

Gas Customer Forum Minutes
Friday 27 March 2009
Ellexon, 350 Euston Road, London NW1 3AW

Attendees

Tim Davis (Chair)	(TD) Joint Office
Mike Berrisford (Secretary)	(MiB) Joint Office
Claire Gibney	(CG) NHS Purchasing & Supplies Agency
Damien Cox	(DC) John Hall Associates
Dave Roberts	(DR) Centrica
Eddie Proffitt	(EP) MEUC
Jonathan Dennett	(JD) National Grid Distribution
Paul Youngman	(PY) National Grid NTS
Peter Curtis	(PC) Centrica
Peter Thompson	(PT) LAGUR
Philip Hindmoor	(PH) Innovia Films
Robert Cameron-Higgs	(RCH) Northern Gas Networks
Simon Trivella	(ST) Wales & West Utilities
Steven Sherwood	(SS) Scotia Gas Networks
Steven Vallender	(SV) National Grid Distribution
Stuart Cawkwell	(SC) EIC
Tony Pearson	(TP) Northern Gas Networks

Apologies

Alex Spreadbury	B&Q
Alison Meldrum	Corus
Robert Spears	UCC

1. Introduction

TD welcomed all to the meeting. Presentation and other materials are available from the Joint Office web site at:

<http://www.gasgovernance.com/industryinfo/GasCust/2009Meetings/>

1.1 Minutes of last meeting

Minutes of the 26 January 2008 meeting were accepted.

1.2 Review of Actions

Action GCF062: ST presented the requested data showing the number and volume of interruptible sites by DN.

Action GCF062: Closed

Action GCF063: A presentation is due at the next GCF meeting.

Action GCF063: Carried Forward

Action GCF064: The pecking order for disconnection in an emergency was covered in the discussions regarding Exercise Prelude (see below). The DNs suggested that it will always be economic and efficient to interrupt the largest loads first in order to avert an emergency.

Action GCF064: Closed

Action GCF065: Discussions regarding the impact of the present economic recession on capacity usage were covered when discussing Modification Proposal 0244, "Amending DM Supply Point Data for Sites with Significant Changes in Usage" (see below).

Action GCF065: Closed

2. Presentations

2.1 DN Interruption

Northern Gas Networks

RCH outlined the intention of Modification Proposal 0247 "Alignment of Interruption Application Rules for Annual and Ad-Hoc Applications". This would allow the annual interruption invitation to cover 2009 to 2012 rather than requiring a separate process for these years.

While doubtful of the value of issuing the invitation given the response seen to date, attendees agreed that the Proposal was sound in that it would be better to deal with a single invitation rather than multiple processes.

TP indicated that zone 9 (Cumbria) has two possible interruption option offers for 2012/13 – a decision will be made in due course.

The possible level of Shipper support for the interruption allocation process was discussed, with customer representatives believing there would be substantially less interest than in 2008. PC indicated that British Gas would be following largely the same approach as in 2008, although he would not expect to hold seminars explaining the process. SS indicated that the feedback he has received is that Shippers will remain proactive. However, due to limited responses, SGN have decided to cancel their proposed seminars. CG added that she intends to issue a communication to her customers advising that there will be another round of interruption invitations. SV explained that National Grid Distribution propose engaging with Shippers and Customers before focusing support on those parties that show interest.

National Grid Distribution

When discussing the potential differences between the 2008 and 2009 proposals and the potential utilisation of reinforcement rather than interruption, JD advised that in the event that either no bids were received, or those bids received being too high relative to the cost of reinforcement, National Grid would initiate reinforcement.

Customer representatives argued that the 'price spread' risk is the concern rather than simply costs, and that is hard to model or predict. Hence cautious bidding may lead to high priced offers. Customers may also be reluctant to enter into the 2009 bid process on the basis that they were unsuccessful in 2008 - EP highlighted that only 27 bids were accepted last year despite hundreds of seminar attendees. It was also noted that in the current economic climate customers are more risk averse and credit is clearly difficult to obtain.

CG said this had been discussed at the previous day's Demand Side Working Group meeting at Ofgem where comparisons had highlighted that the electricity side offered a range of products and published supporting pricing information. When asked, attendees suggested publishing indicative reinforcement costs could induce bids at levels the DNs might find more attractive.

Scotia Gas Networks

SS advised that SGN are proposing to closely follow their 2008 approach, including the utilisation of a similar zone structure. Every eligible customer in Scotland would be able to take part. Whilst the minimum number of day's interruption requirement is the same as for 2008, there is a slight difference in the maximum number.

For the early years, SGN will be looking for interruption bids in the South as no investment has been undertaken to date.

In response to questions, SS indicated that should the market change and economic growth result in a demand increase, SGN would look to increase their interruption provision rather than necessarily utilising reinforcement. However, he does not expect that any demand growth would exceed SGN's ability to invest should interruption not be offered.

