

Minutes of the Offtake Arrangements Workstream
Wednesday 08 August 2007
31 Homer Road, Solihull B91 3LT

Attendees

Julian Majdanski (Chair)	(JM)	Joint Office of Gas Transporters
Lorna Dupont (Secretary)	(LD)	Joint Office of Gas Transporters
Alexandra Campbell	(AC)	E.ON UK
Brian Durber	(BD)	E.ON UK
Paul Gallagher	(PG)	National Grid NTS
Liz Spierling	(LS)	Wales and West Utilities
Richard Wilson	(RW)	National Grid NTS
Simon Howe	(SH)	RWE Npower
Stefan Leedham	(SL)	EDF Energy
Stuart Gibbons	(SG)	National Grid Distribution

Apologies

Alan Raper	National Grid Distribution
Beverley Grubb	Scotia Gas Networks
Mark Freeman	National Grid Distribution

1 Introduction and Status Review

1.1 Review of Minutes from previous meeting 04 July 2007

The minutes were accepted.

1.2 Review of Actions not covered elsewhere on the agenda

Action OF1010: National Grid NTS to explain why low Demand Day UNC provisions may still be required. **Update:** Deferred. **Action carried forward.**

Action OF1018: National Grid NTS and Wales & West Utilities to produce a refined paper on relevant UNC provisions. **Update:** Deferred. **Action carried forward.**

Action OF1019: National Grid UKD to produce an annotated planning process diagram using UNC provisions paper. **Update:** Deferred. **Action carried forward.**

Action OF1021: National Grid NTS to arrange session to explain the legal drafting of Modification 0116V. (Post meeting update: Following internal discussions this will be deferred until the outcome of the appeal is known.) **Update:** Ofgem seeking further clarity on action required. **Action agreed closed.**

Action OF1031: NG UKD to formally propose a UNC Modification Proposal amending UNC OAD Section F as agreed. **Update:** Deferred. **Action carried forward.**

Action OF1032: LS to adjust the Meter Error Notification and Reporting Procedure to reflect the issue of a draft and a final report, and a new flowchart to be produced for the RG131 meeting (RH and SL). **Update:** Completed. **Action agreed closed.**

1.3 Review of Live Modification Proposals and Topics Status Report

JM advised that there were no new Modification Proposals to develop within this Workstream, and gave an update on the following:

- 0116 A and 0116V “Reform of the NTS Offtake Arrangements” - Ofgem was seeking clarity on action required.
- 0131 “LDZ RbD Reconciliation Notification Process” - See item 2.1 below
- 0140 “Review of Information Provision on National Grids Information Exchange” - The Review Group continues to review data. The next meeting has been planned for 21 August 2007.

The Topic Status Report was updated as follows.

- 0010F ‘NTS Exit Capacity’ - A watching brief continues.
- 0020F ‘Distribution Interruption Reform’ – A watching brief continues.
- 0050F ‘NTS-LDZ Operational Information for low demand Days’ - see Action OF1010 – carried forward.
- 0070F on ‘Gas Transporters cooperation on planning and investment in networks’ – no further update; see Action 1017 – carried forward.
- 0080F ‘Assured Offtake Pressure interactions’ - Topic remains on hold.

2 Modification Proposals

2.1 RP0131: LDZ RbD Reconciliation Notification Process

In advance of the meeting SL had provided a written update on progress made at Review Group 0131 meetings, and indicated that two issues remained: *expert determination*, and *governance*. EDF had put forward its solutions and it was thought that these would benefit from further consideration by the Offtake Arrangements Workstream.

2.1.1 Expert Determination

“All meter errors greater than 50GWh should be subject to expert determination to determine the technicality of the meter error and ensure that the correct procedures had been followed. We believe this removes the scope for manipulating the process for commercial gain, whilst incorporating Scotia’s proposals for automatic determination with a sufficient threshold to reduce the burden this would place on Transporters.”

