

Record of Determinations: Panel Meeting, 20 January 2011

Mins Ref	Modification	Vote Outcome	Shipper Voting Members					Transporter Voting Members					Consumer Member	Determination Sought
			AB (PB)	CWr	PB	RF	SL	CWa	JF	JM	RHe	ST	RHa	
104.3	0353 - Population and Maintenance of the Market Sector Code within the Supply Point Register	Issued to Consultation - 7 votes in favour		✓				✓	✓	✓	✓	✓	✓	Issue to Consultation
		Legal text not required - 1 vote in favour of text					✓							Is legal text required
		Cost estimate not required - Unanimous vote	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Is cost estimate not required
		Consultation to close on 4 March – Unanimous vote	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Consultation close out
104.3	0354 - Alternative to MODs 0339 Clarification of the AUG Year in respect of UNC Modification 0229	Deferred - Unanimous vote	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Consideration to be deferred	
104.3	0355 – Alignment of CV and Wobbe Limits at NTS System Entry Points	Self Governance Mod - 6 votes in favour, 3 against and 2 abstentions	NV	X	NV	✓	✓	✓	✓	✓	X	✓	X	Self Governance modification
		Issue to Workgroup – Unanimous vote	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Issue to Workgroup for assessment
		Report to April Panel - Unanimous	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Report to April Panel
104.3	0356 – Demand Data for the NTS Exit (Flat) Capacity Charges Methodology	Not self governance – Unanimous vote	X	X	X	X	X	X	X	X	X	X	X	Self Governance modification
		Issued to Workgroup – Unanimous vote	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Issue to Workgroup for assessment
		Report to July Panel – Unanimous vote	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Report to July Panel

Mins Ref	Modification	Vote Outcome	Shipper Voting Members					Transporter Voting Members					Consumer Member	Determination Sought
			AB (PB)	CWr	PB	RF	SL	CWa	JF	JM	RHe	ST	RHa	
104.4	0326 - Allocation of unidentified gas following the appointment of the Allocation of Unidentified Gas Expert (AUGE)	Consideration deferred - Unanimous vote	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Defer consideration
104.5	0282 - Introduction of a process to manage Vacant sites	Issued to consultation - Unanimous vote	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Issue to Consultation
		Not required - Unanimous vote	✓	✓	✓	NP	✓	✓	✓	✓	✓	✓	✓	Is cost estimate not required
		Legal text required for DMR - Unanimous vote	✓	NP	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
104.5	0312 - Introduction of Two-Thirds Majority Voting to the UNC Modification Panel	Deferred - Unanimous vote	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Defer consideration
104.5	0314 - The provision of a "Data Update" to Non Code Parties	Issued to consultation - Unanimous vote	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Issue to Consultation
		Consultation to close on 25 February - Unanimous vote	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Consultation closeout
		Legal text not required - no votes cast in favour												

Mins Ref	Modification	Vote Outcome	Shipper Voting Members					Transporter Voting Members					Consumer Member	Determination Sought
			AB (PB)	CWr	PB	RF	SL	CWa	JF	JM	RHe	ST	RHa	
104.5	0333 - Update of the default System Marginal Buy Price and System Marginal Sell Price	Issued to consultation - Unanimous vote	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Issue to Consultation
		Standard consultation – 1 vote cast in favour of reduced consultation									✓			Reduce consultation period
		Cost estimate not required – unanimous vote	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Is cost estimate not required
		Legal text not required – no votes cast in favour												Is legal text required
104.5	0339 - Clarification of the AUG Year in respect of UNC Modification 0229	Issued to consultation - Unanimous vote	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Issue to Consultation
		Consultation to close out 14 February - Unanimous vote	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Consultation closeout
		Legal text not required – 3 votes in favour	✓		✓								✓	Is legal text required
104.5	0340 - Clarification of the AUG Year in respect of UNC Modification 0229 (alternative)	Issued to consultation - Unanimous vote	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Issue to Consultation
		Consultation to close out 14 February - Unanimous vote	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Consultation closeout
		Legal text not required – 3 votes in favour	✓		✓								✓	Is legal text required

