

DN Sales Development & Implementation Steering Group Minutes

Meeting 33

18 January 2005, 10:00 am – 2:00 pm

Ofgem's office, 9 Millbank

Attendees

Sonia Brown	Ofgem (chair)	Leah Fry	NGT
Jason Mann	Ofgem	John Costa	EDF Energy
Suzanne Turner	Ofgem	Alison Russell	Centrica
Hannah Cook	Ofgem	Julian Bagwell	Macquarie
Peter Bingham	NGT	Alex Wiseman	United Utilities/CKI
Sue Higgins	NGT	Peter Bolitho	E.ON UK
Tim Davis	NGT	Marie Clark	ScottishPower
Mike Ashworth	NGT		

Sonia Brown opened the meeting by informing attendees that if at the Authority meeting a decision was reached to consent to a potential DN sale, Ofgem would undertake a financial health-check. She detailed that the terms of reference for the consultants that may be contracted to undertake such a review would be placed on Ofgem's website later in the day. She clarified however, that if the Authority were to decide against a potential DN sale these terms of reference would be removed from the website and Ofgem would not proceed with this area of work. She set out that if DISG members had any questions regarding this process, they should be directed toward Matteo Guarnerio.

Sonia explained that the minutes from DISG 32 had not be finalised but that these would be circulated as soon as possible.

1. Review of items from DISG 32

- Transco to reconsider its credit proposals for day 1 of any DN sale and report back to DISG 33. Transco to bring this back to DISG 35.
- Transco to provide clarity regarding the flow of information that will take place where interruption is instructed by the NTS control centre on a DN in the interim period. This should take the form of a pre and post August process map. Peter Bingham detailed that he had bought the relevant information to the meeting.

Peter Bingham stated that prior to August 2005, the current processes would continue to operate and that, as such, where a DN wished to interrupt a site it would be necessary to direct this through the GNCC. He explained that, under this process, the GNCC would notify the relevant shippers and then issue a formal notification. He set out that this would mainly be carried out using faxed communication and that it would also involve directing two flows through the IX system. He detailed that the process would be modified post August 2005 and that, following this date, where Transco is required to undertake interruption on a site, it will be necessary for the relevant information to be flowed through the GNCC. However he highlighted that, subsequent to August 2005 where DN interruption was required, it would be necessary for the relevant DN to

instruct this through the DNCC. He noted that, with respect to the way in which this process would operate, DNs would be required to have their own systems to accommodate this obligation but that this system would simply be a duplicate of the GNCC and that the majority of communications would still take place using fax. He therefore outlined that shippers should not be aware of any changes in the information interfaces, in relation to interruptions, that they currently use. Peter stated that the processes that he had outlined were summarised by the final slide included on the handout.

Jason Mann asked how Transco envisaged that this would operate following expiry of the SOMSA agreements. Peter Bingham responded that DNCCs would need to use the same file formats as are currently used in Transco's operations. He highlighted, in this regard, that shippers would not experience any change or fragmentation as a result of this change in arrangements. Sonia asked where these arrangements would be governed and whether anything of this nature had been formally written down. Mike Ashworth pointed out that the provisions of the Network Code prescribe a form of communication that should be adopted for this notice. Sonia considered that what it would ultimately come down to the party responsible for the UK link manual. Mike Ashworth stated that Transco would adhere to a principle of 'no change' in relation to the form of communication used to inform shippers of an interruption.

Alison Russell asked whether this would form part of the common communication protocols and Peter Bingham confirmed that it would. Sonia clarified that these provisions would need to be placed within the UNC and the licence. She set out that, as such, it would be necessary to look at the drafting of the Common Systems Agreement and the agency agreement to ensure that it was made an enduring arrangement. Peter Bolitho highlighted that the communication should take a common format and that it should also be communicated from a common location.

Sonia detailed that the agency condition had been recently redrafted and therefore suggested that it may be appropriate to incorporate this issue after DISG members had gone through this drafting during the meeting.

Action – Transco to look at the issue of the way in which common communication formats could be maintained with respect to the notification of interruptions following expiry of the SOMSA arrangements.

Sonia suggested that shippers should ensure that they provide Transco with any comments regarding this issue as soon as possible. Peter Bingham informed DISG members that he would be on holiday from the following week and that Nigel Sisman would be the best person to contact in his absence.

- Transco to liaise further with Ofgem on this matter in order that additional information regarding the charge change window can be included within the relevant presentation. Peter Bingham detailed that he had provided a note to Suzanne Turner in relation to this issue.
- Transco to present an updated roadmap for DN sales at DISG 33. Peter Bingham stated that he had provided this, for information, to the DISG and clarified that it was a draft roadmap in view of the imminent Authority decision.

Peter explained that the licence workstrand remained unchanged on the revised roadmap but clarified that the timetable for the incentive consultation had been

incorporated and that the Initial Thoughts document would be published in January if the Authority were to reach a positive decision at its meeting on 20 January. Peter detailed that the Initial Proposals on incentives would be issued in March with the Final Proposals published in May. He acknowledged that there was an error on the current version of the roadmap in that it only showed the Final Proposals consultation to be running throughout April when there was a possibility that it may have to run through May as well. Sonia clarified that the consultation period would be running through May as this would not only be a Section 23 to implement licence related changes but would also require additional licence changes to 'mop up' after the Section 8AA. She stated that if this were not the case, Ofgem would not have sufficient time to consider all of the responses that would be received in relation to the formal Section 8AA consultation.

Peter Bingham highlighted that the timetables for workstands on the DTI exemption and the Safety Case would remain as anticipated on previous roadmaps provided to the DISG. He set out that a number of workshops would be undertaken, during January and February, regarding the UNC and that Ofgem would be publishing a consultation document regarding the form of the UNC at the beginning of March. He outlined that Transco would be releasing a pricing consultation at the end of January. In addition, Peter stated that Transco would be releasing a consultation on the SFCs at the beginning of March and that this would be running in parallel with the Ofgem consultation regarding the UNC. He detailed that these consultations were set to run in parallel in order to allow interested parties to have access to all of the relevant information when submitting a response to either publication.

Peter Bolitho asked, in relation to the Network Code to create SFC workstrand, what the reference to 'prepare draft mod report' meant. He outlined that raising the draft mod and then having the discussions on this would effectively amount to 'putting the cart before the horse'. Peter Bingham responded that the intention had initially been to raise the draft mod in January and that the bar had simply not been moved along. Peter Bolitho pointed out that the timescales from 10 February to the end of May appeared to be very tight considering the importance of the mods to be raised. John Costa stated that the mod raised may not go to consultation and that it might therefore be appropriate to remove these steps from the roadmap. Sonia highlighted that it would be necessary to look again at all of the issues following the outcome of the Authority meeting. Peter Bolitho suggested that in order to draw attention to this, it may be appropriate to represent the mod process with a dotted line. Peter Bingham detailed that he would amend the roadmap to reflect this.

In relation to the agency and joint office workstrands, Peter Bingham set out that Transco had bought the CSA business rules along to the DISG to discuss and that Tim Davis would be giving a presentation regarding the joint office.

With respect to the industry seminar workstrand, Peter Bingham detailed that, if the Authority were to grant consent to a potential DN sale, Transco would be holding a seminar on 27 January regarding the various aspects of a potential sale.

