

UNIFORM NETWORK CODE MODIFICATION PANEL
MINUTES OF THE 60th MEETING HELD ON THURSDAY
21 FEBRUARY 2008

Members Present:

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

** via teleconference link for vote on 0195 only*

User Representatives: R Fairholme (E.ON UK), S Leedham (EDF Energy), P Broom (Gaz de France), A Barnes (BG Group) and C Wright (British Gas Trading)

Ofgem Representative: J Dixon

Consumers Representatives: None

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

60.1 Note of any alternates attending meeting.

B Dohel (Scotia Gas Networks) for B Grubb and S Trivella (Wales & West Utilities) for L Spierling

60.2 Record of apologies for absence.

B Grubb (Scotia Gas Networks) and L Spierling (Wales & West Utilities)

60.3 Record invitees to meeting.

C Temperley (Gas Forum)

60.4 Consider New Non-Urgent Modification Proposals.

None

60.5 Consider New Non-Urgent Modification Proposals.

- a) Proposal 0197: "Increasing User Incentives for the Investigation and Detection of Theft through the Reasonable Endeavours Regime"

Following a presentation from C Wright (British Gas Trading), the Panel voted UNANIMOUSLY for the Proposal to proceed to the Distribution Workstream for further development.

- b) Proposal 0199: “Clarification around the application of the UNC Dispute Resolution Process”

Following a presentation from C Wright (British Gas Trading), the Panel voted UNANIMOUSLY for the Proposal to proceed to the Distribution Workstream for further development.

- c) Proposal 0200: “Introduction of a Date Tolerance to Facilitate the Processing of Individual Meter Point Reconciliation at LDZ CSEPs”

Following a presentation from C Warner (National Grid UKD), the Panel voted UNANIMOUSLY for the Proposal to proceed to Consultation. It did not determine that legal text was required with no votes cast in favour.

- d) Proposal 0201: “Small value invoice payment deferral”

Following a presentation from C Wright (British Gas Trading), the Panel voted UNANIMOUSLY for the Proposal to proceed to the Distribution Workstream for further development.

- e) Proposal 0202: “Improvement to More Frequent Readings Provisions to allow benefits of AMR”

The Panel agreed to consider this Proposal at short notice.

Following a presentation from R Street (Corona Energy), the Panel voted UNANIMOUSLY for the Proposal to proceed to the Distribution Workstream for further development.

- f) Proposal 0196: “Alterations to shipper penalties for end user failure to interrupt”

In the absence of the Proposer, the Panel agreed to consider the Proposal and then voted UNANIMOUSLY for the Proposal to proceed to the Distribution Workstream for further development.

60.6 Consider New Proposals for Review.

None

60.7 Consider Terms of Reference.

None

60.8 Existing Modification Proposals for Reconsideration.

None

60.9 Consider Variation Requests.

a) Proposal 0185: “Meter Error Notification Process”

The Panel agreed to consider this Variation Request at short notice.

Following a presentation from S Leedham (EDF Energy), the Panel did not determine that the variation request was immaterial, with no votes cast in favour. Therefore Modification Proposal 0185 was deemed withdrawn and replaced by Modification Proposal 0185V “Meter Error Notification Process”.

The Panel then voted UNANIMOUSLY for the varied Proposal to proceed to Consultation and thereafter voted UNANIMOUSLY that legal text should be prepared for inclusion in the Draft Modification Report.

60.10 Consider Workstream Monthly Reports.

a) Distribution

b) Transmission

Proposal 0195: “Introduction of Enduring NTS Exit Capacity Arrangements”

The Panel discussed the interaction between the next steps for this Proposal and the date of the Authority meeting when NTS Exit Reform is due to be discussed. It was agreed that the Panel Chairman should write to the Chair of the Authority advising that the Final Modification Report will be presented at the March Modification Panel meeting and requesting that the Authority defer to April their consideration of NTS Exit Reform. The Panel then voted UNANIMOUSLY* for the Proposal to proceed to Consultation. They did not determine that legal text was required, with no votes cast in favour. The Panel then voted UNANIMOUSLY for an extended period for representations of six weeks.