Mins Ref	Modification	Vote Outcome	Shipper Voting Members					Transporter Voting Members					Consumer Member	Determination Sought
			AB (PB)	CWr	PB	RF	SL	CWa	JF	JM	RHe	ST	RHa	
104.5	0329 – Review of Industry Charging and Contractual Arrangements – DM Supply Point Offtake Rates (shqs) and DM Supply Point Capacity (soqs)	Extension agreed report to April Panel – Unanimous vote	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Extension Requested
104.5	0337 - Introduction of an Inter-Day Linepack Product	Extension agreed report to April Panel – Unanimous vote	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Extension Requested
104.5	0343 - The ability and requirement for Users and Transporters to raise issues to be considered by the Allocation of Unidentifieded Gas Expert as “known” issues	Extension agreed report to April Panel – Unanimous vote	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Extension Requested
104.5	0348 - NTS Optional Commodity tariff – update to application rules	Extension agreed report to April Panel – Unanimous vote	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Extension Requested
104.6	0277 - Creation of Incentives for the Detection of Theft of Gas (Supplier Energy Theft Scheme)	No new issues raised – no votes in favour												Did consultation raise new issues
		Implementation recommended - 6 votes in favour		✓				✓	✓	✓	✓	✓		Whether to recommend implementation
104.6	0292 - Proposed change to the AQ Review Amendment Tolerance for SSP sites	No new issues raised – no votes in favour												Did consultation raise new issues
		Implementation not recommended - 4 votes in favour	✓		✓	✓							✓	Whether to recommend implementation

Attendees

Voting Members:

Shipper Representatives	Transporter Representatives	Consumer Representative
C Wright, British Gas (CWr) P Broom, GDF Suez (PB) also alternative for A Bal, Shell (AB) R Fairholme, E.ON UK (RF) S Leedham, EDF Energy (SL)	C Warner, National Grid Distribution (CWa) J Ferguson, Northern Gas Networks (JF) J Martin, Scotia Gas Networks (JM) R Hewitt, National Grid Transmission (RHe) S Trivella, Wales & West Utilities (RCH)	R Hall, Consumer Focus (RHa)

Non-Voting Members:

Independent Suppliers' Representative	Ofgem Representative	Chairman
		T Davis, Joint Office (TD)

Also in Attendance:

C Cameron, Ofgem (CC), D Ianora, Ofgem (DI), R Healey, RWE npower (RH_y)

By Teleconference: K Kennedy, Scottish Power (KK), S Mullinganie, Gazprom (SM)

Record of Discussions

104.1 Receive report on status of Urgent Modifications

None

104.2 Consider New, Non-Urgent Modifications

- a) Modification 0353 - Population and Maintenance of the Market Sector Code within the Supply Point Register

ST introduced the modification and its aims and objectives, advising that the principles had been discussed at previous workstream meetings and that the modification should be issued to consultation. Draft legal text should be available for consideration during the consultation.

CWR asked if the transition time in the modification is sufficient and whether there is a limit on the number of files that can be submitted in a day. ST confirmed there is a limit and that the practicalities can be discussed in more detail should the modification be implemented.

RHa asked if there are alternative solutions, since a single cost estimate had been provided to manage two different volumes. ST confirmed the actual solution would be dependent on the number of amendments submitted and would be scaled down as appropriate. ST confirmed a default of 'D' would be put in place where the AQ is less than 73,200kWh per annum for a site and the existing market differentiation flag is blank when the time limit for updates is reached.

Members determined that:

- Modification 0353 should be issued to consultation with representations invited by 4 March 2011;
- formal text should not be prepared for inclusion in the Draft Modification report; and
- a further cost estimate is not required for inclusion in the Draft Modification Report.

- b) Modification 0354 - Alternative to MODs 0339 Clarification of the AUG Year in respect of UNC Modification 0229

DW introduced the modification and how it aimed to clarify the applicable dates for AUG charges following the implementation of Modification 0229 and that by October 2011, shippers should know what costs they face under the scheme.

ST asked if, apart from the date, the legal text for Modification 0339 is suitable for 0354. DW thought it would be similar as the modification is just changing the date the AUG applies from; the implementation timeline should not change.

SL asked what happens if the AUG is delayed a year or more? DW advised the reconciliation would be backdated to October 2011 as set out in the modification.

RF noted that the modification is flagged as having a high impact on Shippers and, as such, it would be expected that this should be considered by a Workgroup, particularly as the new process does not otherwise allow an alternative to be raised.

CC was concerned that formal legal text has not been provided when the text is central to the issue. She suggested that formal text should be provided for this modification on the same basis as that for Modifications 0339 and 0340.

