

DRAFT DN SALES ISSUES LOG

No	Question	Owned by (group)	Owned by (Ofgem)	Latest action	Ofgem's current view	Updated	Key risks
1	What functions should the agent undertake?	AWG	Iain Osborne/ Kyrán Hanks	NGT has provided an initial list of services to be provided by the Agent, including SPA, recording & calculating transportation volumes, provision of transportation invoices, and credit arrangements.		111203 (JH)	
2	What funding arrangements should be in place for the agent?	AWG	Iain Osborne/ Kyrán Hanks	NGT to commence work to represent direct agent costs on the basis of ABC analysis in order to facilitate the conditions for a transition if it was deemed appropriate to remove these costs from Transco's 2007 price control review.	Agent will initially be funded through price controls, with scope for funding arrangements involving suppliers to be developed in the future.	151203 (JH)	
3	What ownership arrangements should be in place for the agent?	AWG	Iain Osborne/ Kyrán Hanks		Ownership will be considered (and potentially changed to include suppliers) at next price control review. Until then, agent to be jointly owned by NGT/IDNs.	161203 (JH)	
4	What governance arrangements should be in place for the agent?	AWG	Iain Osborne/ Kyrán Hanks		NC arrangements will be appropriate for shipper services, however, alternative arrangements (potentially SPAA) will be needed for SPA.	161203 (JH)	Potential for deterioration in quality of SPA services if DNs are responsible for data management - critical impact on supply competition.
5	How should the governance arrangements for the agent interact with the SPAA?	AWG	Iain Osborne/ Kyrán Hanks				

No	Question	Owned by (group)	Owned by (Ofgem)	Latest action	Ofgem's current view	Updated	Key risks
6	What separation requirements should apply between Transco and RDNs?	DISG	Kyran Hanks		Full structural and legal separation should be required. NGT argues that legal separation will increase their cost of capital, however Ofgem believes that NGT's position can be maintained through upstream guarantees.	110104 (JH)	Uncertainty regarding Ofgem's position could have adverse affect on bond markets.
7	Is any other action required to ensure non-discrimination between RDNs/IDNs?	DISG	Kyran Hanks		There may be a requirement for procedural rules to prevent discrimination (eg in calling interruptions, balancing, network planning, shrinkage).	151203 (JH)	Potential to become very prescriptive.
8	What arrangements need to be put in place in respect of the provision of metering services and ownership of metering assets?	DISG	Maxine Frerk/ Kyran Hanks	NGT is not proposing to sell its metering assets.		111203 (JH)	
9	Does a DN sale give rise to any issue with respect of competition in connections?	DISG	Sean O'Hara / Kyran Hanks			111203 (JH)	
10	Is any action required to ensure that current liabilities and standards of performance are passed on to DNs?	DISG	Kyran Hanks / Chris Watts			190104 (JH)	
11	How should independent gas transporters (IGTs) be accommodated within the reforms?	DISG	Kyran Hanks	The impact of the proposals on IGTs will be promptly considered. As part of this consideration, IGTs will be represented on the DISG and the RAWG.		151203 (JH)	
12	How much will it cost to implement the reform proposals - in particular, how much will it cost to update IT systems?	DISG	Kyran Hanks			150104 (JH)	