Wales & West Utilities

ST provided a brief overview of his presentation, highlighting:

- a guidance booklet will be made available shortly via the Joint Office web site;
- tables provided display the requirements at a zone level;
 - requirements similar to those in the October 2008 ad-hoc invitation;
 - volumes differ slightly to the 2008 figures;
- eligibility is based on AQ threshold;

CG suggested it would be useful for the calculator, which showed the potential impact should offers be accepted and exercised, to be expanded to include failure to interrupt charges. Seeing the liability associated with these could discourage what might be regarded as particularly high bids – the risk could be large. ST agreed to look at the practicalities of delivering this.

Action item GCF062 – DN Interruption Data Update

ST pointed out that the information provided is based upon the 2008 DN reports and may be subject to change – he will check with his DN contacts and provide an update in due course. He emphasised that the figures relate to supply points and not meter points which could be one reason for the apparent fall in numbers.

Action GCF062: Closed

Action GCF066: ST to look at the practicalities of including FTI charges in the interruption calculator

In closing the discussions on interruption, concerns were raised about various emergency related items when there would no longer be a large body of interruptible customers who could be expected to stop consuming gas ahead of any other sites. It was suggested that these concerns have been heightened by the conflicting nature of some of the messages coming from the Authority. The DNs emphasised that in the event of an emergency, the largest loads would be asked to cease consumption first irrespective of whether they were interruptible or firm, and this would be no different once the revised regime is fully operational.

2.2 Exercise Prelude Update

PY provided a brief presentation and discussions centred around the following items of interest:

- Prelude focused on downstream responses and the processes of the NEMT – Network Emergency Management Team;
- Given change to a number of system operators Shipper communication mechanisms and processes may need further development. Action has been taken with the DN's to raise the visibility of new control room activities;
- facsimile based communications proved difficult for Shippers;
 - whilst outdated, it may require a legal view to change to email based communications;
 - UNC modification may be required to facilitate a change, and

- National Grid would welcome views – one option would be to utilise both platforms.
- Comparison with exercise Opus shows improvement in Distribution Network Load Shedding the top 4 LDZ's achieved 75% performance figure in relation to the number of sites that they were able to get through to;
- further consideration of restoration requirements is required, and
- emergency contact details remain a concern with 32.89% of calls being unsuccessful.

Continuing, discussion focussed on the following:

Views remain polarised over who should be responsible for customer contact information (Transporter vs. Supplier).

EP suggested that the Gas industry should align with the electricity, in that the DNO retains the obligation for contact details. PY Stated that the requirements of section Q of the Uniform Network Code are quite clear in that it is the Users contractual responsibility. PY hoped to engage through the Gas Forum to understand any blockers to the process as the unsuccessful contact measure remains stubbornly high. One member stated that a lack of a financial incentive to provide contact data does not help. PY commented that commercial considerations were not a factor for the Network Emergency Coordinator as the objective is to manage the emergency safely. EP asked if a UNC modification to impose requirements to provide annually updated contact information would help. ST stated that this was not required as current Supplier licence obligations are sufficient. CG enquired to the use and effectiveness of automated phone responses. PY stated that he knew a few shippers had these systems and those that did generally had better figures, however it was not widely utilised.

Considering the selection of 'special' and large sites for load shedding in the event of an emergency, EP felt that 'cherry picking' customers for load shedding will only compound the problem of poor contact details and that some form of financial reward/compensation mechanism may be appropriate in future – possibly changes to Transportation Charges to recognise likelihood of being first off in an emergency. SS responded that the objective is to protect the safety of the public and adoption of the quick win scenario of maximum effect, in the shortest possible time is beneficial. PY concurred, highlighting that load shedding large loads first, is recognised in GSMR and GSMR has not changed. It is a Safety not a commercial process. PY then highlighted that all actions hinge on the severity of the emergency – it is about getting the maximum load off. If the emergency is severe enough all bets are off - the NEC could declare through stages 1, 2 and 3 (firm load shedding) rapidly under the current arrangements.

EP stated that the 'failure to interrupt' definition is unclear under the current emergency arrangements and how would this change with the new interruption process. PY agreed to take an action to look at the 'failure to interrupt' definition and provide an update at the next meeting.

TD asked the question of whether Prelude was a success or not. PY stated that Prelude used historic benchmark comparisons as there is no right or wrong answers the purpose of testing is to identify areas for improvement. In Comparison with previous exercises there were measurable improvements and in the exercise itself sufficient load was shed to justify the claim it was successful. CT asked if there are any pre set targets?, and if not, would that be useful?. PY stated there were not pre-set levels or targets to aim for. The process is one of highlighting what is better, worse or unimproved. The HSE are looking for improvements in performance, and the recommendations and actions suggest ways forward. TD asked if the HSE were happy with the report. PY stated that they had accepted the report, its findings and

recommendations and that it was an effective test of the emergency arrangements. PY finally highlighted in the event of a real emergency, the Network Emergency Coordinators post incident report to the HSE will identify any non compliance, and the HSE have the power to take legal action.

