

SPECIAL GAS CUSTOMER FORUM MINUTES

Friday 30 November 2007

Ellexon Office, 350 Euston Road, London

Attendees

Tim Davis	(Chair)	(TD)	Joint Office of Gas Transporters
Mike Berrisford	(Secretary)	(MiB)	Joint Office of Gas Transporters
Alex Spreadbury		(AS)	B&Q
Alison Meldrum		(AM)	Corus
Andrew Earnshaw		(AE)	xoserve
Andrew Stanford		(AS)	ESPO
Bali Dohel		(BD)	Scotia Gas Networks
Beverley Grubb		(BG)	Scotia Gas Networks
Claire Gibney		(CG)	NHS Purchasing & Supplies Agency
Dean Marsh		(DM)	Energy Consortium
Eddie Proffitt		(EP)	Major Energy Users Council
Gareth Davies		(GD)	CIA
Jean Waring-Thomas		(JWT)	Boots plc
Liz Spierling		(LS)	Wales & West Utilities
Mark Freeman		(MF)	National Grid Distribution
Phil Broom		(PB)	Gaz de France
Richard Street		(RS)	StatoilHydro
Robert Cameron-Higgs		(RCH)	Northern Gas Networks
Steven Sherwood		(SS)	Scotia Gas Networks
Simon Trivella		(ST)	Wales & West Utilities

Apologies

Ian Dobson	(ID)	CIPS
Paul Savage	(PS)	energywatch
Rodney Sinden	(RS)	Lagur
Robert Spears	(RS)	UCC

1. Introduction

TD gave an introduction, and explained that all presentation material is available at:
<http://www.gasgovernance.com/industryinfo/GasCust/2007Meetings/>

2. Presentations

2.1 DN Interruption Update

M Freeman gave an update on progress towards implementing the DN Interruption Regime.

CG asked whether they believed that the HSE would consider challenging the introduction of the DN Interruption Reform on the basis of firm load shedding concerns. EP wondered why it has taken the DNs twelve months to rewrite their Safety Cases. MF responded that the DNs have not amended their Safety Cases but have been in constant

discussions with the HSE explaining how the regime will operate. While acknowledging that uncertainty surrounding the changes complicates matters, MF did not anticipate the HSE raising objections. LS added that the DNs have been asked to provide more detail than ever before on how they would manage emergency situations in future, and this has impacted upon the time taken in HSE discussions. AM added that the DTi lead emergency work investigations are not due to complete until the end of March 2008. LS agreed to ascertain when the E3C and OPUS reports will be made available.

MF said the GDPCR Final Proposals are due to be published on Monday 3 December. MF explained the proposed incentive scheme. In response to questions as to whether this is a true incentive as the DNs already have the option between laying more pipe and invoking interruption, BG confirmed that Ofgem is indeed looking to incentivise the DNs to find and adopt cost effective solutions, whether that involves installing more pipe in the ground or invoking interruption. TD summed this up by saying that the DNs have a sum of money at their disposal that can be utilised to either buy pipe or pay to customers to interrupt when necessary.

MF indicated that the DNs had not anticipated the conclusion in Ofgem's recent note on the Economic Test. Ofgem have suggested that the Economic Test in its current form should not be applied under the revised regime. However, it was confirmed that there is no expectation that the Economic Test will be applied to currently interruptible loads that become firm when the regime changes, and so no contribution towards reinforcement is expected to be sought.

TD asked if implementation of potential NTS exit reforms would have little or no impact upon DN interruption. BG stated that the DNs capacity requirements would not change. LS supported this, emphasising that whatever regime is in place is unlikely to change the DNs decisions in June 2008. BG added that as far as flexibility products are concerned, the DNs see very little difference between Modifications 0116A or 0116V (i.e. with and without fundamental reform).

In response to the presented timeline, CG enquired if any allowance had been built in for challenges to the awarding of contracts in response to bids. MF confirmed that there is no provision for this within the Uniform Network Code (UNC), and TD emphasised that there is no right to appeal involved in the process.

EP asked the Shippers if they were happy with the prospect of bidding three years in advance without the comfort of a Supply Contract. Both PB and RS acknowledged the potential drawbacks to the proposed process but confirmed their company's intention to bid on this basis. While they could not speak for other Shippers, they plan to work closely with other Shippers to help ensure the process is as beneficial as possible for customers. PB highlighted his concern surrounding the difficulty in engaging with customers at present due to a lack of information, especially what form the 'bid templates' will take. RS added that his company intends to contact its customers and run workshops sometime soon.

