

UNIFORM NETWORK CODE MODIFICATION PANEL

MINUTES OF THE 71st MEETING

HELD ON THURSDAY 18 DECEMBER 2008

Members Present:

Transporter Representatives: R Hewitt (National Grid NTS), B Dohel (Scotia Gas Networks), S Trivella (Wales & West Utilities) and R Cameron-Higgs (Northern Gas Networks).

User Representatives: A Bal (Shell), A Barnes (BG Group), C Wright (British Gas Trading), R Fairholme (E.ON UK) and P Broom (GDF Suez)

Ofgem Representative(s):

J Dixon

Terminal Operators Representative:

R Monroe (Centrica Storage)

Joint Office:

T Davis (Chairman) and J Bradley (Secretary)

71.1 Note of any alternates attending meeting

B Dohel for A Gibson (Scotia Gas Networks), R Hewitt for C Warner (National Grid Distribution). P Broom for A Bal (Shell) for agenda items 71.11 d) onwards.

71.2 Record of apologies for absence

A Gibson, C Warner, A Bal from items 71.11 d) onwards

71.3 Record invitees to meeting

C Temperley (Gas Forum)

71.4 Receive report on status of Urgent Modification Proposals

None

71.5 Consider New, Non-Urgent Modification Proposals

Proposal 0240: "Promoting Competition in Operating Margins Provision"

Following a presentation from R Hewitt (National Grid NTS) and a discussion, the Panel voted UNANIMOUSLY for the Proposal to proceed to Consultation. They did not determine that legal text was required, with no votes cast in favour.

71.6 Consider New Proposals for Review

None

71.7 Consider Terms of Reference.

None

71.8 Existing Modification Proposals for Reconsideration

Proposal 0195AV: "Introduction of Enduring NTS Exit Capacity Arrangements"

T Davis reported that the Supplementary Report was published on 15 December 2008.

71.9 Consider Variation Requests

Proposal 0213: "Introduction of User Pays Governance Arrangements into the UNC"

The Panel agreed to discuss this at short notice. The Proposer withdrew the variation request and submitted a revised variation request that, in addition to the items identified, included within the Proposal as Suggested Text, the legal Text submitted by the Transporters for Proposal 0213. The Panel did not determine that the variation request was immaterial with no votes cast in favour. Therefore Modification Proposal 0213 was deemed withdrawn and replaced by Modification Proposal 0213V "Introduction of User Pays Governance Arrangements into the UNC".

The Panel then proceeded to vote UNANIMOUSLY for Proposal 0213V to proceed to Consultation with a close-out for representations of 6 February 2009. They did not determine that legal text was required, with no votes cast in favour.

71.10 Consider Workstream Monthly Reports

Matters for Panel's Attention

a) Extensions Requested

- i) Proposal 0209: "Rolling AQ"

Following a request, the Panel voted UNANIMOUSLY to extend the time for the Review Group to report until February 2009.

- ii) Proposal 0224: "Facilitating the use of AMR in the Daily Metered Elective Regime"

Following a request, the Panel voted UNANIMOUSLY to extend the time for the Review Group to report until February 2009.

b) Workstream Reports for Consideration

Proposal 0228: "Correct Apportionment of NDM Error - Energy"

The Proposer identified minor drafting changes which had been incorporated since the Workstream Report was produced and agreed to add further clarifications in respect the Uniform Network Code Committee processes ie the need for a majority vote on the Annual Reconciliation Element. Following a discussion, the Panel voted UNANIMOUSLY for the Proposal to proceed to Consultation with a close-out for representations of 6 February 2009. They did not determine that legal text was required, with one vote (S Trivella) cast in favour.

At this point, J Dixon requested that the Transporters provide legal text for Modification Proposals 0194, 0194A and 0228.

71.11 Consider Final Modification Reports.

- a) Proposal 0219: "Publication of UK Wholesale Gas Market Liquidity Data"

Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal. They did not determine that new issues had been raised that justified seeking further views from a Workstream or Development Work Group.

Some Members considered that, by providing additional information to the market, and providing a direct means of monitoring liquidity in the gas market, implementation may provide a more level playing field in respect of this data. This would be expected to further the GT Licence 'code

relevant objective' of *"the securing of effective competition between relevant shippers"*. Most Members considered that the costs in developing the necessary systems would be small in comparison with this benefit.

Members asked whether Ofgem's decision would address which of the implementation options should be selected. Jon Dixon responded that setting out implementation options with their associated cost was welcome, and Ofgem would welcome the Panel's view on which was the preferred option. Following a brief discussion, Members indicated a preference for the lower cost option.

The Panel then voted whether to recommend implementation of the Proposal, the following Members casting votes: R Cameron-Higgs, S Trivella, A Barnes, C Wright, R Fairholme, A Bal and P Broom. Therefore by PANEL MAJORITY the Modification Panel recommended implementation of the Proposal.

