

Record of Determinations: Panel Meeting, 20 June 2013

Modification	Vote Outcome	Shipper Voting Members					Transporter Voting Members					Consumer Representative	Determination Sought
		AB	AG	CWr	PB	RF	CWa	EM	JF	RCH	RH	CH	
0455 – Updating of Meter Information by the Transporter	Not related to the Significant Code Review - unanimous vote against	X	X	X	X	X	X	X	X	X	NP	X	Modification is related to Significant Code Review
	Is a Self-Governance Modification - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	NP	✓	Modification should follow Self-Governance Procedures
	Issued to Workgroup 0455 - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	NP	✓	Should be referred to Workgroup
	Workgroup to report by the October 2013 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	NP	✓	Workgroup to report by the October 2013 Panel
0457 - Extending the use of the UK Link Network (Information Exchange (IX)) to Meter Asset Provider (MAP) organisations	Not related to the Significant Code Review - unanimous vote against	X	X	X	X	X	X	X	X	X	NP	X	Modification is related to Significant Code Review
	Is a Self-Governance Modification - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	NP	✓	Modification should follow Self-Governance Procedures
	Issued to Workgroup 0457 - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	NP	✓	Should be referred to Workgroup
	Workgroup to report by the October 2013 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	NP	✓	Workgroup to report by the October 2013 Panel
	Text requested - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	NP	✓	Request Text
0458 - Seasonal LDZ System Capacity Rights	Not related to the Significant Code Review - unanimous vote against	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	Modification should follow Self-Governance Procedures
	Issued to Workgroup 0458 - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Should be referred to Workgroup
	Workgroup to report by the December 2013 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Workgroup to report by the December 2013 Panel
	Not related to the Significant Code Review - unanimous vote against	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

0459 - Amendments to the 'K' revenue adjustment factor based on RIIO-T1	Text requested - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Request Text
	Modification issued to consultation - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Issue modification 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
0460 - Alignment of capacity and revenue treatment within the NTS Charging Methodology with RIIO-T1 arrangements	Not related to the Significant Code Review - unanimous vote against	X	X	X	X	X	NP	X	X	X	NP	X	Modification is related to Significant Code Review
	Is a Self-Governance Modification - unanimous vote in favour	✓	✓	✓	✓	✓	NP	✓	✓	✓	NP	✓	Modification should follow Self-Governance Procedures
	Text requested - unanimous vote in favour	✓	✓	✓	✓	✓	NP	✓	✓	✓	NP	✓	Request Text
	Modification issued to consultation - unanimous vote in favour	✓	✓	✓	✓	✓	NP	✓	✓	✓	NP	✓	Issue modification to consultation
0461 - Changing the UNC Gas Day to Align with the Gas Day in EU Network Codes	Not related to the Significant Code Review - unanimous vote against	X	X	X	X	X	X	X	X	X	NP	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	NP	X	Modification should follow Self-Governance Procedures
	Issued to Workgroup 0461 - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	NP	✓	Should be referred to Workgroup
	Workgroup to report by the December 2013 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	NP	✓	Workgroup to report by the December 2013 Panel
0418(A) – Review of LDZ Customer Charges	Proceed to consultation - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	NP	✓	Issue to Consultation
	Legal text not required - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	NP	✓	Legal text not required for inclusion in DMR
	Cost estimate not required - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	NP	✓	Cost estimate not required for inclusion in DMR
	Consultation to end on 02 August 2013 - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	NP	✓	Extend consultation to close out on 02 August
0445 - Amendment to the arrangements for Daily Metered Supply Point Capacity	Text requested - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	NP	✓	Request Text
0451 (Urgent) - Individual Settlements For Pre-Payment & Smart Meters	Text requested - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	NP	✓	Request Text
0448 - Aligning UNC with Licence Conditions relating to European legislative change	Workgroup to report by August 2013 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	NP	✓	Workgroup to report by August 2013 Panel

