

UNIFORM NETWORK CODE MODIFICATION PANEL

MINUTES OF THE 72nd MEETING

HELD ON THURSDAY 22 JANUARY 2009

Members Present:

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

User Representatives: A Bal (Shell), C Wright (British Gas Trading), P Bolitho (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)

* by Teleconference

72.1 Note of any alternates attending meeting

B Dohel for A Gibson (Scotia Gas Networks), C Wright for A Barnes (BG), P Bolitho for R Fairholme (E.ON UK)

72.2 Record of apologies for absence

A Gibson, A Barnes and R Fairholme

72.3 Record invitees to meeting

None

72.4 Receive report on status of Urgent Modification Proposals

None

72.5 Consider New, Non-Urgent Modification Proposals

Proposal 0241: "Delaying the implementation of the Ad-hoc application principle of the enduring offtake arrangements"

The Panel agreed to discuss this Proposal at short notice. 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.

72.6 Consider New Proposals for Review

None

72.7 Consider Terms of Reference.

None

72.8 Existing Modification Proposals for Reconsideration

None

72.9 Consider Variation Requests

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

Following a presentation of the Variation Request by the Proposer, the Panel did not determine that it was immaterial with no votes cast in favour. Therefore Modification Proposal 0230A was deemed withdrawn and replaced by Modification Proposal 0230AV "Amendment to the QSEC and AMSEC Auction Timetables".

The Panel then proceeded to vote UNANIMOUSLY for Proposal 0230AV to proceed to Consultation. They did not determine that legal text was required, with no votes cast in favour.

72.10 Consider Workstream Monthly Reports

Matters for Panel's Attention

a) Extensions Requested

- i) Proposal 0229: "Mechanism for correct apportionment of unidentified gas"

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

- ii) Proposal 0232: "Allocation of Unidentified Gas via the Distribution Networks Charges"

The Transporters had requested a view from Ofgem on whether or not this Proposal should proceed. J Dixon indicated that Ofgem had not formed a view on the merits of the Proposal but that, notwithstanding this, Ofgem did not expect to reopen the DN price controls and hence the Proposal was unlikely to be implemented before the commencement of the next DN Price Control.

The Panel then voted UNANIMOUSLY to extend the time for the Review Group to report until April 2009.

b) Development Work Group Reports for Consideration

Proposal 0209: "Rolling AQ"

The Panel considered the Development Workgroup Group report recommendation that the Proposal is sufficiently developed and should proceed to Consultation.

Panel Members suggested that the Transporters provide Suggested Text for the Development Work Group to consider and for the Proposal to be amended and discussed, (including identifying the costs involved and consequent User Pays charges), prior to it being sent to consultation.

The Panel then voted UNANIMOUSLY to extend the time for the Review Group to report until April 2009.

72.11 Consider Final Modification Reports.

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

Following a discussion, the Panel voted UNANIMOUSLY to defer consideration of this Proposal until Consultation is concluded on Proposal 0230AV "Amendment to the QSEC and AMSEC Auction Timetables". It was also UNANIMOUSLY agreed that re-consultation of this Proposal should proceed to the same time-scale

b) Proposal 0233: “Changes to Outstanding Energy Balancing Indebtedness Calculation”

R Hewitt advised that it was proving difficult to develop the text and consequently a variation to the Proposal is likely to be raised by the Proposer. 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.

c) Proposal 0237: “Disposal of Dynevor Arms LNG Storage Facility”

Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal. After discussion, 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 facilitating disposal to a new operator, and thereby creating the opportunity to increase competition in storage provision, implementation could be expected to further the GT Licence ‘code relevant objective’ of *“the securing of effective competition between relevant shippers”*. Other Members considered this argument to be speculative and expressed concern that the facility might not be available in the future, which would not be expected to further this ‘code relevant objective’ and, by removing a source of supply, would be detrimental to security of supply and to competition between relevant shippers.

Some Members considered that, due to the potential for disposing of an asset that was no longer needed to enable safe and economic system operation, implementation could be expected to further the GT Licence ‘code relevant objective’ of *“the efficient and economic operation of the pipe-line system to which this licence relates”*

One Member considered that by removing the back-up LNG source Dynevor Arms provides to Scottish Independent Network operation, implementation would not be expected to further the GT Licence ‘code relevant objective’ of *“the coordinated, efficient and economic operation of the combined pipe-line system and/or the pipe-line system of one or more relevant gas transporters”*. Another Member did not believe that the principle of back-up had been removed as alternative LNG sites existed and National Grid NTS LNG was prepared to amend the Tanker Filling Agreement, which is referred to in the Code, accordingly.

The Panel then voted whether to recommend implementation of the Proposal, the following Members casting votes: R Hewitt, S Trivella, C Warner, R Cameron-Higgs, A Bal, C Wright (also proxy vote for A Barnes) and P Bolitho (E.ON UK). Therefore by PANEL MAJORITY the Modification Panel recommended implementation of the Proposal.

d) Proposal 0239: “Reinstatement of NTS Interruption”

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 allowing National Grid NTS to continue to use interruption when more economic than providing capacity by other means, implementation 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”* and *“the efficient discharge of*

the licensee's obligations under this licence". Members then voted UNANIMOUSLY to recommend implementation of the Proposal.

e) Proposal 0240: "Promoting Competition in Operating Margins Provision"

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 allowing Operating Margins gas to be used for up to twenty four hours following an incident, implementation could be expected to further the GT Licence 'code relevant objective' of "*the efficient and economic operation of the pipe-line system to which this licence relates*". Members also considered that by facilitating competition in Operating Margins provision as required under Special Condition C25 by April 2009, implementation could be expected to further "*the efficient discharge of the licensee's obligations under this licence*". Members then voted UNANIMOUSLY to recommend implementation of the Proposal.

72.12 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"

72.13 Any Other Business

The Chair identified that a presentation had been given to the IGT Panel on the Ofgem approval process for Modifications. J Dixon agreed to make a similar presentation at the February Governance Workstream.

The Chair asked whether the Panel wished to make a response to the recent Ofgem consultation documents on governance. Panel Members agreed that it was appropriate for the Panel to do so. It was, therefore, agreed that the Joint Office provide a draft response for the February Panel to consider. Panel Members were encouraged to send their views to the Joint Office for inclusion in the draft.

72.14 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 19 February 2009.