification 0448.

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

Members noted that that Modifications 0451 and 0451A have been withdrawn following the determinations on Variation Requests in item 151.6 above. However, Members reviewed the Workgroup comments in the Final Modification Report and agreed the amended Final Modification Report should be issued to Ofgem.

d) Modification 0452V - Introduction of the Planning and Advanced Reservation of Capacity Agreement (PARCA)

The Panel Chair summarised that this modification specifies a process to be followed when parties wish to obtain long term NTS capacity. This brings forward the time within the UNC when an initial commitment to book future capacity can be made, ahead of full user commitment being given through the extant auction processes. As a result of this modification, and associated licence and methodology statement changes, agreeing a PARCA would be the only route via which National Grid NTS would expect to allocate incremental capacity where system reinforcement is necessary.

Members recognised that implementation would introduce to the UNC a transparent and consistent process for the provision of incremental NTS capacity. Codifying the processes to be followed would help to demonstrate that all parties are being treated similarly, with no undue discrimination, and give certainty to the parties involved. In addition, the proposed arrangements provide flexibility such that changes in circumstances can be reflected in commercial agreements – for example, if timelines are extended or if Planning Permission is not forthcoming. The certainty and flexibility introduced by the proposed processes would reduce risk for those wishing to acquire additional capacity rights. Implementation would therefore potentially reduce a barrier to entry to the GB gas market as far as those seeking to acquire incremental capacity rights are concerned. These may be either new NTS connections or expanded existing connections. To the extent that this attracts additional exit capacity, there would be a larger market to be supplied – thereby helping to secure effective competition among Shippers and Suppliers. With respect to additional entry capacity, this will facilitate increased supplies being made available to the GB market and hence would provide additional choice to Shippers regarding the sources of gas relied upon. By increasing the supplies available to the market, implementation would therefore be expected to facilitate the securing of effective competition between Shippers.

Members also recognised that circumstances can arise under the existing arrangements whereby National Grid NTS may invest in capacity that is no longer required, or where capacity may be booked but not paid for. This creates the possibility, with hindsight, of uneconomic investment and for costs to be socialised between Shippers. The increased flexibility would be expected to reduce the amounts at risk, through the lower commitment prior to full user commitment in an auction process, and, through the flexibility to adjust or cancel requests for additional capacity, to reduce the prospect of an inefficient investment signal being acted upon. Members therefore felt that implementation could help to reduce the possibility of inappropriate cost allocations, in the interests of securing effective competition, and help to ensure that investment by National Grid NTS is economic and efficient, facilitating the efficient discharge of its licence obligations in this respect.

Members noted that the modification proposes a change to the charging methodology in Section Y of the UNC, introducing a PARCA fee. By supporting the introduction of the proposed approach, this would facilitate the charging methodology relevant objectives by recognising a development in the transportation business.

Members considered the Workgroup assessment of the termination issue that had been referred back and recognised that this was a PARCA contract development issue and that there was still work to be done on it.

One member expressed an opinion that he could not support this modification at this time because of the need to see both the Final Modification Report and the finished PARCA contract at the same time. Further, this member felt he could not take a view against any of the Relevant Objectives without completing both items.

While Modifications 0452V and 0465V did not meet the requirements for alternative modifications as set out on the Code Administration Code of Practice, and as codified in the UNC Modification Rules, Members nonetheless considered which, if one were to be implemented would be expected to better facilitate achievement of the relevant objectives.

Some Members considered that, since capacity is being reserved and the costs that ultimately arise will be the costs associated with that capacity, it is appropriate for the financial security requirements when reserving capacity to be based on capacity charges in the area concerned. Hence they felt that Modification 0452V would better meet the relevant objectives since it would reflect geographic cost variations and so may avoid creating inappropriate disincentives to seek capacity in low cost areas, and vice versa.

Other Members felt that there is no evidence that the costs being securitised, which relate to the planning stages of a project rather than physical works, vary geographically to any significant extent, and are certainly not correlated with capacity charges. Introducing a non-geographic approach, as proposed by Modification 0465V, would avoid very high security being sought in some areas, and so avoid a barrier to entry. Avoiding very low security requirements in other areas would help to avoid speculative applications and the potential for socialisation of costs where projects do not proceed.