The Panel voted unanimously to defer consideration of the modification.
Post meeting note: this modification was withdrawn following the meeting.

c) Modification 0355 – Alignment of CV and Wobbe Limits at NTS System Entry Points

RHe explained that the aim of the modification was to align wobbe limits and CV values at a number of NTS entry points, and suggested the modification should be sent to consultation.

RF asked if the modification has been amended since the draft had been discussed at the Transmission workstream. RHe confirmed it had not materially changed. CC asked if the modification could be discussed at a workgroup, particularly the analysis of shrinkage impacts. CWr was concerned that steps be taken to try to ensure the correct people in the industry had been contacted and allowed to discuss the modification in detail.

Members determined that Modification 0355:

- meets the criteria and is a Self-Governance Modification;
- be sent to a Workgroup for assessment.

The Panel requested the Workgroup to consider:

- the impacts on CV shrinkage
- if there are any third parties who should be included in the assessment and/or consultation process.

d) Modification 0356 – Demand Data for the NTS Exit (Flat) Capacity Charges Methodology

RHe explained that a draft of this modification had been discussed at the NTSCMF (NTS Charging Methodology Forum), though it may warrant further discussion.

SL asked if the approach is being changed to a forecast, whether additional changes to the TPD (Transportation Principal Document) should be made to ensure visibility of the data being used. This would support shippers replicating and validating charges. He also indicated that discussion of the draft suggested there are likely to be a number of alternatives raised - the workgroup should be allowed sufficient time to assess all of the options.

Members determined that Modification 0356:

- does not meet the Self Governance criteria;
- should be sent to a Workgroup for assessment.

Members requested that the Workgroup consider what would happen if the modification is not implemented by May 2011.

104.3 Consider Legal Text

- a) Modification 0326 - Allocation of unidentified gas following the appointment of the Allocation of Unidentified Gas Expert (AUGE)

Legal text and a draft ACS (Agency Charging Statement) had been circulated. SL was concerned that a cost estimate had not been published since this is an underpinning principle of User Pays, and it is unhelpful for Shippers in deciding whether to support a modification or not. ST advised that the cost could only be described as low (less than £50k), as no actual costs were available.

RHa asked if any consideration has been given to how the reconciliation will happen if it is significant. ST confirmed reconciliation happens at a point in time and is expected to be invoiced as a single amount. PB thought it would be applied to the next set of invoices over an agreed time period.

CC indicated that Ofgem had identified a number of questions regarding the text. TD asked if consultation should be delayed until queries regarding the text had been resolved.

Members determined unanimously to defer consideration of the modification.

104.4 Consider Workgroup Monthly Reports

Workgroup Reports

- a) Modification 0282 - Introduction of a process to manage Vacant sites

CC advised that Ofgem would still welcome further cost/benefit analysis to support the case for change. KK advised that parties were unwilling to share confidential information in a public forum and asked respondents to provide information confidentially to Ofgem.

CWr was concerned the SPAA schedule referenced in the modification is only a draft and, as this underpins the suggested approach, further assurance on its content is desirable. KK confirmed that a copy of the SPAA schedule had been provided for the Draft Modification Report.

RHa asked if the changes in electricity which were similar, have worked as expected and proved to be beneficial. KK advised it had been implemented quickly and, as far as she was aware, was being used without issues being raised.

Members determined that Modification 0282:

- should proceed to consultation;
- that a further cost estimate is not required;
- that legal text be provided for inclusion in the Draft Modification Report.

b) Modification 0312 - Introduction of Two-Thirds Majority Voting to the UNC Modification Panel

RHa felt that the legal advice procured for other codes would be useful to understand. However, he understood the legal advice for BSC and CUSC is ambiguous at best since it suggested the change would be effective for the BSC but not the CUSC – with the difference reflecting the different wording in the Statutory Instrument regarding appeals.

RF suggested consideration be deferred in order to help gain more understanding of the impact of the change.

Members determined that consideration of Modification 0312 should be deferred.

c) Modification 0314 - The provision of a “Data Update” to Non Code Parties

CWr advised that draft text would be provided for publication alongside the Draft Modification Report. Members determined that Modification 0314:

- should proceed to consultation;
- should have a closeout for representations of 25 February;
- did not require a further cost estimate;
- did not require legal text for inclusion in the Draft Modification Report.

d) Modification 0333 - Update of the default System Marginal Buy Price and System Marginal Sell Price

RHe indicated that Suggested Text had been provided in support of the modification, and requested that a shortened consultation period be adopted. SL advised an alternative is likely to be raised which incorporates a different User Pays approach.

