

Uniform Network Code Committee

Minutes of the 62nd Meeting Held on Thursday 20 May 2010

Members Present:

Transporter Representatives: R Hewitt (National Grid NTS), C Warner (National Grid Distribution), B Dohel (Scotia Gas Networks), J Ferguson (Northern Gas Networks) and S Trivella (Wales & West Utilities)

User Representatives: C Wright (British Gas Trading), P Broom (Defuses), S Rouse (Statoil) and S Leedham (EDF Energy)

Consumer Representative: R Hall (Consumer Focus)

Ofgem Representative: J Dixon

Joint Office: T Davis (Chair) and B Fletcher (Secretary)

62.1 Note of any alternates attending meeting

S Rouse for A Bal (Shell) and B Dohel for A Gibson (Scotia Gas Networks)

62.2 Record of Invitees to the meeting

None.

62.3 Record of apologies for absence

A Bal and A Gibson

62.4 Monthly Reports from Sub-Committees

None.

62.5 Matters of Implementation

T Davis drew attention to the note issued regarding the UK Link Committee and the implementation of Proposal 0224. If the UK Link Committee fails to agree an approach, escalation is to the UNCC. Members agreed to review the situation with their UK Link representatives.

62.6 Any Other Business

S Trivella raised an issue regarding the Ofgem decision to implement Proposal 0276 but reject the associated Agency Charging Statement (ACS) amendment. It was recognised that this was not desirable and was a situation that all had sought to address when developing the mechanisms supporting the User Pays approach. S Trivella believed there would be merit in addressing this since Transporters were faced with a higher risk than anticipated of under recovery of implementation costs, and Shippers were faced with the risk of charges which were significantly different to those which had been subject to consultation.

J Dixon confirmed the process requires two different approvals and Ofgem is

not fettered to approve an ACS change if they decide to implement a User Pays Proposal. In the case of proposal 0276, there were a number of different potential methodologies and the option proposed for inclusion in the ACS was not acceptable to Ofgem.

S Leedham asked if the ACS process should be put into the UNC, following the precedent set for charging methodologies in the Codes Governance Review. S Trivella suggested that moving at least part of the User Pays regime into the UNC may not be an issue for the Transporters, although his preference was for revenue related issues to remain in the Licence. However, his concern remained that a Modification could be implemented but the supporting ACS change rejected.

R Hewitt drew parallels with legal text, which may be changed at a late stage, and asked what could be changed in terms of the cost apportionment specified in a Final Modification Report if Ofgem subsequently challenge the apportionment. It was confirmed that the existing processes do not allow for any such change. S Leedham did not think it would be favourable to any parties to leave uncertainty in relation to ACS charges. R Hall was concerned that a business case based on a particular methodology could be changed without consultation with the Panel or wider industry.

C Warner suggested that, in hindsight, it may have been a cleaner process if Proposal 0276 had been rejected and a new Proposal raised based on a different charging methodology. However, J Dixon pointed out that Ofgem's decision was correctly based on whether the Proposal furthered the Relevant Objectives.

S Leedham asked if, as a result of the increased uncertainty, Transporters now intend to seek a view from Ofgem for each User Pays Proposal. This might lead to delays in progress that would be unwelcome, with the User Pays process already being extended. S Trivella believed this was likely to happen in future to give Transporters comfort that they can recover their costs.

T Davis asked if Ofgem intend to review the User Pays process in general and the licence requirements in particular. J Dixon did not anticipate a review other than as part of the forthcoming price control reviews. Ofgem are not likely to change the licence conditions in the interim, but may need to consider rules, which prevent an inconsistent approach in the decision process. However, it should also be remembered that, as a proof of concept covering a small amount of revenue, the User Pays approach was delivering benefits.

62.7 Next Meeting

The Committee noted the date and time of the next meeting as Thursday 17 June 2010, immediately after the Modification Panel meeting.