Members felt that the security amounts in both modifications were not reflective of the costs incurred by National Grid NTS and so were imperfect in nature. One member noted that there was a balance to be struck between creating a barrier to entry and the level of security, and members agreed that it was very difficult to determine a perfect solution.

Members then voted and, with 10 votes cast in favour, determined to recommend that Modification 0452V should be implemented. Members then considered which of the two modifications, if one were to be implemented, would be expected to better facilitate the relevant objectives. With 7 votes preferring Modification 0452V, and 4 votes preferring Modification 0465V, Members determined that, of the two, Modification 0452V would be expected to better facilitate the relevant objectives.

e) Modification 0465V - Introduction of the Planning and Advanced Reservation of Capacity Agreement (PARCA), Weighted Average PARCA Security

The Panel Chair summarised that this modification specifies a process to be followed when parties wish to obtain long term NTS capacity. This brings forward the time within the UNC when an initial commitment to book future capacity can be made, ahead of full user commitment being given through the extant auction processes. As a result of this modification, and associated licence and methodology statement changes, agreeing a PARCA would be the only route via which National Grid NTS would expect to allocate incremental capacity where system reinforcement is necessary.

Members recognised that implementation would introduce to the UNC a transparent and consistent process for the provision of incremental NTS capacity. Codifying the processes to be followed would help to demonstrate that all parties are being treated similarly, with no undue discrimination, and give certainty to the parties involved. In addition, the proposed arrangements provide flexibility such that changes in circumstances can be reflected in commercial agreements – for example, if timelines are extended or if Planning Permission is not forthcoming. The certainty and flexibility introduced by the proposed processes would reduce risk for those wishing to acquire additional capacity rights. Implementation would therefore potentially reduce a barrier to entry to the GB gas market as far as those seeking to acquire incremental capacity rights are concerned. These may be either new NTS connections or expanded existing connections. To the extent that this attracts additional exit capacity, there would be a larger market to be supplied – thereby helping to secure effective competition among Shippers and Suppliers. With respect to additional entry capacity, this will facilitate increased supplies being made available to the GB market and hence would provide additional choice to Shippers regarding the sources of gas relied upon. By increasing the supplies available to the market, implementation would therefore be expected to facilitate the securing of effective competition between Shippers.

Members also recognised that circumstances can arise under the existing arrangements whereby National Grid NTS may invest in capacity that is no longer required, or where capacity may be booked but not paid for. This creates the possibility, with hindsight, of uneconomic investment and for costs to be socialised between Shippers. The increased flexibility would be expected to reduce the amounts at risk, through the lower commitment prior to full user commitment in an auction process, and, through the flexibility to adjust or cancel requests for additional capacity, to reduce the prospect of an inefficient investment signal being acted upon. Members therefore felt that implementation could help to reduce the possibility of inappropriate cost allocations, in the interests of securing effective competition, and help to ensure that investment by National Grid NTS is economic and efficient, facilitating the efficient discharge of its licence obligations in this respect.

Members noted that the modification proposes a change to the charging methodology in Section Y of the UNC, introducing a PARCA fee. By supporting the introduction of the proposed approach, this would facilitate the charging methodology relevant objectives by recognising a development in the transportation business.

Members considered the Workgroup assessment of the termination issue that had been referred back and recognised that this was a PARCA contract development issue and that there was still work to be done on it.

One member expressed an opinion that he could not support this modification at this time because of the need to see both the Final Modification Report and the finished PARCA contract at the same time. Further, this member felt he could not take a view against any of the Relevant Objectives without completing both items.

While Modifications 0452V and 0465V did not meet the requirements for alternative modifications as set out on the Code Administration Code of Practice, and as codified in the UNC Modification Rules, Members nonetheless considered which, if one were to be implemented would be expected to better facilitate achievement of the relevant objectives.

Some Members considered that, since capacity is being reserved and the costs that ultimately arise will be the costs associated with that capacity, it is appropriate for the financial security requirements when reserving capacity to be based on capacity charges in the area concerned. Hence they felt that Modification 0452V would better meet the relevant objectives since it would reflect geographic cost variations and so may avoid creating inappropriate disincentives to seek capacity in low cost areas, and vice versa.

Other Members felt that there is no evidence that the costs being securitised, which relate to the planning stages of a project rather than physical works, vary geographically to any significant extent, and are certainly not correlated with capacity charges. Introducing a non-geographic approach, as proposed by Modification 0465V, would avoid very high security being sought in some areas, and so avoid a barrier to entry. Avoiding very low security requirements in other areas would help to avoid speculative applications and the potential for socialisation of costs where projects do not proceed.

