

Record of Determinations: Panel Meeting, 15 August 2013

Modification	Vote Outcome	Shipper Voting Members					Transporter Voting Members					Consumer Representative	Determination Sought
		PB for AB	AG	CWr	PB	RF	CWa	EM	JF	JE	RH	CH	
0462 - Introducing Fast Track Self Governance into the Uniform Network Code	Not related to the Significant Code Review - unanimous vote against	X	X	X	X	NP	X	X	NP	NP	X	X	Modification is related to Significant Code Review
	Is not a Self-Governance Modification - unanimous vote against	X	X	X	X	NP	X	X	NP	NP	X	X	Modification should follow Self-Governance Procedures
	Issued to Workgroup 0462 - unanimous vote in favour	✓	✓	✓	✓	NP	✓	✓	NP	NP	✓	✓	Should be referred to Workgroup 0462
	Workgroup to report by the November 2013 Panel - unanimous vote in favour	✓	✓	✓	✓	NP	✓	✓	NP	NP	✓	✓	Workgroup to report by the November 2013 Panel
0463 - Recognition of the '2nd January' Scottish Bank Holiday as a Business Day for Supply Point related transactions	Not related to the Significant Code Review - unanimous vote against	X	X	X	X	NP	X	X	X	X	X	X	Modification is related to Significant Code Review
	Is a Self-Governance Modification - unanimous vote in favour	✓	✓	✓	✓	NP	✓	✓	✓	✓	✓	✓	Modification should follow Self-Governance Procedures
	Issued to Workgroup 0463 - unanimous vote in favour	✓	✓	✓	✓	NP	✓	✓	✓	✓	✓	✓	Should be referred to Workgroup 0463
	Workgroup to report by the October 2013 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Workgroup to report by the October 2013 Panel
0435 - Arrangements to better secure firm gas supplies for GB customers	Workgroup to report by November 2013 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Workgroup to report by November 2013 Panel
0450 - Monthly revision of erroneous SSP Aqs outside the User AQ Review Period	Workgroup to report by November 2013 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Workgroup to report by November 2013 Panel
0418 - Review of LDZ Customer Charges	Returned to Workgroup - with 7 votes in favour and 4 votes against	X	X	✓	X	✓	✓	✓	✓	✓	✓	X	Did consultation raise new issues
	Workgroup to report by November 2013 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Workgroup to report by November 2013 Panel

0418A - Review of LDZ Customer Charges	Returned to Workgroup - with 7 votes in favour and 4 votes against	X	X	✓	X	✓	✓	✓	✓	✓	✓	X	Did consultation raise new issues
	Workgroup to report by November 2013 Panel - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Workgroup to report by November 2013 Panel
0449 - Introduction of Interconnection Points and new processes and transparency requirements to facilitate compliance with the EU Congestion Management Procedures	Considered at short notice - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Consider at short notice
	Not returned to Workgroup - unanimous vote against	X	X	X	X	X	X	X	X	X	X	X	Did consultation raise new issues
	Implementation recommended - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Whether to recommend implementation
0459S – Amendments to the 'K' revenue adjustment factor based on RIIO-T1	Not returned to Workgroup - unanimous vote against	X	X	X	X	X	X	X	X	X	X	X	Did consultation raise new issues
	Implemented - unanimous vote in favour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Whether to implement

KEY	In favour	Not in Favour	No Vote Cast	Not Present
	✓	X	NV	NP

UNC Modification Panel

Minutes of the 146th Meeting held on Thursday 15 August 2013 at ENA, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF

Attendees

Voting Members:

Shipper Representatives	Transporter Representatives	Consumer Representative
A Green (AG), Total C Wright (CWr), British Gas P Broom (PB), GDF Suez and alternate for A Barnes R Fairholme* (RF), E.ON UK	C Warner (CWa), National Grid Distribution E Melen (EM), Scotia Gas Networks Joanna Ferguson (JF), Northern Gas Networks John Edwards (JE), Wales & West Utilities R Hewitt (RH), National Grid NTS	C Hill (CH), Consumer Focus

Non-Voting Members:

Chairman	Ofgem Representative
B Fletcher (BF), Joint Office	

Also in Attendance:

A Miller (AM), Xoserve; A Rooney (AR), Ofgem; E Thorburn (ET), Ofgem, L Dupont (LD), Secretary and S McGoldrick (SM), National Grid NTS.

* by Teleconference

Record of Discussions

146.1 Note of any alternates attending meeting

E Melen for A Musgrave (Scotia Gas Networks)

P Broom for A Barnes (Gazprom)

J Edwards for S Edwards (Wales & West Utilities)

146.2 Record of Apologies for absence

A Barnes, A Musgrave and S Edwards.

146.3 Minutes of the Last Meeting

The minutes of the last meeting were accepted.

146.4 Consider New, Non-Urgent Modifications

- a) Modification 0462 - Introducing Fast Track Self Governance into the Uniform Network Code

EM introduced the modification and its aims. Two different solutions (one simple and one more complex) had been included to enable consideration by the Workgroup to reach a view on the most efficient approach. BF referred to discussions at the pre Panel meeting, where a concern had been raised relating to safeguards in management of the process. EM explained how this was envisaged to operate; the current self-governance rules would apply plus the criteria set out by Ofgem.