Suzanne Turner clarified that, with respect to the exemptions workstrand, the DTI have not yet provided clarification as to when any exemption would come into force but that, it was anticipated, that the grant of a potential exemption would be scheduled in order to coincide with the transfer of licence that would take place under the Section 8AA process. Sonia stated that the reason this was anticipated was that a number of changes to the GT licence had been proposed to provide clarity regarding the party referred to

under the provisions of an exemption and that it would be sensible for these to be implemented within the licence as part of the Section 8AA notice.

Alex Wiseman asked, on the assumption that the Authority were to reach a favourable decision at the meeting on 20 January, what the nature of the decision taken on 25 April would be and whether this would effectively amount to consent on sale completion. Sonia responded that Ofgem had always been very clear that if consent were to be granted, in relation to the application for disposal made by Transco, this would be subject to the achievement of a number of conditions. She detailed that some of these conditions would need to be met prior to hive-down, whilst compliance with others would need to be demonstrated prior to the grant of consent to sale share. She therefore set out that the decision to be taken on 25 April would effectively determine whether Transco was to be given the 'green light' to hive-down. She highlighted that further consent would be required for share sale. Mike Ashworth asked for clarification regarding the type of conditions that would need to be met in the period between hive-down and completion. Sonia explained that she did not want to go into this at DISG 33 but outlined that if the Authority were to reach a positive decision on 20 January then she would hope to be able to provide interested parties with an outline of what the conditions may be. She set out that any conditions may however, need to be finalised first as although Ofgem had made recommendations to the Authority in relation to the conditions they may attach to their consent, it would be an Authority decision as to what these should ultimately be.

John Costa asked what the next steps would be if the Authority did not reach a final decision at its meeting on 20 January. Sonia responded that Transco had made an application for consent to dispose of transportation assets and that the Authority would have 60 days to consider this application. In this regard, she detailed that if the Authority did not respond to the application within 60 days then Transco would automatically assume consent had been granted on an unconditional basis. She explained that the Authority would need to make this decision within the allocated timeframe and clarified that any delay would have an impact upon certain aspects of the current timetable. John Costa asked for clarification that the decision to be taken on 25 April would be in relation to whether the Authority were to consent to hive-down and Sonia confirmed that it was.

Alison Russell asked whether it was likely that if the Authority did not reach a final decision during its meeting on 20 January, interested parties would be provided with notice of this. Sonia detailed that if this were to be the case the Authority would have to give some consideration to its communications strategy at this time and that there would be several handling interactions, in this regard, that they would have to consider.

Julian Bagwell asked whether Transco would be able to provide the roadmap in soft copies and Peter Bingham stated that he would update the roadmap and send it round to DISG members. Sonia suggested that it might be easier to place it on the DN sales website.

- Transco to report to DISG 34 regarding whether it intends to exclude non transitional services from the de minimis limit. Sonia detailed that this would be discussed at DISG 34.

Action - Transco to report to DISG 34 regarding whether it intends to exclude non transitional services from the de minimis limit.

- Transco to provide further clarification regarding the way in which the mains replacement allocation within the DNZ term was derived for individual DNs following the separation of DN price controls and how it will operate with respect to individual DNs following a potential DN sale. Peter Bingham set out that this information was contained within Appendix 2 of the open letter regarding DN price controls, issued by Ofgem in March 2004.
- DISG members to bring back any comments regarding Transco's presentation on the derivation of the DNZ term to DISG 33. Alison Russell asked what exactly this action was in relation to. Peter Bingham set out that it was in relation to the letter published by Andrew Walker in March 2004 regarding the separation of DN price controls and the way in which the relevant items within the price controls had been apportioned between the DNs. Alison asked whether, with respect to the mains replacement adjustment within year, this was a one-off figure within the paper which had been allocated to the system as a whole in equal percentage proportions and, as a measured figure in future years. Peter Bingham responded that in the first two years it had been allocated to the DNs in aggregate and that K would vary for DNs depending on the relative amount that they spent. Alison asked for confirmation that the proportions had been split between DNs equally and Peter stated that it had been split within K, which gets divided up in the same way. He stated that any further questions should be directed toward him.
- Shippers to come back to Ofgem with any representations regarding the definition of relevant transporter by DISG 33. A number of shippers explained that they had not yet had a chance to look at this and therefore the deadline for responses on this was extended to DISG 34.

Action - Shippers to come back to Ofgem with any representations regarding the definition of relevant transporter by DISG 33

- DISG members to provide any comments that they have on the charge change licence drafting by DISG 33.

Alison Russell detailed that she had a couple of comments to make on this:

- A4 (2) – Alison set out that although it appeared that the intention of this provision was to oblige both the DNs and the NTS to use the joint office, from the way she had read it she did not perceive that it went as far as to oblige them to do this.
- A5 – Alison highlighted that, given that A5 related to both DNs and the NTS, it was unclear why it contained provisions in relation to auction reserve prices.

Sonia responded that Ofgem considered, with respect to Alison's second point, that this would be the least change position. She outlined that she would be happy to have a look at this but that Ofgem would not want to have to implement additional Standard Special Conditions. Peter Bingham pointed out that this was the way in which the obligation operated at present. Sonia also emphasised that the provision was not active within the licence in view of the fact that there aren't any auction prices. In addition, Mike Ashworth commented that this approach would save Ofgem and Transco from having to draft a separate licence condition.

- A7 – Alison stated that she had the same problems with A7 as she had outlined with respect to A5.

Sonia asked DISG members whether they had any response to the proposals to allow two charge changes a year for the NTS and only one for the DNs, pending the outcome

of the NGT consultation on changes to charges. Alison Russell detailed that she was in support of retaining as much stability as it would be possible to retain with respect to these types of issues. Peter Bolitho set out that proposals to make changes to charges once a year would be more favourable and asked whether it would be possible to revisit this decision. In this regard, he asked whether any other approach could be adopted to reconcile the fact that E.ON continued to be in favour of an obligation to only change charges once a year and, under which, if it were necessary for charges to change more than once a year then this would come under the reasonable endeavours obligation. Sonia set that it would not be possible to revisit this policy area. Peter Bolitho outlined that, for E.ON, a once a year change would be a preferential option as far as customer views were concerned. Sonia highlighted that the proposed obligation on the DNs was already to only make charge changes once a year. She explained that, under its statutory duties, Ofgem would have to look at the costs for customers of placing an obligation on DNs to only change their charges once a year and that, on this basis, Ofgem would not be prepared to pursue a licence amendment of this nature at this time.

- Ofgem to speak to the DTI regarding their timetable in relation to the exemptions consultation. Suzanne Turner set out that the DTI would be considering hard the decision that it would have to take in relation to the exemptions consultation, as well as its decision regarding whether to grant its consent to a potential DN sale.
- DISG members to provide Ofgem with any comments that they have regarding the drafting of the various licence conditions presented to DISG 32 by DISG 33.

Sonia detailed that she assumed that DISG members did not have any further comments regarding the licence drafting presented at DISG 32 in view of the fact that she had not received any. Peter Bolitho stated that he was intending to submit some comments to Ofgem regarding the drafting of alternative mods under Standard Special Condition A11.

