

GAS CUSTOMER FORUM MINUTES

Monday 09 July 2007

Elxon 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
Anna Taylor		(AT)	Northern Gas Networks
Bali Dohel		(BD)	Scotia Gas Networks
Chris Logue		(CL)	National Grid Transmission
Eddie Proffitt		(EP)	Major Energy Users Council
Ian Dobson		(ID)	CIPS
Kerri Matthews		(KM)	National Grid Distribution
Liz Spierling		(LS)	Wales & West Utilities
Mark Cox		(MC)	Ofgem
Leigh Bolton		(LB)	Cornwall Energy Associates

Apologies

Claire Gibney	(CG)	NHS Purchasing & Supplies Agency
Mark Freeman	(MF)	National Grid Distribution
Richard Hewitt	(RH)	National Grid Transmission
Robert Cameron-Higgs	(RCH)	Northern Gas Networks
Robert Spears	(RS)	UCC

1. Introduction

A copy of all the presentation material is available at:
<http://www.gasgovernance.com/industryinfo/GasCust/2007Meetings/>

- 1.1 TD gave an introduction, including the Elxon Emergency Evacuation arrangements.
- 1.2 Minutes of the meeting held on 30 April 2007 were accepted.
- 1.3 TD reviewed the outstanding actions from the previous meeting.
 - **GCF020 & GCF021**, TD advised members that due to the relatively low number of customer representatives attending the meeting he had asked xoserve not to attend. He suggested the October meeting could be held in Solihull such that the CEO of xoserve might be able to attend. Members were happy to support this view.
Actions GCF020 & GCF021: Carried Forward
 - **GCF037**, TD advised that the iGT's UNC went live on 1 May 2007. The iGT UNC is available from www.igt-unc.co.uk
Action GCF037: Closed
 - **GCF040**, AT agreed to chase R Cameron-Higgs for an update.
Action GCF040: Carried Forward
 - **GCF041**, KM asked members to clarify what was meant by the term 'Volume Band'. Members raised concerns at the lack of information relating to Interruption. LS explained that the DNs had provided information as part of the consultation process.

KM suggested provision of information regarding the regime will depend on what access National Grid will have to commercial Interruption information in the future. She agreed to investigate and report back to the October meeting.

Action GCF041: Carried Forward

- **GCF043**, TD suggested deferring this until the October meeting.

Action GCF043: Carried Forward

- **GCF044**, LS had been advised by the DTI that publication would be "soon".

Action GCF044: Carried Forward

- **GCF045**, AT advised that the current Charging Calculator had been published and would be updated when October 2007 charges had been finalised.

Action GCF045: Closed

2. Presentations

2.1 AQ Impacts upon xoserve

Deferred until the October 2007 meeting.

2.2 Gas Distribution Price Control Review

MC gave the Ofgem presentation.

Members voiced concerns over why Ofgem believe that the majority of DN sales benefits to consumers would not appear until after 2013, especially after they have extended the price control from 01 April 07 to 31 March 08. Members suggested this enabled the Networks to take advantage of an extra year to increase their profits. MC responded by advising members that, in Ofgem's opinion, 2013 reflects the longer term view and gives sufficient time for new 'Best Working Practices' and benefits to flow through to consumers. However, this should be seen in the context of figures he would provide later in the presentation on Ofgem's Initial Proposals.

Members noted that Ofgem have proposed a massive increase in expenditure and it appears that, in the next price control period, the DNs are expected to invest more than they paid to purchase the networks. TD suggested, and the DNs representatives agreed, that the Initial Proposals represent very challenging targets for the DNs. MC pointed out that 'lumpy' LTS Investment was anticipated.

With regard to Opex allowances, Ofgem's benchmarking exercise had taken into account external industry markers and each activity targeted the 'upper quartile level', with real price movements taken into account. MC highlighted the large difference of opinion between the GDNs and Ofgem over the Capex/Repex requirements and that the Information Quality Incentive (IQI) is designed to bridge that gap.

MC referred to the consumer research undertaken by Ofgem, which was generally positive. TD pointed out that this is available on the Ofgem web site. Members said that the time taken to re-instate a gas supply following an emergency cut off (or other similar event) is of paramount importance as it appears that once the situation is 'made safe', targets fall by the wayside. In response, KM and BD informed members that specific steps have been taken to improve communication and response times.

MC described the proposed Discretionary Reward Scheme whereby the DNs may claim additional revenue via application to a review panel. The panel would take into account factors such as impacts on the environment and fuel poor communities. Members enquired as to the definition of a fuel poor community and MC said the Government publish criteria for this. LS added that, for example, parts of Cornwall are classified as fuel poor areas and could benefit from a gas network extension. Members remained sceptical

about the concept of 'fuel poor' as opposed to 'poor' and argued that this was an issue for general taxation, not cross-subsidies through transportation charges. MC emphasised that existing consumers would not 'fund' fuel poor initiatives.

Members enquired as to why the focus of the price control review was on economics, rather than customer service aspects - there appear to be no real tangible customer benefits in the Initial Proposals. MC replied that Ofgem is looking to apply measures and incentives to promote improvements in customer service. KM said a raft of customer service improvement initiatives are underway.