No	Question	Owned by (group)	Owned by (Ofgem)	Latest action	Ofgem's current view	Updated	Key risks
13	What provisions should be in the offtake agreement?	EBWG / RAWG	Mark Feather/ Peter Dickinson/ David Ashbourne	NGT has developed a set of draft offtake code business rules.	The OA would include co-ordination of NTS and DN investment, network safety, maintenance and engineering, the operational arrangements to manage flows between the respective systems and ownership specification and operation of the offtake points.	111203 (JH)	Failure to specify roles could lead to operational confusion, ambiguity in allocation of responsibility.
14	What arrangements should be in place for managing interruption across the NTS and DN networks?	EBWG	Mark Feather		Arrangements should be set out in Network Code (they are currently in Section G).	151203 (JH)	
15	What contractual framework should apply? Should Transco as NTS SO be able to contract directly for interruptions with DNs or with DN supply points?	EBWG	Mark Feather		DNs contract with DN customers. Unresolved as to whether NGT should be able to contract for NTS interruptions with DN customers.	151203 (JH)	Risk of distorting market signals or creating inappropriate incentives for NGT if NTS/DN interruptions pricing regimes are different. Potential to introduce operational complexity.
16	Does the Gas Act permit Transco to contract directly with customers for interruptions?	EBWG	Mark Feather	NGT is considering its position.	Ofgem's view that NGT can contract with customers is set out in the Next Steps document.	111203 (JH)	Is there a risk that contracts between NGT and customers could be challenged?
17	What arrangements should be in place for the pricing of exit capacity and interruptions?	EBWG	Mark Feather		A combination of market based and administered pricing arrangements should be developed.	151203 (JH)	Risk that lack of market liquidity will compromise market-based approaches, especially in respect of NSLs.
18	How should local market power constraints be addressed in the new exit arrangements?	EBWG	Mark Feather	Ofgem has sent an info request to NGT which asks NGT to provide data on the extent of substitutability between supply points.		151203 (JH)	Risk that lack of market liquidity will compromise market-based approaches, especially in respect of NSLs.

No	Question	Owned by (group)	Owned by (Ofgem)	Latest action	Ofgem's current view	Updated	Key risks
19	What effect will a sale have on pre-existing connections contracts? (NExAs, ARCAs, NTS network entry capacity agreements, interconnector agreements, storage connection agreements.)	EBWG	Mark Feather	NGT suggests that pre-existing connections contracts will be passed on to DNs.		190104 (JH)	Transfer of contracts and, if any, renegotiation of contracts could have an impact on the timetable.
20	What arrangements are required in order to retain 'whole' gas balancing of the system?	EBWG	Mark Feather		Current view favours administered arrangements to govern the transfer of gas between the NTS and DNs for residual gas balancing purposes.	151203 (JH)	Arrangements to prevent discrimination between RDNs/IDNs required.
21	Will DNs need to take on a commercial energy balancing role?	EBWG	Mark Feather		No, single SO model should be retained. The prohibition to trade for speculative reasons should be extended to the DNs.	151203 (JH)	
22	Should a linepack service and methodology to price such service be established?	EBWG	Mark Feather		No, however, further development could be undertaken in the future if appropriate.	151203 (JH)	
23	What charging arrangements, if any, should apply to transfers of gas and linepack between DNs and the NTS?	EBWG	Mark Feather		NGT/DNs should create their own balancing accounts which records and addresses linepack usage through a set of administered arrangements.	151203 (JH)	
24	Should shrinkage arrangements be fully unbundled at this stage?	EBWG	Mark Feather		NTS and DNs should be separately responsible for the management of gas shrinkage requirements in their own networks. DNs could trade gas in order to fulfil shrinkage requirements or procure gas shrinkage services.	161203 (JH)	
25	What is the appropriate mechanism cost recovery for shrinkage?	EBWG	Mark Feather / Andrew Walker			161203 (JH)	