Members determined unanimously that Modification 0333 should:

- proceed to consultation;
- not have a shortened consultation;
- not have a further cost estimate produced;
- not have legal text prepared for inclusion in the Draft Modification Report.

Members requested that the Final Modification Report is included on the agenda for the additional Panel meeting on 24 February.

- e) Modification 0339 - Clarification of the AUG Year in respect of UNC Modification 0229

CWa confirmed the intention of the modification is to clarify the AUG year in respect of the date from which charges will be applied; Modification 0339 specifies April 2012 whereas Modification 0340 specifies April 2011. However, a new issue is the impact of reallocated costs from the implementation of Modification 0317, particularly in respect of Modification 0340 – it is not apparent if the costs will be offset against the AUGE reallocated costs for that particular year.

RHa asked if the legal text should be formally clarified and confirmed at this stage, bearing in mind that the aim of the modification is to clarify existing text. Concerns were also raised about the style of the suggested text.

Members determined unanimously that Modification 0339 should:

- proceed to consultation;
- have a closeout for representations of 14 February;
- not have legal text prepared for inclusion in the Draft Modification Report.

Members requested that the Final Modification Report is included on the agenda for the additional Panel meeting on 24 February.

- f) Modification 0340 - Clarification of the AUG Year in respect of UNC Modification 0229 (alternative)

Members determined unanimously that Modification 0340 should:

- proceed to consultation;
- have a closeout for representations of 14 February
- not have legal text prepared for inclusion in the Draft Modification Report.

Members requested that the Final Modification Report is included on the agenda for the additional Panel meeting on 24 February.

Extensions Requested

- a) Modification 0329 – Review of Industry Charging and Contractual Arrangements – DM Supply Point Offtake Rates (shqs) and DM Supply Point Capacity (soqs)

Members determined unanimously to extend the time for the Workgroup

to report until April 2011.

b) Modification 0337 - Introduction of an Inter-Day Linepack Product

Members determined unanimously to extend the time for the Workgroup to report until April 2011.

c) Modification 0343 - The ability and requirement for Users and Transporters to raise issues to be considered by the Allocation of Unidentified Gas Expert as “known” issues

Members determined unanimously to extend the time for the Workgroup to report until April 2011.

d) Modification 0348 - NTS Optional Commodity tariff – update to application rules

Members determined unanimously to extend the time for the Workgroup to report until April 2011.

104.5 Consider Final Modification Reports

a) Modification 0277 - Creation of Incentives for the Detection of Theft of Gas (Supplier Energy Theft Scheme)

Members considered the report was in the correct form and discussed whether or not to recommend implementation of the modification. They did not determine that new issues had been raised that justified seeking further views from a Workgroup, with no votes cast in favour.

The Panel Chair summarised that the modification seeks to introduce an incentive scheme that rewards Shippers who report more than the industry average rate of detected thefts per supply point served. In principle, this should incentivise Shippers to invest in theft detection up to the point where the marginal cost of theft discovery equals the marginal revenue received through the incentive scheme. In the absence of other considerations, implementation of this modification might therefore be expected to change the level of investment in theft detection – to maximise profit, Shippers would be expected to increase theft detection if the expected increase in revenue from the scheme exceeded the increase in costs, but to reduce theft detection if the cost savings from doing so exceed the expected reduction in revenue from the scheme.

Some Members considered that the level of reward proposed under the scheme was such that an increase in effort on theft detection and, consequently, a reduction in theft and unaccounted for gas should be anticipated. This would be expected to deliver benefits in terms of more accurate cost allocations, with energy being allocated directly to the appropriate Shipper rather than being allocated through the general RbD mechanism. As with other steps to improve cost allocations, this would be consistent with facilitating the achievement of effective competition. In addition, increased theft detection efforts would be expected to identify cases where unsafe practices had been adopted, including upstream of the ECV. Implementation could therefore help to increase network safety.

While this could lead to increased costs to rectify issues identified, it would also avoid the costs needed to rectify incidents arising as a result of the unsafe behaviour. Increasing the safety of the network would be consistent with facilitating compliance with Licence obligations.

