

UNIFORM NETWORK CODE MODIFICATION PANEL

MINUTES OF THE 75th MEETING

HELD ON THURSDAY 19 MARCH 2009

Members Present:

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

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

Ofgem Representative(s):

J Dixon

Joint Office:

T Davis (Chairman) and J Bradley (Secretary)

75.1 Note of any alternates attending meeting

B Dohel for A Gibson (Scotia Gas Networks), A Bal for A Barnes (BG).

75.2 Record of apologies for absence

A Gibson, J Ferguson and A Barnes

75.3 Record invitees to meeting

M Sutton and A Meldrum

75.4 Receive report on status of Urgent Modification Proposals

None

75.5 Consider New, Non-Urgent Modification Proposals

- a) Proposal 0242: "Changes to the window for the submission of Valid Meter Readings"

Following a presentation from M Donnelly (British Gas Trading) 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.

- b) Proposal 0244: "Amending DM Supply Point Data for Sites with Significant Changes in Usage"

Following a presentation from R Street (Corona Energy), which included an offer to amend the Proposal to exclude NTS connected Supply Points, and a discussion, the Panel did not vote for the Proposal to proceed to Consultation, with the following Members casting votes in favour: A Bal (also proxy vote for A Barnes), and P Broom. The Proposal was therefore, referred to the Distribution Workstream and not amended at this stage.

It was then proposed that a Panel meeting be held to discuss this Proposal further on 2nd April. This was agreed UNANIMOUSLY. The Distribution Workstream was asked to report prior to this date, with considerations to cover likely take up and impacts on: Supply Points with NExAs; NTS connected loads; SHQs; CSEP DMs; ARCAs; storage sites and Shared Supply Points.

J Dixon made an informal request that legal text be prepared in support of the Proposal.

c) Proposal 0246: "Quarterly NTS Entry Capacity User Commitment"

The Panel UNANIMOUSLY agreed to consider this at short notice. Following a presentation from R Hewitt (National Grid NTS) and a discussion, the Panel did not vote for the Proposal to proceed to Consultation, with the following Member casting a vote in favour: R Hewitt. The Proposal was therefore referred to the Transmission Workstream and a report to the May 2009 Panel Meeting was requested.

75.6 Consider New Proposals for Review

Review Proposal 0245: "Review of arrangements regarding the detection and investigation of Theft of Gas"

Following a presentation from M Donnelly (British Gas Trading) and a short discussion, the Panel voted UNANIMOUSLY for the Proposal to proceed to Review. The Review Group was requested to report to the September 2009 Panel.

75.7 Consider Terms of Reference.

Review Proposal 0245: "Review of arrangements regarding the detection and investigation of Theft of Gas"

It was agreed that Terms of Reference, for Panel approval, would be considered at the initial meeting. A list of organisations to be invited was discussed and the Joint Office agreed to endeavour to encourage wide participation.

75.8 Existing Modification Proposals for Reconsideration

None

75.9 Consider Variation Requests

a) Proposal 0233: "Changes to Outstanding Energy Balancing Indebtedness"

The Proposer had submitted a variation request that addressed the issues encountered in drafting the legal text for this Proposal. The Panel did not determine that the variation request was immaterial, with no votes cast in favour. Therefore Modification Proposal 0233 was deemed withdrawn and replaced by Modification Proposal 0233V "Changes to Outstanding Energy Balancing Indebtedness".

The Panel then proceeded to vote UNANIMOUSLY for Proposal 0233V to proceed to Consultation with a five Business Day close-out for representations. They did not determine that legal text was required, with no votes cast in favour.

b) Proposal 0243: "Amendments to the process for initialisation of Enduring NTS Exit (Flat) Capacity at the Moffat NTS Exit Point"

The Proposer had submitted a variation request that addressed a consistency issue raised in the representations. The Panel determined UNANIMOUSLY that the variation request was immaterial. Therefore Modification Proposal 0243 was deemed withdrawn and replaced by Modification Proposal 0243V "Amendments to the process for initialisation of Enduring NTS Exit (Flat) Capacity at the Moffat NTS Exit Point".

75.10 Consider Workstream Monthly Reports

Matters for Panel's Attention

a) Extensions Requested

None

b) Development Work Group Reports for Consideration

Proposal 0209: "Rolling AQ"

The Panel discussed and voted UNANIMOUSLY to accept the Report.