0410 - Responsibility for gas off-taken at Unregistered Sites following New Network Connections	Not returned to Workgroup - 1 vote in favour and 9 votes against	X	X	X	X	✓	X	X	X	X	NP	X	Did consultation raise new issues
	Implementation not recommended - 3 votes in favour	✓	✓		✓						NP		Whether to recommend implementation
0410A - Responsibility for gas off-taken at Unregistered Sites following New Network Connections	Not returned to Workgroup - 1 votes favour and 9 votes against	X	X	X	X	✓	X	X	X	X	NP	X	Did consultation raise new issues
	Implementation recommended - 9 votes in favour	✓	✓	✓	✓		✓	✓	✓	✓	NP	✓	Whether to recommend implementation
0410, 0410A - Responsibility for gas off-taken at Unregistered Sites following New Network Connections	Prefer 0410 - 1 vote; Prefer 0410A - 8 votes	NV	✓	X	X	NV	X	X	X	X	X	X	Whether Modification 0410 better facilitates the Relevant Objectives than 0410A
	Both modifications should not be implemented - 3 votes in favour and 5 votes against	✓	✓	NV	✓	NV	X	X	X	X	X	NV	Can both modifications be implemented
0428 - Single Meter Supply Points	Not returned to Workgroup - unanimous vote against	X	X	X	X	X	X	NP	X	X	X	X	Did consultation raise new issues
	Implementation recommended - 7 votes in favour			✓		✓	✓	✓	✓	✓	✓		Whether to recommend implementation
0428A - Single Meter Supply Points	Not returned to Workgroup - unanimous vote against	X	X	X	X	X	X	NP	X	X	X	X	Did consultation raise new issues
	Implementation recommended - 10 votes in favour	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	Whether to recommend implementation
0428, 0428A - Single Meter Supply Points	Prefer 0428 - 7 votes. Prefer 0428A 3 votes	X	X	✓	X	✓	✓	✓	✓	✓	NV	✓	Whether Modification 0428 better facilitates the Relevant Objectives than 0428A
0429 - Customer Settlement Error Claims Process	Not returned to Workgroup - unanimous vote against	X	X	X	X	X	X	X	X	X	X	X	Did consultation raise new issues
	Implementation not recommended - 4 votes in favour	✓	✓		✓	✓							Whether to recommend implementation

0433S - Inclusion of the Transmission to Distribution "System Operator Agreement Guidelines" within the Offtake Arrangements Document	Not returned to Workgroup - unanimous vote against	X	X	X	NP	X	X	X	X	X	X	X	Did consultation raise new issues
	Implemented - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Whether to implement
0441 - Continuation of Daily Metered (Voluntary) service until the implementation of Project Nexus	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 - 10 votes in favour	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	Whether to recommend implementation
0443S - Arranging Flow Swaps between NTS/LDZ Offtakes with increased lead times or for prolonged periods	Not returned to Workgroup - unanimous vote against	X	X	X	X	X	X	X	X	X	X	X	Did consultation raise new issues
	Implemented - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Whether to implement
0456 (Urgent) - Revision to the treatment of Allocation of Unidentified Gas for the 2013/14 AUG Year	Implementation not recommended - 2 votes 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 144th Meeting held on Thursday 20 June 2013 at ENA, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF

Attendees

Voting Members:

Shipper Representatives	Transporter Representatives	Consumer Representative
A Green (AG), Total A Barnes (AB), Gazprom C Wright (CWr), British Gas P Broom (PB), GDF Suez R Fairholme* (RF), EON UK	C Warner* (CWa), National Grid Distribution E Melen (EM), Scotia Gas Networks J Ferguson (JF), Northern Gas Networks R Cameron-Higgs (RCH), Wales & West Utilities R Hewitt* (RH), National Grid NTS	C Hill (CH), Consumer Focus

Non-Voting Members:

