

Respondents' views to Section 8AA consultation

Summary of responses

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Background: consultation document

- Consultation document on “Next Steps” published on 25 November 2004
- Two separate stages of restructuring of Transco’s GT licences:
 - Formal Consultation under Section 23
 - Informal Consultation under Section 8AA
- 12 responses to the Informal Section 8AA consultation received
- This presentation summarises key issues raised by respondents at a high level

1. Background

2. Key issues raised by respondents

Key issues raised by respondents

Responses to the consultation largely centred on the following key issues:

- Transportation charging arrangements;
- Emergency services coordination;
- System operator managed services agreements (SOMSAs);
- Network Code and offtake arrangements;
- Price controls and incentive arrangements;
- Pipeline security standards;
- Proposed licence modification procedures;
- LNG Storage;
- Metering; and
- Business Separation.

Transportation charging arrangements

Con doc	<ul style="list-style-type: none">▪ Separate DN ownership – possible differences in arrangements for charging of transportation and increased frequency of changes▪ Reasonable endeavours obligation to change all charges only twice a year▪ Views invited on NGT suggestion of dead-band for NTS and DNs▪ Joint Office (JO) administers and coordinates modifications to the DNs charging arrangements
Summary of responses	<ul style="list-style-type: none">▪ Shippers generally in favour of restricting changes to charges and 150 day notice period and against divergence in charging methodologies▪ 2 potential buyers, (and 2 shippers) supported the biannual endeavours obligation for charging methodology and NGT for DNs (but opposed for NTS)▪ 3 potential buyers, 1 shipper and NGT supported the dead-band

Emergency services coordination (1)

<p>Con doc</p>	<ul style="list-style-type: none"> ▪ Clarification of responsibilities in response to emergencies at DN boundaries ▪ First response emergency services provided by DNs to IGTs and the NTS
<p>Summary of responses</p>	<ul style="list-style-type: none"> ▪ Majority of respondents supported the requirement for a notified DN to make safe the incident at DN boundaries <ul style="list-style-type: none"> – Most respondents agreed that DN boundary issues should be dealt with through safety cases ▪ Most respondents welcomed the proposal for a full review of emergency services to IGTs <ul style="list-style-type: none"> – 2 shippers found the proposed first response services to IGT's unsatisfactory – 1 shipper suggested the introduction of the obligation to maintain the supply where possible and to notify shippers about possible interruption – 1 potential buyer sought clarification that the obligation applies only to downstream GTs

Emergency services coordination (2)

Summary of responses

General consensus that it is appropriate to place an obligation on the DNs to provide first response emergency services to NTS

- all potential buyers - concerned about the cost recovery for these services
- Other comments from potential buyers:
 - 1 potential buyer requested that this condition is clarified further to ensure that it is clear that the DN is not requested to undertake any physical work.
 - 1 potential buyer stated that it is necessary to reinstate the provision for the NTS to provide appropriate indemnities to the DN against any 3rd party claim.

System operator managed service agreements

Con doc	<ul style="list-style-type: none"> ▪ System operator managed service agreements (SOMSAs) – should not be regulated ▪ IDNs should set up their own control rooms in the short to medium term, if this is not the case Ofgem would reconsider regulation
Summary of responses	<ul style="list-style-type: none"> ▪ 2 shippers and 1 potential buyer consider that SOMSAs should be regulated or partially regulated ▪ 1 potential buyer and 1 shipper supported the proposal that if SOMSAs become enduring Ofgem will reconsider regulation ▪ NGT supported Ofgem’s views that SOMSAs should not be regulated.

Network Code and Offtake arrangements (1)

Con doc	<ul style="list-style-type: none">▪ UNC only approach, with the modification process for the UNC managed by the JO▪ Technical arrangements contained in separate bilateral agreements
Summary of responses	<ul style="list-style-type: none">▪ 2 shippers and NGT preferred offtake rules residing in UNC▪ 2 potential buyers preferred the approach of offtake arrangements separated from UNC▪ NGT disagreed with the proposal that the scope of the Agency and subcontracted services should be included in the UNC▪ Most of the respondents were supportive of technical matters in bilateral agreements while 1 shipper stated that it was unclear how this would work in practise.

