

GAS CUSTOMER FORUM

Minutes

Monday 30 January 2006

National Grid

51 Homer Road, Solihull

Attendees

Tim Davis	(Chair)	(TD)	Joint Office of Gas Transporters
Mike Berrisford	(Secretary)	(MB)	Joint Office of Gas Transporters
Alex Spreadbury		(AS)	B&Q
Chris Mansfield		(CM)	DTI
Claire Temperley		(CT)	British Gas
Damien Cox		(DC)	John Hall Associates
David Woolgar		(DW)	Society of British Gas Industries
Eddie Proffitt		(EP)	Major Energy Users Council
Emma Olivari		(EO)	NHS
Gail Collins		(GC)	Cornwall Energy Associates
Grant Rogers		(GR)	Wales and West Utilities
Helen Bray		(HB)	Chemical Industries Association
Ian Dobson		(ID)	CIPS
Jane Facci		(JF)	The Energy Consortium
John O'Grady		(JO)	Northern Gas Networks
Julie Davies		(JD)	NHS
Marcus Stewart		(MS)	National Grid
Margaret Hunter		(MH)	Scotia Gas Networks
Mark Thompson		(MT)	Centrica
Nigel Sisman		(NS)	National Grid
Paul Savage		(PS)	energywatch
Peter Thompson		(PT)	LAGUR
Richard Bonelle		(RB)	Corona Energy
Simon Watson		(SW)	Gaz de France
Steve Featherstone		(SF)	Scotia Gas Networks
Sue Stanton		(SS)	National Grid

Apologies

Alison Meldrum	(AM)	Corus
Ian Phipps	(IP)	Consultant
Gary Ward	(GW)	The Energy Consortium
Robert Spears	(RS)	Utility Consumers Consortium
Steve Reeson	(SR)	Food and Drink Federation

1. Introduction

- 1.1 TD gave an introduction and set out proposed administrative arrangements for the Gas Customer Forum, which would be supported by the Joint Office.
- 1.2 Minutes of the meeting held on 21 November 2005 were accepted.
- 1.3 TD reviewed actions from the previous meeting – Terms of Reference, reflecting the Joint Office role, had been issued with the agenda.

2. Presentations

2.1 Gas Quality (C Mansfield)

CM gave the enclosed presentation on Gas Quality. CM encouraged members to visit the DTI web site to see the various papers available on this matter, and to respond to the consultation as consumer views are very important. The web site includes details of a Gas Quality Workshop on Friday 10 March 2006, at which he hoped to see as many people as possible. The consultation closes on 24 March, and the web address is http://www.dti.gov.uk/energy/domestic_markets/gas_market/gas_quality.shtml

During the presentation members discussed the potential impact of UNC Modification 0069 “Amendment of Network Entry Provisions at the European Interconnector sub-terminal at Bacton” and specifically the CO₂ and Nitrogen content. CM indicated that this would support the timely development of the appropriate infrastructure. TD pointed out that the gas received would remain within the Gas Safety (Management) Regulations 1996 (GS(M)R) specification.

Members raised concerns regarding the potential for landing different quality gas at different Entry Points. CM pointed out that ALL gas entering the transporters’ systems must be within the GS(M)R specification, and there was no prospect of a short term change in this specification. Concerns were voiced regarding the cost impact. CM explained the DTI has considered both the impact on all users and the costs of all supply scenarios. The DTI web site has a dedicated ‘Gas Quality’ page, which provides a wide range of evidence.

Members enquired about the impact were there a cold winter in 2007 – would existing specifications be relaxed? CM said the DTI is trying to be as transparent as possible, being sympathetic to gas quality issues and maintaining the balance between diversity and security of supply. However, safety would not be compromised and the GS(M)R specification would remain in place.

