

DN Sales Development & Implementation Steering Group Minutes

Meeting 36

24 February 2005 10:00 am – 2:00 pm

Ofgem's office, 9 Millbank

Attendees

Sonia Brown	Ofgem (chair)	Alex Wiseman	CKI / UU
Jason Mann	Ofgem	Sam Parmar	Statoil
Mark Feather	Ofgem	Lisa Waters	Waters Wye
Jessica Hunt	Ofgem	Alison Russell	Centrica
David Ashbourne	Ofgem	Phil Broom	Gaz de France ESS
Karen Gribben	Ofgem	Steve Ladle	Total Gas & Power
Jon Dixon	Ofgem	Charles Ruffell	RWE npower
Hannah Cook	Ofgem	Peter Bingham	NGT
Simon Howe	Npower	Chris Train	NGT
Steve Mulingarnie	BP	Alan Raper	NGT
Tory Hunter	SSE	Tim Davis	NGT
Peter Bolitho	Eon	Kim Salmon	Xoserve
Robert Cameron-Higgs	CKI / UU	John Costa	EDF Energy

1. Review of items from DISG meeting 35 (held 24 February 2005)

a. Review of minutes

Sonia reminded DISG members that, during the morning session of DISG 35, the licence had been discussed while, in the afternoon, the session had focused on the UNC.

- Chris Train pointed out that, during the afternoon session, Nigel Nash's affiliation had been amended, from Ofgem to NGT. Alex Wiseman highlighted that his affiliation had also been revised with respect to the afternoon session.
- Peter Bingham outlined that on page 2 of the minutes it stated that "Peter Bingham replied that the Common Systems Agreement effectively binds all GTs together" and that it should be amended to say "Peter Bingham replied that the provisions of the Common Systems Agreement would bind all GTs together".

b. Actions from previous meeting

- Attendees to offer comments on the common system interface diagram. Peter Bingham responded that Transco had not received any comments in relation to this diagram.
- Transco / Ofgem to check that more services have not been added to the "non governed" category since it was seen by the SPAWG. Peter Bingham set out that Transco had provided the SPAWG with a full list of the ungoverned services.
- Transco to give Ofgem reassurance that Option C, with respect to the agency, is being implemented. Sonia explained that this reassurance had been provided

- by Transco. Peter Bingham emphasised that similar comfort would also be provided to DISG members through a presentation to be given by Kim Salmon.
- Transco to provide website link to information regarding connections standards of performance on the Transco site. Sonia stated that this had been done.
 - Transco to look at existing statement regarding “complex connections” and consult with the potential purchasers. Peter Bingham set out that Transco had provided potential purchasers with a list of sufficiently complex jobs. He also clarified that these details were contained on the back of Transco’s connections statement.
 - Transco to come back with issues regarding minimum information expectations and to discuss these issues with Sean O’Hara, particularly with respect to the form of the likely future arrangements, at a future DISG. Peter Bingham explained that he was unsure what this action was referring to and stated that he would clarify this with Sean O’Hara.

2. UNC Governance

Mark Feather detailed that a number of concerns had been expressed to Ofgem and Transco, especially by shippers, regarding the opportunities that they had been given to input comments in relation to UNC governance issues. He explained that, to address these concerns, two actions were to be fulfilled:

- Ofgem was to provide a presentation to DISG regarding the background associated with UNC governance and how the current position had been reached; and
- Transco to undertake an additional UNC development forum regarding this issue.

Mark outlined that his presentation would address the first action described that had been placed upon Ofgem. He explained that the presentation would be structured to provide DISG members with an overview of the background regarding the policy development process on governance and the Ofgem preliminary position paper, as well as providing details of the options for governance and intended way forward in view of shippers concerns that had been raised.

Mark set out that governance, including the UNC modification rules, had been the subject of extensive consultation through the DISG, RIAs and the Final IA issued in November 2004. However, he clarified that the DISG could not be considered to be a decision making body and that, as such, none of the information or proposals presented or discussed at DISG could be viewed as fettering the discretion of the Authority. He emphasised that this had always been made clear to interested parties at industry meetings, in minutes and in the various position papers issued by Ofgem.

Mark stated that Ofgem’s preliminary position paper regarding the UNC modification processes had reflected DISG discussions and that, in this regard, a lot of good ideas had been drawn from DISG and other industry meetings. As such, Mark highlighted that Ofgem’s preliminary position paper regarding the UNC modification process could not be viewed as binding on the Authority but clarified that this paper had proved helpful in informing the development of high level principles on this issue. He outlined that these high level principles had been discussed in further detail in the Final IA, published in November 2004.

Mark detailed that these issues had been discussed as part of the January 2005 Authority decision, as set out in the decision document published by Ofgem in February 2005. He explained that, in this regard, the Authority had:

- provided an endorsement of the regulatory, commercial and operational framework outlined in Chapter 5 of the Final IA; and
- placed a number of conditions on its consent, recognising that the detail of the arrangements has yet to be developed – this includes the detail of the UNC and ancillary documents.

Charles Ruffell asked whether the papers, provided to the Authority as part of the January meeting, contained a single recommended view from the DN sales team at Ofgem or whether it provided the Authority with a number of possible options that could be adopted. Sonia responded that the Authority paper had considered all of the possible decisions that could be reached with respect to the applications for consent to dispose of transportation assets received from Transco under Amended Standard Condition 29 of its licence. In this regard, she outlined that a number of possible options had been contained within the associated Authority paper, ranging from approval to refusal of the applications.

She highlighted that the Authority paper had contained information regarding a number of the key decisions, taken by the Authority sub-committee, with respect to DN sales and stated that all of these decisions had been endorsed. She clarified, in this regard, that Ofgem had not been the decision making entity on any of the decisions associated with DN sales and explained that this was a power reserved for the Authority. She set out that the DN sales team at Ofgem were simply permitted to put forward a number of possible options for the Authority to consider. She emphasised that it was important to note that interested parties had been asked to provide summaries of the individual responses, provided in relation to the Final IA, for the attention of the Authority in addition to the full responses submitted to Ofgem in relation to the RIAs and various consultations completed. She outlined that the Authority had been given a huge amount of information in relation to its January meeting in order that it could reach an informed decision regarding DN sales.