Alison Russell set out that, with respect to the drafting of Standard Special Condition A8, the definition of relevant customer did not appear to include domestic customers. In this regard, she detailed that it differed from the definition included in Condition 21B. Sue Higgins suggested that Alison may have been thinking of priority customers as there are two groups of these. She explained that the group of priority customers referred to under the provisions of this condition were those sites that would need to be provided with priority access to gas in the event of a national emergency e.g. hospitals. She explained that another group of priority customers also existed and that these referred to domestic customers to whom it was crucial that a constant energy supply was maintained.

Alison pointed out that it was clear, from the drafting of this licence condition, that the provisions regarding the availability of an emergency services telephone number was intended to apply to domestic customers, yet the definition of 'relevant customer' did not appear to include domestics. Sonia responded that the drafting referred to 'any person' and that this provision would be much wider than that of 'relevant customer'. She clarified that the inclusion of a definition of 'relevant customer' had been made in relation to interruption and that, as such, the definition was not intended to refer to domestics. Alison stated that domestic customers could, on occasion, be instructed not to use gas in emergency situations. Sonia asked for clarification that Alison was referring to the DTI's priority list which includes a number of large gas customers and Sue Higgins confirmed that she was. Sonia asked whether this list also covered

domestic customers. Sue detailed that it covered customers that the DTI had an interest in and that the provisions regarding call-outs to domestic customers were covered by paragraph 8. Sonia explained that as paragraph 1 referred to 'any person' and paragraph 8 referred to 'any premises this condition would apply to all customers and that concerns regarding the coverage of this condition would therefore go away. She clarified that paragraph 15 was referring to certain classes or definitions of customers.

2. Joint Office Association Agreement (JOAA) presentation

Tim Davis explained that, in December, DISG had participated in discussions regarding the role of the JO and that the JOAA was an agreement established in recognition of the fact that the DN licences would include Standard Special Conditions to oversee the operation of the JO. He clarified that this was an agreement to which NGT and the IDNs would be signing up to and that it would clearly set out who the signatories to the agreement were. Tim stated that issues of timing were also evident and that this was why provisions had been incorporated within the agreement to require that parties would be obliged to sign up to the UNC as well as the JO.

Tim set out that the JOAA would provide details of what the joint governance arrangements were and would require that the signatory would be obliged to comply with provisions contained within the GT licence. He also highlighted that the JOAA would allow the coordinated administration of the GT licence by requiring that this would be undertaken through the JO.

Tim outlined that, as part of the JOAA, each party would acknowledge their dependency on one another. He explained that the agreement would also go into the mechanics of coordinated administration of the licence e.g. the establishment of a committee and the way in which that committee would be operated. He clarified that the committee would meet periodically and be responsible for taking decisions on an economic and efficient basis.

Tim detailed that the Joint Governance Agreement would also be established which would name both the chairman and the joint secretary, as well as establishing the way in which the JO would be operated. He stated that the committee would also be responsible for preparing a pro forma resource plan which would be paid for between the signatories.

Tim outlined that the schedules had not yet been drafted but that they would include provisions relating to:

- The form of the accession agreement to admit new parties;
- Network Code procedures;
- Recovery of expenditures;
- Resources plan;
- Prohibited acts; and
- Terms of secondment.

Peter Bolitho asked for clarification regarding the schedules and the Network Code procedures that they referred to. Tim responded that some areas of the offtake rules still incorporated aspects relating to governance arrangements. Peter Bolitho asked whether any commercial arrangements would be incorporated within the agreement and Tim clarified that there wouldn't be.

Peter Bolitho asked why there were not any non-GT representatives on the committee and pointed out that other structures had been developed to allow representation of all affected parties and to have panel representatives involved in the decision making process e.g. Elexon. Sonia explained that the DISG had gone over these issues previously and that there were good reasons why the committee had been structured in the way that Tim Davis had set out. She clarified that these issues would need to be carefully reconsidered at the next price control. Peter Bolitho outlined that he was simply trying to make the distinction between governance of the JO and that of xoserve. He stated that he understood Ofgem's position from a regulatory perspective and set out that these arrangements should be reconsidered at the next price control review. Sonia asked whether it would be possible to have shipper representatives on the committee if shippers were clear that this would be necessary and Tim responded that it would be.

3. Common Systems Agreement (CSA) presentation

Leah Fry set out that the CSA was a simple agreement between GTs which would serve to support their licence obligations, as well as the provisions of the UNC and the Agency Services Agreement. She detailed that the parties to the agreement would include GT licence holders and that there would therefore be eight DNs and the NTS. She outlined that the purpose of the agreement was to provide Common Systems Arrangements (systems and processes), as identified in the Statement of Common Systems, for the administration of the UNC, in accordance with Standard Special Condition A14 of the GT licence.

Leah presented a diagram to DISG and explained that the CSA was represented by a blue box. She detailed that the diagram was intended to highlight how the CSA, as an agreement between the network operators, would link into the regulatory structure.

Peter Bolitho asked why it would be necessary to have a CSA and agency services contract separately. Leah responded that the CSA would be a contract between network operators whereas the agency services agreement would be outside of this. Sonia explained that Ofgem were currently having discussions with NGT regarding the drafting of the agency licence condition and clarified that the presentation was not quite updated to reflect this. She stated that the revised obligation would be for DNs to put in place one set of arrangements to cover both systems and services and therefore the concern that Peter Bolitho had expressed should no longer be evident. Peter Bolitho clarified that he didn't see the need for bilateral contracts in this respect and that any such contract should remain multi-party otherwise it could be seen to be a vehicle for fragmentation. Mike Ashworth responded that a licence condition had been put in place to preclude this occurrence.

Mike pointed out that the issue was mainly one of commonality, particularly with respect to the technical aspect of the systems agreement which was currently outsourced. In this respect he detailed that, in the context of the UNC, the systems employed should be the same and that, as such, the contracts established should be the same but not necessarily multilateral. He explained that it may be appropriate to have a CSA to establish commonality of terms. In line with Peter Bolitho's comments, Mike stated that it may be possible to merge the agency licence conditions and change the current agency contract to make it multilateral. Peter Bolitho expressed support for this idea as he considered that it would keep the arrangements simple by establishing one multilateral contract.

Sonia highlighted that some relevant GTs may opt to employ the services of xoserve to undertake incremental obligations on their behalf in order to benefit shippers. In this respect Sonia pointed out that while some fragmentation could be detrimental to the industry, certain types of fragmentation could occur in a positive way and, as such, create benefits for customers. Sonia therefore stated that Ofgem would not want to preclude the possibility of GTs establishing ancillary documents. Peter Bolitho asked whether there was the potential for this under the UNC and that if there were not, whether the possibility existed that the two provisions could be reconciled. Sonia detailed that it would be necessary for GTs to provide services and systems governed by the agency agreement through the agency itself but that, in the future, it could be possible that annexes to the agreement may be established, effectively creating bilateral agreements. Mike Ashworth considered that the contracts were essentially bilateral already as GTs would be paying the agency directly for its services.

Peter Bolitho expressed concern at having such a multitude of different contracts. Sonia responded that this was why Ofgem considered that these types of services should be clearly defined and that these definitions should be in the public domain. Sonia suggested that it may be appropriate to refer to these issues when looking at the drafting of the agency licence conditions.

Suzanne Turner clarified that the current drafts of the agency licence conditions no longer referred to CSAs.