Members also enquired about the UK specification being changed to match the European specification. CM pointed out that the concept of a European Specification is a misnomer. With reference to CM’s Wobbe Index slide, members questioned how our European colleagues, such as Spain and Germany, cope with such a wide range for the acceptable gas specification. CM responded by stating that this is a very complex matter, and went on to say that in fact Germany has 8 individual networks spread across the whole Wobbe range as presented. Spain has adopted a national approach to its gas quality ranges, but has little experience with the leaner range and adjusts its appliances to ‘match’ the specification of gas delivered in that area. No EU member state has experience burning gas across the whole of the Wobbe range potentially put forward as a European standard.

Members raised concerns that a ‘no change’ approach to the UK market would restrict its development. CM acknowledged that this may be a risk, but readily available technology, such as nitrogen ballasting for LNG imports, can offset this risk with a relatively small impact on operating costs.

Members enquired on the progress of discussions with appliance manufacturers and whether or not appliance adjustment was out of the question. CM acknowledged that there was an impetus to continue to engage with manufacturers. A survey had identified that approximately 1 million out of 46.5 million domestic appliances pre date the Town Gas conversion and would potentially require scrapping if the GS(M)R specification were relaxed.

Members also enquired on the chances of our European neighbours meeting the UK specification and/or the prospect of broadening the GS(M)R specification to accommodate more supplies. CM professed the view that there was no sign that the GS(M)R requirements were impeding EU infrastructure and market investment. Additionally, there were no indications that it deterred the sale of gas to the UK – diversity was the key to gas supply security. CM pointed out that the UK's issues were promoted at the recent Madrid Forum and that the fundamental difficulties and complexities are now more widely understood and accepted.

2.2 Distribution Price Control Review (S Featherstone)

SF gave the enclosed presentation on the Gas Distribution Price Control Review (GDPCR). Members enquired if there would be any adjustment to prices for 2007/08 as a result of the one-year price control extension. SF said that Ofgem's view on this matter was part of their consultation process. SF encouraged members to participate in the consultation process, emphasising that Ofgem was seeking diverse views before making an informed decision.

Members commented that the GDPCR was an ideal opportunity to align the gas and electricity arrangements and to incentivise companies to do what customers want. SF advised that the more information Ofgem had, the better their understanding of customer requirements will be. Members asked if Ofgem has learnt from experience in conducting price control reviews. SF believed that Ofgem's questions during these processes were now better targeted and of an improved quality.

Members observed that there should be no premium for enhanced services, that delivery of potential savings should not be delayed by a further year, and that Ofgem's Impact Assessment on DN Sales indicated that an extra 3% savings would be achieved. TD pointed out that the one (1) year delay on the electricity side had enabled additional considerations to take place regarding cost increases not foreseen when the price control was set.

SF reaffirmed that members should ensure that they engage with Ofgem to put forward their views. The Initial Consultation document is available on the Ofgem web site, at <http://www.ofgem.gov.uk/ofgem/work/index.jsp?section=/areasofwork/gasdistriccon> and the deadline for comments is Friday 03 March 2006.

Action GCF001: In light of the tight deadline for responses, the Joint Office to issue the presentation and Ofgem's consultation document immediately following the meeting.
Action completed on 30 January.

2.3 Transmission Issues (N Sisman)

NS gave the enclosed presentation.

Members were keen to know if a Consumer Representative was in attendance at the inaugural meeting of the Transmission Charging Methodology Forum (TCMF), as the meeting coincided with an Ofgem meeting. NS indicated that Julie Cox (AEP) was in attendance.

Members discussed Exit Capacity, arguing that the electricity model already has an 'in built' user commitment approach and that they would be happy to see a similar set up

within the gas arena. Members commented that the 16/24 rule forces users to book capacity that they may not utilise. NS suggested this was primarily a DN rather than an NTS issue and hence not in scope for NTS Exit Reform. Members commented that 'signals' are not there at entry at present and questioned why anyone would bid 'over the reserve price' for 3 years hence in the new regime. They would favour a single price, rather than auctions and a price schedule.