For Modification 0462, Members determined:

- The modification is not related to the Significant Code Review as it is not a related subject;
- The criteria for Self-Governance are not met as this modification is expected to have a material impact on the Modification Rules and processes;
- The modification be issued to Workgroup 0462 for assessment with a report presented to the November Panel.

Following discussion it was unanimously agreed that text would not be requested at this time, as it was recognised the solution would require greater development.

- b) Modification 0463 - Recognition of the '2nd January' Scottish Bank Holiday as a Business Day for Supply Point related transactions

AM, on behalf of SSE, introduced the modification and its aims, and outlined the aspirations for implementation and the tight timescales. Since publication feedback had been received and it was recognised that the Solution as drafted required revision to add clarity. There would be minimal impact on all parties. CWa pointed out that transitional text may

also be required to waive notifications required under the UNC – this needs to be reflected in the modification. It was recognised that the modification was likely to be amended. Implementation timescales were discussed and an October Workgroup report date was considered achievable.

For Modification 0463, Members determined:

- The modification is not related to the Significant Code Review as it is not a related subject;
- The criteria for Self-Governance are met as this modification is not expected to have a material impact on competition, or consumers;
- The modification be issued to Workgroup 0463 for assessment with a report presented to the October Panel.

146.6 Consider Workgroup Issues

Workgroup Reports for Consideration

- a) Modification 0451(A) (Urgent) - Individual Settlements For Pre-Payment & Smart Meters

As urgent procedures have been applied the Panel was not required to exercise any votes.

BF advised that both modifications had been amended following publication of the Workgroup Report, encapsulating the changes agreed by the Workgroup. JF explained that the Workgroup was aware of the changes made and BF confirmed the DMR issued for consultation purposes would reflect the revisions. Responding to questions regarding the User Pays elements, JF drew attention to the methodology published within the proposed ACS published on the Joint Office website.

JF advised that text had not been provided as it was still being developed following recent amendments to the modifications. The aim was to provide the text during consultation.

The Panel did not raise any additional questions for consideration during the consultation.

Members noted for Modification 0451(A) that it would follow the urgent timetable set out in Ofgem's decision letter on Urgency.

Consideration of Workgroup Reporting Dates

- a) Modification 0435 - Arrangements to better secure firm gas supplies for GB customers

Members determined unanimously to extend the date by which Workgroup 0435 should report, with a report presented by the November Panel.

- b) Modification 0450 – Monthly revision of erroneous SSP AQs outside the User AQ Review Period

Members determined unanimously to extend the date by which Workgroup 0450 should report, with a report presented by the November Panel.

146.8 Final Modification Reports

- a) Modification 0418 0418A - Review of LDZ Customer Charges

ET advised that Ofgem had concerns about the level of analysis available during consultation. He outlined that no cost analysis in relation to Emergency Services Costs, Services Replacement Costs and Leakage had been included in the industry consultation, and it was also not currently clear when/how any such analysis will be provided to Ofgem to inform its assessment of the proposals. As a general rule, Ofgem thought it was important that all non-confidential information and supporting analysis relating to modification proposals be made available to industry parties prior to or as part of the consultation process, in order to inform consultation responses. The Panel was asked for its views on the extent to which it considered that the lack of cost analysis affects its and the industry's assessment of the proposals in this case.

JE indicated that, in response to a request from Ofgem, further analysis of costs had been provided two weeks ago on behalf of all DNOs, and he explained the difficulties of assembling and providing information where it was not readily available; where available it had been provided. It was confirmed that the Workgroup had not seen the information before the consultation period.

Following discussion it was suggested that the modifications should be returned to the Workgroup for consideration of the information/analysis that had subsequently been made available since the consultation period. Not all Members agreed with this view, believing that if the evidence was not material and had no real effect on either modification there was no reason to return them back to the Workgroup. It was apparent that Ofgem had already seen this additional information and if it believed it to be necessary could order it to be returned to Workgroup. The concern was therefore perceived to be a more general one of improving the process by making sure that all supporting information was made available earlier so that responding parties to any consultation were better able to consider their views. CH believed that implementation as soon as possible was to be supported for the benefit of consumers.

Some Members were of the view that this additional information would not have changed consultation responses to any great degree. The methodology was the same for both modifications, except in one aspect.

RH suggested that if the Workgroup was to undertake further consideration of these modifications, then it might also consider clarifying the allocation of the User Pays elements across the different categories of Transporters.

For Modifications 0418(A), Members determined by majority vote:

- The modifications be issued to Workgroup 0418 for further assessment with a report presented by the November Panel;

The Workgroup to be requested to:

- consider the additional information/analysis that had subsequently been made available since the consultation period and whether this would exert any material effect on either of the modifications or previous responses made; and
 - clarify and differentiate the User Pays elements to reflect the allocation made across different categories of Transporter User (iGTs, DNS, NTS).
- b) Modification 0449 - Introduction of Interconnection Points and new processes and transparency requirements to facilitate compliance with the EU Congestion Management Procedures

Members unanimously determined to consider the Final Modification Report at short notice.