Mark presented a slide to the DISG, outlining the occasions on which governance issues had been discussed at DISG. At such, he set out that:

- at DISG number 9, in May 2004, Transco had put forward initial proposals on UNC governance and modification rules;
- at DISG number 10, in May 2004, Powergen had put forward a shipper view on UNC governance and modification rules;
- at DISG number 11, in June 2004, Transco and energywatch had put forward papers regarding UNC relevant objectives and energywatch had also put forward a paper in relation to the role of the governance entity;
- at DISG number 12, in June 2004, Powergen had put forward its further thoughts regarding UNC governance;
- at DISG number 13, in July 2004, Transco had put forward its initial proposals for the constitution of the Joint Office;
- at DISG number 14, in July 2004, Transco had put forward its revised proposals in relation to the Transco mod rules while Elexon also put forward its estimate regarding the costs of the joint office;
- at DISG number 15, in August 2004, Ofgem had issued its position paper regarding UNC governance and constitution of the joint office;

- at DISG number 16, in August 2004, Transco had put forward its revised proposals regarding the constitution of the JO while DISG members also raised concerns regarding the appeals process;
- at DISG number 17, in August 2004, Ofgem had put forward an alternative panel constitution designed to address issues identified by shippers associated with the appeals process but the proposal was rejected by DISG; and
- in November 2004, Ofgem consulted on the Final IA which references the UNC governance position paper.

Mark set out that, through the various discussions at DISG, a number of additional objectives of any UNC governance process had also been identified and that these had been outlined within the preliminary position paper issued by Ofgem. These included:

- Non-discrimination;
- Inclusiveness;
- Transparency; and
- Effectiveness and efficiency

He explained that the UNC modification process should reflect a divested industry structure and, as such, if a sale were to proceed then it would be necessary that no one single party or class of parties should be permitted to dominate the modification process. He outlined that Ofgem's proposals were focussed upon addressing DN sales issues rather than the outcome of the DTI's appeals process which is, as yet, unknown. However, he set out that Ofgem recognised that the process may need to change in the future for a number of reasons and highlighted that one such reason would be due to the outcome of the appeals regime currently being undertaken by the DTI.

Sonia clarified that once the outcome of the DTI's process on the appeals mechanism was known this may require changes to be made to the UNC governance process for DN sales, to recognise the revised regime.

Mark detailed that Ofgem's preliminary position paper had highlighted that the panel would be made up of equal shipper and transporter representation (5 – 5) and that it would take on a significant process based role. He stated that the modification panel decisions would be reached under the principle of a simple majority voting rule and that, in line with this, Transco's right of veto had been removed. He set out that, under Ofgem's proposals, an independent chair would be given the casting vote, except in situations where the decision related to a recommendation that would need to be made to the Authority. He clarified that the panel would be chaired by a joint office staff member.

Mark explained that, since the publication of the Ofgem preliminary position paper regarding governance of the UNC modification process, a number of subsequent developments had been made, which had brought shipper concerns to the fore and these included:

- Transco's publication of the UNC business rules at the UNC development forum in December 2004, which proposed the adoption of a minimum change approach for governance and, as such, was inconsistent with the preliminary position paper issued by Ofgem;
- A letter was sent to Ofgem from the members of the UNC Development Forum, on 18 January 2005, proposing that the modification rules should not subject to major change prior to the DTI decision on appeals;

- On 20 January 2005, the Authority granted conditional consent to DN sales but reached the decision to postpone the implementation of enduring offtake arrangements until September 2005, with a corresponding best endeavours licence obligations placed on GTs.;
- Ofgem issued an open letter, on 4 February 2005 as a response to the letter received from the UNC development forum, indicating that Ofgem considered the position developed in throughout the period from May to August 2004 should be retained; and
- Transco presented revised drafting of Section Y to the UNC legal drafting workshop on 16 February 2005, at which some shipper representatives indicated their dissatisfaction with process.

Mark outlined that the principle concern raised by shippers was a perceived 'U-turn' in the position adopted by Ofgem. In this regard, Sonia clarified that, in December, Transco released the category 1 changes required in relation to the network code which captured the minor changes required and that this had appeared, to some, as inconsistent with the Ofgem position but that it had been consistent with the Transco process

Peter Bingham pointed out that an additional step should also be included within this retrospective timeline preceding 18 January when Transco released the drafting of its category 3 changes. Sonia recognised that this had prompted a number of shippers to raise concerns regarding the UNC modification rules and the DTI decision in relation to appeals, which had yet to be reached.

Steve Mulingarnie outlined that shippers had always expected further amendments to the network code to be made, in addition to the category 1 changes released in December, but that the modifications included within the drafting incorporating the category 3 changes had not been what shippers had been expecting. Chris Train responded that, in the same way that the December drafting did not include the changes to the network code required to support the revised offtake arrangements, the category 3 changes were not incorporated. Peter Bingham suggested that it may have been more helpful for Transco to issue the category 3 changes to the industry at the same time as details of the other amendments required were released. As such, he apologised for any confusion caused but highlighted that the process followed had been consistent with the process originally outlined to members of the UNC development forum with respect to the development of the UNC.

Sonia stated that certain parties had suggested that Ofgem had been involved in the drafting of the changes to accommodate Section Y of the UNC. Chris Train responded that this had, absolutely, not been the case. Peter Bingham clarified that Section Y had been developed in accordance with the business rules of the UNC development forum and that the drafting of the text had also been undertaken consistent with this.

Mark Feather set out that some shippers had expressed concern that the details of the enduring offtake arrangements should not be included within the drafting of the UNC as this would mean that they would not be able to raise an appeal in relation to these arrangements. Sonia clarified that it was not the intention of either Ofgem or the Authority to limit or preclude the scope for interested parties to raise appeals regarding the enduring offtake arrangements. She stated that Ofgem would prefer to have certainty regarding the form that the appeals process will take in order to attain some transparency on this issue, but that this would not be possible in view of the fact that the

DTI had yet to reach a decision in this regard. Steve Mulingarnie emphasised again that he did not consider the proposals to be limited to those required to support a potential DN sale.

Mark Feather outlined that Ofgem would not want to preclude interested parties from raising appeals and that it had therefore developed a number of options to address the concerns expressed by shippers. Sonia explained that the options were simply being presented to DISG to aid discussion and that they explored a number of approaches which Ofgem considered could better facilitate the UNC governance process in a divested industry structure but that Transco would be responsible for taking forward the development of the UNC governance process. As such, he set out five possible options in this regard:

- **Option A** – Mark stated that this option reflected Ofgem’s preliminary position and that, as such, it maintained the 5 – 5 approach in which the chair would have the casting vote where deadlock was reached, except in cases where this responsibility would be reserved for Authority recommendations.