Other Members were concerned that, while incentivising theft detection was to be welcomed, the scheme could create arbitrary reallocations of costs between Shippers: portfolio variations mean that the expected percentage of theft is not homogenous across Shippers; the total to be reallocated through the scheme is not demonstrably appropriate, such that it may not incentivise the appropriate level of theft detection; and the scheme creates uncertainty about the level of revenue to be received and so does not support efficient decisions being taken. Generating arbitrary changes in cost allocations would not be consistent with facilitating the achievement of effective competition.

The Consumer Representative suggested that, while supportive of the general principle of incentivising theft detection, the case had not been clearly made that implementation of this modification would ameliorate cross subsidies appropriately. Further analysis through Ofgem's proposed impact assessment would hopefully clarify this further.

Six Members voted in favour of implementation. Therefore the Panel recommended implementation of this modification.

Panel's view of the benefits of implementation against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/or or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	Supported if identification of dangerous network interference is increased.
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Accurate cost allocations avoid cross subsidies and so help secure effective competition. Implementation would change cost allocations, but there was no agreement on whether this would be an improvement or deterioration.
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply	None

security standards... are satisfied as respects the availability of gas to their domestic customers.	
f) Promotion of efficiency in the implementation and administration of the Code	None

b) Modification 0292 - Proposed change to the AQ Review Amendment Tolerance for SSP sites

Members considered the report was in the correct form and discussed whether or not to recommend implementation of the modification. They did not determine that new issues had been raised that justified seeking further views from a Workgroup, with no votes cast in favour.

The Panel Chair summarised that the UNC presently restricts AQ amendments to those where the AQ would change by not less than 20%, in an either upward or downward direction. This modification seeks to reduce this to 5%. It is also proposed to limit the number of amendments that will necessarily be processed for each Shipper on each day. By reducing the tolerance, AQ amendments will be able to be submitted for smaller changes than previously. This will increase the ability of Aqs to accurately reflect changes in circumstances.

Since Aqs feature in investment planning, more accurate Aqs would be expected to lead to better informed and more appropriate network investment, facilitating compliance with licence obligations regarding system development. Changes in Aqs also lead to changes in cost targeting between Shippers. By helping to ensure that costs are appropriately targeted, with cross-subsidies reduced, implementation would be expected to facilitate the securing of effective competition.

While accepting the principle that more accurate Aqs would be expected to facilitate achievement of the Relevant Objectives, a Member suggested that misuse of the AQ amendment process is leading to inaccurate Aqs - removing some existing controls and opening the process to more amendments could therefore have the opposite effect to that intended.

Some Members were concerned that the proposed volume limits would undermine the benefits potentially offered by the Proposal, and would impact Shippers differently – depending on the systems and processes employed. Implementation may therefore introduce undue discrimination between Shippers, and so not facilitate achievement of the Relevant Objectives. This would be most acute if the modification were to be implemented for use in the 2011 AQ Review since this would not allow sufficient time for some Shippers to make the system and supporting changes necessary to reflect the changed tolerance.

Four Members voted in favour of implementation. Therefore the Panel did not recommend implementation of this modification.

Panel's view of the benefits of implementation against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	More accurate AQt supports efficient network planning.
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Accurate cost allocations avoid cross subsidies and so help secure effective competition.
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code	None

c) Modification 0296 - Facilitating a Supply Point Enquiry Service for Non-Domestic Supply Points

Members considered the report was in the correct form and discussed whether or not to recommend implementation of the modification. They did not determine that new issues had been raised that justified seeking further views from a Workgroup, with no votes cast in favour.

The Panel Chair summarised that the modification seeks firstly to define the circumstances in which Shippers may obtain Supply Point information. The present provision of when "contemplating" supplying a customer is open to interpretation, and this proposal clarifies that written or verbal consent is required. By providing clarity to the terms of the UNC, implementation could be expected to facilitate the Relevant Objective of the efficient administration and operation of the UNC.

In addition, the modification seeks to empower the release of data regarding non-domestic supply points via an online portal. This is,

however, only a facilitating modification and a further initiative would be needed in order to develop such a service. By opening the possibility of developing services in support of competition, implementation of this element may be regarded as facilitating the securing of effective competition. If such services are proposed, the pre-existence of the ability to release data would also be consistent with efficient administration and operation of the UNC.

The Consumer Representative was concerned that, while the provisions in the UNC would be clearer, the proposed controls on data release were insufficient and capable of abuse, such that implementation would not be consistent with facilitating efficient administration and operation of the UNC.