Leah Fry provided an outline of the types of things that would be included within the CSA:

- Statement of Common Systems – Leah stated that the last slide in the presentation would provide DISG members with more information on this area. She highlighted that this would describe the purpose of the common systems established rather than a list of the system names. She clarified that this list would take on board the implications of Ofgem’s RIA regarding Agency & Governance;
- Governance Group – Leah explained that this would be formed of a GT representative from each DN and that it would convene once or twice a year to discuss any significant issues affecting the parties;
- System Cost Recovery – Leah set out that this would detail the basis upon which systems would be allocated between DNs and the NTS;
- Prioritisation of system changes – Leah highlighted that although Network Code system changes would be progressed through the joint office, problems may be experienced with respect to the priority given to any changes required e.g. Network Code changes Vs licence mods;
- Appointment of Network Operator Representative – Leah outlined that the role of this representative would be to coordinate changes to the Network Code;
- Long Term plan for system investment – Leah detailed that this would provide an opportunity to establish a long term for system changes e.g. replacement;
- Disputes – Leah noted that this would mostly be associated with resolution. She envisaged that any dispute that may arise would likely be fairly significant and that it was likely that the GTs would try to resolve the dispute prior to involving a third party.

John Costa asked whether the representatives on the governance group would be GTs and Leah confirmed that they would. John Costa asked whether there would be scope for shippers to be included within the scope of the agency. Sonia suggested that it may

be the case that shippers would be invited to attend meetings in an advisory capacity. Mike Ashworth clarified that this would be dependent upon the way in which the obligation regarding the provision of this service was established. He clarified that the governance group would simply be established to allow GTs to discuss their licence obligations and the way in which they were discharging them. He also detailed that it would enable them to discuss issues regarding the services that they had received from the agency.

John Costa asked for clarity that the governance group would not have any specific powers but that it would simply be established to allow GTs to make recommendations to Xoserve. He asked where any related decisions would be made. Mike Ashworth responded that the group would be established to allow GTs to discuss any relevant issues with their service provider.

Sonia considered that the development of a long-term investment plan would likely serve to make shippers nervous that GTs may plan amendments to the system without consulting them. She stated however that the hierarchy, with respect to the decision making process, would ultimately relate to the part of the framework with which it was concerned, for example, if it related to the Network Code this would be subject to the existing Network Code industry governance procedures. In this regard, she set out that safeguards would be available for shippers. Mike Ashworth emphasised that, in terms of implementation of changes to the framework, this forum would simply provide an opportunity for the GTs to discuss their requirements. Sonia set out that she was simply trying to make clear the fact that this process would be subordinate to the provisions of the UNC.

Peter Bolitho acknowledged that this process would be ok if it remained subordinate to the UNC but that more robust governance arrangements may need to be developed to deal with system changes. Sonia Brown suggested that, if this were the case, then it would be possible for shippers to raise a mod to the Network Code mod rules. Peter Bolitho responded that before pursuing this potential avenue, he intended to await the decision, to be reached by the mod panel, regarding the mod raised in relation to the governance of ancillary documents. He set out that it would all be dependent on timings and ensuring that decision makers were comfortable with the proposals put forward.

Sonia explained that she wanted to ensure that DISG members had clarity regarding the governance group and the fact that it would simply involve GTs getting together to discuss their obligations and coordinate with respect to the way in which they intend to fulfil these obligations.

Alison Russell asked whether, if a change to the industry framework were required which GTs were not keen to implement, this would fall under Section T of the Network Code. Sonia responded that it would be at the discretion of the Authority as to the way in which this type of decision should be reached. In this respect, she detailed that if the GTs were required to ensure direct delivery then they would be in breach of the relevant obligations if they did not fulfil this. Alison asked whether, if the appropriate GT was happy to pay compensation instead of implementing the desired changes, the only recourse to this would be through the UNC. Sonia clarified that if the Authority were to reach the decision that a relevant mod would be required, it would be within its remit to direct the GTs to implement this.

Alison Russell stated that looking at the way that some of these industry groups operate, they are sometimes inefficient and this can have a detrimental effect upon shippers and market participants. She detailed that she had a genuine concern that the industry processes developed may not actually work in practise in the way currently envisaged. Mike Ashworth set out that there were protections within the current framework for shippers and that arrangements developed for GTs to meet and discuss the industry processes would not be over and above the existing provisions.

Peter Bolitho asked what type of changes may be put through on shippers systems. Sonia responded that the issue mainly concerned whether the services that Transco currently provided to shippers were codified or not and that issues of this nature had previously been identified in a matrix developed by the SPAWG. She outlined that a decision had previously been reached regarding the way in which these potential issues should be dealt with and, in this regard, it had been decided that these services would not need to be codified. As such she stated that it had been envisaged that if Section Y of the UNC were effective this would enable shippers to progress any required mods. Peter Bingham confirmed that this was his recollection.

Peter Bolitho set out that a number of issues were currently being considered by the shipper community and that these issues were being contemplated in a logical way such that that the most important issues were considered first. Sonia emphasised that the matrix, developed by the SPAWG, had been compiled by defining every service that involved an interface between GTs and shippers. She clarified that only a small subset of services had been identified as not codified. Peter Bolitho responded that a number of shippers were looking at potential mods.

He detailed that he did not have an argument against this process but that he had concerns regarding amendments to the processes through which changes to the system were managed. Sonia pointed out that if services were already codified it would not be possible for GTs to operate these processes differently following a potential DN sale and that the number of services that operate which were not already codified was very small. Sonia stated that Ofgem would look to review these issues if the shipper community considered them to be significant. Peter expressed concern regarding the establishment of a Governance group formed of GTs which would examine the need for system changes. Sue Higgins clarified that the group would only be established to allow GTs to meet and consider, as one body, system changes identified as a possible desired market development. Sonia set out that Section Y of the UNC would include various provisions regarding the way that the governance provisions would work and detailed that she understood that xoserve had provided a commitment to the industry that it would govern system changes. Mike Ashworth outlined that the UK link committee would be retained and that, in addition, various user groups would also be established.

Peter Bolitho emphasised that he did not consider substantive changes to the way that governance processes operate with respect to system changes were required. However, he said that shippers do want a real say in such decisions. Sonia acknowledged that she had some sympathy for the issues that Peter was raising but detailed that these were not strictly DN sales related and therefore should not be addressed as part of this project. She suggested that it would be helpful if NGT could revise the diagram that they had presented to the DISG to match the licence requirements and the hierarchy for decision making. As such, she stated that the diagram should be shuffled around by NGT and then bought back to DISG for further discussion.

Action - NGT to revise the 'Common Systems Agreement – interfaces' diagram that they had presented to the DISG to match the licence requirements and processes and the hierarchy for decision making.

Marie Clark asked whether the database that NGT operate to assist in the production of CSEPs Invoices in relation to IGT networks would be included within the CSA following a potential DN sale. Mike Ashworth responded that the UNC would be the place where details of this relationship would be set out. Marie explained that IGTs have an obligation under the CSEP NExA to provide weekly AQ updates to Transco. These values are used by Transco to allocate energy values to Shippers who operate over IGT Networks and to assist in the production of the Ad-Hoc CSEP Invoices.

Action – NGT to investigate whether the services that NGT currently provides for IGTs e.g. CSEP would continue to be provided under the CSA following a potential DN sale and report back to DISG 34.

Marie Clark highlighted that Transco include within their Transportation Costs an admin charge of £1.20. This charge is applied by Transco to account for the additional administration processes to manage the daily operation and invoicing of CSEP and include the operation of the NGT CSEP Database. She therefore asked whether this database would be supported, going forward under the provision of the CSA.