NS reported that during the winter to date demand had been relatively low. Members asked about the scale of demand side response. NS advised that whilst it is relatively easy to measure gas used, it is rather more difficult to measure gas that would have been used if circumstances had been different, making the scale of response difficult to ascertain. Members commented that industry struggles to accommodate demand side requirements, with shut down being a very significant decision. Members asked, given that Chris Murray had presented figures on actual and forecast demand, why is this not provided via the National Grid web site as an indication of the scale of demand side response? Concerns were voiced that few really understand what demand side response really means and that consideration needs to be given to winter 2007 - the assumption that the market works ignores the true impact on industry.

In the context of potential changes to the procurement of gas for safety reserve purposes, members enquired if gas would have been prevented from being taken out of Rough by the NEC under the proposed approach. NS stated that NEC action to preserve storage stocks would only be expected in severe conditions, unlike the present winter. Members commented that the current regime creates perverse incentive on parties and that Ofgem appeared to be placing the onus on National Grid. NS pointed out that, regardless of the route, tensions would exist. SF suggested Rough gas is 'owned' by Shippers but, under the proposals, 50-60% might be procured by NTS on behalf of all parties. Members went on to enquire if NTS would 'own' half of the export gas, which NS confirmed they effectively would under Ofgem's model should the storage safety gas monitor requirement turn out to be that large.

With respect to the proposed provision of close to real time market information, NS suggested that it was not clear the benefits would exceed the costs. TD pointed out that it is important that members identify and as far as possible quantify the benefits as well as costs in any representations regarding the energywatch Modification Proposal.

Action GCF002: National Grid to publish the presentation materials from the TCMF Meeting held on 24 January 2006.

Action completed 1 February – material available from www.nationalgrid.com/uk/gas

Action GCF003: National Grid to provide an update on experience this winter at the next GCF meeting.

3. Modification Proposals

3.1 Review of UNC Modification Proposals (T Davis)

TD highlighted 'live' UNC modifications that he expected to be of greatest interest to the GCF, specifically:

- 0073 "Revision to the Notice period regarding the implementation of changes to Transportation Charges",
- 0069 "Amendment of Network Entry Provisions at the European Interconnector sub-terminal at Bacton",
- 0066 "Programmed Maintenance Notice Periods at NTS System Exit Points",
- 0060 "Publication of information in the Maintenance Programme",
- 0006(0727) "3rd Party Proposal : Publication of near Real Time Data at UK sub-terminals";
- and

0005(0726) "Provision of a Guarantee of Pressure for Meter Points operating above 21 mbar by the Relevant Transporter".

TD outlined the proposed amendment to the notification of price changes period (within 0073) from 2 to 4 months and sought views on a question raised by Ofgem:

What is the actual timing of suppliers' contract negotiations with consumers (when do they start and how long do they last)?

Members suggested this varied from contract to contract. The notice period for price changes is not a particular issue for larger customers. However, the frequency of changes is a greater concern. TD advised that the DN licence permitted only one change per year, in October, while NTS charges could also be amended each April.

TD also highlighted some recently implemented UNC modifications:

- 0061 "Facilitating further demand-side response in the event that a Gas Balancing Alert is triggered",
- 0049 "Amendment of Network Entry Provisions at the European Interconnector sub-terminal at Bacton"; and
- 0047 "Programmed Maintenance Notice Periods at NTS System Exit Points".

4. Customer Issues

4.1 DNO Update

The DN's were asked why the NW DN felt it necessary to invoke interruption over the Christmas and New Year period, and why transportation constraints existed when demand was well below peak levels. Marcus Stewart offered to investigate and report back.

Action GCF004: MS to explain why interruption was called during the Christmas holiday. *Action completed 1 February 2006 – see enclosed explanation.*

4.2 Customer Issues

To inform exit reform discussions, EP had sought an update of the Firm/Interruptible supply point distribution across load bands, as previously provided by Transco. xoserve had offered to provide this at a cost of £300-500. This was perceived by members as being a clear deterioration in service as a result of DN Sales, especially as DN's should have this information anyway. Members requested that, on their behalf, the GCF Chair ask the DN's to provide this information.

Action GCF005: TD to write to the DN's requesting the provision of information on the distribution of firm and interruptible loads in each load band.

PT was supported by other members in his request for an update on the outcome of the AQ review at the next GCF meeting.