**B Grubb voted via teleconference link for this vote only.*

Post meeting note: letter to GEMA is on the Joint Office web site at:

<http://www.gasgovernance.com/Code/ModificationPanel/2008meetings/>

c) Governance

d) Offtake Arrangements

60.11 Consider Review/Development Work Group Reports.

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

Following a request from the Review Group, the Panel voted UNANIMOUSLY to extend the time for the Review Group to report until May 2008.

60.12 Consider Final Modification Reports.

- a) Proposal 0171: “Amendment of “User SP Aggregate Reconciliation Proportion” to incorporate historical AQ Proportions”

The Panel 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, by reducing the risk of exposure to historic reconciliations, implementation of the Proposal could be expected to further the GT Licence ‘code relevant objectives’ of “the securing of effective competition between relevant shippers”. Others were concerned that competition could be adversely impacted by implementation of any Proposal with a retrospective impact, and that such Proposals also adversely impacted “the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code”.

The Panel then proceeded to a vote, and the following Members cast votes to recommend implementation: S Leedham (EDF Energy), R Fairholme (E.ON UK), P Broom (Gaz de France), B Dohel (Scotia Gas Networks), C Warner (National Grid UKD), R Hewitt (National Grid NTS), R Cameron-Higgs (Northern Gas Networks) and S Trivella (Wales & West Utilities). Therefore the Panel voted by Panel Majority to recommend implementation of the Proposal.

- b) Proposal 0171A: “Amendment of “User SP Aggregate Reconciliation Proportion” to incorporate historical AQ Proportions”

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, by reducing the risk of exposure to historic reconciliations, implementation of the Proposal could be expected to further the GT Licence ‘code relevant objectives’ of “the securing of effective competition between relevant shippers”..

The Panel then proceeded to a vote and the following Members cast votes to recommend implementation: S Leedham (EDF Energy), C Wright (British Gas Trading), A Barnes (BG Group), P Broom (Gaz de France), B Dohel (Scotia Gas Networks), C Warner (National Grid UKD), R Hewitt (National Grid NTS), R Cameron-Higgs (Northern Gas Networks) and S Trivella (Wales & West Utilities). Therefore the Panel voted by Panel Majority to recommend implementation of the Proposal.

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 present, capable of casting 10 votes, 2 votes (S Leedham and R Fairholme) were cast in favour of implementing Modification Proposal 0171 in preference to Alternative Proposal 0171A, whereas 4 votes (C Wright, A Barnes, C Warner and R Cameron-Higgs) were cast in favour of implementing Alternative Proposal 0171A in preference to Modification Proposal 0171. Therefore, the opinion of the Panel was that implementation of Alternative Modification Proposal 0171A would better facilitate the achievement of the Relevant Objectives.

On behalf of Ofgem, J Dixon directed the Transporters to provide legal text for these two Modification Proposals.

c) Proposal 0172: “Transporter Obligations Pertaining to Void and Vacant Sites”

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 by improving information and cost targeting, implementation of the Proposal could be expected to further the GT Licence ‘code relevant objective’ of “the securing of effective competition between relevant shippers”.

The Panel then proceeded to a vote and the following Members cast votes to recommend implementation of the Proposal: S Leedham (EDF Energy), C Wright (British Gas Trading), A Barnes (BG Group), R Fairholme (E.ON UK), P Broom (Gaz de France), C Warner (National Grid UKD) and R Hewitt (National Grid NTS). Therefore the Panel voted by Panel Majority to recommend implementation of the Proposal.

d) Proposal 0182: “Information Provision at LNG Importation Facilities”

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, by clarifying the treatment of published information, implementation of the Proposal 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” and voted UNANIMOUSLY to recommend implementation of the Proposal.

e) Proposal 0183: “Provision of Data in respect of downstream networks by the iGT directly connected to the Distribution Network”

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, by improving data flows and cost allocation, implementation of the Proposal could be expected to further the GT Licence ‘code relevant objectives’ of “the efficient and economic operation of the pipe-line system to which this licence relates”, “the coordinated, efficient and economic operation of (i) the combined pipe-line system, and/or (ii) the pipe-line system of one or more other relevant gas transporters”, “the securing of effective competition between relevant shippers” and “the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code”. The Panel then voted UNANIMOUSLY to recommend implementation of the Proposal.

f) Proposal 0186: “Provision of Cost Information”

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, by enabling Shippers to more accurately forecast future transportation charge levels, implementation of the Proposal could be expected to further the GT Licence 'code relevant objective' of "the securing of effective competition between relevant shippers". Others were concerned this may not be facilitated because the information could be misleading, especially when projecting the outcome of a Price Control Review.