John Costa suggested that, on the diagram regarding the interfaces that would operate under the CSA, it might be helpful to also illustrate what all of the lines between the boxes actually mean e.g. payments, subordinate. Sonia considered that this would be helpful.

Action - NGT to revise the 'Common Systems Agreement – interfaces' diagram that they had presented to the DISG to reflect what the lines between the boxes mean.

4. Gas Connections – Standards of Service

Sean O'Hara set out that a draft licence condition regarding connections was to be implemented together with the Standard Special Conditions for DN sales. He detailed that this was Standard special LC D10 in relation to the Provision of connections information. He stated that this condition would apply to both new connections and alterations and would require overall standards with proposed 90% targets to be met. He outlined that the exclusions from these standards would need to be agreed with Authority. In addition, he highlighted that it would contain a scheme to allow customers to challenge the accuracy of quotations received as well as an accuracy audit requirement.

He indicated that respondents were generally supportive of the need for this condition but that they had concerns about:

- Audit / information requirements being too onerous
- Combination of land enquiry with design approval
- Application to DNs and not just Transco
- 7bar limit too high
- Post acceptance more important than quotations

Sean explained that the draft statutory instrument was published on 10 January with responses due by 7 February. He detailed that the comments on the draft GSOP in the

December Licence Condition consultation were similar to those for draft Licence Condition as well as including details regarding:

- Whether payment levels are too high or too low
- Whether payment levels discourage competition
- Customer information
- Whether some targets are easier than under the Order

Sean set out that a gas connections workshop was to be held at Ofgem on 26 January. He outlined that the target date for revocation of the Order and introduction of the new statutory instrument was 1 April 2005 and that the new licence condition would come in to force with other standard specials for DN sales.

Peter Bolitho asked whether there were any substantive instances of revised drafting as compared with the September document. Sonia responded that the first document had steered policy while the November document had provided details of the licence changes to find out whether interested parties had any more substantive comments. Suzanne emphasised that if DISG members had any further comments they should let a member of the DN sales team know.

Sonia stated that she recognised that some DISG members had found it difficult to comment on the November licence consultation due to the parallel consultation regarding the Final IA. She therefore detailed that it would be important to discuss issues regarding the licence at the DISG in order to supplement this consultation. She set out that Ofgem would prefer to have meetings of this nature prior to the deadline for the formal Section 8AA consultation, scheduled to be published on 14 February, to identify any outstanding issues. She clarified that although Ofgem would have a second opportunity to implement any additional licence changes required, through the second Section 23 consultation, it would prefer to direct as many licence changes as possible at the Section 8AA stage. She outlined that Ofgem had a preference for interested parties to come to the DISG in order that all DISG members were made aware of views but that Ofgem would also be happy to have bilateral meetings.

5. General principles and proposed treatment of definitions within the licence

Suzanne Turner outlined that the relevant definitions had not, as yet, been fully developed and that, rather than confusing DISG members with various drafts of definitions Ofgem thought it would be more helpful to outline the key principle upon which Standard Special Condition A3 would be based.

She explained that within the November licensing consultation Ofgem had set out that the definitions included within Standard Condition 1 of the existing licence would apply across the Standard Conditions as well as the Standard Special Conditions and Special Conditions. She stated that in order to include new definitions to apply to the Standard Special Conditions and Special Conditions within the licence a new Standard Special Condition A3 would be implemented. She set out that Ofgem's position with respect to definitions within the licence had changed since the publication of the November document. In this respect, she highlighted that it was intended that Standard Condition 1 would only apply to the existing Standard Conditions and that Standard Special Condition A3 would apply to the Standard Special Conditions and Special Conditions. She outlined that Ofgem was not proposing to switch off Standard Condition 1 as it was needed in order to give the licence context and meaning but that assuming this

alternative position would provide greater clarity regarding the definitions applicable within the licence.

Suzanne set out an overview of the changes that Ofgem intended to make in relation to Standard Special Condition A3. She explained that Ofgem had bought forward, into A3, the definitions used in Standard Condition 1 that were also required for Standard Special Conditions and Special Conditions. She detailed that clarification had been attained that definitions in A3 would apply to Parts B, C, D, and E of the licence, as well as Part A. She outlined that, in general, definitions used in more than one condition would be bought forward into A3 but clarified that there would, however, continue to be condition specific definitions.

Suzanne highlighted that Ofgem had deleted the definitions in A3 that were not used e.g. consolidated transportation business and introduced new definitions as appropriate. She set out that in looking at these conditions Ofgem had also addressed issues associated with capitalisation of definitions and made it clear that cross-references to Standard Conditions in the licence should be to the replacement Standard Special Condition or Special Condition if that Standard Condition is switched off.

Suzanne stated that Ofgem had implemented the GT / shipper distinction as discussed at DISG 32. She also outlined that clarification had been provided in relation to Transco's business separation to make it clear that there would be 2 licences within the same legal entity and that Transco plc would have 1 short form code. She detailed that small tweaks had also be undertake to clarify Network Code definitions and references.

Suzanne explained that Ofgem had talked through the new definitions of the GT / shipper at DISG 32 and that, in line with this a new definition of 'DN Operator' had been included:

- means a licence-holder who is obliged to comply with one or more conditions in Part D: Standard Special Conditions (in whole or in part) applicable to all DN licensees as a result of any direction issued pursuant to Standard Special Condition D1 (Application/Disapplication of standard conditions in Section A (Interpretation and Payments) and Section B (General) and Application/Disapplication of Standard Special Conditions applicable to DN licensees)

Julian Bagwell asked whether it might not have been sensible to have limited the definition to 'means a licence-holder who is obliged to comply with one or more conditions in Part D: Standard Special Conditions (in whole or in part)' as this would give essentially the same meaning. Suzanne responded that the remainder of the definition would need to be included for clarity as paragraphs 1 to 3 of D1 would be effective in both NTS and DN licences. Sonia explained that Ofgem had tried to 'push back' on their lawyers in this regard but they have been very clear that the entirety of this definition would be required. She clarified however, that the definition only appears once within the licence.

Suzanne set out that, in line with the new GT / shipper definition a revised definition of the 'NTS Operator' had also been included:

- means a licence-holder who is obliged to comply with one or more conditions in Part B: Standard Special Conditions (in whole or in part) applicable to all NTS licensees as a result of any direction issued pursuant to Standard Special Condition B1 (Application/Disapplication of standard conditions in Section A (Interpretation and Payments) and Section B (General) and

Application/Disapplication of Standard Special Conditions applicable to NTS licensees)

In addition, she detailed that a new definition of 'Relevant gas transporter' would also be implemented within the licence:

- means the licensee and any other gas transporter who is a DN operator or NTS operator

Suzanne outlined that, for absolute clarity regarding business separation, the existing definition of 'licensee's pipe-line system' had been amended to clarify that, in relation to Transco, the licence is referring to the respective NTS or DN pipeline system and, as such, the definition had been revised to:

- pipe-line system to which this licence relates

In a similar vein, Suzanne stated that the definition of the licensee had also been amended to refer specifically to the NTS or DN. She set out that, as such, the definition was drafted to state:

- means the holder of this licence in its capacity as:
 - (i) NTS operator; or
 - (ii) DN operator;

and, for the avoidance of doubt, nothing in this definition shall prevent a single legal entity being both an NTS operator and a DN operator.