AS added that he had reservations regarding whether or not intermediate sized Shippers/Suppliers would partake in the process. TD acknowledged that there is a view that the new process could be seen as a barrier to competition.

BG advised that the DNs are coordinating their engagement with the Industry – i.e. avoiding conflicting diary dates - and would welcome suggestions on the best routes/forms of publication to follow to reach all relevant parties.

Action GCF046: DNs (LS) to ascertain when the E3C and OPUS reports will be released.

2.2 Specific DN Presentations

Scotia Gas Networks

BG presented on the Interruption Capacity Methodology Statement. TD confirmed that the discussion paper, which is a draft of the statement can be found under Industry Information, DN Interruption, on the Joint Office web site - <http://www.gasgovernance.com/industryinfo/int/>.

BG advised that the Annual Tender Process will run over ten business days, but any Ad-Hoc Tender Process will not necessarily follow this rule. RCH emphasised that this gives DNs a window of opportunity to discuss bids with the submitting Shipper, for example if there are inconsistencies or fear of a manifest error. However, this opportunity diminishes quickly the later in the process the bids are submitted.

When asked, LS confirmed that the ad-hoc tender process caters for matters such as project overruns, National Grid NTS not making capacity available and short-term interruption needs. EP remained concerned that the concept of a 1:20 winter only serves to incentivise the DNs to utilise the ad-hoc process to procure interruption at short notice under severe conditions. LS disagreed and emphasised that breaching 1:20 obligations would have major ramifications for the DNs - the ad-hoc process is intended as a back-stop for unforeseen events only.

BG confirmed there would be no change to the interruption notification periods and that partial interruption would remain available.

LS confirmed to CG that where a site bids for interruption in a four year block, this bid would only be considered for the full term and DNs would not pick years within that. However, bids may also be entered on a year by year basis (i.e. bid for years 2 and 4 or any other combination). Concerns were raised about the difficulties of bidding fixed prices for significant periods into the future, especially managing risk associated with future alternative fuel prices. BG advised that fixed prices would be called for, and index linking, for example, would not be possible. She also emphasised that once investment has been made, the DNs may not require to invoke interruption going forward.

EP asked if interruptible customers will be able to opt-out of any contracts made with a DN and could they expect a charge for doing so. LS confirmed that they could opt out and become Firm but this would be subject to an Economic Test where reinforcement impacts are apparent.

The DNs confirmed that publication of information will be via their respective web sites supplemented by additional publication on the Joint Office web site.

Emphasising that the figures were provisional and subject to change, SS presented on the Scotia Gas Networks Interruption Requirement:

- Scotland Zones - the current level of Interruptible load of 40 GWh compares to a 7.5 GWh requirement, with interruption to be sought in six zones;
- South LDZ Zones - the current level of Interruptible load of 37 GWh compares to a 9.317 GWh requirement in two zones; and
- South East LDZ Zones - the current and required Interruption, 49.991 GWh, are similar.

The number of days for which interruption was sought varied between zones. Details for each area are available on the interruption section of the Scotia Gas Networks web site, and will be updated when improved information becomes available. Background information on the proposed changes is also provided here, plus details of the seminars which are planned in each area.

Attendees welcomed the Scotia web site and asked if other DNs would be providing a similar service.

- Wales & West Utilities – web site requirements are being considered and any specific interruption enquiries should be via email until further notice;
- Northern Gas Networks – available week commencing 10 December 07; and
- National Grid – in early stages of development.

Wales & West Utilities

LS presented WWU's Interruption Requirements, emphasising as with the other DNs that the figures are indicative only at this stage.

The South West requires around 90% of its current Interruptible load. Both the Southern and Central systems maybe split down further into two sub systems for interruption purposes and the Cirencester System may well become a zone in its own right. Wales requires around 60% of its current Interruptible load. It is unlikely that North Wales will require Interruption (currently around 12.5GWh). WWU do not envisage setting a minimum and maximum requirement in terms of the days for which Shippers may bid.

Seminars are planned to be held in Newport and Exeter, and a revised version of the presentation will be made available in week commencing 10 December 07.