Tim Davis highlighted that the current drafting of Section Y did not include provisions regarding the casting vote.

Steve Mulingarnie asked why the option reflecting the industry preferred approach, as set out in the letter to Ofgem from the UNC development forum members, had not been included within the list of options. Sonia responded that it was Ofgem’s view that, in a multiple transporter environment, multiple transporter representation on the panel would be required. However, she clarified that Ofgem recognised that shippers would need to be involved in UNC governance and that some of the options outlined also contained the possibility for representation of customers as well. In this regard, she highlighted that Ofgem was keen to ensure that all stakeholders would be represented in the process.

Chris Train asked whether gas transporters would be represented by 5 seats on the UNC modification panel. Sonia responded that she would find it difficult to envisage a situation in which this would not be the case. She emphasised that one of the key benefits, envisaged to arise from a potential DN sale, would be in relation to the existence of DN comparators and that Ofgem hoped that these DNs would have varied approaches to running the networks. In addition, she explained that given that the current price control made provision for the cost of running the network code panel and that this was contained within the price controls of all GTs it would be important that all of the GTs were represented on the panel.

Steve Mulingarnie was of the opinion that it would not be necessary for each GT to have a seat on the UNC modification panel to assure them adequate representation. Sonia responded that, given that this would be the core of the process, it would be important for each of the transporters to retain a seat on the panel. Mark pointed out that, as the objective of this process would be to ensure non discrimination and inclusiveness, it would appear to be important to assure that these objectives were achieved in a divested industry structure. Sonia emphasised that, although Ofgem’s principle objective was to protect the interests of customers, there was a difference between protecting stakeholders and protecting customers and that Ofgem was simply trying to achieve a balance in this regard.

- **Option B** – under this option the 5 – 5 approach would still be adopted but, in addition, energywatch would become a voting member. Mark stated that protecting the interests of customers was the principle objective of both Ofgem and energywatch and that it could therefore be appropriate to include energywatch as a voting member on the UNC modification panel. Sonia clarified that this would demonstrate some consistency with the arrangements in electricity where energywatch has a vote on the panel of the BSC;
- **Option C** – this option would require the introduction of a UNC provision to review the composition of governance arrangements once the appeals regime was in place. Mark clarified that, under this approach, an explicit provision would be included to require the panel structure to be reviewed following the outcome of the DTI consultation regarding appeals. Sonia set out that it could be the case that a governance structure was developed which was not the most appropriate solution in the long term. In this regard, she stated that Ofgem considered the 5 – 5 structure would better facilitate the UNC governance process in a divested industry structure but that the DN sales team would be happy to hear the views of interested parties on this issue.

Peter Bolitho asked whether it was intended that the panel would be required to give a recommendation under these proposals. Sonia stated that it was. She highlighted that Transco were aware that, following the DTI decision regarding appeals this area of the UNC modification process could be subject to change. However, she set out, in this regard, that Transco intended to incorporate a 'sunset' clause within the current UNC drafting to allow changes of this nature to be implemented, as appropriate, once certainty regarding the DTI's decision on appeals was achieved.

Tim Davis detailed that Transco were in support of the proposed inclusion of a panel recommendation within the drafting of the UNC and in place of the existing Transco recommendation. Sonia emphasised that provisions of this nature would appear more appropriate in a divested industry structure and that issues surrounding appeals should be explored in more detail once certainty on the DTI decision was assured;

- **Option D** – under this option the panel would elect an independent voting member for cases in which the panel reached deadlock. Sonia clarified that this approach would require the appointment of an independent chair who would have the casting vote if the panel were deadlocked. As such, she detailed that it would be necessary for the panel members to decide upon the type of credentials that the chair would need to possess and appoint a candidate on this basis.

Peter Bingham suggested that while it would be possible for this panel member to be the chair, it could also be the case that the independent voter could simply be a panel member.

John Costa asked what would happen if the panel members were to reach deadlock in relation to the appointment of an appropriate candidate. Sonia responded that it would be likely that the panel members would interview a number of candidates for the position and, following this process, elect an independent panel member that was satisfactory to all. She clarified that the independent voter would be required to consider any UNC modifications raised on their individual merit and, in this regard, against the objectives set out within the UNC; and

- **Option E** – this option would allow panel representatives to participate on an independent basis. Mark outlined that this option was more radical than the approach under option D. Sonia set out that, under E, the panel could take a number of forms. She highlighted, in this regard, that in electricity there are a number of elected seats on the panel of the BSC and that the various panel members assess modifications raised against the relevant objectives of the code. As such, she stated that the panel members would be completely independent that it would be necessary that they did not represent any vested interests.

Mark outlined that Ofgem considered this list of options retained a balanced panel composition whilst mitigating the risks associated with deadlock.

Chris Train asked for clarification in how the independent panel members on the BSC were paid. Sonia responded that they were paid by Elexon and therefore through the provisions of the price control.

Lisa Waters detailed that she would not recommend the formation of a panel structure of this nature in gas. Sonia clarified that Ofgem were simply highlighting a number of options, in relation to the structure of the UNC modification panel, which could better facilitate the operation of the UNC governance process in a divested industry structure. In this regard she outlined that option E examined the form of the panel adopted in relation to the BSC and at the appropriateness of transferring these principles to the panel structure associated with the UNC. Sonia set out that Transco would need to look into whether it would be appropriate to implement such a structure, with respect to the UNC modification panel, following a potential DN sale. She stated that as gas transporters would be more 'active' than the DNOs in electricity she did not consider that it would be appropriate to implement a structure of this nature.

John Costa suggested that, to fully represent all of the industry on the UNC governance panel, it would be necessary to elect a greater number of independent representatives. Tim Davis responded that the voting membership of the panel could be split to give 10 shipper members half a vote rather than implementing the 5 – 5 structure. Chris Train pointed out that shippers had stated that a more balanced structure would be required than that in place at present as Transco's position on the panel may serve to distort the outcomes reached. John Costa responded that he was not aware that the current constituency of the panel had ever been challenged.

Sonia emphasised that the purpose of the DISG meeting had been for Ofgem to put forward a number of possible governance options to facilitate discussion at DISG and inform Transco's thinking regarding the formation of the UNC modification panel.