She highlighted that, in situations where it would not be necessary to refer specifically to the NTS or RDNs, for example with respect to the SFCs or some of the financial conditions, this would be dealt with in the specific conditions.

Suzanne explained that further clarification of key definitions had also been undertaken to reflect the separation between the NTS and RDN businesses:

- Transportation arrangements
 - Definition tweaked to incorporate relevant gas transporters
 - Pipe-line system to which this licence relates
 - Update cross-references within definition
- Transportation system
 - Means the facilities to which this licence relates which are used by the licensee for the conveyance of gas within Great Britain
- Transportation business: Current licence has two definitions (one in lower case and one in upper case)
 - transportation business: means the activities of the licensee connected with the development, administration, maintenance and operation of its pipe-line system....
 - Transportation Business: means the Transportation and LNG Storage Business except the LNG Storage Business
 - Transportation and LNG Storage Business: means the activities of the licensee connected with the development, administration, maintenance and operation of:
 - (a) the Transportation System and with the Supply of Transportation Services; and
 - (b) the LNG Storage Facilities and with the Supply of LNG Storage Services

But excluding the Metering Business and the Meter Reading Business Suzanne set out that, with respect to the definition of 'Transportation business', the amendments made had not been specifically DN sales related but that due to

the inconsistency contained within the definitions, this was not something that Ofgem wanted to retain.

- Transportation business:
 - Means the activities of the licensee connected with the development, administration, maintenance, and operation of the transportation system and with the supply of transportation services but excluding the metering business and meter reading business.....
 - Update cross-references within the definition

Suzanne clarified that if any of the DISG members had any objections to this they should inform the DN sales team.

Suzanne detailed that there had been a number of Network Code related tweaks to the licence definitions in response to views expressed by respondents to the November document that the definitions were unclear. She explained that, in this respect, a number of definitions had been rationalised:

- “uniform network code”: definition remains largely unchanged
- “individual network code” definition removed
- “network code” (A11): “references in the conditions of this licence to the network code include the uniform network code (as the same may be varied from time to time) as so incorporated, unless otherwise stated”.
- Short form code: “network code prepared for or on behalf of each relevant gas transporter (excluding the terms of the uniform network code incorporated within it)”.
- References throughout licence reconsidered and tweaked as appropriate

Suzanne clarified that, with respect to definitions incorporated within the licence regarding the Network Code, there were two main definitions. She set out that the first referred specifically to the UNC while the second referred to the Network Code and therefore incorporated both the UNC and associated short form codes. As such, she explained that this meant the short form codes were not explicitly defined within the licence but could be referred to as the Network Code excluding the provisions of the UNC. She stated that if DISG members had any representations against this then should be happy to hear any views but that views would be welcomed sooner rather than later as any amendment required would have ramifications throughout the licence.

Peter Bolitho expressed support for the implementation of Network Code definitions with a clear demarcation and an approach which would ensure no overlap between these conditions. Sonia detailed that Ofgem was also happy with the definition conditions that had been developed but that she would also be happy to hear the views of any interested parties.

Suzanne highlighted that, throughout the licence, references to specific sections of Transco plc’s Network Code at particular points in time were made. She explained that Ofgem had considered incorporating within the licence exactly the wording included within the Network Code reference but that this had not, in practise, been possible as many of the references to the Network Code also included further cross references. She directed DISG members to a handout outlining this problem. Suzanne detailed that a number of respondents had raised concerns regarding the definition of Meter-Related Services Business (A33). She stated that this had been defined by reference to a definition in A10 which included a further reference to Section M, paragraph 1.2 of Transco plc’s Network Code as at the date the paragraph became effective (12 July 2004). She clarified that this definition had been reached through the inclusion of a reference to the ‘Metering equipment’ definition in A3 which then references Section M,

paragraph 1.2 of Transco plc's Network Code as at the specific version issued on 1 April 1997. In this regard, she explained that much of the confusion surrounding this condition stemmed from the way in which the definition had been framed by making references to different snapshots of the Network Code. As such she explicitly detailed that the definition of Metering Business was not the same as the definition of Meter-Related Services Business.

Suzanne clarified that the definition of daily metered supply meter points included in C12 and E5 was meant to refer to a supply meter point which is read on a daily basis in accordance with section M paragraph 1.3.1 or section G 1.5.1(b) or section G paragraph 1.5.3 of the licensee's Network Code having effect as such on 1 April 2002.

Suzanne explained that a few remaining definitions had also been amended. As such she set out that the definition of domestic premises had been moved into A3 and that sub-paragraph (a) had been removed as it had time-expired post January 1 2002. She also highlighted that the definition had been revised to state that domestic premises 'means premises at which a supply is taken wholly or mainly for domestic purposes'.

Suzanne also outlined that the definition of independent systems had been tweaked and that this would be discussed in greater detail as part of the next agenda item. In addition she detailed that the definition of investment & permitted purpose had been amended to remove definitions to Section C and refer instead to Standard Special Conditions affected.

Julian Bagwell asked whether, in line with the new structure of definitions, it would in theory be possible for certain services or parties to be defined differently in different parts of the licence. Suzanne responded that there were some examples of this and that this was why Ofgem had sought to make it clear that different definitions would be applicable within different parts of the licence. She clarified that this approach had been adopted in order to avoid the difficulties associated with switching off Standard Condition 1.

6. Network Code and Agency Conditions

Suzanne Turner stated that there was a whole suite of conditions associated with the Network Code and Agency provisions but highlighted that **A11** was the main condition. She outlined that an earlier version of A11 had been discussed at DISG 32. She explained that paragraph 1(d)(iii) had previously been incorporated within the licence as a provision to secure effective competition between shippers / suppliers and that, in light of a potential DN Sale, this would be amended to also include a reference to DN operators.

Julian Bagwell detailed that he considered that the changes discussed at DISG 32 had been key changes and asked what the purpose of introducing 'and / or Uniform Network Code' within sub paragraph (f) had been. Suzanne responded that this would ensure that where a mod proposed in relation to an individual SFC could cause difficulties in relation to implementation of the Network Code, it would be possible for Ofgem to respond that this would not facilitate the relevant objective set out under paragraph (f). She outlined that this was intended to ensure that there would be no fragmentation within the industry.

Peter Bolitho pointed out that in paragraph 1(d)(iii) 'DN operators' had been added and asked whether references within this paragraph, to shippers and suppliers, had always been included. Suzanne responded that the paragraph had been inserted as a consequence of DN sales.

Suzanne detailed that an insertion had been made at the beginning of paragraph 3 of A11 to include the phrase 'Subject to paragraph 4, in respect of the pipe-line system to which this licence relates, the licensee' to address the issue that Transco will only have one SFC applicable to both of its licensees. She also highlighted that, throughout the condition, reference had been made to 'the Network Code...prepared by or on behalf' in order to address the same issue of Transco only having one SFC applicable to the NTS and DN-GTs e.g. paragraph 6 (b).

Suzanne pointed out that paragraph 10 had been inserted to set out the process that would be adopted in respect of modification of the UNC. In a similar respect, she stated that paragraph 11 had also been inserted to establish the mod process with respect to SFCs and outlined that this also provided an example of the way in which the SFCs would be referred to using the long-hand definition.

