

Record of Determinations: Panel Meeting, 24 February 2011

Modification	Vote Outcome						Transporter Voting Members					Determination Sought
		CWr	PB	SL (RF)	SL	CWa	JF	CT (AG)	NR (RHe)	ST		
0333 - Update of the default System Marginal Buy Price and System Marginal Sell Price	No new issues were identified with no votes cast in favour											Did consultation raise new issues
	Implementation was recommended with 5 vote cast in favour					✓	✓	✓	✓	✓		Whether to recommend implementation
0333A - Update of the default System Marginal Buy Price and System Marginal Sell Price	No new issues were identified with no votes cast in favour											Did consultation raise new issues
	Implementation was recommended unanimously	✓	✓	✓	✓	✓	✓	✓	✓	✓		Whether to recommend implementation
	Prefer 0333 1 votes in favour									✓		Prefer 0333
	Prefer 0333A 4 votes in favour	✓	✓	✓	✓							Prefer 0333A
0339 - Clarification of the AUG Year in respect of UNC Modification 0229	Panel determined to defer consideration until the March Panel with 6 votes in favour		✓			✓	✓	✓	✓	✓		Defer Consideration
0339A - Clarification of the AUG Year in respect of UNC Modification 0229	Panel determined to defer consideration until the March Panel with 6 votes in favour		✓			✓	✓	✓	✓	✓		Defer Consideration
0340 - Clarification of the AUG Year in respect of UNC Modification 0229 (alternative)	Panel determined to defer consideration until the March Panel with 6 votes in favour		✓			✓	✓	✓	✓	✓		Defer Consideration
0366 - Clarification of legal text for UNC Modification 0229	Panel determined unanimously to consider the FMR at short notice at the March Panel.	✓	✓	✓	✓	✓	✓	✓	✓	✓		Consider FMR at short notice

Attendees

Voting Members:

Shipper Representatives	Transporter Representatives	Consumer Representative
C Wright, British Gas (CWr)* P Broom, GDF Suez (PB) S Leedham (SL) (also alternate for R Fairholme E.ON UK)	C Warner, National Grid Distribution (CWa) J Ferguson, Northern Gas Networks (JF) C Thomson, Scotia Gas Networks (CT)* N Reeves, National Grid Transmission (NR) S Trivella, Wales & West Utilities (ST)	

* via teleconference

Non-Voting Members:

Independent Suppliers' Representative	Ofgem Representative	Chairman
	J Dixon (JD)	B Fletcher, Joint Office (BF)

Also in Attendance:

A Raper, National Grid Distribution (AR), G Evans, Waters Wye (GE), D Watson, British Gas (DW), J Wisdom, RWE npower (JW), B Durber, E.ON UK (BD), N Phillips, National Grid Distribution (NP)

Apologies Received:

T Davis, Joint Office (TD), R Hall, Consumer Focus (RHa), R Fairholme, E.ON UK (RF), R Hewitt, National Grid NTS (RHe), J Martin, Scotia Gas Networks (JM), C Hill, First Utility (CH)

Record of Discussions

107.3 Consider Final Modification Reports

a) **Modification 0333/0333A – Update of the default System Marginal Buy Price and System Marginal sell Price**

The Panel Chair summarised that the modification seeks to introduce four amendments to the UNC as follows;

1. Removal of default SMP values stated within Section F;
2. National Grid NTS to be obligated to undertake an update of the default SMPs in line with the methodology on an annual basis and publish the relevant default SMP value for the subsequent Gas Year, no later than 1st August each year;
3. The current default SMP values be updated in line with the methodology to apply from 1st April 2011 or as soon as reasonably practical after implementation of this Modification;
4. Remove old UNC Section F text that should have been removed as part of Network Code Modification 0433.

Some Members recognised that default prices which reflect the costs of linepack utilisation would be expected to result in more efficient use of linepack as a balancing tool and consequently, as a result of more efficient market balancing actions, system operation would be more efficient and therefore further the relevant objectives. However, some members considered there would be no significant change in balancing behaviour as a result of the scale of change envisaged in this modification, such that no benefit may be anticipated.

Some Members were also concerned that there is an inability to quantify potential effects of the modification and did not believe that this modification would actually facilitate efficient and economic operation of the pipe-line system.

Some members considered that Users would benefit initially from a reduction in the default SMPs following the implementation of this modification. The application of the Methodology will result in a revision to the default SMP for the period up to 1st October 2012 with a value less than the current default prices. This will result in both a reduction to the imbalance charges levied to individual Shipper Users and also a reduction to the Balancing Neutrality cash flows and associated credit requirements.

Members agreed that as both modifications were the same with the exception of the funding arrangements, the Panel comments on the relevant objectives were applicable to both and that implementation of either would be consistent with efficient administration and implementation of the UNC.

Members considered the cost recovery routes of both modifications and some Members were concerned that User Pays was not the appropriate route through which to recover costs. Some were of the opinion that the modification facilitated the relevant objectives. However, User Pays is not an appropriate mechanism to recover costs and an appropriate central

funding mechanism should be used.

Modification 0333

Five out of a possible nine Members voted in favour of implementation. Therefore the Panel recommended implementation of this modification.

Modification 0333A

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

Preferences

One Member voted in preference of Modification 0333.

Four Members voted in preference of Modification 0333A.

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.	Potentially leads to the more efficient use of linepack as a balancing tool and consequently, as a result of more efficient market balancing actions, system operation would be more efficient.
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.	It is believed that this modification meets the requirement to update the default SMPs to satisfy the NTS Special Standard Licence Condition 27.
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.	Potentially facilitates competition by reflecting the cost of absorbing Shipper imbalances within the default cashout price, and Users will face a cost reflective price for competing flexibility products and be able to make balancing choices accordingly.
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as	None

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

b) Modification 0339/0339A – Clarification of the AUG Year in respect of UNC Modification 0229

The Panel Chair summarised the representations received. Statements were then considered and further discussion ensued.

It was noted that Modification 0366 was out for consultation and that legal text with explanatory comment would be provided shortly in respect of Modifications 0366, 0339, 0339A and 0340.

It was also recognised that Ofgem will have to make a decision in respect of Modifications 0366, 0339, 0339A and 0340, and it was suggested that Panel’s consideration of the FMRs for Modifications 0339 and 0339A might be deferred until the March Panel meeting.

Concerns were expressed that Modification 0340 had an effective date of 01 April and that this short time period might present difficulties for Ofgem’s decision making. However, JD did not envisage a problem with taking a decision after 01 April and stated that it would not invalidate 0340 or any other modification.

A vote was then taken on whether to defer consideration of Modifications 0339/0339A and 0340 to the March Panel.

Six Members voted in favour of deferral. Therefore the Panel agreed by MAJORITY vote to defer consideration of Modifications 0339/0339A and 0340 to the March Panel.

Panel Members determined UNANIMOUSLY to consider Modification 0366 at short notice at the March should the Final Modification Report be available.

c) Modification 0340 – Clarification of the AUG Year in respect of UNC Modification 0229 (alternative)

Consideration of Modification 0340 was deferred to the March Panel (see voting at (b) above).

d) Modification 0366 – Clarification of legal text for UNC Modification 0229

The Panel determined UNANIMOUSLY to consider FMR 0366 at short notice at the March Panel.

107.4 Any Other Business

None raised.

107.5 Conclude Meeting and Agree Date of Next Meeting

10:30 17 March 2011, ENA