The Panel then proceeded to a vote and the following Members cast votes to recommend implementation of the Proposal: S Leedham (EDF Energy), C Wright (British Gas Trading), A Barnes (BG Group), R Fairholme (E.ON UK), P Broom (Gaz de France) and S Trivella (Wales & West Utilities). Therefore the Panel voted by Panel Majority to recommend implementation of the Proposal.

g) Proposal 0186A: "Provision of Cost Information"

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, by enabling Shippers to more accurately forecast future transportation charge levels, implementation of the Proposal could be expected to further the GT Licence 'code relevant objective' of "the securing of effective competition between relevant shippers". Others were concerned this may not be facilitated because the information could be misleading.

The Panel then proceeded to a vote and the following Members cast votes to recommend implementation of the Proposal: S Leedham (EDF Energy), C Wright (British Gas Trading), A Barnes (BG Group), P Broom (Gaz de France), R Hewitt (National Grid NTS), R Cameron-Higgs (Northern Gas Networks) and S Trivella (Wales & West Utilities). Therefore the Panel voted by Panel Majority to recommend implementation of the Proposal.

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 present, capable of casting 10 votes, 4 votes (S Leedham, C Wright, R Fairholme and P Broom) were cast in favour of implementing Modification Proposal 0186 in preference to Alternative Proposal 0186A, whereas 4 votes (B Dohel, R Hewitt, R Cameron-Higgs and S Trivella) were also cast in favour of implementing Alternative Proposal 0186A in preference to Modification Proposal 0186.

h) Proposal 0187: "Alterations to the RMSEC Auction to Accommodate Transfer and Trade of Capacity between ASEPs"

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, by introducing a mechanism to facilitate the allocation of entry capacity rights based on Users' willingness to pay, implementation of the Proposal could be expected to further the GT Licence 'code relevant objectives' of "the efficient and economic operation of the pipe-line system to which this licence relates", "the efficient discharge of the licensee's obligations under this licence" and "the securing of effective competition between

relevant shippers". Other Members raised that these advantages would be offset by a further increase in the complexity of the entry regime.

The Panel then proceeded to a vote and the following Members cast votes to recommend implementation of the Proposal: S Leedham (EDF Energy), C Wright (British Gas Trading), A Barnes (BG Group), P Broom (Gaz de France), B Dohel (Scotia Gas Networks), C Warner (National Grid UKD), R Hewitt (National Grid NTS), R Cameron-Higgs (Northern Gas Networks) and S Trivella (Wales & West Utilities). Therefore the Panel voted by Panel Majority to recommend implementation of the Proposal.

- i) Proposal 0187A: "Alterations to the RMSEC Auction to Accommodate Transfer and Trade of Capacity between ASEPs"

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, by introducing a mechanism to facilitate the allocation of entry capacity rights based on Users' willingness to pay, implementation of the Proposal could be expected to further the GT Licence 'code relevant objectives' of "the efficient and economic operation of the pipe-line system to which this licence relates", "the efficient discharge of the licensee's obligations under this licence" and "the securing of effective competition between relevant shippers". Other Members raised that these advantages would be offset by a further increase in the complexity of the entry regime.

The Panel then proceeded to a vote and the following Members cast votes to recommend implementation of the Proposal: S Leedham (EDF Energy), C Wright (British Gas Trading), A Barnes (BG Group), P Broom (Gaz de France), R Hewitt (National Grid NTS), R Cameron-Higgs (Northern Gas Networks) and S Trivella (Wales & West Utilities). Therefore the Panel voted by Panel Majority to recommend implementation of the Proposal.