No	Question	Owned by (group)	Owned by (Ofgem)	Latest action	Ofgem's current view	Updated	Key risks
26	What arrangements should be put in place to ensure that Gas Act and GSMR gas quality obligations are met?	EBWG/ RAWG	Mark Feather/ Peter Dickinson / David Ashbourne		NGT should be responsible for quality of gas entering DNs. DNs should be obliged to comply with GSMR obligations with respect to gas in their networks. Obligations set out in OA.	161203 (JH)	
27	Should current arrangements between Ofgem and NGT be formally incorporated into the offtake agreement? (Eg gas testing practices)	EBWG	Mark Feather/ Peter Dickinson			111203 (JH)	Risk that procedures will not be upheld by new owner if not formalised.
28	What arrangements should be in place with regard to handling emergencies?	Ofgem/ RAWG	Kyran Hanks/ Peter Dickinson		NGT should provide national emergency telephone number. DNs to be responsible for emergency responses on their network with arrangements so that various DNs and NGT co-ordinate and support each other in an emergency.	161203 (JH)	
29	What other aspects of DNs' operations require arrangements to coordinate activities?	Ofgem	Kyran Hanks / Peter Dickinson			171203 (JH)	
30	Is NGT current procedure used to separate NTS and LDZ boundaries appropriate in the context of a DN sale?	EBWG	Mark Feather/ Peter Dickinson/ Andrew Walker			190104 (JH)	Necessary to check that the physical boundaries of the new DNs correspond to regulatory boundaries.
31	What mechanisms should be adopted to ensure that the NTS & DNs co-ordinate planning & investment?	EBWG	Mark Feather/ Andrew Walker			161203 (JH)	Simply giving both DNs and NTS a 1 in 20 obligation could reduce accountability.
32	What is the impact of a DN sale on the NTS SO incentives and how should DN incentives be developed and in what form?	Ofgem / EBWG	Mark Feather / Andrew Walker		A DN sale is likely to give rise to a need for changes to Transco's exit capacity investment incentive.	161203 (JH)	

No	Question	Owned by (group)	Owned by (Ofgem)	Latest action	Ofgem's current view	Updated	Key risks
33	Will DN sales require a re-opening of the price controls?	Ofgem	Kyran Hanks / Andrew Walker		Ofgem does not propose to reopen the current price controls.	151203 (JH)	
34	How will current Ofgem reviews affect future and present price controls?	Ofgem	Kyran Hanks/ Andrew Walker/ Peter Bucks			190104 (JH)	Regulatory changes may affect the purchase price of DNs.
35	Could a DN sale give rise to any issues that need to be addressed in respect of the DN price control separation (in particular, the roll forward of RAVs)?	Ofgem	Kyran Hanks / Andrew Walker				
36	How will mains replacement expenditure cap overspends/ underspends be addressed?	Ofgem	Kyran Hanks / Andrew Walker	Ofgem is preparing a letter to NGT on this matter that will be published on Ofgem's website.		190104 (JH)	This questions affects the valuation of DNs and hence must be resolved before a sale occurs.
37	What are the implications of reforms for the LDZ charging review?	Ofgem	Mark Feather / Andrew Walker			151203 (JH)	
38	Will the current proposals in electricity relating to the 5 year rolling incentives have implications for in gas if a DN sale occurs? If so, is any action required?	Ofgem	Kyran Hanks / Andrew Walker			190104 (JH)	
39	Should Ofgem encourage the divergence of distribution charging methodologies?	Ofgem	Kyran Hanks / Andrew Walker		Initial charging methodologies will be uniform, Ofgem will consider proposals for divergence as and when they arise.	151203 (JH)	Multiple charging methodologies could add complexity and create barriers to competition in supply.

No	Question	Owned by (group)	Owned by (Ofgem)	Latest action	Ofgem's current view	Updated	Key risks
40	Will the 'merger tax' be adopted in respect of gas DNs?	Ofgem	Kyran Hanks / Peter Bucks	The Next Steps document does not comment on the merger tax.		161203 (JH)	Ofgem's position on merger tax likely to have significant impact on potential purchasers.
41	What cost recovery arrangements should be in place for the pension liabilities associated with the current and former staff of a DN?	Ofgem	Kyran Hanks/ Andrew Walker	Initial thoughts on a methodology statement to be published in the DPCR 4 2nd Consultation paper.	Sale arrangements should ensure that the attributable part of NGT's pension liability is transferred to IDN (or NGT can recover from IDN its share of future costs of meeting NGT's pension liability).	151203 (JH)	
42	What, if any, requirements/restrictions should Ofgem impose on potential buyers?	Ofgem	Kyran Hanks / Peter Bucks / David Ashbourne		Ofgem is not convinced that it would be appropriate to constrain the sales process by requiring NGT to sell DNs to different buyers.	171203 (JH)	RIA analysis creates doubt over benefits if (1) only one DN is sold or (2) a non-trade buyer purchases a DN.
43	Is Ofgem up to date with DN sale-related developments at the HSE and vice versa?	Ofgem	Kyran Hanks	Received email update on HSE views on 12 Dec. HSE to participate as observers on EBWG/DISG.		110104 (JH)	
44	Is Ofgem up to date with DN sale-related developments at the DTI and vice versa?	Ofgem	Kyran Hanks / John Neilson	DTI updated regularly.		190104 (JH)	
45	Should Ofgem's asset risk management survey be extended in scope to include smaller independent networks?	Ofgem	Kyran Hanks / John Scott	The Next Steps document indicates that Ofgem intends to include IDNs in its asset risk management survey.			
46	What is the process for issuing and approving licences for the new DN businesses?	Ofgem / RAWG	Iain Osborne/ Kyran Hanks/ David Ashbourne			190103 (JH)	

