

**UNIFORM NETWORK CODE MODIFICATION PANEL**  
**MINUTES OF THE 49th MEETING HELD ON THURSDAY**  
**19 JULY 2007**

**Members Present:**

**Transporter Representatives:** R Hewitt (National Grid NTS), C Warner (National Grid UKD), L Spierling (Wales & West Utilities), B Dohel (Scotia Gas Networks), and J Ferguson (Northern Gas Networks)

**User Representatives:** A Barnes (BG Group), P Broom (Gaz de France), C Wright (British Gas Trading), R Fairholme (EON) and #C Sykes (Statoil) by teleconference for items 49.12.h, i and j. only.

**Ofgem Representative(s):**

J Dixon

**Consumers Representative(s):**

None

**Joint Office:**

T Davis (Chairman), J Majdanski (Secretary)

**49.1 Note of any alternates attending meeting:**

B Dohel for B Grubb (Scotia Gas Networks), J Ferguson for R Cameron-Higgs (Northern Gas Networks), C Wright for M Young (British Gas Trading), R Fairholme for P Bolitho (EON), and C Sykes# for S Rouse (Statoil)

**49.2 Record of apologies for absence:**

B Grubb (Scotia Gas Networks), R Cameron-Higgs (Northern Gas Networks), S Rouse (Statoil), P Bolitho (EON) and M Young (British Gas Trading)

**49.3 Record invitees to meeting:**

Those Panel Members present voted UNANIMOUSLY to approve C Temperley (Gas Forum) as an invitee to Panel meetings.

**49.4 Receive report on status of Urgent Modification Proposals:**

- a) Proposal 0156/0156A: "Transfer and Trading of Capacity between ASEPs"  
Status = Representations close out 20/07/2007

**49.5 Consider New, Non-Urgent Modification Proposals**

- a) Proposal 0159: "National Grid NTS discretionary release of Interruptible NTS Entry Capacity"

Following a presentation from R Hewitt (National Grid NTS), the Panel voted UNANIMOUSLY for the Proposal to proceed to Consultation for a reduced period of ten (10) days. They did not determine that legal text was required, with no votes cast in favour.

- b) Proposal 0160 “Provision of Cost information”

Following a presentation from C Hill (RWE npower) on behalf of the Proposer, the Panel voted UNANIMOUSLY for the Proposal to proceed to the Distribution Workstream.

#### **49.6 Consider New Proposals for Review.**

- a) Proposal 0157: “Review of IGT Settlement and Reconciliation Arrangements”

Following a presentation from C Wright (BGT) and a short discussion, the Panel voted UNANIMOUSLY for the Proposal to proceed to Review.

- b) Proposal 0158: “Review of User Suppressed Reconciliation Values’ incentive arrangements”

Following a presentation from C Wright (BGT) and a short discussion, the Panel voted UNANIMOUSLY for the Proposal to proceed to Review.

- c) Proposal 0162: “Review of information provision to Shippers in respect of forecasting the future path of transportation charges”

Following a presentation from C Wright (BGT) and a short discussion, the Panel voted UNANIMOUSLY for the Proposal to proceed to Review.

#### **49.7 Consider Terms of Reference.**

- a) Proposal 0157: “Review of IGT Settlement and Reconciliation Arrangements”

Terms of Reference for Panel approval, to be finalised at the initial meeting.

- b) Proposal 0158: “Review of User Suppressed Reconciliation Values’ incentive arrangements”

Terms of Reference for Panel approval, to be finalised at the initial meeting.

- c) Proposal 0162: “Review of information provision to Shippers in respect of forecasting the future path of transportation charges”

Terms of Reference for Panel approval, to be finalised at the initial meeting.

#### **49.8 Existing Modification Proposals for Reconsideration.**

- a) Proposal 0104 "3rd Party Proposal: Storage Information at LNG Importation Facilities"

In discussion, concerns were expressed about the unique process which had been followed by Ofgem in this case, with extended consultations outside the established governance process. It was suggested that if Ofgem believed the Proposal was unclear or may have been misinterpreted, it was unclear why it had not been rejected on these grounds - as had happened in other cases. The Panel then voted by Panel Majority to defer making a decision until the next full meeting, the following Members casting votes: C Wright, A Barnes, P Broom, R Hewitt, C Warner, L Spierling, B Dohel and

J Ferguson. However, one Member (R Fairholme) voted in favour of writing to the Authority to ascertain when a decision was likely to be made.