Members felt that the security amounts in both modifications were not reflective of the costs incurred by National Grid NTS and so were imperfect in nature. One member noted that there was a balance to be struck between creating a barrier to entry and the level of security, and members agreed that it was very difficult to determine a perfect solution.

Members then voted and, with 10 votes cast in favour, determined to recommend that Modification 0465V should be implemented. Members then considered which of the two modifications, if one were to be implemented, would be expected to better facilitate the relevant objectives. With 7 votes preferring Modification 0452V, and 4 votes preferring Modification 0465V, Members determined that, of the two, Modification 0452V would be expected to better facilitate the relevant objectives.

f) Modification 0462 - Introducing Fast Track Self Governance into the Uniform Network Code

The Panel Chair summarised that Modification 0462 introduces fast track self-governance arrangements for dealing with unanimously agreed minor administrative or housekeeping changes to the UNC which in turn would further promote efficiencies in the implementation and administration of the Code.

Members recognised that implementation would align the Modification Rules with the provisions of Standard Special Condition A11, and so facilitate efficient discharge of the licensee's obligations. It would also introduce a proportionate process for dealing with housekeeping changes to the UNC and so promote efficiency in the implementation and administration of the Code.

Members also noted Ofgem's earlier comments that the fast track self-governance arrangements should not lead to any reduction in the quality of legal text in modifications and agreed that this was something that the Panel would keep under review.

Members considered the representations received noting EDF Energy's comments with regards to the number formatting and typographical error in paragraph 6.2.1m and recommended that the legal text is amended.

Members considered relevant objectives (c) and (f) and voted unanimously in favour that implementation of Modification 0462 would; deliver improved alignment between the Uniform Network Code and Standard Special Condition A11 of the Transporter Licence for the provision of a fast track self governance process, which is not currently provided for in the modification rules, and would promote efficiency in the implementation of modifications; and provide a proportionate and efficient mechanism for dealing with unanimously agreed minor administrative or housekeeping changes. Members therefore unanimously recommended that the modification should be implemented.

151.8 Consents to Modify

- a) Consent to Modify C052 - Revision to the legal text associated with the implementation of UNC Modification 0376S Increased Choice when Applying for NTS Exit Capacity”

ARo advised that they are still considering the Consent though it was taking longer than expected due to recent changes to staff allocated to consider the consent.

151.9 Any other business

- a) Replacement Panel Chair

In a post-meeting update, LJ asked Members to note that an open letter consultation would be conducted in January 2014 seeking industry views on the governance and appointment of the Panel Chair. The outcome of this consultation would be reported at a future Panel meeting, ahead of any formal response to Ofgem’s letter.

Members expressed their thanks to the retiring Panel Chair, Tim Davis for the work he had undertaken at previous meetings and wished him well in his future endeavors.

- b) Reforms to the change of supplier (COS) meter read process for smart gas meters

CWa advised that SPAA Executive Committee had discussed the open letter from Ofgem and their initial views were that it sits mainly with SPAA and that they would be happy to arrange a meeting to discuss the content in more detail.

JF confirmed that combined Workgroups had been held before so the objective of the letter should be achievable.

LJ advised that he would like to invite Rachel Hay of Ofgem to present their views to Panel, possibly at the January meeting. Members agreed that it would be very beneficial to invite Rachel Hay to the January Panel.

- c) Consumer Focus

ARo advised that Consumer Focus is changing its name to Consumer Futures and that this may require amendments to license’s and industry

Codes to ensure the correct reference is used. Analysis is currently being undertaken and an update will be provided soon.

- d) Review of Modification Rules Relating to the Variation of FMRs sent back to Panel by Ofgem

LJ advised that Ofgem's letter approving the disapplication of the Modifications Rules relating to Modification 0451 and 0451A asked Panel to consider if the Modification Rules required amendment to cater for this issue in future without requesting the disapplication of the Modification Rules. Members agreed it should be reviewed at the Governance Workgroup.

151.10 Conclude Meeting and Agree Date of Next Meeting

13.30 10 January 2014 by teleconference to consider Modifications 0451V and 0451AV only.

10:30 16 January 2014, at the ENA.