Scotia Gas Networks Control Centre Presentation

SS provide a brief presentation. When asked, customer representatives indicated that they had been unaware of the launch of SGN's new control centre.

NGN suggested that they expect their control centre(s) to go-live sometime in July, and WWU will follow later.

Action GCF067: National Grid (PY) to examine the 'failure to interrupt' definition and provide an update for the next meeting.

2.3 Review of UNC Modification Proposals

Chair (TD) provided an update on the latest UNC Modifications Proposals likely to be of most interest to GCF attendees:

- 0244 "Amending DM Supply Point Data for Sites with Significant Changes in Usage". Its basic ambition of this modification is that sites that are not consuming gas, over a given period, do not incur costs.

EP said consumers fully support the Modification Proposal and would welcome a swift implementation. He went on to suggest that the subject matter relates to historical arguments surrounding who actually 'owns' the capacity – it should be the consumer. This view was not shared by all and ST suggested the problem relates to the fact that you can only reduce the SOQ at a DM site once per annum in October, but you can increase the SOQ at any time – with the ability to reduce the SOQ dependent on bottom-stop restrictions. However, the DNs are seriously concerned about shortcomings in the Modification Proposal 0244 and the potential impact. As it currently stands, as many as 600 out of 1600 supply points could apply, which would (at best) be extremely difficult or (at worst) impossible to manage via an off-line process. Furthermore, the DNs are concerned that 0244 proposes changes to bottom stop SOQs which is potentially a major issue.

DNs believe that more benefit would be gained by thoroughly exploring possible solutions, although this would take time. The DNs concern is that, in its current form, 0244 would not deliver benefits to those parties that are in greatest need now. It is their view that insufficient debate has taken place on the best and quickest way forward and the current proposal does not provide the best solution. ST firmly refuted any suggestion that DN opposition flows from cash flow concerns - Transporters would prefer some form of transitional solution, and that 60 - 70% capacity reductions would be a more appropriate minimum (0244 proposes 20%). They also believe that some form of mechanism is required to protect against potential gaming opportunities.

CG suggested that this matter is an exceptional issue requiring an exceptional solution. If necessary, arrangements to discuss the problem further should be made quickly. ST suggested that a lack of site information (i.e. what sites are impacted and need help) only compounds the problem. While he was not present at the meeting, he was aware that the proposal was discussed at the previous day's Distribution Workstream meeting and the outcome of that remained to be seen.

Post meeting note: an amended version of the proposal was issued on Monday 30 March 2009.

3. Customer Issues

3.1 DNO Update

No additional issues raised.

3.2 Customer Issues

EP indicated that he had criticised National Grid plc for publishing their 2040 45% carbon reduction target figures. In light of the government target figure of a 20% reduction, customers should not be expected to fund the 25% difference. He believes that a regulated industry should not choose aspirational targets at others expense, and he trusted the DNs would not follow suit or even seek to do more.

3.3 Regulatory Issues

No additional issues raised.

4. Date of next meeting and agenda items

It was agreed to cancel the April meeting. The next meeting of the Gas Customer Forum is therefore scheduled to take place at the Elexon Office in London at 13:00 on Monday 27 July 2009.

Dates and locations of future meetings are available on the Joint Office calendar, www.gasgovernance.com/Diary, and papers on the Gas Customer Forum section of the website, www.gasgovernance.com/industryinfo/GasCust.

Suggestions for agenda items can be sent to enquiries@gasgovernance.com

5. Any other business

Asked about the status of the market liquidity related proposal, TD said Modification Proposal 0219 "Publication of UK Wholesale Gas Market Liquidity Data" is due to be implemented on 01/11/2009.

Action Log – Gas Customer Forum – 27 March 2009

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner*	Status Update
GCF062	26/01/09	1.2	Prepare a report identifying the current total number of interruptible sites per LDZ (on a Supply Point basis) and the total capacity (at an aggregated LDZ level)	All DNs	Update provided. Closed
GCF063	26/01/09	2	Provide an update on the emergency arrangements across both the gas and electricity markets	Ofgem (JBo)	Carried forward Update due at 27/04/09 meeting.
GCF064	26/01/09	2	Investigate where the DNs are in respect of their firm load shedding work and to ascertain if a pecking order can be incorporated	WWU (ST)	Update provided. Closed
GCF065	26/01/09	4.2	Discuss issues surrounding the capacity reduction period window and the potential for consumers to reduce their costs	WWU (ST)	Update provided. Closed
GCF066	27/03/09	2.1	Look at the practicalities of including FTI charges in the interruption calculator	DNs (ST)	To be published ahead of annual invitation.
GCF067	27/03/09	2.2	Examine the 'failure to interrupt' definition and provide an update for the next meeting.	National Grid NTS (PY)	Update due at 27/07/09 meeting.

*** Key to action owners**

JBo Jenny Boothe, Ofgem
ST Simon Trivella, Wales & West Utilities
PY Paul Youngman, National Grid NTS