#### **49.9 Consider Variation Requests**

- a) Proposal 0152 "Limitation on Retrospective Invoicing and Invoice Correction"

Following a discussion the Panel did not unanimously determine that the Variation Request was immaterial, the following Members casting votes: C Wright, A Barnes, P Broom, R Fairholme, R Hewitt, C Warner, B Dohel and J Ferguson. Therefore Modification Proposal 0152 was deemed withdrawn and replaced by Modification Proposal 152V "Limitation on Retrospective Invoicing and Invoice Correction"

The Panel then voted UNANIMOUSLY for the varied Proposal to proceed to Consultation for a reduced period of ten (10) days. They did not determine that legal text was required, with no votes cast in favour.

- b) Proposal 0152A "Limitation on Retrospective Invoicing and Invoice Correction"

Following a discussion the Panel did not unanimously determine that the Variation Request was immaterial, the following Members casting votes: C Wright, A Barnes, P Broom, R Fairholme, R Hewitt, C Warner, B Dohel and J Ferguson. Therefore Modification Proposal 0152A was deemed withdrawn and replaced by Modification Proposal 152AV "Limitation on Retrospective Invoicing and Invoice Correction"

The Panel then voted UNANIMOUSLY for the varied Proposal to proceed to Consultation for a reduced period of ten (10) days. They did not determine that legal text was required, with no votes cast in favour.

#### **49.10 Consider Workstream Monthly Reports.**

- a) Distribution
- b) Transmission

Proposal 0154: "Enduring Provisions for LDZ System Entry Points"

Following 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.

- c) Governance
- d) Offtake

#### **49.11 Consider Review/Development Work Group Reports.**

- a) Proposal 0131 "LDZ RbD Reconciliation Notification Process  
The Panel UNANIMOUSLY approved an extension for the Review Group to report until October.

- b) Proposal 0140 “Review of Information Provision on National Grids Information Exchange”  
The Panel UNANIMOUSLY approved the Terms of Reference

#### **49.12 Consider Final Modification Reports.**

- a) Proposal 0136V: “Reconciliation following AQ Amendment where an SSP becomes an LSP prior to calculation of Provisional Annual Quantity”

Panel 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 Workgroup. Most Members considered that implementation of the Proposal could be expected to further the GT Licence ‘code relevant objective’ *“the securing of effective competition between relevant shippers”*. The Panel then voted and seven votes were cast in favour of implementation: C Wright, R Fairholme, R Hewitt, C Warner, L Spierling, B Dohel, and J Ferguson. Therefore the Panel recommended implementation of this Proposal.

- b) Proposal 0144: “Quantification of Value At Risk (VAR) to determine a User’s minimum Code Credit Limit Requirement”

Panel 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 Workgroup. Some Members considered that implementation of the Proposal could be expected to further the GT Licence ‘code relevant objective’ *“the securing of effective competition between relevant shippers”*. The Panel then voted and four votes were cast in favour of implementation: R Hewitt, C Warner, P Broom and C Wright. Therefore the Panel did not recommend implementation of this Proposal.

- c) Proposal 0144AV: “Quantification of Value At Risk (VAR) to determine a User’s minimum Code Credit Limit Requirement”

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 Workgroup. Some Members considered that implementation of the Proposal could be expected to further the GT Licence ‘code relevant objective’ *“the securing of effective competition between relevant shippers”*. The Panel then voted and five votes were cast in favour of implementation: R Fairholme, P Broom, C Wright, B Dohel, and J Ferguson. Therefore the Panel recommended implementation of this Proposal.

The Panel then proceeded to vote on which of the two Proposals would better facilitate achievement of the Relevant Objectives. Of the 9 Voting Members, capable of casting 9 votes, 1 vote (C Warner) was cast in favour of implementing Modification Proposal 0144 in preference to Alternative Modification Proposal 0144AV, whereas 8 votes (C Wright, R Fairholme, A Barnes, P Broom, R Hewitt, L Spierling, B Dohel and J Ferguson) were cast in favour of implementing the alternative Modification Proposal 0144AV in preference to Modification Proposal 0144. Therefore the opinion of the

Panel was that implementation of Proposal 0144AV would better facilitate the achievement of the Relevant Objectives.