Following a discussion, the Panel voted for the Proposal to proceed to consultation, the following Members casting votes: R Hewitt, B Dohel, C Warner, A Bal (also proxy vote for A Barnes), C Wright, R Fairholme and P Broom. They voted UNANIMOUSLY that legal text was not required.

c) Review Group Reports for Consideration

Review Proposal 0217: "Information relating to Unallocated Energy"

The Panel discussed and voted UNANIMOUSLY to accept the Report.

75.11 Consider Final Modification Reports.

a) Proposal 0228: "Correct Apportionment of NDM Error – Energy"

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. J Dixon confirmed that Ofgem had not identified any additional issues which needed to be considered for inclusion in an Impact Assessment.

Members recognised that there was no certainty about the correct level of costs to be apportioned to the LSP market. Some Members considered that, by increasing the incentives on Users to minimise measurement errors and theft, and improving the apportionment of costs, implementation could be expected to further the GT Licence 'code relevant objective' of "*the securing of effective competition between relevant shippers*". However, others disputed that implementation would improve cost apportionment and, in consequence, considered that this same code relevant objective would not be furthered.

The Panel then voted whether to recommend implementation of the Proposal, the following Members casting votes: C Wright and B Dohel. Therefore the Modification Panel did not recommend implementation of the Proposal.

b) Proposal 0228A: "Correct Apportionment of NDM Error – Energy"

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.

It was agreed that the same considerations applied to this Proposal as Proposal 0228, with some Members believing that implementation would improve cost allocations, and others disagreeing. Compared to Proposal 0228, it was recognised that the approach would provide greater certainty about the level of costs allocated to the LSP market.

The Panel then voted whether to recommend implementation of the Proposal, the following Members casting votes: R Fairholme, C Wright, B Dohel and C Warner. Therefore the Modification Panel did not recommend implementation of the Proposal

The Panel then proceeded to a vote on, if one were implemented, which of the two Proposals would better facilitate achievement of the Relevant Objectives. Of the eight Voting Members present, capable of casting nine votes, one vote (C Wright) was cast in favour of implementing Proposal 0228 in preference to Proposal 0228A, whereas five votes (C Warner, A Bal (also proxy vote for A Barnes), P Broom and R Fairholme) were cast in favour of implementing Proposal 0228A in preference to Proposal 0228. Therefore, the Panel determined that, of the two Proposals, implementation of 0228A would better facilitate achievement of the Relevant Objectives than 0228.

- c) Proposal 0243V: "Amendments to the process for initialisation of Enduring NTS Exit (Flat) Capacity at the Moffat NTS Exit Point"

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. R Hewitt pointed out an error in the summary of responses within the Final Modification Report that the Joint Office undertook to correct. J Dixon notified the Panel that Ofgem would be requesting clarification from National Grid NTS on whether the Proposal, if implemented would introduce an element of undue discrimination. R Hewitt indicated that National Grid NTS had already considered this and concluded that any discrimination would not be undue.

Members considered that, by seeking to align capacity arrangements on the NTS with those downstream, implementation could be expected to further the GT Licence 'code relevant objectives' of "*the securing of effective competition between relevant shippers*" and "*the efficient discharge of the licensee's obligations under this licence*" However, concerns were expressed that the late raising of this Proposal was inconsistent with furthering 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 voted whether to recommend implementation of the Proposal, the following Members casting votes: R Hewitt, B Dohel, C Warner, S Trivella, A Bal (also proxy vote for A Barnes), R Fairholme and P Broom. Therefore the Modification Panel recommended implementation of the Proposal.

75.12 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"

75.13 Any Other Business

T Davis proposed that a Project Nexus Workstream be established. It was clarified that the Distribution Workstream would still need to continue,

although the two may become aligned over time. Normal UNC governance would apply to the Project Nexus Workstream – it would report to the Panel, not to any other group that might be set up by xoserve. It was then agreed that a Project Nexus Workstream be established.

T Davis confirmed that a response had been sent to Ofgem in respect of the Code Governance Review as agreed at the February Panel Meeting.

J Dixon referred to a possible consent to allow earlier applications for DN Interruption than currently provided under the annual application process. This was justified because such applications can be considered on an ad-hoc basis and it would seem non-contentious to permit combining applications into a single process. Following the ensuing discussion, which highlighted some lack of consensus, J Dixon concluded that a consent was not appropriate in this case.

75.14 Conclude Meeting and Agree Date of Next Meeting:

The Panel noted that the next Panel meeting is due to be held by teleconference on 2 April 2009.