

**UNIFORM NETWORK CODE MODIFICATION PANEL**  
**MINUTES OF THE 15<sup>th</sup> MEETING HELD ON THURSDAY**  
**20 OCTOBER 2005**

**Members Present:**

**Transporter Representatives:** B Grubb (Scotia Gas Networks), R Cameron Higgs (Northern Gas Networks), R Hewitt (National Grid NTS) and C Warner (National Grid UKD) who also had a proxy vote for L Spierling (Wales and West Utilities)

**User Representatives:** C Sykes (E.ON UK), S Jones (Statoil), P Broom (Gaz de France), S Ladle (Total Gas and Power) and K Sanderson (British Gas Trading)

**Ofgem Representative:** J Dixon

**Consumers Representatives:** None

**Joint Office:** T Davis (Chairman), M Berrisford (Deputy Secretary)

**15.1 Note of any alternates attending meeting.**

K Sanderson for M Young (British Gas Trading), S Jones for R Cross (Statoil), C Warner for A Raper (National Grid UKD) and L Spierling (Wales and West Utilities)

**15.2 Record of apologies for absence.**

M Young (British Gas Trading), R Cross (Statoil), A Raper (National Grid UKD) and L Spierling (Wales and West Utilities)

**15.3 Record invitees to meeting.**

M Curtis ( $e=mc^2$ ) and H Fisher (Energyquote)

**15.4 Receive report on status of Urgent Modification Proposals.**

- a) Proposal 0036 "Limitation of Incremental Capacity offered in QSEC Auctions"  
Status = Implemented 04/10/2005
- b) Proposal 0042 "Revision of the Emergency Cashout Price"  
Status = Rejected 16/09/2005
- c) Proposal 0043 "Limitation on Offering for Sale Unsold Capacity"  
Status = Implemented 04/10/2005

*C Sykes (E.ON UK) and C Warner (National Grid UKD) arrived at this point of the meeting.*

- d) Proposal 0044 "Revised Emergency Cashout and Curtailment Arrangements"  
Status = Implemented 16/09/2005

Following a discussion, during which the Chairman outlined the differences between a Review initiated in accordance with Paragraph 10.4 of the Modification Rules and a new Review Proposal being raised, the members voted by Panel Majority that, in accordance with 10.4 of the Modification Rules, the subject matter of Modification Proposal 0044 shall be subject to the review procedures.

The following Members cast votes: C Sykes (E.ON UK), S Jones (Statoil), P Broom (Gaz de France), S Ladle (Total Gas and Power), K Sanderson (British Gas Trading), B Grubb (Scotia Gas Networks), R Cameron Higgs (Northern Gas Networks), and C Warner (National Grid UKD and also proxy vote for Wales and West Utilities).

- e) Proposal 0050 "Storage Monitor Adjustment"  
Status = to be considered by the Panel under Agenda Item 11
- d) Proposal 0052 "Storage Withdrawal Curtailment Trade Arrangements in an Emergency"  
Status = Proposal due out for consultation 25/10/2005

### **15.5 Consider New, Non-Urgent Modification Proposals.**

Before consideration of the new non-urgent Modification Proposals, the Chairman asked Panel Members if they were happy to consider short notice business, with all the new Proposals having been received subsequent to issue of the agenda. Members indicated that they were.

- a) Proposal 0051 "Clarification of Requirement for Flows at DN Offtakes on Low Demand Days"

Following a presentation from C Warner (National Grid UKD), the Panel Members present (*C Sykes, E.ON UK, was absent at the time*) voted UNANIMOUSLY for the proposal to proceed to consultation.

The Panel also voted UNANIMOUSLY to approve J Pereira as Subject Matter Expert to write the Modification Reports.

- b) Proposal 0053 "Extending established Uniform Network Code governance arrangements to include the Network Code Operations Reporting Manual referenced in Section V9.4"

Following a presentation from S Ladle (Total Gas and Power), the Panel voted UNANIMOUSLY for the proposal to proceed to the Governance Workstream, with a report back to the 15 December 2005 Panel meeting.

- c) Proposal 0054 "Emergency Curtailment Quantity (ECQ) Methodology Statement" and Proposal 0054a "Modification to Codify Emergency Curtailment Quantity (ECQ) Methodology"

Following an initial presentation from R Hewitt (National Grid NTS) on Proposal 0054, and thereafter a brief presentation from C Sykes (E.ON UK) on Proposal 0054a, Panel Members failed to make a determination that Proposal 0054 should proceed to Consultation, and hence both Proposals were referred to the Transmission Workstream with a request to report back to the Panel as soon as practicable thereafter – with consensus that an additional Panel meeting should be arranged to expedite this.