Ten Members voted in favour of implementation. Therefore the Panel recommended implementation of this modification.

Panel's view of the benefits of implementation against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None.
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Supported by creating an opportunity for services to be developed that rely on the Transporters being permitted to release data.
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code	Subject to the data release safeguards being sufficient, promoted by clarifying terms within the UNC, and by introducing terms which will

	support the subsequent development of services.
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d) Modification 0342 - Amendment to the DN Adjustment Window

Members considered the report was in the correct form and discussed whether or not to recommend implementation of the modification. They did not determine that new issues had been raised that justified seeking further views from a Workgroup, with no votes cast in favour.

The Panel Chair summarised that the modification seeks to refine the timing of information exchange between the National Transmission System Operator (NTS) and the Distribution Network Operators (DNOs). Amending the timetable allows additional levels of discussion and analysis, which provides an increased opportunity for NTS to better facilitate DNO requirements, thereby helping to identify the most economic and efficient means of developing and operating the combined pipeline systems.

One Member indicated that he did not feel sufficiently cognisant of the issues put forward to be able to offer a positive view that the Relevant Objectives would be facilitated by this modification.

Ten Members voted in favour of implementation. Therefore the Panel recommended implementation of this modification.

Panel's view of the benefits of implementation against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Improved information exchange may enhance system operation.
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	Improved information exchange supports efficient operation of the combined pipe-line system.
c) Efficient discharge of the licensee's obligations.	Improved information exchange supports economic and efficient network investment.
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas	None.

transporters) and relevant shippers.	
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code	None.

e) Modification 0344 - Removal of the D+1 11am meter read liabilities regime for DM voluntary (DMV) Supply Points

Members considered the report was in the correct form and discussed whether or not to recommend implementation of the modification. They did not determine that new issues had been raised that justified seeking further views from a Workgroup, with no votes cast in favour.

The Panel Chair summarised that the Transporters provide a regulated daily read service. As a means of incentivising reads to be provided efficiently, liabilities are payable in the event of standards being below a target level. Following the implementation of Modification 0224 - Facilitating the use of AMR in the Daily Metered Elective Regime – natural competitive pressures can be expected to ensure standards are maintained and hence it may be considered inappropriate for a liabilities based regime to continue. Removal of liabilities may also have the benefit of encouraging the Transporters to focus on their remaining regulated obligations in preference to seeking to operate efficiently in areas where the market can provide the required services.

Some Members felt that implementation of the modification would encourage the Transporters to focus on mandatory DM sites, and that any improvement in performance in this area would be expected to facilitate efficient system operation. These are the largest loads connected to the system and are likely to have a significant impact on how the system is operated. Any improvement in the available information would therefore be consistent with facilitating efficient system operation.

Some Members also felt that reliance on competitive pressures in preference to a liability regime would be consistent with efficient administration and implementation of the UNC, with a general presumption that market based approaches are more efficient than regulated arrangements.

Other Members were concerned that the incentive to maintain standards for the sites concerned should not be undermined, and at least be in line with those for Modification 0224. Significant volumes of energy are accounted for by these sites and any inaccuracy could therefore have an impact on the allocation of costs between Shippers. Any deleterious

impact on cost allocations would be detrimental to facilitating the securing of effective competition. This was likely to be a particular problem in the immediate future since the competitive DME market is in its infancy and may not yet drive appropriate behaviours, such that liabilities should be maintained.

Six Members voted in favour of implementation. Therefore the Panel recommended implementation of this modification.

Panel's view of the benefits of implementation against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Focussing on mandatory DM sites may provide improved information which can support system operation
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None.
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Misallocation of energy and costs may adversely impact completion.
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code	Reliance on market mechanisms to incentivise behaviour is expected to be efficient.

f) Modification 0345 - Removal of Daily Metered voluntary regime

Members considered the report was in the correct form and discussed whether or not to recommend implementation of the modification. They did not determine that new issues had been raised that justified seeking further views from a Workgroup, with no votes cast in favour.

The Panel Chair summarised that the modification seeks to remove the Transporter’s obligation to provide Daily Read Equipment when requested to do so. Such equipment is now provided in competition with other providers, following the implementation of Modification 0224 - Facilitating the use of AMR in the Daily Metered Elective Regime. The operation of regulated services in a competitive market risks creating market distortions. The removal of obligations would therefore be expected to allow market based solutions to develop in response to market demands. Implementation would therefore be expected to provide efficiency benefits to market participants as well as to encourage innovation.