Alison Russell asked for confirmation that it was not intended that the modification panel would be moving away from a simple majority voting rule. Sonia responded that this was the current proposal but that if interested parties had any other suggestions regarding the voting rules governing the panel then both Ofgem and Transco would be happy to hear them as it would be necessary to consider all available options.

Steve Mulingarnie asked again why the proposal, put forward by the members of the UNC development forum, had not been considered as one of the possible options especially in view of the support that it had gained from both shippers and IDNs. Mark responded that Ofgem had outlined its preliminary position regarding governance and

that this included the adoption of the 5 – 5 structure which was perceived to be an option which would protect the interests of customers instead of allowing a single class of party to dominate the process. Sonia pointed out that the essence of the proposal put forward by the members of the UNC development forum had been to maintain the status quo and this would not be consistent with the prevailing conditions within a divested industry structure. She detailed that one of the key benefits of a potential DN sale would be the existence of comparators and that, as such, it would be important to conduct an inclusive process with respect to the governance of the UNC. In addition, she set out that it would be important to ensure that the views of all GTs should be considered in view of the fact that they would be paying for the provision of a UNC modification panel through the terms of their price control. She outlined that the establishment of a modification panel, under the 5 – 5 structure, was an approach reached following substantial discussion with shippers on this subject. She explained that Ofgem considered that the 5 – 5 structure would meet the criteria of being an inclusive process and other associated objectives.

John Costa asked what would be the difference between this process and that followed with respect to the BSC in electricity. Sonia responded that the scope of the BSC was very much focussed around energy balancing whereas in gas the DNs would actively manage capacity on the network. She highlighted that the CUSC also makes provisions for the establishment of a modification panel which does not have decision making powers but rather makes recommendations regarding modifications proposed. She explained that option E was intended to recognise the fact that the UNC represents equivalent provisions contained within the CUSC and the BSC and that there were therefore good arguments to implement different arrangements with respect to gas to those established within electricity. John Costa set out that he was aware that the panel established with respect to the BSC in electricity worked well. Peter Bolitho stated that the current arrangements were immensely bureaucratic and that shippers had been very clear that they would not want to replicate this structure within gas. Sonia emphasised that shippers had also been clear that they wanted to move towards a 5 – 5 structure and that the DISG meeting had simply been intended to highlight that there were other options available.

Sonia suggested that it might be appropriate to go around the table at the DISG to gauge the opinions of interested parties with respect to the proposed approach to UNC governance.

Chris Train set out that he was of the opinion that the establishment of a 5 – 5 structure was very much the right approach to the UNC modification panel. He highlighted that the management of the UNC modification processes would form an element of the GT price controls and, as such, they should have a degree of influence over the process. He also stated that, as GTs would be principle signatories to the UNC framework agreement, it would be appropriate to reflect this within the formation of the panel although he clarified that representation on the panel should be balanced to ensure that benefits associated with the existence of comparators could be secured.

Chris considered that, in the absence of certainty regarding the appeals process, it would appear sensible to include arrangements within the provisions of the UNC to deal with issues surrounding the appeals mechanism when they arose.

With respect to the approach outlined under option B, Chris was of the opinion that as energywatch were involved within the gas industry arrangements, representing the

largest customer constitution, it could be appropriate to include a representative from this organisation on the UNC modification panel. He noted that the establishment of a panel structure in this regard would not give rise to issues regarding the creation of a vehicle that would require alternative funding.

In relation to the approach detailed under Option C Chris held the view that it would be good practice, under all scenarios, to revisit the arrangements established with respect to UNC governance following the achievement of clarity regarding the DTI decision on appeals.

With respect to the approach outlined under option D, in which an independent member would be elected to have the casting vote on proposals where the panel were to reach deadlock, he detailed that he did not have any concerns with this structure in principle. However he stated that, in practise, it would likely prove difficult to find a candidate willing to spend the required time becoming familiar with the structure and issues within the gas industry whilst also retaining an independent standpoint.

He stated that, in relation to the approach set out under option E, he did not consider that a structure such as this would permit more effective decisions to be reached as it was likely that the members of the panel may have hidden agendas. In summary, he detailed that he had a preference for the structures outlined under options A and C.

Charles Ruffell set out that he did not consider that it would be necessary for gas transporters to retain a seat on the UNC modification panel in order to be adequately represented. However, he recognised that the adoption of a 5 – 5 structure would have merits and, as such, stated his preference for the adoption of option A with the inclusion of a provision for review of the arrangements once the DTI's decision on the appeals process had been reached.

John Costa was of the opinion that a balance of representation would need to be struck. He clarified that he did not oppose the adoption of a 5 – 5 structure as long as an independent voting member was included on the panel who would have the casting vote in situations where deadlock was reached. He also detailed that implementation of option C would be appropriate once a decision regarding the appeals process was reached by the DTI.

He considered that the arrangements incorporated under option E could also offer a potential way forward but recognised the issues that could be associated with this and stated that he would be interested to see how such a structure would work in practise. He suggested that if an impartiality clause was included within the arrangements this may address some of the issues identified. Sonia clarified that panel members would be under an obligation to assess any modifications proposed on their individual merit. However, she pointed out even shippers may be liable to make decisions regarding modifications based, to some degree, upon their own views. Chris Train highlighted that any commercial contract would be subject to this type of conflict of interest. John Costa emphasised that it would be necessary to adopt a structure which would assume the correct balance of power. As such, he was of the opinion that a mid-point between the current arrangements and the 5 – 5 approach should be established and implemented. He outlined that, under the proposed constitution of the industry, there would be five GTS and fifty-six shippers and that the modifications process should simply be designed to reflect this.

Steve Ladle was of the opinion that the current arrangements for the network code modification panel worked well. He detailed that while he was not entirely opposed to the arrangements implemented to accommodate the adoption of a 5 – 5 structure he was not convinced that such a radical modification to the existing arrangements would be necessary. In particular, he set out that he had concerns regarding the role that the modification panel would be responsible for performing and, as such, he highlighted that he was not sure why the principle of a panel recommendation had been introduced. As such, he outlined that he was not sure why Transco was considering placing a requirement upon the panel to make a recommendation to Ofgem regarding a proposed UNC modification. However, he recognised that if it was necessary that the arrangements would better facilitate the modification process then the 5 – 5 structure could be an appropriate way forward. Sonia responded that, under the current arrangements, Transco makes recommendations to Ofgem in relation to proposed modifications and that it would be important for these arrangements to continue. Steve stated that he did not understand why a panel modification would be required when this provision was not contained within the current licence drafting.