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

Also in Attendance:

A Love* (AL), ScottishPower; A Miller (AM), Xoserve; D Mitchell (DM), Scotia Gas Networks; E Thorburn (ET), Ofgem; J Martin (JM), Scotia Gas Networks; M Clark* (MC), ScottishPower and R Fletcher (RF), Secretary

* by teleconference (R Hewitt and C Warner initially, and in person subsequently)

Record of Discussions

144.1 Note of any alternates attending meeting

E Melen for A Musgrave (Scotia Gas Networks)

R Cameron-Higgs for S Edwards (Wales & West Utilities)

144.2 Record of Apologies for absence

A Musgrave and S Edwards.

144.3 Minutes of the Last Meeting

The minutes of the last meeting were accepted.

144.4 Consider New, Non-Urgent Modifications

a) Modification 0455 – Updating of Meter Information by the Transporter

AM introduced the modification on behalf of the proposer. PB asked what would happen if the Shipper failed to take any action when informed of an issue. AM advised that the system will be updated and a User Pays charge applied – either way it would be useful if the Shipper acknowledges receipt of the update.

For Modification 0455, 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 is not expected to have a material impact on parties, including consumers and Shippers; and
- The modification be issued to Workgroup 0455 for assessment with a report presented by the October Panel.

b) Modification 0457 - Extending the use of the UK Link Network (Information Exchange (IX)) to Meter Asset Provider (MAP) organisations

AM introduced the modification on behalf of the proposer. JF noted that the requirement for the provision of information sits within SPAA governance, however methods for communication sit within UNC governance so it would be useful to acknowledge the different roles.

For Modification 0457, 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 is not expected to have a material impact on parties including consumers and Shippers;
- The modification be issued to Workgroup 0457 for assessment with a report presented by the October Panel; and

- To request the provision of legal text.

c) Modification 0458 - Seasonal LDZ System Capacity Rights

JM introduced the modification and its aims. PB asked if the proposal would be open to all sites or just new connections. JM confirmed that it would be open to all sites provided that they are above the DM threshold and that this is used as an offpeak product.

PB asked what would happen if a site flows at DM rate for part of the year but fails to reach the annual threshold. JM confirmed that sites would be considered based on daily offtake profiles.

PB asked if April 2014 was the target date for implementation and whether this would impact charging statements. JM advised the aim would be to implement the modification as soon as reasonably practicable, though there was no expected charging methodology change and not necessarily any implication for notices of charge levels.

For Modification 0458, 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 some parties, including consumers and Shippers;
- The modification be issued to Workgroup 0458 for assessment with a report presented by the December Panel.

d) Modification 0459 - Amendments to the 'K' revenue adjustment factor based on RIIO-T1

TD introduced the modification on behalf of the proposer. AB advised that Europe is looking to harmonise tariff methodologies so approaches may be required in future to replace this modification solution. In response to the Panel Request for Legal text, RH confirmed that the Suggested Text provided as part of the modification can be regarded as formal Text for inclusion in the Draft Modification Report.

For Modification 0459, 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 is not expected to have a material impact on parties including consumers and Shippers;
- To request the provision of legal text;
- To 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.

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

On behalf of the proposer, TD introduced the modification and its aims, pointing out that two minor amendments had been made to the modification. These were not considered material.

For Modification 0460, 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 is not expected to have a material impact on parties including consumers and Shippers;
- To request the provision of legal text; and
- To proceed to consultation.

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

TD introduced the modification on behalf of the proposer. AB felt Self-Governance procedures may be suitable, as the change has to be made due to enforced amendments to European regulations and is entirely a within industry issue, having no material impact on consumers. CWr was concerned that there could be costs associated with the change and that, as it is a high profile issue in the industry, any mistake could have a significant impact on systems and industry participants costs. While acknowledging that these were not the self-governance criteria, he nonetheless felt that an Ofgem decision was the appropriate route.