The following Members cast votes in favour of the Proposal proceeding to consultation: C Sykes (E.ON UK), S Jones (Statoil), P Broom (Gaz de France), K Sanderson (British Gas Trading) and R Hewitt (National Grid NTS).

- d) Proposal 0055 “Extending established Unified Network Code governance arrangements to include the System Management Principles”

Following a presentation from S Jones (Statoil), the Panel voted UNANIMOUSLY for the proposal to proceed to the Governance Workstream, with a report back to the 15 December 2005 Panel meeting.

It was noted that the System Management Principles are produced pursuant to a GT Licence obligation. The Licence also prescribes the process to be followed before changes can be made. It was agreed that, in accordance with the Modification Rules, a view should be sought from Ofgem as to whether or not it is acceptable for additional, or alternative, change governance to be included in the UNC.

- e) Proposal 0056 “Extending established Unified Network Code governance arrangements to include the Code Credit Rules referenced in section V3.1.2”

Following a presentation from S Jones (Statoil), the Panel voted UNANIMOUSLY for the proposal to proceed to the Governance Workstream, with a report back to the 15 December 2005 Panel meeting.

- f) Proposal 0057 “Extending established Unified Network Code governance arrangements to include the Incremental Entry Capacity Release Methodology Statement (IECR)”

Following a presentation from S Jones (Statoil), the Panel voted UNANIMOUSLY for the proposal to proceed to the Governance Workstream, with a report back to the 15 December 2005 Panel meeting.

As per Proposal 0055, It was agreed that a view should be sought from Ofgem as to whether or not it is acceptable for additional, or alternative, change governance to be included in the UNC.

- g) Proposal 0059 “Extending established Unified Network Code governance arrangements to include the Network Code Validation Rules document referenced in Section M1.5.3”

Following a presentation from C Sykes (E.ON UK), the Panel voted UNANIMOUSLY for the proposal to proceed to the Governance Workstream, with a report back to the 15 December 2005 Panel meeting.

- h) Proposal 0060 “Publication of Information in the Maintenance Programme”

Panel Members briefly discussed the merits of considering this Proposal in the absence of both the Proposer S Gordon (Scottish Power) and a nominated representative. C Sykes (E.ON UK) volunteered to present the Proposal on behalf of the Proposer.

Following the presentation, the Panel voted by Panel Majority for the proposal to proceed to consultation.

The following Members cast votes: C Sykes (E.ON UK), S Jones (Statoil), P Broom (Gaz de France), S Ladle (TGP), K Sanderson (British Gas Trading), B Grubb (Scotia Gas Networks), R Cameron Higgs (Northern Gas Networks)

and C Warner(National Grid UKD and also proxy vote for Wales and West Utilities).

The Panel also voted by Panel Majority to approve D Hawkin as Subject Matter Expert to write the Modification Reports.

The following Members cast votes: C Sykes (E.ON UK), S Jones (Statoil), P Broom (Gaz de France), S Ladle (TGP), K Sanderson (British Gas Trading), R Cameron Higgs (Northern Gas Networks), R Hewitt (National Grid NTS) and C Warner (National Grid UKD and also proxy vote for Wales and West Utilities).

**15.6 Existing Modification Proposals for Reconsideration.**

None.

**15.7 Consider New Proposals for Review.**

None.

**15.8 Consider Terms of Reference.**

None.

**15.9 Consider Workstream Monthly Reports.**

- a) Distribution
- b) Transmission
- c) Governance
- d) Offtake Arrangements

**15.10 Consider Review/Development Work Group Reports.**

None.

**15.11 Consideration of Final Modification Reports.**

- a) Proposal 0023 “Re-assessment of User Unsecured Credit Limits”

Panel Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal.

Most Panel Members considered that implementation of this Modification Proposal could be expected to further the GT Licence 'code relevant objective' of *'facilitating effective competition between relevant Shippers'* and voted by Panel Majority to recommend implementation of the Proposal.

The following Members cast votes: C Sykes (E.ON UK), S Jones (Statoil), S Ladle (Total Gas and Power), K Sanderson (British Gas Trading), B Grubb (Scotia Gas Networks), R Cameron Higgs (Northern Gas Networks), R Hewitt (National Grid NTS) and C Warner (National Grid UKD).

- b) Proposal 0024 “Independent security provision by an entity with an Investment Grade Rating of ‘A’ or above”

Panel Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal.

Most Panel Members considered that implementation of this Modification Proposal could be expected to further the GT Licence 'code relevant objectives' of *'facilitating effective competition between relevant Shippers'* and *'the promotion of efficient and economic operation of the pipeline system'* and voted by Panel Majority to recommend implementation of the Proposal.

The following Members cast votes: C Sykes (E.ON UK), S Jones (Statoil), P Broom (Gaz de France), S Ladle (Total Gas and Power), K Sanderson (British Gas Trading), R Cameron Higgs (Northern Gas Networks), R Hewitt (National Grid NTS) and C Warner (National Grid UKD and also proxy vote for Wales and West Utilities).