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 present, capable of casting 10 votes, 7 votes (S Leedham, P Broom, B Dohel, C Warner, R Hewitt, R Cameron-Higgs and S Trivella) were cast in favour of implementing Modification Proposal 0187 in preference to Alternative Proposal 0187A, whereas 1 vote (C Wright) was cast in favour of implementing Alternative Proposal 0187A in preference to Modification Proposal 0187. Therefore, the opinion of the Panel was that implementation of Modification Proposal 0187 would better facilitate the achievement of the Relevant Objectives.

- j) Proposal 0188: "Introduction into the UNC of the Agency Charging Statement ("User Pays")"

Members present 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.

The Panel noted the view that implementation of the Proposal could be expected to further the GT Licence 'code relevant objective' of "the efficient discharge of the licensee's obligations under this licence". However, this was contingent on a Licence change being implemented. Following a discussion, Members voted by

Panel Majority to defer consideration of the Proposal to allow an opportunity for further representations to be submitted in light of Ofgem's consultation on revised Licence conditions, the following Members casting votes: S Leedham, C Wright, A Barnes, R Fairholme and P Broom. (R Cameron-Higgs was absent for the vote.)

- k) Proposal 0188A: "Introduction into the UNC of the Agency Charging Statement ("User Pays")"

Members present 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.

The Panel noted the view that implementation of the Proposal could be expected to further the GT Licence 'code relevant objective' of "the efficient discharge of the licensee's obligations under this licence". However, this was contingent on a Licence change being implemented. Following a discussion, Members voted by Panel Majority to defer consideration of the Proposal to allow an opportunity for further representations to be submitted in light of Ofgem's consultation on revised Licence conditions, the following Members casting votes: S Leedham, C Wright, A Barnes, R Fairholme and P Broom. (R Cameron-Higgs was absent for the vote.)

- l) Proposal 0190: "Clarification of Aggregation of Credit Positions using a Guarantee from a Security Provider"

Members present 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. R Hewitt was absent for the vote.

Members present considered that, by clarifying the UNC and implementing appropriate credit requirements, implementation of the Proposal could be expected to further the GT Licence 'code relevant objectives' of "the securing of effective competition between relevant shippers" and "the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code" and voted UNANIMOUSLY to recommend implementation of the Proposal.

- m) Proposal 0191V: "Discontinuance of Code Credit Rules"

Members present 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. R Hewitt was absent for the vote.

Members present considered that, by removing an unnecessary requirement to produce Credit Rules, implementation of the Proposal 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" and voted UNANIMOUSLY to recommend implementation of the Proposal.

- n) Proposal 0193: "Removal of Certain "Gas not made available for offtake" Provisions from the UNC"

The Panel noted that while the Proposal had been raised to avoid double governance, the replacement mechanism had not yet been implemented and the UNC provided the sole route at present. Following a discussion, the Panel failed to determine to defer making a decision until the next full meeting, the following Members casting votes: S Leedham, C Wright, A Barnes, R Fairholme.

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, by avoiding double governance, implementation of the Proposal 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". The Panel then proceeded to a vote on the Modification Proposal. The following Members cast votes to recommend implementation of the Proposal: R Fairholme (E.ON UK), P Broom (Gaz de France), B Dohel (Scotia Gas Networks), C Warner (National Grid UKD), R Cameron-Higgs (Northern Gas Networks) and S Trivella (Wales & West Utilities). Therefore the Panel voted by Panel Majority to recommend implementation of the Proposal.

60.13 Any Other Business.

- a) Draft Modification Proposal: "Re-alignment of Failure to Interrupt charges"

P Broom (Gaz de France), provided a brief overview of a draft proposal highlighting that it was seeking to modify part of the UNC introduced by UNC Modification 0090 "Revised DN Interruption Arrangements". This is due to be implemented in April 2008, with a three year transition period before the full regime is in place. The Panel recognised the temporal issue associated with this draft Proposal, but did not identify any procedural barriers to its progression.

60.14 Conclude Meeting and Agree Date of Next Meeting.

The Panel noted that the next full monthly Panel meeting is due to be held at Elexon, 350 Euston Road, on 20 March 2008.