No	Question	Owned by (group)	Owned by (Ofgem)	Latest action	Ofgem's current view	Updated	Key risks
47	What arrangements should apply with respect to the network code?	RAWG	Kyran Hanks/ David Ashbourne		There should be a single uniform network code, scope for separate DN codes to develop in the future.	111203 (JH)	
48	What changes need to be made to the network code for it to support separate transmission and distribution roles?	RAWG	Kyran Hanks/ David Ashbourne	NGT has prepared discussion document that considers the changes that are required to the UNC.		190103 (JH)	Quick 'find and replace' could lead to ongoing problems? Are separate sections for transmission/distribution preferable?
49	What should be the process for modifying the network code? Should NGT retain administrative responsibility?	RAWG	Kyran Hanks/ David Ashbourne	Total has proposed mod to bring modification rules into NC.		190103 (JH)	Current governance arrangements do not take account of IDNs. Incentive problems may arise if NGT required to implement code changes that do not affect its network.
50	Where should the distribution charging methodology sit with the regulatory framework?	RAWG	Kyran Hanks/ David Ashbourne				
51	What framework should apply with respect to licensing?	RAWG	Kyran Hanks/ David Ashbourne		Separate transmission and distribution licences are desirable, however this requires primary or secondary legislation. Separating the distribution and transmission activities into an amended GT licence is most pragmatic approach.	111203 (JH)	
52	Which of Transco's current licence conditions need to apply to DNs, which need to apply to Transco and which should apply to both?	RAWG / EBWG	Kyran Hanks/ David Ashbourne	Ofgem has appointed external lawyers who are considering this issue. NGT is also developing proposals.		190104 (JH)	

No	Question	Owned by (group)	Owned by (Ofgem)	Latest action	Ofgem's current view	Updated	Key risks
53	What, if any, new licence conditions should be introduced?	RAWG/EBWG	Kyran Hanks/ David Ashbourne		Potential issues include: non-discrimination conditions and/or obligations on DNs to co-ordinate in emergencies. Potential conditions to flow from discussions in the EBWG.	151203 (JH)	
54	What should be the process for licence amendment?	RAWG	Kyran Hanks/ David Ashbourne			151203 (JH)	RDNs could frustrate a collective DN licence amendment process in a way that benefits NGT.
55	Is it necessary to modify Transco's current 'authorised area' as set out in its licence?	RAWG	Kyran Hanks / David Ashbourne			171203 (JH)	NGT's statutory duties could be affected.
56	What governance procedures should apply to the offtake agreement?	RAWG	Kyran Hanks/ David Ashbourne		Ofgem should approve changes and there should be an industry consultation process. Only NGT/DNs could raise modification proposals.	111203 (JH)	Arrangements need to enable transparent governance procedures. Risk of lack of clarity in delineation of roles of OA/NC.
57	What governance procedures should apply to the credit rules for distribution charges?	RAWG	Kyran Hanks / David Ashbourne			190103 (JH)	
58	Will proposals give rise to a need for primary and/or secondary legislation to be implemented?	RAWG	Kyran Hanks/ David Ashbourne			111203 (JH)	