ET indicated that he had no view at this time regarding whether Ofgem believe self-governance would be appropriate. JF felt the changes would potentially have impacts on DNOs and therefore this may impact price controls, such that self-governance may not be appropriate.

For Modification 0461, 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 material impacts; and
- The modification be issued to Workgroup 0461 for assessment with a report presented by the December Panel.

144.6 Consider Workgroup Issues

Workgroup Reports for Consideration

a) Modification 0418(A) – Review of LDZ Customer Charges

JM advised that the cost estimate included in the modification is based on pre Project Nexus implementation but the plan is currently to implement this as part of the Nexus suite of changes. AM advised that Xoserve could provide supplementary information as to how this modification could be included within Project Nexus, but no specific cost estimate could readily be provided that would reliably show the cost of this particular item. The Secretary was asked to ensure that the basis of the implementation cost estimate is clarified in the Draft Modification Report..

Members accepted the recommendations in the Workgroup Report and determined for Modification 0418(A) 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 02 August 2013.

Request the Provision of Legal Text

Members determined unanimously to request the provision of text for:

- a) Modification 0445 - Amendment to the arrangements for Daily Metered Supply Point Capacity
- b) Modification 0451 (Urgent) - Individual Settlements For Pre-Payment & Smart Meters

Consideration of Workgroup Reporting Dates

- a) Modification 0448 - Aligning UNC with Licence Conditions relating to European legislative change

Members determined unanimously to extend the date by which Workgroup 0448 should report, with a report presented by the August Panel.

144.7 Final Modification Reports

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

The Panel Chair summarised that both Modification 0410 and the alternative, Modification 0410A, seek to address the issue of meter points

where gas is being offtaken but no Shipper is registered. Modification 0410 makes the Transporters responsible for gas that is offtaken at unregistered sites. This creates a risk for the Transporters and the modification envisages that risk mitigation strategies will be put in place that would seek to ensure that no loss is incurred, such that the volume of any such offtaken gas would be reduced. The alternative seeks to pass responsibility for any offtaken gas to the party responsible for a meter being fitted, with risk mitigation strategies again expected to lead to a reduction in the number of instances of a shipperless site arising.

Panel Members recognised that gas being offtaken at unregistered sites is allocated between Shippers in general rather than being targeted at any specific party. This creates a cost across the market as a whole, and a risk since costs are incurred that do not relate to a Shipper's portfolio. Reducing this otherwise unallocated volume of gas would be expected to reduce risk and improve the targeting of costs to the appropriate party. Hence any measures to reduce the volume of gas offtaken at unregistered sites would be consistent with facilitating the securing of effective competition between Shippers and between Suppliers.

Some Panel Members felt that Modification 0410 would deliver a reduction in the volume of gas offtaken at unregistered sites since it would ensure that a party has a clear commercial incentive to ensure that this the case. In response to that cost driver, the Transporters would be expected to implement steps that would mitigate the risks faced, such as restricting the number of MPRNs created or requiring warrants that the meter point would be registered. However, other Members were concerned that this could have a negative impact on the connections market and potentially reduce the number of new (registered) connections, thereby restricting the size of the market and hence being deleterious to competition between Shippers and Suppliers.

Panel Members felt that Modification 0410A would similarly deliver commercial incentives that would be expected to reduce the volume of gas offtaken at unregistered sites and so facilitate the securing of effective competition. This was, however, directed at the party requesting that a meter be fixed, and so was seen by some Members as likely to be more effective than Modification 0410 since the impact would be closer to the root cause of the problem.

Panel Members noted a concern that implementation of Modification 0410 may be inconsistent with Standard Special Condition D4 of the Transporter Licence requirements to remain neutral to or not to procure energy. Whether or not this Licence is breached is a matter of legal interpretation but any breach would mean implementation of Modification 0410 would be inconsistent with efficient discharge of the licensee's licence obligations.