Members accepted that removal of market distortions would be expected to support the development of competition between Shippers and between Suppliers. It was also accepted that market based as opposed to regulated provision of services would be consistent with efficient administration and implementation of the UNC. However, some members were concerned that the market based approach remains embryonic and unproven. It would be inappropriate to remove a service from the market if this meant sites reverting to non-daily metered status since this would reduce the options open to Shippers and Suppliers. By restricting choice, implementation would not be consistent with facilitating effective competition.

Similarly, some Members felt that the lack of a proven alternative meant that there was insufficient evidence to conclude that implementation would necessarily facilitate efficient administration and implementation of the UNC.

Six Members voted in favour of implementation. Therefore the Panel recommended implementation of this modification.

Panel’s view of the benefits of implementation against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee’s obligations.	None.

g) Modification 0346 - An Alternative to the Supplier Energy Theft Scheme Based on Throughput

Members considered the report was in the correct form and discussed whether or not to recommend implementation of the modification. They did not determine that new issues had been raised that justified seeking further views from a Workgroup, with no votes cast in favour.

The Panel Chair summarised that the Transporters provide a regulated daily read service. As a means of incentivising reads to be provided efficiently, liabilities are payable in the event of standards being below a target level. Following the implementation of Modification 0224 - Facilitating the use of AMR in the Daily Metered Elective Regime – natural competitive pressures can be expected to ensure standards are maintained and hence it may be considered inappropriate for a liabilities based regime to continue. Removal of liabilities may also have the benefit of encouraging the Transporters to focus on their remaining regulated obligations in preference to seeking to operate efficiently in areas where the market can provide the required services.

Some Members felt that implementation of the modification would encourage the Transporters to focus on mandatory DM sites, and that any improvement in performance in this area would be expected to facilitate efficient system operation. These are the largest loads connected to the system and are likely to have a significant impact on how the system is operated. Any improvement in the available information would therefore be consistent with facilitating efficient system operation.

Some Members also felt that reliance on competitive pressures in preference to a liability regime would be consistent with efficient administration and implementation of the UNC, with a general presumption that market based approaches are more efficient than regulated arrangements.

Other Members were concerned that the incentive to maintain standards for the sites concerned should not be undermined, and at least be in line with those for Modification 0224. Significant volumes of energy are accounted for by these sites and any inaccuracy could therefore have an impact on the allocation of costs between Shippers. Any deleterious impact on cost allocations would be detrimental to facilitating the securing of effective competition. This was likely to be a particular problem in the immediate future since the competitive DME market is in its infancy and may not yet drive appropriate behaviours, such that liabilities should be maintained.

Five Members voted in favour of implementation. Therefore the Panel did not recommend implementation of this modification.

Panel's view of the benefits of implementation against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Focussing on mandatory DM sites may provide improved information which can support system operation
b) Coordinated, efficient and economic	None

operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	
c) Efficient discharge of the licensee's obligations.	None.
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Misallocation of energy and costs may adversely impact completion.
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code	Reliance on market mechanisms to incentivise behaviour is expected to be efficient.

104.6 Any Other Business

a) Update on European Network Codes

Members voted unanimously in favour of taking this item at short notice.

CC presented on behalf of Ofgem, explaining the differences between the proposed EU codes and UNC and that the EU codes will take precedence over national codes. CC advised that she would be willing to take back any questions raised by Panel.

PB asked if balancing affects interconnected states. SL advised that it will affect more than interconnectors, though the charging aspect are restricted to interconnectors.

SL asked if there was clarity on the adoption of the different codes – what was binding and what is not. RHa suggested it would be useful to get an understanding from Ofgem regarding how compliant the present UNC is with the likely European requirements.

b) Code Administration Code of Practice

TD advised that, being a Code of practice requirement, a representation template would be published alongside DMRs in future. This is not

mandatory, but had been designed to help parties structure responses in line with the modification process. Any feedback on the template would be welcome.

TD advised that the Joint Office has started the processes necessary to capture the Key Performance Indicators set out in the Code Of practice. It is hoped to bring a January 2011 KPI report to the next meeting and all feedback from Panel members would be welcome.

104.7 Conclude Meeting and Agree Date of Next Meeting

The Panel noted that the next meeting is planned for 10.30 on 17 February 2011 at the Energy Networks Association.