- b) Proposal 0230: "Amendment to the QSEC and AMSEC Auction Timetables"

Members agreed to consider this at short notice. Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal. By PANEL MAJORITY they determined that new issues had been raised that justified seeking further views from the Transmission Workstream, the following members casting votes: A Bal, A Barnes, C Wright, R Fairholme, P Broom, B Dohel, R Cameron-Higgs and S Trivella.

- c) Proposal 0230A: "Amendment to the QSEC and AMSEC Auction Timetables"

Members agreed to consider this at short notice. Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal. By PANEL MAJORITY they determined that new issues had been raised that justified seeking further views from the Transmission Workstream, the following members casting votes: A Bal, A Barnes, C Wright, R Fairholme, P Broom, R Hewitt, B Dohel, R Cameron-Higgs and S Trivella.

- d) Proposal 0233: "Changes to Outstanding Energy Balancing Indebtedness Calculation"

Following a discussion, the Panel voted UNANIMOUSLY to defer consideration of this Proposal in order that the legal text previously requested by Ofgem might be developed.

- e) Proposal 0234: "To Correct Drafting Inconsistencies between Sections X and V of the UNC in Respect of User Default and Termination"

Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal. They did not determine that new issues had been raised that justified seeking further views from a Workstream or Development Work Group.

Members considered that, by reducing the exposure of other Users as a consequence of User Default, implementation could be expected to further the GT Licence 'code relevant objective' of *"the securing of effective competition between relevant shippers"*. In addition, by ensuring the drafting of Sections X and V are consistent, Members considered that implementation could be expected to further the GT Licence 'code relevant objective' of *"the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code"*.

Members then voted UNANIMOUSLY to recommend implementation of the Proposal.

J Dixon requested that the Transporters prepare legal text for this Proposal.

- f) Proposal 0235: "Recovery of Debt and Smearing of Revenues via Energy Balancing Neutrality"

Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal. They did not determine that new issues had been raised that justified seeking further views from a Workstream or Development Work Group.

Members considered that, by targeting costs on those active in the market when they arose, the potential to discourage new entrants or market growth would be avoided, and hence implementation could be expected to further the GT Licence 'code relevant objective' of "*the securing of effective competition between relevant shippers*". Members then voted UNANIMOUSLY to recommend implementation of the Proposal.

- g) Proposal 0236: "Amendment to px (TGPP) Limited Network Entry Agreement"

Members agreed to consider this at short notice. Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal. They did not determine that new issues had been raised that justified seeking further views from a Workstream or Development Work Group.

Members considered that, by permitting gas flow which might otherwise be precluded, implementation of the Proposal could increase the amount of gas available to the system and hence further the GT Licence 'code relevant objectives' of "*the efficient and economic operation of the pipeline system to which this licence relates*" and "*the securing of effective competition between relevant shippers*". Members then voted UNANIMOUSLY to recommend implementation of the Proposal.

- h) Proposal 0238: "Amendment to Protected Information Provisions to facilitate DNO compliance with SPAA Schedule 23"

Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal. They did not determine that new issues had been raised that justified seeking further views from a Workstream or Development Work Group.

Members considered that, by providing an exception to the Protected Information provisions in Code to provide information to suppliers in accordance with SPAA Schedule 23, implementation of the Proposal could further the GT Licence 'code relevant objective' of "*the efficient discharge of the licensee's obligations under this licence*". Members then voted UNANIMOUSLY to recommend implementation of the Proposal.

71.12 Receive report on status of Consents.

The following consents are with Ofgem for approval:

C020: "Changes to Document References Contained Within the UNC"

C021: "Changes to Cross References Contained Within UNC TPD Section F – System Clearing, Balancing Charges and Neutrality"

C026: "Revision to the reference in TPD Section X4.1"

71.13 Any Other Business

CUSC Environmental Working Group Report

The receipt of this report was noted and it was agreed that it be discussed at the Governance Workstream

Proposal 0232: “Allocation of Unidentified Gas via the Distribution Networks Charges”

S Trivella suggested that, as presently drafted, implementation of this Proposal would appear to require changes to transportation charging methodologies, a licence change and possibly a re-opening the Distribution Networks’ price control. As such, it was not evident that the Proposal could be implemented by a UNC Modification. Given this, he suggested there may be merit in using the provision in the Modification Rules that provides for seeking a View from Ofgem on whether the Proposal should proceed. After discussion, it was agreed that there would be merit in this, in order to avoid abortive effort, but that work to develop the Proposal should continue prior to a View being received.

71.14 Conclude Meeting and Agree Date of Next Meeting:

The Panel noted that the next Panel meeting is due to be held at Elexon, 350 Euston Road, on 22 January 2009.