Network Code and Offtake arrangements (2)

Summary of responses

- 1 shipper considered that the JO should be constitutionally 'separate' from transporters
- 1 shipper specifically highlighted that the UNC should ensure that arrangements apply equally to all DNs. There should be no scope for derogations

Price controls and incentive arrangements (1)

<p>Con doc</p>	<ul style="list-style-type: none"> ▪ Transco’s price control should not be reopened ▪ Incentive arrangements should be placed upon the NTS and DN-GTs ▪ One year initial duration of the incentive scheme for DNs ▪ Introduction of “safety net”
<p>Summary of responses</p>	<ul style="list-style-type: none"> ▪ NGT, 1 potential buyer and 2 shippers support Ofgem’s proposal not to reopen Transco’s price control ▪ 1 shipper considered that the initial incentive scheme should be extended to 2 years to accumulate more data. ▪ 1 shipper stated incentive arrangements should not to be unduly complicated. ▪ 1 shipper requested confirmation that the proposed incentive scheme will only result in flows of monies/costs between DNs & not cost recovery from shippers/customers.

Price controls and incentive arrangements (2)

Summary of responses

- NGT and 1 shipper welcomed the idea of incentive schemes being further considered in detail in a separate consultation document
- 1 potential buyer stated that “safety net” should be introduced
- NGT stated that customer “safety net” is not required

Pipeline security standards

Con doc	<ul style="list-style-type: none">▪ Transco's 1 in 20 licence obligation will apply to both NTS-GT and DN-GT licences▪ Modification of 1 in 20 obligation to reflect NGT's diurnal storage proposals
Summary of responses	<ul style="list-style-type: none">▪ 4 shippers and 3 potential buyers agreed that the security standards should apply to all licences▪ 2 shippers, 1 potential buyer and NGT were concerned about the proposal to review the definition of the 1 in 20 obligation for the NTS▪ 1 potential buyer stated that the wording of the condition needs finalisation as, for example, the DN does not know the assumption that the NTS will have made with respect to the NTS diversity and so cannot assess the risk of failure.

Licence modification procedures

Con doc	<ul style="list-style-type: none">▪ CLM process does not apply to Standard Conditions to the extent that they have been modified (i.e. Amended Standard Conditions).▪ Restructure the NTS and DN-GTs licences and to introduce the private Collective Licence Modification (CLM) procedure
Summary of responses	<ul style="list-style-type: none">▪ Shippers, in general, opposed to introduction of Private CLM process on grounds of complexity and legality▪ 1 potential buyer supported the proposed private collective modification process and associated switch on / off provisions▪ 2 potential buyers and 1 shipper stated that the proposed voting system is discriminatory

LNG Storage

Con doc	Licence obligations relating to LNG storage should be located in NTS-GT licence only
Summary of responses	<ul style="list-style-type: none">2 potential buyers supported proposal2 potential buyers stated that the storage arrangements should be normal commercial arrangements and therefore references to storage facilities should be removed from DN licences

Metering

Con doc	The obligations relating to metering should sit within both NTS and DN-GT licenses
Summary of responses	<ul style="list-style-type: none">▪ 2 potential buyers objected to last resort metering being provided by IDNs as they will have no regulated metering businesses▪ 2 potential buyers stated that IDNs should not be required to produce stand-alone regulatory accounts for metering activities

Business Separation

Con doc	<ul style="list-style-type: none">▪ DNs' monopoly activities should be separated from any other activities they may have (electricity distribution licence)▪ Structural separation of NTS and RDNs
Summary of responses	<ul style="list-style-type: none">▪ Most respondents supported the proposals relating to both the separation of competitive and monopoly activities as well as NTS / RDN separation▪ 1 shipper stated that the legal separation of the NTS from the RDNs would have been preferable

A large version of the ofgem logo, featuring the word "ofgem" in white lowercase letters on an orange rounded rectangular background. The background of the slide is a faded blue image of electrical components, including a three-pin plug and a circuit board.

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