- d) Proposal 0145: "Management of Users Approaching and Exceeding Code Credit Limit"

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 Workgroup

Some Members considered that implementation of the Proposal could be expected to further the GT Licence 'code relevant objective' "*the securing of effective competition between relevant shippers*", whereas others considered it could increase the level of defaults. The Panel then voted and three votes were cast in favour of implementation: R Hewitt, C Warner and B Dohel. Therefore the Panel did not recommend implementation of this Proposal.

- e) Proposal 0146: "Acceptable Security Tools available to Users for Transportation Credit Arrangements"

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 Workgroup.

Members considered that implementation of the Proposal could be expected to further the GT Licence 'code relevant objective' "*the securing of effective competition between relevant shippers*". The Panel then voted UNANIMOUSLY to recommend implementation of this Proposal.

- f) Proposal 0147 "Administration of Unsecured Credit Afforded on the basis of Payment History and Independent Assessment"

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 Workgroup.

Members considered that implementation of the Proposal could be expected to further the GT Licence 'code relevant objective' "*the securing of effective competition between relevant shippers*". The Panel then voted and seven votes were cast in favour of implementation: A Barnes, R Fairholme, P Broom, R Hewitt, C Warner, B Dohel, and J Ferguson. Therefore the Panel recommended implementation of this Proposal.

- g) Proposal 0148: "Aggregation of Credit Positions or Use of Group Ratings"

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 Workgroup.

Members considered that implementation of the Proposal could be expected to further the GT Licence 'code relevant objective' "*the securing of effective competition between relevant shippers*". The Panel then voted and eight votes were cast in favour of implementation: A Barnes, C Wright, R Fairholme, R Hewitt, C Warner, L Spierling, B Dohel and J Ferguson. Therefore the Panel recommended implementation of this Proposal.

- h) #Proposal 0149: “Gas Emergency Cashout Arrangements: Keeping the On the Day Commodity Market open during a Gas Deficit Emergency”  
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 Workgroup.  
Some Members considered that implementation of the Proposal could be expected to further the GT Licence 'code relevant objective', *“the securing of effective competition between relevant shippers”*, whereas others believed that high cash out prices may lead to business failures. The Panel then voted and three votes were cast in favour of implementation: R Hewitt, C Warner and C Wright. Therefore the Panel did not recommend implementation of this Proposal.
- i) #Proposal 0149A: “Gas Emergency Cashout Arrangements: Keeping the On the Day Commodity Market open during a Gas Deficit Emergency”  
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 Workgroup.  
Most Members considered that implementation of the Proposal could be expected to further the GT Licence 'code relevant objective', *“the securing of effective competition between relevant shippers”*, without the risk of dynamic high cash out prices. The Panel then voted and six votes were cast in favour of implementation: #C Sykes, A Barnes, R Fairholme, P Broom, R Hewitt and B Dohel. Therefore the Panel recommended implementation of this Proposal.
- j) #The Panel then proceeded to a vote on which of the two Proposals would better facilitate achievement of the Relevant Objectives. Of the 10 Voting Members, capable of casting 10 votes, 3 votes (R Hewitt, C Warner and C Wright) were cast in favour of implementing the Modification Proposal 0149 in preference to alternative Modification Proposal 0149A, whereas 5 votes (#C Sykes, R Fairholme, A Barnes, P Broom and B Dohel) were cast in favour of implementing the alternative Modification Proposal 0149A in preference to Modification Proposal 0149. Therefore the opinion of the Panel was that implementation of Proposal 0149A would better facilitate the achievement of the Relevant Objectives.
- k) Proposal 0153: “Amendment of Interconnector UK’s Network Entry Provisions”  
Panel 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 Workgroup.  
Members considered that implementation of the Proposal could be expected to further the GT Licence 'code relevant objectives' *“the economic and efficient operation of the pipeline system”* and *“the securing of effective competition between relevant shippers”*. The Panel then voted UNANIMOUSLY to recommend implementation of the Proposal.

**49.13 Receive report on status of Consents.**

**49.14 Any Other Business**

- a) Proposal 0152 "Limitation on Retrospective Invoicing and Invoice Correction"

The Panel noted that legal text had been provided for the draft Modification Report.

**49.15 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 2 August 2007 to make a recommendation for Urgent Proposals 0156/0156A "Transfer and Trading of Capacity between ASEPs", with the next full Panel meeting on 18 August 2007.

*Post meeting note. The Panel is also due to meet by teleconference on 7 August to make a recommendation for Urgent Proposals 0163 "Offering capacity at Donor ASEP in Trades & Transfers Process".*