

Record of Determinations: Panel Meeting, 28 February 2013

Modification	Vote Outcome	Shipper Voting Members					Transporter Voting Members					Consumer Representative	Determination Sought	
		AG	CH (PB)	CWr	PB	RF	AR	EM	JF	RH	RCH	ER		
0442 - Amendment to the implementation date of the Allocation of Unidentified Gas Statement (AUGS) for the 2013/14 AUG Year	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 not Recommended - with 4 votes in favour			✓		✓				✓		✓		Whether to recommend implementation
0442A - Amendment to the implementation date of the Allocation of Unidentified Gas Statement (AUGS) for the 2013/14 AUG Year	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 not Recommended - with 3 votes in favour			✓		✓						✓		Whether to recommend implementation
Prefer 0442	Modification 0442 preferred, with 4 votes in favour of Modification 442, three in favour of Modification 0442A	NV	NV	✓	NV	✓				✓	NV	✓	If implemented, which of the modifications would better facilitate the relevant objectives	
Prefer 0442A		NV	NV		NV		✓	✓	✓		NV			

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

UNC Modification Panel

Minutes of the 138th Meeting held on Thursday 28 February 2013 by Teleconference

Attendees

Voting Members:

Shipper Representatives	Transporter Representatives	Consumer Representative
A Green (AG), Total C Wright (CWr), British Gas P Broom (PB), GDF Suez and alternate for C Hill R Fairholme (RF), E.ON UK	A Raper (AR), National Grid Distribution E Melen (EM), Scotia Gas Networks J Ferguson (JF), Northern Gas Networks R Hewitt (RH), National Grid NTS R Cameron-Higgs (RCH), Wales & West Utilities	E Reed (ER), Consumer Focus

Non-Voting Members:

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

Also in Attendance:

A Sheikh (AS), Ofgem; C Baldwin (CB), E.ON UK; C Warner (CWa), National Grid Distribution; E Hunter (EH), RWE npower; F Cottam (FC), Xoserve; M Clark (MC), ScottishPower; S Mulinganie (SM), Gazprom; E Thorburn (ET), Ofgem; and R Fletcher (RF), Panel Secretary.

Record of Discussions

138.1 Note of any alternates attending meeting

A Raper for C Warner (National Grid Distribution)
E Melen for A Musgrave (Scotia Gas Networks)
P Broom for C Hill (First Utility)
R Cameron-Higgs for S Edwards (Wales & West Utilities)

138.2 Record of Apologies for absence

A Musgrave, C Hill, and S Edwards.

138.3 Consider Workgroup Report

- a) Modification 0442/0442A - Amendment to the implementation date of the Allocation of Unidentified Gas Statement (AUGS) for the 2013/14 AUG Year

The Panel Chair summarised that the intent of both the original (0442) and alternative (0442A) modification is to require the AUGE to propose an AUG methodology, and to bring forward the date at which any revision to the AUG Methodology becomes effective. This is achieved by the AUGE producing a methodology by 20 March 2013 and a final AUG Table by 1 April in the case of Modification 0442, with the values in that table becoming effective from 1 June 2013. Modification 0442A allows for additional industry consultation, requiring the AUGE to produce a methodology by 12 March 2013, and a final AUG Table by 1 June which would be effective from 1 August. In addition, Modification 0442A provides that if a UNCC meeting to consider a final AUG Table is not held by 1 June 2013, the values would become effective a minimum of two months subsequent to the date on which a final AUG table is adopted.

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 AUGE has identified a superior methodology, and is consulting on the basis that this methodology should be used. Since this is the AUGE'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. 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 recognised that, provided a direction to implement is received early in March 2013, and the UNCC approves on 21 March a final methodology provided by the AUGE by 20 March, and the AUGE provides a final AUG Table by 25 March that the UNCC adopts by 27

March, the impact on the relevant objectives would be greater under Modification 0442 than 0442A since 0442 provides for an earlier change in cost allocations. If the AUGE were to provide the same final AUG Table later than this, Modification 0442A could provide a greater benefit since a change to cost allocations could still be introduced earlier than otherwise - Modification 0442 would be timed out and have no effect if no decision or AUG Methodology were received by 20 March 2013.

Members in favour of implementation also argued that implementation of either modification 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, and for which the AUGE has published a timetable that indicates completion of its process can be accommodated within the suggested timeframes and with no implications for the AUGE's ability to produce a considered, independent, recommendation.

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 modifications 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. Those opposed also argued that Modification 0442 was particularly detrimental to the relevant objective of promoting efficiency in the implementation and administration of the UNC since it has the potential to be timed out, and hence creates pressure for the modification process to be compressed, imposing costs on UNC parties and creating the risk of an inefficient and incomplete assessment process, as well as putting undue pressure on the AUGE to meet the revised timeline.

Panel Members then voted and, with four votes cast in favour, did not determine to recommend implementation of Modification 0442. With three votes cast in favour, Panel Members did not determine to recommend implementation of Modification 0442A.

Members then voted regarding, if either were to be implemented, which of the two modifications would better facilitate the achievement of the relevant objectives. Four Members voted that Modification 0442 would better facilitate the Relevant Objectives than 0442A, and three Members

that Modification 0442A would better facilitate the Relevant Objectives than 0442. Four Members suggested they were unable to distinguish between the modifications in terms of their impact on the Relevant Objectives.

138.4 Any Other Business

None raised

Conclude Meeting and Agree Date of Next Meeting

10:30 21 March 2013, at the ENA.