She explained that in sub-paragraph (a)(i) a reference had been made to the ability of the licensee to be able to raise a mod 'to the extent that the modification proposed relates to the pipeline system to which this licence relates'. Suzanne set out that this provision had been included in order to prevent either the NTS or the RDNs from raising a mod to the SFC relating to the other part of the business. Sonia clarified that this was a 'belt and braces' approach and that it was intended to provide a clear signal that it would only be possible to raise a mod in relation to its part of the business.

Sue Higgins suggested that this was not the case as either party would be able to raise a mod in relation to the provisions of the UNC. Sonia responded that any signatory would be permitted to raise a mod in respect of the UNC but that, given that they would be structurally separate, it would be strange if the RDNs or the NTS were permitted to raise a mod in relation to provisions contained in Transco's SFC relating to the other party. For clarity, Sonia detailed that it would not be possible for more than one DN to operate under the provisions of one SFC except in the case of Transco.

Suzanne stated that the reference to 'relevant shipper' had been clarified such that it was only shippers affected that would be able to raise an SFC mod. She also set out that paragraph 11(iii) served to introduce DN operators as exempt shippers.

Suzanne explained that there was also a general question regarding the establishment of relevant arrangements and whether there should be a drop-dead date for this. Peter Bolitho suggested that it could perhaps be a condition of sale that it would be necessary to have the arrangements in place for day 1 of DN sales. Sonia responded that Ofgem were intending to have relevant licence conditions in place for day 1 which would require that associated arrangements would be implemented for day 1 of DN sales. She clarified that this had been one of the recommendations made to the Authority regarding any conditions that they should attach to their consent but that it would be left to the discretion of the Authority to decide what these conditions should be. Sonia asked whether, in view of the imminent Authority decision, Peter Bolitho would like her to make clear to the Authority his views on the matter or whether he was satisfied that any associated conditions would be considered by the Authority as part of the consent that they may grant to a potential DN sale. Peter Bolitho stated that he wanted to be sure

that an appropriate process was in place but that he was satisfied that the Authority would consider any required conditions.

Alison Russell asked whether some of the changes had already been reflected within the drafting of A11. Suzanne responded that, for clarity, some of the drafting changes had already been accepted but that the rest of the proposed changes were highlighted in revision marking. Alison highlighted that paragraph 14 made it clear that where the HSE provided a relevant GT with a safety notice it would be necessary for the relevant GT to raise a consequential mod in this regard and asked whether there were any other areas where principles of this type would be applied. Sonia responded that Ofgem would not want to start placing this type of conditionality within the scope of licence provisions but stated that the situation would be different in relation to the HSE. Alison asked whether a UNC mod in this regard would require consequential amendments to the relevant SFCs. Sonia explained that this was one of the areas that Ofgem had looked into with respect to the hierarchy of documentation. She explained that this was one of the underlying reasons behind the implementation of paragraph 1(f) within A11 as if a modification required by the HSE were to place the UNC in conflict with the relevant SFC, the mod could be rejected under the provisions of paragraph 1(f).

Sonia clarified that there would not be any formal follow through of changes made to SFCs through to the UNC. Peter Bolitho considered that the UNC would be the driving document. Sonia detailed that it would be key to the continuity of arrangements that the SFC would incorporate the provisions of the UNC. She clarified that, from a user perspective, the UNC would be the key document but that from a licence perspective, it would simply need to be the case that Ofgem would be able to take action against licensees where a breach were to take place.

Sonia explained that if it would cause conflict and confusion to reject a modification on the basis that it did not fulfil the provisions set out under 1(f) of A11 and it was clear that it was in line with the other UNC objectives then it may be appropriate for shippers to raise an associated mod in order to avoid conflict and confusion. Peter Bolitho asked whether this meant that there would essentially be two different processes for approval in operation. Sonia responded that it simply meant that there was an additional layer of approval necessary in relation to mods proposed to the UNC and SFC in order to provide affected parties with additional protection.

Alison Russell asked whether the provisions in paragraph 17 meant that each GT would be required to compile summaries of the UNC essentially meaning that five separate but potentially identical summaries would be established. Sonia responded that this query would be answered by Standard Special Condition A12.

Peter Bolitho pointed out that paragraph 11(b) contained provisions relating to the raising of alternative mod proposals. He expressed concern that the drafting of this proposal may conflict with the proposals put forward to the UNC development forum by the Gas Forum. He clarified that this concern was really related to the definition of an alternative mod contained within the condition and set out that he would come back to Ofgem with some more detailed comments in this regard following the DISG meeting.

John Costa asked why the condition had been drafted in such a way so as to preclude the original proposer from proposing an alternative mod. Mike Ashworth responded that this was an efficiency point in that the original proposal put forward should have

been sufficiently researched to ensure that it captured all of the desired provisions. John Costa considered that it would be more efficient to raise an alternative mod rather than requiring the original proposer to develop a completely new proposal. Sonia set out that if it were the case that when the final detailed draft of the mod rules were made available to the industry these were to contain provisions stating that only 1 alternative could be raised with respect to a mod proposal, Ofgem did not want it to be the case that the original proposer would block this route for all other parties. She stated that the preclusion of this would ensure that other parties would be permitted to raise alternatives.

Peter Bolitho considered that it could be the case that there was a distinction between raising an alternative and refining the original proposals. Sonia responded that Ofgem would look at these points more carefully once the base mod rules had been developed.

Sonia clarified that in relation to any mods in flight it would be necessary for Ofgem to know the drafting of these very soon in order that any implications for the UNC could be incorporated.

Suzanne Turner explained that Standard Special Condition **A12** had been tweaked to clarify the relationship between the JGA and the JGAA. She detailed that paragraphs 1(c) and (d) stated that the GT should provide or publish copies of the relevant documentation and clarified that this obligation would not require that it would be necessary for each of the GTs to provide the Authority with a copy of the relevant joint governance documentation. In this respect she highlighted that the provisions of A11 had been inserted within paragraph 4 to allow the obligations regarding publication of documentation in relation to joint governance to be discharged through the joint office. She set out however, that even though these obligations could be discharged jointly, Ofgem would still retain the ability to take action against individual licensees for non compliance.

Suzanne set out that A14 would no longer be used as A14 and A15 had been merged and essentially rewritten. She detailed that the new condition would establish the services and systems that would be subcontracted to the agency. She stated that the new condition still contained paragraphs 1(i),(ii) and (iii) incorporating the costing requirement. She explained that one respondent considered that this provision might not have been clear and that Ofgem welcomed views in this regard. She set out that paragraphs 2 and 3 were intended to expand on the provisions contained within A15 and, as such, this would require that DNs would not be permitted to opt out of the agency arrangements without consent.

Mike Ashworth highlighted that there were minor services that xoserve would provide to GTs which were not related to the Network Code provisions and set out that there was an assumption that if the DNs wished to arrange provision of these services for themselves there would be no reason why this should not be permitted. Suzanne clarified that A15 only referred to services that would be provided in accordance with the requirements of the UNC. Sonia stated that there may be concern amongst shippers that if these services were provided by individual GTs these could cause inefficient market fragmentation and she therefore asked whether Transco could provide a list of the services that would be likely to be provided outside of the agency.

Action – Transco to provide a list of the services that would be likely to be provided outside of the agency.