Peter Bolitho detailed that he would not be prepared to provide his support for any of the options presented and set out that he considered that the requirement for the panel to submit a recommendation to Ofgem would dilute the responses received in relation to the modification proposal. Sonia clarified that this would not be the case and, in this regard, outlined that if Ofgem only considered the panel recommendation and not the responses received from industry participants, it would not be following a robust process. Peter Bolitho emphasised that this remained an issue of concern. He stated that although he would support the implementation of option C, requiring a review of the arrangements once clarity was reached regarding the appeals process, the inclusion of a requirement to submit a panel representation would narrow the diversity of representations provided to Ofgem.

Tim Davis outlined that Transco had support for the implementation of a 5 – 5 structure. He clarified that, if it were the case that an independent voter would be elected to the panel and would have the casting vote where deadlock was reached, the member with the casting vote should be the chairman as it would be necessary that the chairman would attend all of the modification panel meetings. In this regard, he considered that it would be crucial to guarantee that the member with the casting vote was in attendance at all meetings. Peter Bolitho asked whether Transco envisaged that the member with the casting vote would likely be a transporter representative. Tim clarified that Transco would want an independent member to be on the panel with a casting vote, who would only vote where deadlock was reached and who would be responsible for chairing the modification panel meetings. Peter Bolitho considered that an approach under which, if deadlock were reached, the independent panel member with the casting vote would always defer to the status quo could be appropriate. Sonia pointed out that an approach of this nature would not serve to better facilitate the operation of the UNC governance process.

Alison Russell set out that, without fettering the discretion of her colleague Mike Young, she recognised that there would be an element of sensibility in considering what the arrangements, with respect to the formation of the UNC modification panel, should be following the outcome of the DTI's consultation on the appeals mechanism. Alex Wiseman asked whether any clarity had been attained regarding the timing of the DTI's consultation. Peter Bolitho responded that the DTI were currently aiming to complete this consultation by 1 April. Sonia clarified that there still remained a significant amount

of work for the DTI to appropriately deal with views expressed by respondents in this respect.

Lisa Waters thanked Ofgem for bringing forward issues associated with this aspect of the DN sales process. She detailed that, without fettering the discretion of her colleague Nick Wye, and from a relative outsider's point of view, the implementation of a 5 – 5 structure would appear to be appropriate especially as, even where a panel recommendation was submitted to Ofgem, it would still consider all of the responses received in relation to the proposed modification.

She was of the opinion that the appointment of an energywatch representative to the modification panel would be an interesting option and should therefore be kept under review. However, she stated that the appointment of an independent representative, to the modification panel, would not work in practise as a great deal of work would be required to ensure that any candidate was sufficiently up to speed with the gas arrangements. She also considered that if the independent representative was to work for another organisation within the industry this would inevitably bias their views.

Alex Wiseman detailed that he would fully support the adoption of a 5 – 5 structure. He considered that the implementation of an approach along the lines of that set out under option E would not be fully workable and nor was it a credible solution. In this respect he was of the opinion that it would not be possible for individuals, working for an organisation, to maintain total independence when reaching a decision regarding a proposed modification. He set out that he was therefore in favour of option A or D.

Peter Bolitho explained that the main issue that he had regarding the options put forward was in relation to the submission of panel recommendations to Ofgem. In this regard, he considered that this policy should not be progressed at present but that it could be considered in the future. He outlined that it would be most appropriate to implement option D following a potential DN sale but that option A would also provide a workable solution. He was of the opinion that it would be possible for GTs and shippers to find an appropriate candidate to assume the position of an independent panel member and considered that such an individual could possibly be a representative from energywatch.

Sonia asked Tory Hunter whether she was responding as a potential DN purchaser or as a shipper. Tory clarified that she was responding as an entire corporate entity. She detailed that the adoption of a 5 – 5 structure would represent an appropriate balance between shippers and GTs. She set out that, implementation of option C would appear necessary under any situation in order to allow interested parties the right of appeal. For clarity, she stated that her favoured approach would be the adoption of a 5 – 5 structure in combination with option C.

Steve Mulingarnie outlined that BP supported the approach outlined in the letter submitted to Ofgem by the members of the UNC development forum. With respect to the 5 – 5 structure, he detailed that it would not be a necessity for GTs to assume a place within the panel itself as they could be represented effectively without taking a seat on the panel. He expressed support for the adoption of option C but endorsed the view, set out by Steve Ladle, that the panel should not be required to make a recommendation to Ofgem.

Simon Howe considered the implementation of option C should have automatic inclusion within any approach adopted. He was of the opinion that option A would permit a balanced approach to be taken but stated that he would have concerns with this approach if it were the case that the 5 GT representatives were permitted to be from the same GT, as previously suggested at the UNC development forum. Sonia responded that Ofgem would also have concerns if this were the case. Tim Davis clarified that although this situation would not be precluded, under the provisions of the network code, the issue would be addressed through the JGA.

Simon set out that he would be content with the adoption of a 5 – 5 structure on the basis that there would be 5 separate representatives from the 5 different GTs and in recognition that it would not be possible to have 56 representatives, from the various shipper companies, on the panel. He clarified that he would therefore support the adoption of option A, as a pragmatic approach, with the implementation of option C as required.

Sonia asked whether any DISG members had further views on this issue.

Sonia detailed that, with respect to the way forward, she was of the opinion that it had been valuable for Transco to have heard the views of interested parties and that it would be Transco's responsibility to consider the issues identified and develop relevant proposals on this basis. Karen Gribben clarified that nothing said by Ofgem during the meeting or within the presentation given could be viewed to, in any way, fetter the discretion of the Authority with respect to a potential DN sale.

Steve Mulingarnie asked how the UNC development forum, to be held following DISG, would be structured. Alan Raper responded that Transco intended to run through the current issues log and the various outstanding issues regarding voting rights. He stated that Transco would need to consider the views expressed by interested parties, during the DISG, and reach a consensus regarding the most appropriate way forward with respect to the drafting of the UNC. Peter Bingham clarified that Transco would take away those views expressed by DISG members, develop an appropriate approach on this basis and bring this approach to the UNC development forum for discussion as Transco wanted to reach resolution on these issues. Alan Raper clarified that this would allow Transco to begin drafting the relevant section.