A discussion took place. It was identified that compiling a list of experts might require a change to A2, and that a different selection process may be needed. It was questioned who would pay for this. It was confirmed that at present costs lay with the two disputing parties, with the expert deciding on any cost apportionment. In trying to understand what sort of costs might be associated, it was considered that this process might be used – looking at previous errors/instances - possibly once a year, across the whole country. It was felt to be important to clearly define in advance what the expert would be expected to do, eg technically validate each day of the period, review methodologies, data application, a re-evaluation of the magnitude of the error, etc, as this would have a bearing on the costs incurred. The actual level of expert determination required may also need to be defined. RW observed that the expert decision should be binding on all parties. BD commented that the process could be a complex one and would need to be properly funded. Using an independent expert (from a pool of industry recognised experts) to provide validation would contribute to the transparency of the process and give assurance. It was suggested that a list might be maintained by the Offtake Committee.

The standards for a report were briefly discussed, the major problem with this being that there was no set methodology for defining errors, and there could be 3 or 4 methodologies that may apply to any one particular error, depending on the nature and cause of the error. PG referred to the example of Farningham where at least 3

methodologies could have been used. SH thought it important that various alternatives should be brought to discussion at the meetings with all affected parties and the expert should have a view on what would be most appropriate. The process should be inclusive and promote understanding of the error and the methodology options available. This would give opportunities to voice any concerns/objections and give transparency and assurance to all parties concerned.

The point at which an independent expert should be brought in was discussed. PG commented that the level of technicality of the error and any resulting complexity may determine the requirement to utilise an external/independent expert. RW thought that the energy trigger enabled the error to be taken out to the community for wider discussion on any complexities. There was concern that by giving more 'open' options this would provide an opportunity for parties to dispute for commercially driven reasons and Relevant Transporters may then need to decide on the potential materiality of these. SH thought that it would be very difficult for any such challenge to be maintained if the process was transparent. The Transporters were aware that the MER could be reopened and were supportive of the better process. RW believed that the 'expert determination' should be kept in the process and made optional; if there were spurious claims there must be an option to apportion costs to the disputing party. SL responded that EDF's solution was trying to avoid opportunities for gaming, and providing optional routes would appear to leave the door open for gaming.

LS pointed out that not all the DNs were represented at this meeting and that the DNs did have disparate views on this area and how it should be funded /charged back etc, eg through the Joint Office of Gas Transporters.

The role of the expert was the subject of further discussion. It was suggested that the independent expert, chosen from a list, produce the whole report and the report would be binding. As the report was being compiled, wider discussions should take place, so that opportunities to raise any issues/concerns were maintained throughout the process. In presenting this to the community, the expert will need to say how it is to be carried out; it will then be debated, calculations will be made, and updates should be given. A series of meetings may be required depending on complexities/options available. It was commented that employing an expert alongside the process from start to finish, throughout a potentially undefined period, would mean that larger costs were incurred. At certain times/points the Transporters have used their own skilled personnel, and utilised independent experts for the major errors. It was observed that Upstream and Downstream methodology may be different.

SL agreed to provide a revised version of EDF's proposed solution in response to the discussion, for circulation to Review Group 0131 and the attendees at today's meeting

Action OF 1033: SL to provide a revised version of EDF's proposed solution.

2.1.2 Governance

"As a Shipper that would be directly impacted by this notification process, EDF Energy believes that Shippers should have equal rights to Transporters to raise proposed modifications to it and vote on these. This is a common theme witnessed throughout the UNC whereby those impacted are represented. However we also recognise the desire to have this process sitting as an ancillary document to the OAD. We are therefore proposing that this document sits as an ancillary document to the OAD, but with a change to the Offtake Committee so that Shippers are able to raise proposals to change this document only, and have rights to vote at the Offtake Committee on only these changes. Essentially this should mirror the UNC Committee for this document, whilst keeping it under the auspices of the Offtake Committee."

EDF's solution was discussed. LS was not comfortable with this compromise and would need to give it further consideration. SH asked why EDF considered it was better as an ancillary document, and SL explained that it was much easier and quicker to make a change to such a document. (The notification process – procedure, flowchart etc - was confirmed as comprising the ancillary document referred to.)

The proposal to change the nature of the Offtake Committee gave rise to significant governance issues. LS said that the OAD was to include the iGTs at some stage and this may in turn throw up different issues/obstacles in other areas. This proposal would need to be discussed by the other DNs; and an alternative solution may be possible.

LS was concerned that within the OAD there was no reference to Users, as this was a Transporter to Transporter contract, and made the suggestion that as this concerned offtake metering it could perhaps be linked into UNC TPD Section J. This would then keep governance under the UNC Committee, which would seem a clearer path to take, and make changes easier.