Some Panel Members felt that, rather than being alternatives, Modification 0410 could be seen as a backstop and so be implemented in addition to Modification 0410A. Others were concerned that this would create a possibility for double charging such that it would be inappropriate to implement both modifications. With amendment, the two approaches could be implemented but this would require changes to be made to the modifications and the associated legal text in order to be effective.

Members then voted and, with 3 votes in favour, failed to determine to recommend that Modification 0410 should be implemented. With 9 votes cast in favour, Members determined to recommend that Modification 0410A 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 one vote preferring Modification 0410, and 8 votes preferring Modification 0410A, Members determined that, of the two, Modification 0410A would be expected to better facilitate the relevant objectives.

b) Modification 0428 0428A - Single Meter Supply Points

The Panel Chair summarised that Modification 0428 seeks to remove the arrangement whereby some DN meter points are aggregated and treated as a single supply point, such that each meter point would, in essence, be treated as a separate supply point. The alternative, Modification 0428A, has the same provisions for all new or amended meter points, but provides for those that are currently aggregated into a single supply point to retain their existing commercial arrangement.

Panel Members recognised that the DN transportation charging methodology has been developed to reflect costs at meter point level. Given this, changing from charging on the basis of aggregated to individual meter points would be expected to be more cost reflective. Appropriate cost allocations underpin effective competition, such that implementation of either modification could be considered to further the relevant objectives. However, some Members were concerned that implementation of Modification 0428 would undermine decisions taken in good faith in light of the then prevailing commercial arrangements. Undermining decisions taken in response to commercial signals could be regarded as inequitable and unduly discriminatory, and also potentially creates risk and uncertainty. As such, they felt that on balance only Modification 0428A could be regarded as having a positive impact on effective competition.

Plans are being progressed to complete a major replacement of the IT systems that support competition in the GB gas market. The need to deal with aggregated meter points adds to complexity and Panel Members acknowledged that it would be more economic and efficient if no meter points were to be aggregated. Implementation of Modification 0428 in particular would, therefore, be consistent with promoting efficiency in the implementation of the Code, although this would be at the expense of reduced system functionality.

Members then voted and with 7 votes cast in favour, determined to recommend that Modification 0428 should be implemented. With 10 votes cast in favour, Members also determined to recommend that Modification 0428A 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 6 votes preferring Modification 0428, and 4 votes preferring Modification 0428A, Members determined that, of the two, Modification 0428 would be expected to better facilitate the relevant objectives.

c) Modification 0429 - Customer Settlement Error Claims Process

The Panel Chair summarised that this modification seeks to establish a manual process allowing Shippers to claim back costs for inappropriately allocated energy and transportation charges. These must have been incurred in the period between the end of the reconciliation process and the last Day of formula year t-6. Any adjustment is also subject to a £50,000 minimum, and requires the customer's confirmation that an error has occurred.

Panel Members held diverse views regarding the impact of this modification on the relevant objectives. Some Members argued that appropriate cost allocations are an essential underpinning of a competitive market, and this modification would generate improved cost allocations. In addition, they noted that the scale of some errors can be extremely large, thereby creating a significant risk for Shippers and Suppliers since customers may successfully claim an adjustment is due while the reconciliation cut-off date in the UNC prevents the Shipper's position being corrected. By reducing this risk, implementation would be expected to facilitate the securing of effective competition.

Other Panel Members noted that the industry has been moving to shorten the reconciliation period, with Ofgem having determined that doing so supports the securing of effective competition and that "it is clearly undesirable for a commercial organisation to be unable to fully close out its accounts for several years, pending confirmation of an as yet quantified liability (or credit)". They regarded this modification as effectively lengthening the reconciliation period and so increasing risk and uncertainty for those Shippers who would pick up the costs of any successful claim, and that implementation would be counter to the securing of effective competition. While some Panel Members felt the safeguards built in to the proposed claims process would avoid any significant detriments arising, there was no consensus that this was the case.