Members unanimously determined that no new issues had been raised through the consultation process.

The Panel Chair summarised that this modification seeks to facilitate compliance with Annex I to Regulation (EC) No 715/2009 of the European Parliament and of the Council on conditions for access to the natural gas transmission networks with regards to the Congestion Management Procedures. Compliance will be facilitated by the introduction of a new classification of System Entry Point and NTS Exit Point within the UNC. It will also put in place an oversubscription process for the AMSEC Auction, new transparency obligations and new NTS Entry and Exit Capacity surrender processes for the relevant entry and exit capacity products.

Members recognised that this modification would introduce elements of the congestion management procedures (CMP) required under Gas Regulation (EC) no. 715/2009. Implementation would, therefore, directly facilitate the Relevant Objective regarding compliance with the Regulation and any relevant legally binding decisions of the European Commission.

In addition, Members recognised that implementation of this modification potentially supports the securing of effective competition between Shippers by introducing provisions that are more closely aligned across the EU. The existence of consistent rules is expected to help Shippers to be familiar with the conditions that apply and to have confidence regarding the operating regime, facilitating operation across various EU states and encouraging participation in different EU states. This would encourage entry to the GB market, and also facilitate gas being delivered to and from GB, thereby creating a more liquid and competitive market, supporting the securing of effective competition.

The additional provisions contained within this modification would enable Users to surrender capacity at interconnection points provided other Users wish to purchase that capacity. To the extent that this would not otherwise happen through trading, implementation of this modification would support capacity being allocated to those parties that require it, thereby potentially reducing a barrier to entry for those otherwise unable

to obtain capacity. Implementation could therefore be regarded as supporting the securing of effective competition. Given this, Members recognised that it may be considered unduly discriminatory to introduce these provisions solely at interconnection points. However, the practical processes to support the planned approach and deliver compliance with EU obligations are not considered suitable for scaling to all entry and exit points, relying on manual intervention rather than being fully systematised. Given this, and that the benefits are expected to be marginal in light of the availability of trading and a number of measures to prevent undue capacity holding at all entry and exit points, Members felt the proposed approach is a proportionate approach and is not expected to unduly discriminate between Interconnection Points and other Entry and Exit Points. In addition, since the obligations apply equally to all Users, no undue discrimination between Users would be introduced as a result of implementation.

Members then voted unanimously to recommend implementation of Modification 0449.

c) Modification 0459S – Amendments to the ‘K’ revenue adjustment factor based on RIIO-T1

Members unanimously determined that no new issues had been raised through the consultation process.

The Panel Chair summarised that this modification proposes amendments to UNC TPD Section Y so that the UNC correctly reflects changes in terminology due to RIIO-T1 and cross-refers correctly to the revised NTS GT Licence conditions.

It is proposed that changes are made to Appendix A – Treatment Of Under/Over Recovery ‘K’ within the UNC TPD Section Y, to change the calculation in accordance with the Licence.

Members recognised that a number of references to ‘K_t’ revenue adjustment factors within the Licence conditions in the UNC will become obsolete or incorrect post the commencement of RIIO. This modification will correct these references, and ensure the calculation of the transportation charges that reflect the costs incurred by the Licensee in its transportation business.

Members also recognised that the modification also amends the way that the K calculation works within the UNC to bring it in line with the Licence.

In addition, this modification proposes to align the references on ‘K_t’ revenue adjustment factors in the UNC, with those in the Licence. By proposing to amend these references, this modification takes account of developments in the transportation business through aligns the way that the K calculation works within the UNC to bring it in line with the Licence, allowing the Licence changes brought in by RIIO.

Members then voted and unanimously determined that Self-Governance Modification 0459S should be implemented.

146.9 Any Other Business

- a) Consent to Modify C051- Revision to the legal text associated with the implementation of UNC Modification 0376S Increased Choice when Applying for NTS Exit Capacity

RH explained why the consent had been raised and its aims. ET questioned whether it was appropriate for Ofgem to be asked to give approval to text that was originally discussed and approved under self-governance procedures.

It was recognised that there was no alternative route in existence at present to address instances such as this, and how this should be managed in the future required further consideration.

As Ofgem has set the criteria for a Fast Track process it was suggested that it might also like to give consideration to including a sensible route to address instances of this nature.

Members unanimously recommended to Ofgem that the proposed changes be made.

- b) DCA for Modification 0430

Members unanimously determined to consider this item at short notice.

JF explained that this had been produced for Modification 0430 (implemented) for information purposes, in response to a request from Panel. It had been reviewed by the Smart Working Group and was also published on the Xoserve Smart Metering Project pages.

- c) Change of Ofgem Representation

ET advised that he was soon to be leaving Ofgem and introduced Amanda Rooney who was to be his replacement. This change will be formally notified.

146.10 Conclude Meeting and Agree Date of Next Meeting

10:30 19 September 2013, at the ENA.