- c) Proposal 0025 “Notice Period for Credit Limit Downgrade and Remedies for Non-compliance”

Panel Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal.

Panel Members considered that implementation of this Modification Proposal could be expected to further the GT Licence 'code relevant objective' of *'facilitating effective competition between relevant Shippers'* and voted UNANIMOUSLY to recommend implementation of the Proposal

- d) Proposal 0026 “Application of Charges consistent with Late Payment of Commercial Debts (interest) Act 1998”

Panel Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal.

Most Panel Members considered that implementation of this Modification Proposal could be expected to further the GT Licence 'code relevant objective' of *'facilitating effective competition between relevant Shippers'* and voted by Panel Majority to recommend implementation of the Proposal.

The following Members cast votes: S Jones (Statoil), P Broom (Gaz de France), S Ladle (Total Gas and Power), K Sanderson (British Gas Trading), B Grubb (Scotia Gas Networks), R Cameron Higgs (Northern Gas Networks), R Hewitt (National Grid NTS) and C Warner (National Grid UKD and also proxy vote for Wales and West Utilities).

- e) Proposal 0027 “Right of Set Off under Uniform Network”

Panel Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal.

Some Panel Members considered that implementation of this Modification Proposal could be expected to further the GT Licence 'code relevant objectives' of *'facilitating effective competition between relevant Shippers'* and *'the promotion of efficient and economic operation of the pipeline system'*, whereas others considered that it may not be economic and efficient as it was not optional and therefore may actually increase costs for some Users and so not facilitate these objectives.

The Panel held a vote and 5 votes were cast in favour of recommending implementation of this Proposal. The following Members cast votes: S Jones (Statoil), B Grubb (Scotia Gas Networks), R Cameron Higgs (Northern Gas Networks), R Hewitt (National Grid NTS) and C Warner\* (National Grid UKD). Therefore the Panel voted to recommend non-implementation of this Proposal.

f) Proposal 0031 "Re-assessment of User Unsecured Credit Limits"

Panel Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal.

Some Panel Members considered that implementation of this Modification Proposal could be expected to further the GT Licence 'code relevant objectives' of *'facilitating effective competition between relevant Shippers'* and *'the promotion of efficient and economic operation of the pipeline system'*, whereas most expressed a view that increasing the availability of unsecured credit could increase costs in the event of default, thereby increasing costs for other Users, and hence not facilitating the securing of effective competition between Relevant Shippers since this would deter entry

The Panel held a vote and 2 votes were cast in favour of recommending implementation of this Proposal. The following Members cast votes: R Hewitt (National Grid NTS) and C Warner (National Grid UKD). Therefore the Panel did not recommend implementation of this Proposal

g) Proposal 0032 "Adjustment to the number of days in the V A R calculation to bring the Code Credit Rules into line with the Best Practice Guidelines, Conclusions document Feb 2005"

Panel Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal.

Some Panel Members considered that implementation of this Modification Proposal could be expected to further the GT Licence 'code relevant objective' of *'the promotion of efficient and economic operation of the pipeline system'*, whereas others expressed a view that the costs of implementation may outweigh the benefits and therefore not further this relevant objective.

The Panel held a vote and 5 votes were cast in favour of recommending implementation of this Proposal. The following Members cast votes: C Sykes (E.ON UK), S Jones (Statoil), P Broom (Gaz de France), S Ladle (Total Gas and Power) and K Sanderson (British Gas Trading). Therefore the Panel voted to recommend non-implementation of this Proposal.

h) Proposal 0033 "Notification to Users of Emergency Incidents – Impacts on Code Communications"

Panel Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal.

Most Panel Members considered that implementation of this Modification Proposal could be expected to further the GT Licence 'code relevant objective' of *'facilitating effective competition between relevant Shippers'* and voted by Panel Majority to recommend implementation of the Proposal.

The following Members cast votes: C Sykes (E.ON UK), S Jones (Statoil), P Broom (Gaz de France), S Ladle (Total Gas and Power), K Sanderson (British Gas Trading), B Grubb (Scotia Gas Networks), R Cameron Higgs (Northern Gas Networks) and C Warner (National Grid UKD and also proxy vote for Wales and West Utilities).

- i) Proposal 0034 "Netting off of Payments and Credits relating to Transportation Charges"

Panel Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal.

Panel Members considered that implementation of this Modification Proposal could be expected to further the GT Licence 'code relevant objective' of *'facilitating effective competition between relevant Shippers'* and voted UNANIMOUSLY to recommend implementation of the Proposal.

- j) Proposal 0035 "Revisions to Section Q to Facilitate the Revised NEC Safety Case"

Panel Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal.