A concern was raised that implementation would weaken incentives to resolve problems quickly and that this would not be in the interests of consumers nor competition, and hence the relevant objectives would not be furthered by implementation.

Members then voted and with 4 votes in favour, failed to determine to recommend that Modification 0429 should be implemented.

d) Modification 0433S - Inclusion of the Transmission to Distribution "System Operator Agreement Guidelines" within the Offtake Arrangements Document

The Panel Chair summarised that the Transmission and the Distribution Network System Operators interface with each other. This interaction is codified in a document, the Transmission System Operator to Distribution System Operator Agreement Guidelines. Modification 0433S establishes this as a UNC Related document, capable of being amended in line with the UNC governance that applies to other similar documents.

Panel Members recognised that the visibility afforded to this document via its addition to the UNC (as an OAD Subsidiary Document) helps to embed the principles of good governance. The established governance arrangements provide a proportionate and effective means of managing any changes, with the potential to reduce costs and facilitate faster implementation of change proposals. Implementation would therefore be expected to facilitate the relevant objective of promoting efficiency in the implementation and administration of the Code.

Panel Members then voted unanimously to implement Self-Governance Modification 0433S.

- e) Modification 0441 - Continuation of Daily Metered (Voluntary) service until the implementation of Project Nexus

The Panel Chair summarised that this modification seeks to continue the Daily Metered (Voluntary) service until the implementation of Project Nexus – an extension of about a year. Notwithstanding the existence of a Daily Metered Elective (DME) service, this would ensure that there is no loss of access to a daily metered service prior to the implementation of Project Nexus.

Panel Members recognised that the existence of an option to be daily metered is valuable, and provides for more accurate settlement and, consequently, appropriate cost allocations. Most Panel Members considered that, by ensuring sites can continue to be daily settled rather than being reclassified as NDM, implementation would be expected to improve data accuracy. This would lead to more accurate allocations of costs between Shippers, and so meet one of the fundamental underpinnings of a competitive market. Implementation of modification 0441 would therefore be consistent with facilitating the securing of effective competition.

Most Panel Members considered that the present UNC obligations are expected to result in a reduction in the number of daily settled sites when the DMV service is withdrawn, followed by an increase in the number when the Project Nexus proposals are implemented. Removing this temporary reduction would reduce Shipper costs and increase market efficiency, and therefore implementation of Modification 0441 would be consistent with promotion of efficiency in the implementation and administration of the Code.

One Panel Member did not believe a case had been made that the proposed services under Nexus will be significantly different to the present DME service. Consequently, there is no evidence to support the view that the Nexus changes will mean the sites concerned are daily settled under the proposed regime, and consequently there is no basis for changing the Authority's previous conclusion that withdrawing the DMV service better facilitates the relevant objectives.

Panel Members then voted and with 10 votes in favour determined to recommend that Modification 0441 be implemented.

- f) Modification 0443S - Arranging Flow Swaps between NTS/LDZ Offtakes with increased lead times or for prolonged periods

The Panel Chair summarised that the UNC only allows flow swaps between LDZ/NTS offtakes on Day One (D) of any planned or urgent maintenance and does not enable either party to request a flow swap ahead of time i.e. before D-1. This modification proposes relaxing these restrictions.

Panel Members recognised that being able to agree a long term flow swap is beneficial to DNOs and National Grid NTS. Improving certainty around planning processes for maintenance activities should reduce the risk of operations failing to commence (due to the inherent uncertainty in the existing process, eg preventing inline inspection runs as a flow swap cannot be arranged in advance); and also reduce the potential over booking of capacity. Implementation would therefore be expected to facilitate the efficient operation of the combined networks, benefiting Relevant Objectives a) and b) by offering benefits to both the transmission and distribution network operators.