MC was thanked for taking the time to attend the meeting, and members emphasised that an Ofgem presence is very welcome.

2.3 DN Interruption Reform

LS advised that the DNs have been investigating timetable requirements and a UNC Modification may be proposed allowing the Invitation to Tender to be brought forward to April 2008. Members expressed concern that there are only seven months remaining in which to 'sell' the changes involved. LS explained that WWU will be hosting at least two meetings during September and she will be speaking at an Ofgem Seminar. However, they could only invite people and not make them attend. KM stated that National Grid have highlighted concerns about the process to Ofgem.

2.4 Transmission Issues

CL gave the presentation for National Grid Transmission

With regard to Gas Quality, members argued it was inappropriate for consumers in general to fund investment in processing plant. CL said a further Ofgem consultation was due, addressing this question.

TD asked if any members regularly use the information provided on National Grid's information exchange web site, to which the majority responding by saying that they do not. CL advised that the way in which information is provided is being reviewed, and a Phase 1 go-live date of 1 October 2007 is planned. National Grid propose holding four regional seminars to explain the changes being made.

Finally, CL ran through the Winter Outlook Report, and was thanked for his presentation.

3. Modification Proposals

3.1 Review of UNC Modification Proposals (T Davis)

TD highlighted the UNC Modification Proposals not previously discussed in the meeting that he expected to be of greatest interest to the GCF, specifically:

- **0134/0134V "Publication of Nodal NTS Demand Forecast"**, relates to the Transmission Charging Model. When this is published by National Grid it will include demand data for each NTS offtake, including individual sites.
- **0088 "Extension of DM service to enable Consumer Demand Side Management"**, is with Ofgem for a decision. The Modification Panel did not recommend implementation, and Ofgem have expressed concern whether the benefits would exceed the costs. Members expressed strong support for the introduction of smart meters and frustration that this was not progressing as smoothly as they would like. It was suggested that it would cost 'the industry' next to nothing to commission the 2000+ dataloggers/recorders that are already installed. Members also have concerns that, if implemented, the Modification could provide Suppliers with a gaming opportunity and the equipment should effectively be owned by the site to protect competition. TD advised members to raise their concerns with Ofgem, which he would also do.

- **0104 “3rd Party Proposal: Storage Information at LNG Importation Facilities”**, TD advised members that Ofgem had issued a ‘minded to’ implementation letter. Two weeks have been allowed for comments on this view.

4. Customer Issues

4.1 DNO Update

Anna Taylor, Northern Gas Networks gave a presentation on ‘LDZ System Charges Capacity/Commodity Split and Interruptible Discounts’.

AT advised that the I&C impacts vary depending upon the nominated SOQ and that Interruptible discounts would remain at the present level until the 2011 changes come into play. ‘Load Band’ information has been published and the average domestic customer difference is less than £1 per annum. Members voiced concern that the change may incentivise Suppliers to reintroduce standing charges. AT stated that, in her opinion, this potential is present already and will not change significantly if the proposal goes ahead.

AT advised that no target date for implementation had been agreed but will be included in the formal consultation paper which will be issued soon.

4.2 Customer Issues

No additional issues raised.

4.3 Regulatory Issues

No additional issues raised.

5. Date of next meeting and agenda items

5.1 Future Meeting

It was agreed that the 29 October meeting be rescheduled to 1 October 2007 and be held at 31 Homer Road, Solihull.

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.

6. A.O.B.

TD asked for suggestions for agenda items for the October meeting in addition to a presentation by xoserve. Items identified were an Interruption Reform Update and an update on Modification Proposal 0088.

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

Appendix A

Action Log – Gas Customer Forum – 09 July 2007

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner*	Status Update
GCF020	10/07/06	2.2	Transporters to consider the appropriateness of customers, rather than xoserve, owning AQs.	DNs	Carried Forward 01/10/2007
GCF021	10/07/06	2.2	xoserve to consider issuing the base date from which AQs are calculated.	SN	Carried Forward 01/10/2007
GCF037	29/01/07	1.3	Joint Office to confirm when the iGTs Uniform Code goes live on 01 May 2007.	MiB	Closed 09/07/2007
GCF040	02/04/07	2.3	NGN to add a new column to their table to 'align' with the WWU information.	RCH	Carried Forward 01/10/2007
GCF041	02/04/07	2.3	National Grid Distribution to investigate and provide 'Volume Band' table information for next GCF meeting.	MF	Carried Forward 01/10/2007
GCF043	30/04/07	1.3	Joint Office to invite xoserve to the July GCF meeting to discuss the practicalities and impacts of AQs on xoserve.	MiB	Carried Forward 01/10/2007
GCF044	30/04/07	2.3	WWU & National Grid to investigate what has happened with regard to the DTI Priority Customers Discussion Papers	LS & KM	Carried Forward 01/10/2007
GCF045	30/04/07	4.2	Joint Office to contact the Networks and request that they update the Charges Calculator	MiB	Closed 09/07/2007