Most Transporter Panel Members considered that implementation of this Modification Proposal could be expected to further the GT Licence 'code relevant objectives' of *'the efficient discharge of the licensee's obligations under this licence', and 'the efficient and economic operation of the pipeline system'*, Other Panel Members were of the view that it does not further the GT Licence 'code relevant objectives' of *'the efficient administration of the UNC'*, and believed it could be detrimental to 'the efficient and economic operation of the pipeline system' and ultimately jeopardise 'security of supply' as it undermines existing Storage contracts and could reduce investment in Storage.

The Panel held a vote and four votes were cast in favour of recommending implementation of this Modification Proposal. The following Members cast votes: R Cameron Higgs (Northern Gas Networks), R Hewitt (National Grid NTS), C Warner (National Grid UKD and also proxy vote for Wales and West Utilities). Therefore the Panel did not recommend implementation of this Proposal.

- k) Proposal 0041 "Re-assessment of User Unsecured Credit Limits"

Panel Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal.

Most Panel Members considered that implementation of this Modification Proposal could be expected to further the GT Licence 'code relevant objective' of *'facilitating effective competition between relevant Shippers'* and voted by Panel Majority to recommend implementation of the Proposal

The following Members cast votes: P Broom (Gaz de France), S Ladle (Total Gas and Power), K Sanderson (British Gas Trading), R Cameron Higgs (Northern Gas Networks), R Hewitt (National Grid NTS) and C Warner (National Grid UKD and also proxy vote for Wales and West Utilities)

l) Proposal 0045 "Provision of Available Interruption Information"

Panel Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal.

Panel Members considered that implementation of this Modification Proposal could be expected to further the GT Licence 'code relevant objective' of *'the promotion of efficient and economic operation of the pipeline system'* and voted UNANIMOUSLY to recommend implementation of the Proposal.

m) Proposal 0049 "Optional Limits for Inert Gases at System Entry Points"

Panel Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal.

Most Panel Members considered that implementation of this Modification Proposal could be expected to further the GT Licence 'code relevant objectives' of *'facilitating effective competition between relevant Shippers'* and *'the promotion of efficient and economic operation of the pipeline system'*, whereas some considered that as costs and benefits have not been fully analysed, it may not prove to be economic and efficient.

The Panel then voted by Panel Majority to recommend implementation of the Proposal, the following members cast votes: S Jones (Statoil), P Broom (Gaz de France), S Ladle (Total Gas and Power), K Sanderson (British Gas Trading), R Cameron Higgs (Northern Gas Networks), R Hewitt (National Grid NTS) and C Warner (National Grid UKD and also proxy vote for Wales and West Utilities).

Panel Members considered that implementation of this Proposal could have impacts, which went beyond the Relevant Objectives. In light of this, the Ofgem representative agreed to consider whether an impact assessment should be completed before any decision regarding the implementation of this Proposal.

n) Proposal 0050 "Storage Monitor Adjustment"

Panel Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal.

Transporter Panel Members considered that implementation of this Modification Proposal could be expected to further the GT Licence 'code relevant objectives' of *'the efficient discharge of the licensee's obligations under this licence'*, and



*'the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards are satisfied as respects the availability of gas to their domestic customers'*

User Panel Members considered the proposal would undermine the securing effective competition between shippers and suppliers, as it would intervene in the commercial decisions of market participants.

The Panel held a vote and 5 votes were cast in favour of implementation of this Modification Proposal. The following Members cast votes: B Grubb (Scotia Gas Networks), R Cameron Higgs (Northern Gas Networks), R Hewitt (National Grid NTS) and C Warner (National Grid UKD and also proxy vote for Wales and West Utilities). Therefore the Panel voted to recommend non-implementation of this Proposal.

#### **15.12 Any Other Business.**

The Chairman advised the Panel of a change to the Subject Matter Expert Register whereby Louise McGoldrick (National Grid NTS) is to be removed in light of her impending maternity leave. R Cameron Higgs (Northern Gas Networks) indicated that he hopes to propose additional Subject Matter Experts for the November Panel meeting.

C Sykes (E.ON UK) enquired if National Grid would publish copies of all of the Transporters' Transportation Charge Statements on its web site. The Chairman said that current transportation charges for all networks are available on the Joint Office web site.

The Chairman reminded Members that future Joint Office arranged meetings in London, including the Panel, were expected to be held at Elexon's offices.

#### **15.13 Conclude Meeting and Agree Date of Next Meeting.**

The Panel agreed to convene by teleconference on 10 November, 1.00pm, to consider the anticipated Workstream Report on Modification Proposal 0054 and its alternate, 0054a.

It was noted that the next full monthly Panel meeting is due to be held at Elexon, 350 Euston Road, on 17 November 2005.