Steve Ladle asked whether this drafting would be consulted upon as part of the Ofgem consultation regarding the UNC. Chris Train clarified that the UNC would be a Transco document that Ofgem would be consulting upon.

John Costa asked when it was likely that interested parties would see a final draft of Section Y. Alan Raper responded that Transco would begin drafting on this section as soon as the UNC development session was complete and that, following this, it would be possible to provide greater clarity regarding when this drafting would be released. John asked whether it would be possible for interested parties to see a further draft of this section, following submission of comments in this regard. Alan set out that Transco would take a view on this and stated that, if any outstanding issues were identified, it would be necessary to seek the opinions of interested parties on these issues in order to ensure that an inclusive process was followed by Transco.

Action: Transco to take away and consider discussions which took place at DISG, regarding governance of the UNC, in forming its proposals.

3. Agency Governance Agreement

Sonia explained that Kim Salmon, from xoserve, would be giving a presentation to DISG members regarding the Agency Services Agreement. She stated that key to this presentation was the message regarding the way in which Transco and xoserve were intending to implement option C regarding the agency arrangements.

Kim provided an overview of the structure of the presentation and as, such, detailed that it would include an explanation regarding:

- Xoserve and its treatment of the establishment of a new business which would be required to operate mature services;
- The delivery of option C;
- The Xoserve contracting arrangements;
- The Transition to the 'new world' for shippers and buyers; and
- Supporting and enabling industry arrangements.

He set out some of the background with respect to xoserve and the agency. He detailed that, in support of DN sales, NGT had proposed the establishment of an 'agency' in order to minimise the impact of a potential DN sale on shippers and stated that Ofgem had undertaken an RIA in respect of NGTs proposals in this regard. He outlined that, under the current proposals, Transco NTS, Transco DNs and Independent DNs would jointly own, and take services from, the 'agency'. He explained that, in support of the proposed arrangements, NGT had created xoserve to deliver the 'agency' services.

He highlighted that, as a provider of services on behalf of the gas transporters, xoserve would:

- Preserve the continuity of central SPA services;
- Minimise changes to shippers' systems and processes;
- Deliver constituent processes across all networks, optimising efficiency for the industry;
- Maintain uniformity of service, avoiding preference discriminations across networks;
- Provision of a national service to shippers in a non discriminatory manner; and
- Optimising efficiency and economies of scale for the industry.

Kim detailed that the new business would have to effectively act as a mature operation and in achieving this it would be necessary that the majority of services that xoserve provides, in its role as the 'agency', would be drawn from the former NGT directorate of shipper services. He explained that xoserve had the credentials to achieve this in view of the fact that the department:

- Has successfully delivered and operated supply competition since 1996;
- Has a strong track record in developing win-win arrangements and delivering improved performance and costs savings across stakeholders;
- Was the winner of utility industry customer awards
- Has a demonstrable track record in managing high volume / high quality transactional services; and
- Has played a significant part in the development and operation of the Supply Point Administration arrangements.

Kim set out that, under xoserve, almost everything would be moved from shipper services to accommodate the implementation of option C of the agency arrangements.

He outlined that the UK link systems would be preserved in one place to enable management and change control via the UK link committee. He highlighted that a non executive would also be introduced onto the board of xoserve to act as an independent chairman and that, in addition, a user group would be established which would have a direct input to xoserve regarding the requirements and engagement with the wider gas community.

He stated that the conclusion of the Final IA, regarding agency, had proposed that demand estimation, settlement and capacity systems (RGTA/AT-Link) and UK Transmission Shipper Set-up should be included in the scope of the agency. In view of the replacement of the AT-Link and RGTA systems, for the provision of the physical and commercial balance of the NTS, with the Gemini system NGT proposed that:

- Gemini should remain in NGT ownership, consistent with current formula allowance;
- Gemini (at implementation) becomes the operational responsibility of xoserve;
- AT-link would be operated by xoserve until Gemini phase 2 implementation, at which point NGT would decommission the system.

Kim clarified that the responsibility for demand estimation would transfer to xoserve but that this service would initially be sub contracted to NGT transmission.

With respect to the transferral of demand estimation to xoserve, Kim outlined that all services had been added to the xoserve service definition document which supports the schedule of services contained within the xoserve contract. He explained that shipper facing activities had also been transferred from Transco transmission to xoserve and that this would be in place by March. He clarified that the core data processing, analysis and computation activities would be sub contracted to NGT UK transmission until the next price control review. He set out that the process for demand estimation service had begun migration to xoserve and that this would be complete by hive-down and operational from March.

Kim stated that, in relation to the shipper set-up that would be developed, all shipper life cycle activities including the provision of UK-link services, would be operated by xoserve from 1 March and was on target for delivery on this date. He pointed out, for information, that these services would be included within the next release of the xoserve services definition document, available in March.

With respect to the settlement and capacity systems, Kim highlighted that:

- Xoserve would have operational responsibility for UK-link services from Hive-down on 1 May 2005 which would include network code section U and UK-link manual obligations on behalf of network operators;
- AT-link systems would be operated by xoserve from 1 May 2005;
- The operating of Gemini phase 1 (RGTA) would remain with Transco until the implementation of Gemini phase 2 but the shipper interface would be with xoserve from 1 May 2005; and
- Gemini phase 2, the successor to AT-link and RGTA would be operated by xoserve from implementation.

He set out that the xoserve contract had been updated to include details regarding the provision of UK-link services for all UK-link systems and a specific reference to the operation of Gemini which will remain under Transco ownership. In addition he explained that all change management activities arising from UNC modifications or UK-

link change requests would be provided by xoserve as well as the shipper IS helpdesk and escalation of issues through the IS service manager.

Kim presented a diagram to DISG members and stated that this had previously been produced and circulated to the shipping community and had proved useful with respect to the creation of the agency. He outlined that one inclusion had been made to this version of the diagram and this could be seen as the green box at the top of the diagram which represented the implementation of Gemini. He considered that the diagram would help to provide clarity regarding the location of certain systems and the way in which they are operated.

Kim summarised that the commitments, made by Xoserve in relation to the delivery of option C of the agency arrangements were all on target for delivery. Sonia asked whether DISG members had any comments regarding the delivery of option C in relation to the agency arrangements. Charles Ruffell asked for clarification regarding the agency user group and whether this would be distinct from the UK-link committee. Kim responded that the user group was a completely separate entity and that it would include shippers, suppliers and other interested parties who would liaise with the agency.