Panel Members also noted that enabling DNOs to flow swap whilst undergoing urgent or planned maintenance past Day One would help ensure that the 1 in 20 Licence Condition can be met by DNOs, hence facilitating relevant objective c) as it is unlikely operations will be delayed or cancelled due to the improvements in planning and availability of capacity. This means that DNOs will operate more efficiently and should indirectly reduce potential costs associated with the over booking of capacity, costs that are ultimately passed through to customers.

Panel Members then voted unanimously that Self-Governance Modification 0443S should be implemented.

- g) Modification 0456 (Urgent) - Revision to the treatment of Allocation of Unidentified Gas for the 2013/14 AUG Year

The Panel Chair summarised that Modification 0456 requires the AUGC to propose an AUG Table based on the methodology which the AUGC issued on 1 May 2013. These values would supersede those in the existing AUG Table with effect from 01 October 2013.

Panel Members' views were diametrically opposed regarding whether or not implementation would be expected to facilitate achievement of the relevant objectives. Those in favour of implementation argued that the AUGC has identified a superior methodology, and is consulting on the basis that this methodology should be used. Since this is the AUGC's best view of the appropriate allocation of costs, and since the envisaged change is likely to lead to a material change in cost allocations, it was argued that delaying implementation would unnecessarily ossify inappropriate cost allocations. This would therefore continue a cross subsidy between the LSP and SSP sectors, which, having been identified, should be corrected as soon as practically possible. Accurate cost allocations underpin effective competition and hence implementation

would facilitate the achieving of effective competition by ensuring that costs are allocated to the responsible party earlier than would otherwise be the case.

Members in favour of implementation also argued that implementation would facilitate efficient administration and implementation of the UNC since it would be inefficient to delay the introduction of a methodology change that the AUGE recommends.

Members opposed to implementation argued that there is an established process that supports the AUGE in reaching independent conclusions on appropriate allocations each year, including consultation, industry input and clear notice periods. This provides parties with expectations about the process that will be followed; confidence that the AUGE will have an opportunity to hear and consider feedback before reaching conclusions; and notice of allocations that can then be reflected in the terms offered to customers. They suggest that the importance of the confidence this provides is explicitly recognised in the UNC, which provides that “the AUG Methodology and AUG Table established for an AUG Year for the purposes of paragraph 10.4.1 shall be those adopted by the UNCC under paragraph 10.4.3, and shall not be subject to modification in relation to such AUG Year”.

By overwriting the established process, those opposed to implementation argue that the modification would undermine the AUGE process and the independence of the AUGE (as a result their decisions being challenged through the modification process rather than through the agreed process), and thereby generate risk and uncertainty in the market. Increasing risk and uncertainty is detrimental to the development of effective competition, and hence implementation would negatively impact the relevant objective the securing of effective competition. In addition, overwriting established processes and notice periods would be inconsistent with the efficient administration and implementation of the UNC.

Panel Members then voted and, with 2 votes cast in favour, did not determine to recommend implementation of Modification 0456.

144.8 Any Other Business

- a) Consent C050 - Revision to the legal text associated with the implementation of UNC Modification 0420 New Connections Interruptible loads

TD confirmed that Consent C050 had been approved.

- b) Impacts following the implementation of Modifications 0376 and 0413

RH advised that Modification 0413 had been implemented prior to Modification 0376. When Modification 0376 was implemented it has overwritten text implemented under Modification 0413 causing conflicts in the UNC. However, this will not impact any services provided by National Grid NTS since they will assume the error is to be corrected. RH therefore anticipates that a Consent to Modify to correct the text will be raised before the next Panel meeting.

c) Project Nexus Modification references to Users Pays

AG asked if the Project Nexus related modifications could be amended to reflect that Users Pays has not been agreed for these modifications as funding still has to be decided.

CWa agreed to consider amending the modifications.

144.9 Conclude Meeting and Agree Date of Next Meeting

10:30 18 July 2013, at the ENA.