Suzanne explained that paragraph 4 had been inserted to address shipper concerns regarding the Supplier of Last Resort and to provide clarity that this service would be provided by the agency. She set out that paragraph 5 contained provisions regarding the requirement for GTs to request permission in the event that they wish to opt out of the agency and the need for stringent transparency requirements in this regard. Sonia clarified that the reason for the insertion of these provisions was to provide comfort to shippers in a similar regard to the transparency provisions contained under the income adjusting event provisions.

Suzanne detailed that paragraph 6 and 7 would require the GTs to enter into agency service arrangements although she clarified that this paragraph assumed that the CSA would be merged. She explained that paragraph 8 was a waiver against the possibility of assuming joint liability.

Suzanne asked whether it would be appropriate to include an additional clause within the licence regarding the need for common communications and data formats. Julian Bagwell responded that such a clause would be necessary in order to address concerns that affected parties have expressed regarding the divergence of data formats. Peter Bingham stated that this was something that NGT was intending to include as part of the CSA and so anticipated that this should not be a problem. Sue Higgins clarified that this should be ok as long as the requirements were not too restrictive. Sonia reassured Sue that the obligations regarding data formats would be subject to approval.

Alison Russell considered that the data formats should be consistent between GTs and that any change should be subject to approval. Suzanne asked whether any such change to these data formats would be required to go through the process detailed in paragraph 5. Sonia clarified that there were certain areas regarding changes which Ofgem would not want to be involved in. However, she emphasised that Ofgem would want to see that sufficient consultation on these matters had been undertaken with shippers in order that they could attain a degree of comfort from NGT. Mike Ashworth also considered that administration of these changes should not be a job for Ofgem, but for the AT link committee. Sonia suggested that it would be appropriate for NGT to give some thought to these issues.

Action – Transco to give some consideration to issues regarding the change process in relation to data formats and potential self governance of the arrangements.

Alison Russell detailed that it would be necessary to ensure that GTs would not be permitted to implement divergent data formats without prior approval from a governing system. Peter Bolitho clarified that shippers would not want data formats to be changed even where the process through which this was undertaken was coordinated. Sonia stated that NGT would think of a sensible way in which these issues could be addressed for discussion at DISG 34.

Suzanne Turner set out the **A16** had been essentially rewritten as the condition that was originally included within the November licensing consultation had not been very clear. She detailed that paragraph 1 included provisions regarding NTS energy balancing and set out that, under this paragraph, the NTS would be required to balance both its own system and that of other GTs. Mike Ashworth stated that the definition of the whole system used as part of Network Code discussions should refer to inputs and offtakes from the whole system. John Costa asked whether this would capture trading at the NBP and Mike Ashworth responded that it would. Suzanne explained that paragraph 3

remained largely unchanged and that the key paragraph within it would require GTs to be independent from the independent market for balancing.

Suzanne explained that **C6** was related to the provisions contained within A16 which augmented A11. She detailed that this would only apply to the NTS and would need to be inserted after paragraph 22 of A11. Sonia pointed out that this may need to be amended to reflect the discussions at DISG on energy balancing and set out that Transco would need to provide this to Ofgem by 19 January.

Peter Bolitho set out that he was unsure as to whether the shrinkage provisions within this condition would be effective and Sonia responded that she considered this to be more of an issue in relation to C4 and C5 and the procurement of systems.

Suzanne detailed that there had also been some consequential tweaks to **A7** in relation to the Network code references included and **A31** which had been amended to make it clear that it was consistent with the obligations contained within A15 which had been implemented to address concerns expressed at DISG 29.

7. Long term development statement condition

Suzanne explained that although there had not been many tweaks to this condition, they were significant, in that it would be important to allow the Authority, when directing coordination, to direct the timing as well as the scope of such statements. She outlined that in 1(a) of both of the conditions the words 'high pressure' had been removed.

Sonia suggested that it would be sensible for DISG members to go away and consider the changes made.

8. Independent Systems condition

Suzanne set out that a number of changes had been necessary to accommodate the treatment of independent systems. She explained that under the current terms of Transco's licence Special Condition 18 includes provisions to allow those connected to independent systems to enjoy the benefits of a cross subsidy. She highlighted that, in the November document, Ofgem had outlined that the DTI would be considering this issue as Special Condition 18 had originally been inserted into the licence at the DTI's request.

Suzanne said that the drafting presented was based on the assumption that the 'alternative arrangements' with respect to independent systems would no longer be within the licence (i.e. Standard Condition 18 would be deleted) but that, to ensure the enforceability of arrangements, consequential licence mods had been made to A27 and A5, as well as amending the definition in A3. Suzanne detailed that the drafting presented was a draft and would need to be revisited once the DTI's proposals in this area were confirmed. She outlined that the DTI were intending to publish a separate document to which this drafting would relate.

Suzanne explained that there were some issues arising from the definition of the 'appointed day' as an additional independent system had been connected since this date and, as such, there were difficulties in establishing an appropriate class definition for exemptees. Sonia clarified that Suzanne was only informing DISG members of the

position that the DTI had assumed on this issue and that the position could still be subject to change.

Sonia emphasised that it would be important to have a clearly defined group of customers to whom the cross subsidy would apply under EU law and that, as such, this was what both Ofgem and the DTI were trying to achieve. She explained that, as part of its consideration of the disposal of independent systems, the DTI would look at alternative arrangements proposed by Transco and the Secretary of State would consider whether these could be deemed appropriate. She detailed that the DTI wanted, as far as possible, to retain consistency with the current arrangements. She stated that once the DTI consultation document regarding independent systems had been published Ofgem would send an email to DISG members informing them of this.

Action – Ofgem to inform DISG members, via email, of when the DTI consultation regarding independent systems is published.

Suzanne set out that as well as removing Standard Condition 18, a few further tweaks may be made to licence conditions in this regard. As such, she highlighted that in paragraph 2(a) of A27, in view of the DTI's position regarding the exclusion of the network connected subsequent to the appointed day, the consents required had been tweaked so that if Stranraer were to be sold in the future further consent would not be required. She clarified that sub paragraph (c) would place an obligation to comply with the alternative arrangements not only on the owner but also on the party buying the independent system.

Suzanne detailed that the definition of 'relevant premises' had been clarified to refer to 'the premises of the system to which this licence relates' and reflect the inclusion only of independent systems that remain independent.

Suzanne outlined that a hook would be placed within the alternative arrangements to allow consequential changes to be made to charging methodologies within **A5** and that additional amendments had already been implemented within this condition in order to reflect the changes to charging arrangements. She set out that Ofgem were hoping that the DTI would have reached more definition proposals in this regard by DISG 34.

Sue Higgins asked why there would be consequential changes in the charging methodologies. Sonia responded that the DTI would want assurance that the cross-subsidy would go to the customers to whom it was intended to be directed. Sue Higgins asked what arrangements would be put in place with respect to cost recovery and Sonia detailed that she had presumed that these were discussions that NGT would be having with the DTI.

Alison Russell asked, subject to the outcome of the Authority decision, whether the DN sales were aware of when clarity would be achieved regarding Standard Condition 21 of the supply licence. Sonia clarified that it would be more likely that the markets team would be dealing with this. She set out that she would speak to her colleagues in markets about this but that it was unlikely that there would be any surprises.

Alex Wiseman asked for confirmation that DISG 34 would be a long meeting and Sonia clarified that it would.