LS referred to the importance of accurate SOQ information - the DNs are concerned that some sites may attract inflated Capacity Charges because of inaccurate SOQ information – and encouraged all to check their data.

In closing, LS advised that she believes Ofgem is looking to the DNs to minimise Interruption costs. BG added that to do this, the DNs had considered providing indicative market cost indicators, but both Ofgem and the markets themselves did not support this. Therefore customers will need to identify their own costs and bid accordingly. They should, however, plan on the basis that the full interruption offered may be called. TD suggested that customers should contact their respective DNs if they think that they can be provided with any additional information that would help them in formulating bids.

ST presented a Ready Reckoner designed to assist with bid preparation. It allows parties to assess the potential level of income associated with different combinations of exercise and option price, and to calculate one input assuming others are fixed at varying levels.

When asked whether participants can identify their competitors within a given zone, ST suggested that in WWU's case, parties could interpret their own share of the potential market. He also confirmed that while Interruption Contracts would be established between a DN and Shipper, they would stay with the site.

Action GCF047: WWU (ST) to update the Ready Reckoner and provide a copy for the Joint Office to publish.

Northern Gas Networks

RCH presented NGN's Indicative Interruption Zones and Interruption Requirements advising that the current Interruption level of 66GWh will reduce to a 9.5GWh requirement.

RCH advised members that on slide 2, the left hand frame displays the cluster of eligible customers and the right hand frame will be converted to display the postcodes in an updated version to be provided in week commencing 10 December 07. Attendees indicated their appreciation of the provision of information relating to the number of eligible customers in each zone.

RCH advised that NGN Seminars are scheduled to take place in Leeds on 16 January 2008 and Newcastle-upon-Tyne in late January/early February.

Action GCF048: NGN (RCH) to update the Indicative Interruption Zones and Interruption Requirements 2011/12 presentation and provide a copy for the Joint Office to publish.

National Grid

MF presented on National Grid's DN Interruption Requirements, again emphasising that the figures are indicative at this stage. Seminar Invitations have been issued via Shippers and MF suggested that customers check with their respective Shipper if they have not received any information.

MF agreed to consider providing the number of eligible customers per zone, in a similar manner to NGN. He also agreed to update his presentation to include indicative figures for current against required interruption.

Action GCF049: NG (MF) to update the DN Interruption Requirements presentation and provide a copy for the Joint Office to publish.

3. Date of next meeting and agenda items

5.1 Future Meeting

It was noted that the next GCF meeting is booked for 28 January 2008 at Elexon's Offices, London.

Dates and locations are available on the Joint Office calendar, www.gasgovernance.com/Diary, and papers on the Gas Customer Form section of the website, www.gasgovernance.com/industryinfo/GasCust/2007Meetings.

4. A.O.B.

1. EP enquired if the baseline information for Interruptible Loads was available, which RCH agreed to investigate.

Action GCF050: NGN (RCH) to investigate progress on the provision of baseline information for Interruptible Loads and report back at the next meeting.

2. ST confirmed that the 95:5 Capacity:Commodity Charging Methodology Impact Assessment is due in January 2008.

TD invited suggestions for agenda items for the January meeting, and an update on Emergency Arrangements (including the outcome of the latest exercise) was requested.

Further suggestions for agenda items can be sent to enquiries@gasgovernance.com

Appendix A

Action Log – Special Gas Customer Forum – 30 November 2007

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner*	Status Update
GCF046	30/11/07	2.1	DNs (LS) to ascertain when the E3C and OPUS reports will be released.	LS	Update due 28/01/08.
GCF047	30/11/07	2.2	WWU (ST) to update the 'Ready Reckoner' and provide a copy for the Joint Office to publish.	ST	Update due 28/01/08.
GCF048	30/11/07	2.2	NGN (RCH) to update the Indicative Interruption Zones and Interruption Requirements presentation and provide a copy for the Joint Office to publish.	RCH	Update due w/c 10/12/07.
GCF049	30/11/07	2.2	NG (MF) to update the DN Interruption Requirements presentation and provide a copy for the Joint Office to publish.	MF	Update due w/c 10/12/07.
GCF050	30/11/07	AOB	NGN (RCH) to investigate progress on the provision of baseline information for Interruptible Loads and report back at the next meeting.	RCH	Update due 28/01/08.