Action GCF006: Joint Office to include AQ Review as an agenda item for the next GCF, and seek an appropriate presenter.

JO (John O'Grady) advised that Northern Gas Network's new web site was now live (<http://www.northerngasnetworks.co.uk/>) and invited feedback.

4.3 Regulatory Issues

No issues were raised.

5. Date of next meeting and agenda items

Dates for future GCF meetings were agreed for 2006, with the venue to alternate between London and the Midlands. TD advised that the dates and locations would be included on the Joint Office calendar, at <http://www.gasgovernance.com>

24 April – Elexon Office, 350 Euston Road, London

10 July – National Grid Office, 51 Homer Road, Solihull, West Midlands

25 September – Elexon Office, 350 Euston Road, London

27 November – National Grid Office, 51 Homer Road, Solihull, West Midlands

Action GCF007: Joint Office to arrange future meetings and advise members regarding venues.

Action completed 6 February 2006.

6. A.O.B.

6.1 GCF Terms of Reference (Joint Office)

The consensus amongst the members was that the agenda had worked well and the Terms of Reference were accepted.

6.2 Additional Requests

Members requested the inclusion of an agenda item for the next meeting, to cover a presentation by DN Owners following their first 12 months of operation.

TD closed the meeting and asked members to submit any suggestions for agenda items to the Joint Office via enquiries@gasgovernance.com

Appendix A

Action Log – Gas Customer Forum – 30 January 2006

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner*	Status Update
GCF001	30/01/06	2.2	Joint Office to issue DPCR presentation, the initial consultation document (subject to any Email delivery constraints).	MB	Completed 30/01/2006
GCF002	30/01/06	2.3	National Grid to publish the presentation materials from the TCMF Meeting held on 24 January 2006.	NS	Completed 01/02/2006
GCF003	30/01/06	2.3	National Grid to provide an update on experience this winter at the next GCF meeting.	NS	24/04/2006
GCF004	30/01/06	4.1	National Grid to explain why interruption was called during the Christmas holiday.	MS	Completed 01/02/2006
GCF005	30/01/06	4.2	Chair to write requesting the DNs provide information on the distribution of firm and interruptible loads in each load band.	TD	24/04/2006
GCF006	30/01/06	4.2	Joint Office to include AQ Review as an agenda item for the next GCF, and seek an appropriate presenter.	MB	24/04/2006
GCF007	30/01/06	5	<p>Joint Office to arrange future 2006 GCF meetings and advise members regarding venues.</p> <ul style="list-style-type: none"> • 24 April – Elexon Office (pink room), 350 Euston Road, London • 10 July – National Grid Office (monet/Picasso room), 51 Homer Road, Solihull, West Midlands • 25 September – Elexon Office (pink room), 350 Euston Road, London • 27 November – National Grid Office (monet/Picasso room), 51 Homer Road, Solihull, West Midlands 	MB	Completed 06/02/2006

Appendix B

Interruption Report to the Gas Customer Forum – 30 January 2006

"Stewart, Marcus"
<Marcus.Stewart@corporg.net>

01/02/2006 15:54

To: Ed Proffitt <edproffitt@foel.freeseve.co.uk>
cc: Tim.Davis@gasgovernance.com
Subject: Interruption in NW

Eddie,

In response to your query raised at the GCF.

There were 7 Network Sensitive Loads interrupted in NW on 29 December as the demand trigger level was breached. Therefore the minimum number of NSLs were interrupted to protect firm load. They were interrupted from 16:00 hrs on 29th December and supply was restored with effect from 0600 on 30th December. The gas demands that day were the highest experienced so far this winter.

Out of interest both Scotland and Southern Networks also experienced transporter interruption that day.

Regards,

Marcus
Marcus Stewart
Consumer Manager
Commercial, UK Distribution
National Grid
National Grid House
Warwick Technology Park
Gallows Hill
Warwick CV34 6DA
(Tel. +44 (0) 1926 655535
(Mobile +44 (0)77 99343664
EFax +44 (0) 1926 656602
+ marcus.stewart@uk.ngrid.com