Tory Hunter asked for clarification that Gemini would continue to be owned by transmission while AT-link and RGTA would become the responsibility of the agency. Kim confirmed that this would be the case. He detailed that AT-link and RGTA would be decommissioned and replaced with Gemini and that this was scheduled to take place in October 2005.

John Costa asked from where the funding for Gemini would be sourced and asked whether it would be through NGT. Chris Train responded that this system would be funded by the agency. Sonia also emphasised, in this regard, that Ofgem would wish to ensure that the system would not be paid for twice.

Sonia asked when the agency consultation would be published and Kim responded that this would take place at the beginning of March. Sonia asked whether it would be possible to get a date commitment on this and Kim set out that this would be published in the first week of March.

Kim explained that the industry model would require a formal contract for services between networks and xoserve which is called the Xoserve/Agency Services Contract. He detailed that this contract would define the services xoserve would provide on the behalf of network operators, in accordance with their licence and UNC provisions. However, he clarified that the networks would retain both code and licence obligations to shippers and the gas community. He set out that the contract would be an agreement between xoserve and the networks who would all be required to sign a standard agreement.

Kim stated that, while the agency would not have a contractual relationship with shippers and industry participants, xoserve recognised that it would be providing a key user interface on behalf of the networks. He outlined that xoserve had provided, to the industry, details of the services it would be providing through publication of the Services Definition Document (SDD) which he set out would be kept up-to-date as a live document.

Kim detailed that the structure of the services contract would be as follows:

- Schedule 1: definition of terms which are generally consistent with those included within the network code;
- Schedule 2: includes details of where all the services would be contained e.g. SPA and information provision services, UK-link services, calculation transportation volumes and transportation invoicing. This has links with the SDD;
- Schedules 3, 4, 5 and 6: represents network reporting, performance and business continuity;
- Schedule 7: sets out provisions regarding charging and payment;
- Schedule 8: details what, in terms of process, the networks would be obligated to undertake; and
- Schedules 9 and 10: includes details of contract and change management.

Kim emphasised that schedule 2 contained the services contract and referred to the SDD. He stated that it provided a detailed listing of the services provided in support of the GT licence, network code and operational interfaces to assist the competitive gas supply business, including:

- Record and calculate transportation volumes;
- Transportation billing;
- Energy balancing invoicing and cash collection;
- Demand estimation;
- Information services;
- Supply point administration;
- UK-link services (provision of systems);
- Provision of expertise to industry forums and change groups;
- Assessment and provision of solution options for industry change; and
- Provision of reporting and analytical services.

He outlined that the services contract would set out the terms between the parties. As such, he detailed that this would include provisions relating to:

- Contract definitions, many of which would draw their meaning from the network code;
- Payment for services which would be carried out on a transactional basis across all services and would utilise supply point share as a key charge driver;
- Change and contract management which provides details of the way in which the service provider would be instructed in this regard and the requirements for providing change evaluation, solution options and delivery in support of network code modifications and in accordance with the UK-link manual;
- Performance and reporting information required to support the GT's business;
- Obligations on network operators to enable the service provider to fulfil its service provision; and
- Business continuity arrangements, quality information management practices and access to information to support GT compliance activities including financial information and audit.

Kim presented a diagram to the DISG which illustrated the documents and groups through which the agency would be governed and controlled. In essence, he stated that, with respect to governance and control of the arrangements, Standard Special Conditions 11, 12 and 15 contained provisions relating to the development of a network code, the operation of the joint office and the establishment of the agency. He set out that the scope of the agency would be contained within the drafting of the UNC, including provisions relating to the maintenance and management of the UK-link

manual. He emphasised that the diagram clearly highlighted the way in which decisions reached would feed through into service delivery.

Kim explained that, to manage the transition to the 'new world' for buyers, xoserve would be operating a programme to ensure the operability of various services and arrangements for hive-down and sale completion. He outlined that this would include an executive programme of induction for shareholders and directors, as well as a buyer integration programme to support day 1 readiness. He detailed that the aim of the programme would be to:

- Outline the scope of the services to be delivered by xoserve;
- Provide clarity on the role that the network owners will assume, both contractual and shareholder;
- Support the existing network staff, as well assisting their knowledge and awareness of the role that xoserve will play;
- Ensure delivery of changes for hive down;
- enable shadow operating ahead of hive-down; and
- build working relationships in preparation for sale completion.

With respect to the transition to the 'new world' in relation to shippers, Kim outlined that a programme would be initiated to ensure shipper readiness and awareness. He stated that this programme would aim to ensure that:

- User group proposals were on target to provide for a one to one relationship between users and xoserve;
- Existing operational forums were utilised to track the implementation of system changes and, in line with this, the readiness for sale completion;
- The changes required to support DN sales were progressed through UK-link; and
- Shippers meetings were utilised to maintain awareness and understanding.

He also explained that xoserve would seek to improve industry awareness overall by providing presentations to industry groups, Ofgem and energywatch and working with NGT consumer relations to ensure understanding of the agency model within consumer groups. He was of the opinion that this would cover a wide spectrum of industry participants and would provide them with an improved understanding of the way in which the arrangements would operate following a DN sale.

Sonia asked whether DISG members had any questions regarding this presentation. Steve Ladle asked what the testing of files, that Kim referred to in the presentation, would cover. Kim responded that this would cover the signing off of invoicing file formats and that these file formats had already been provided to shippers.

4. Ofgem consultation on detailed reform proposals to support DN sales

Jessica Hunt set out that the main message of the presentation was that consultation would be inclusive of all of the network code arrangements in order to provide interested parties with an opportunity to comment, in the round, on the entire framework proposed.

She provided an overview of the presentation and, as such, detailed that it would look into:

- The background relating to consultation on the UNC, including;
 - Conditions to consent
 - Proposed licence framework

- Proposed contractual framework
- UNC development process; and
- The Ofgem consultation on the network code arrangements.

Jessica outlined that, on 20 January 2005, the Authority granted conditional consent to a potential DN sale. She detailed that one condition of this consent required that “The Authority must be satisfied that the proposed arrangements for industry codes have been developed consistent with the Authority’s statutory objective and duties and that, as such, these codes will protect the interests of both existing and future customers”.