In response to **Action OF1032** RW confirmed that the flowchart/process map had been amended; LS was amending the procedure. These will need to be published by 15 August 2007 and Review Group 0131 was next meeting on 22 August 2007. The action was agreed closed.

3 Topics

3.1 Topic 007OF: Gas Transporter Co-operation on Planning and Investment in Networks

Action OF1026: Investigate if there is any further scope for, and the feasibility of, moving demand forecasting dates (PR). **Update 08/08/07:** None available. **Action carried forward.**

Action OF1028: Pressure - Look at merging reductions and increases together (BG). **Update 08/08/07:** None available. **Action carried forward.**

Action OF1030: Establish the provision of information under OAD Section H2.1.1(i) (SP). **Update 08/08/07:** None available. **Action carried forward.**

4 Any Other Business

4.1 0166: Review of necessary reform of NTS Offtake Arrangements

This was raised by AC. It was confirmed that the Review Proposal was being discussed at the next Modification Panel meeting (16 August 2007) and it was likely that a Review Group may be formed. LS confirmed that two DNs were supportive of getting a Review Group formally established to enable discussions/meetings to take place ahead of any decision Ofgem may need to take. The DNs recognised that Shippers were overstretched with entry issues at present, but were also concerned that further development in this area be seen as appropriate and necessary and that leaving it would not be prudent. SL was concerned that NTS Interruption should be developed as a separate Modification Proposal as much confusion seemed to exist together with Modification Proposal 0090 DN Interruption.

5 Date of Next Meeting(s)

The next UNC Offtake Arrangements Workstream meeting will take place in September 2007, at 10:30 - date, venue and location to be confirmed.

Action Log: UNC Offtake Arrangements Workstream 08 August 2007

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
OF 1010	1/2/06	2.2 Topic 005OF	Explain why low demand Day UNC provisions may still be required.	National Grid NTS (PG/RH)	Carried forward
OF 1017	17/2/06	1 Topic 007OF	Consider what (if anything) might be addressed in terms of investment lead-time	All	Carried forward
OF 1018	28/2/06	2.1 Topic 007OF	Produce refined paper on relevant current UNC provisions.	WWU (LS)& NG NTS (AF)	Carried forward
OF 1019	28/2/06	2.1 Topic 007OF	Produce an annotated planning process diagram using UNC provisions paper	NG UKD (PR)	Carried forward
OF 1021	16/05/07	1.3	National Grid NTS to arrange session to explain the legal drafting of Modification 0116V.	NG NTS (PG)	Following internal discussions this will be deferred until the outcome of the appeal is known. Closed
OF 1022	16/05/07	2.1	Formal proposal of Wales and West Utilities' suggestion to provide meter error information on a spreadsheet updated monthly and available on a website	WWU (LS)	Carried forward
OF 1023	16/05/07	2.1	0131 Meter Errors - DNs to outline the process followed in response to identification of a typical problem.	SGN & WWU (BG and LS)	Carried forward
OF 1026	16/05/07	3.2	Investigate if any further scope/the feasibility of moving demand forecasting dates	NG UKD (PR)	Carried forward
OF 1028	16/05/07	3.2	Pressure - Look at merging reductions and increases together	SGN (BG)	Carried forward
OF 1030	16/05/07	3.2	Establish the provision of information under OAD Section H2.1.1(i).	NG NTS (SP/RH)	RH to follow up with SP. Carried forward

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
OF 1031	04/07/07	2.1	NG UKD to formally propose a UNC Modification Proposal amending UNC OAD Section F as agreed.	NG UKD (AR/PS)	Carried forward
OF 1032	04/07/07	2.1	LS to adjust the Meter Error Notification and Reporting Procedure to reflect the issue of a draft and a final report, and a new flowchart to be produced for the RG131 meeting (RH and SL).	WWU (LS) NG NTS (RH) and EDF (SL)	Completed Closed
OF 1033	08/08/07	2.1	Expert Determination: SL to provide a revised version of EDF's proposed solution.	EDF (SL)	

*Key to abbreviations of action owners:

AF – Andrew Fox, LS – Liz Spierling, PG – Paul Gallagher, RCH – Robert Cameron-Higgs, DN reps – Distribution Network representatives, PR – Paul Remer, SP – Steve Pownall, BG – Beverley Grubb, AR – Alan Raper, MF – Mark Freeman, JB – John Bradley