She stated that Ofgem’s formal section 8AA and section 23 notices, published in February 2005, proposed to:

- establish a UNC by introducing Standard Special Condition A11;
- provide for the joint administration of the network code mod process by introducing Standard Special Condition A12; and
- protect against inefficient fragmentation of services and systems required to implement the transportation arrangements by introducing Standard Special Condition A15.

She highlighted that these conditions were described in greater detail in Ofgem’s formal section 8AA and section 23 document. Sonia clarified that comments on the licence document, published in February 2005, were due by 15 April 2005.

Jessica set out that, under the present commercial framework, Transco and shippers had signed a bilateral framework agreement which committed them to abide by the provisions contained within the network code. She explained that, following a potential DN sale, shippers would be required to sign framework agreements with each IDN and that these would commit the parties to abide by the Short Form network Codes (SFCs) which would reference the UNC.

Jessica emphasised that the development of the UNC had been the responsibility of Transco and, as such, it had been carried out through a Transco-led process. In this regard, she clarified that Ofgem would hope that Transco had accommodated all of the legitimate issues raised by interested parties during the development of the UNC. She explained that Transco had undertaken the development of the UNC through a number of industry forums, including:

- the UNC development forum;
- the Exit Reform Development Forum;
- the consultation entitled ‘Towards a new industry framework’; and
- the UNC Legal drafting sessions

She stated that, it was Ofgem’s understanding, that Transco considered that this process would allow the development of a multi transporter UNC and that this would not have been possible using existing network code modification rules. She clarified that Ofgem had not been involved in detailed UNC drafting but that it had sought to ensure that the UNC would reflect the high level industry framework developed. In this regard, Sonia highlighted that Ofgem had issued an open letter to the industry regarding its involvement in the UNC and the fact that Ofgem’s attendance at the UNC development forum would not fetter the Authority’s discretion in relation to the decisions that it will be required to reach regarding a potential DN sale.

Jessica detailed that the purpose of Ofgem's consultation on the UNC was to give interested parties an opportunity to comment on the detailed industry code proposals. She outlined that this consultation would bring together three key streams of work:

- Transco's Modification Proposal 0745 on which Transco had requested urgency status;
- the UNC itself; and
- the proposed licence conditions to support the UNC

She highlighted that Ofgem's consultation, on the UNC, would take the form of a cover letter to Transco's draft UNC, consistent with the role that it had assumed in relation to the development of the UNC.

Charles Ruffell asked on what basis Transco had applied for urgency in relation to this proposed modification. Peter Bingham responded that Ofgem had previously set out the basis upon which it would consider granting urgency to modification proposals in a letter issued to the industry in April 2003. In this regard, he detailed that a modification would be considered to fulfil the criteria for urgency where:

- it was linked to an imminent date related event;
- the modification would have implications for security of supply; or
- it would have a significant commercial impact.

He therefore stated that the modification raised by Transco would fulfil two out of three of these criteria.

Peter explained that, firstly, to achieve the transaction dates that were anticipated within the current timetable, it would be necessary for hive-down to take place on 1 May 2005. He clarified that, to achieve this, Ofgem would need to reach a decision regarding the proposals put forward in relation to the commercial framework that would be in place following a potential DN sale and that, as such, the consultations on each aspect of the proposed framework had been aligned to allow Ofgem to consider these issues in parallel.

Peter outlined that, in addition, Transco considered that if the consultations were not undertaken in parallel this could create a significant risk that the intended sequencing of events would break down and create a risk to the completion of hive-down on the intended dates. He emphasised that any slippage in the timetable could affect consumers and that, if long-term slippage were to occur, the benefits to consumers identified in the Final IA could be foregone. He also stated that this would create a loss of benefits for NGT and the potential purchasers. He was therefore of the opinion that there had never before been such a compelling case for Ofgem to grant urgency status as to Transco's modification proposal 0745.

Steve Ladle questioned that the potential loss of benefits to Transco should be considered as part of the criteria for granting urgency status to a modification proposal. Sonia responded that the criteria that Ofgem uses to consider whether or not to grant urgency to a modification proposal, as set out in its letter of April 2003, was different to the criteria that Ofgem would look at when deciding whether to approve a modification. As such, she outlined that the loss of benefits to a company could be considered to be criteria for evaluation and highlighted that there were instances of where this had happened in the past.

Peter Bolitho asked for clarification regarding when the consultation period may be and Peter Bingham responded that it would take place in parallel with Ofgem's consultation on the UNC.

Jessica set out that Ofgem intended to adopt a two-stage consultation process in relation to the UNC, whereby under:

- **STAGE 1:** Responses would be submitted to Transco and Ofgem to provide Ofgem with a better understanding of the issues raised and allow Transco to use the feedback to address legitimate concerns. She detailed that stage 1 responses would be required 2 weeks after Ofgem's consultation had been released. She explained that Transco would have a week to turn around any comments submitted and release an updated version of the UNC, as well as a statement outlining the way in which it had addressed the issues raised; and
- **STAGE 2:** Responses should only be submitted to Ofgem to inform the Authority's decision regarding the proposed industry framework

She outlined that Ofgem considered that this approach would allow interested parties to make comments on Transco's draft UNC while providing Transco with an opportunity to refine the UNC

Alex Wiseman asked how long the second stage of the consultation process would be. Sonia responded that it would last for 2 weeks and that, as such, this process would be referred to as a 2-1-2 consultation. Karen Gribben clarified that Transco would, at stage 1, provide a marked up version of the UNC while, during stage 2, the revised draft provided would simply incorporate the changes required and would be issued with an associated document outlining where any additional changes had been implemented.

Alex Wiseman asked when Ofgem would be releasing the consultation and Sonia responded that this would be dependent upon Transco's delivery of the draft UNC. Peter Bingham stated that Transco would need to reflect the changes identified during the legal drafting sessions held on 22 and 23 February. He outlined that Transco would be having a close-out session for the UNC that afternoon in which it would seek to address outstanding concerns regarding Section Y. He set out that the final draft of the UNC would be delivered to Ofgem once this process was complete. Sonia emphasised that Transco would need to deliver a 'stable baseline' of the UNC to Ofgem and that it would therefore be necessary that issues raised, in relation to Section Y as well as any other outstanding issues, had been addressed. She stated that this would assist in making the process as open and inclusive as possible.

Simon Howe asked whether the consultation would also be in relation to the transition documents and Sonia responded that it would.

Jessica emphasised that it would be crucial that Transco also produced drafts of the ancillary documents to the UNC including, amongst others:

- the Offtake Arrangements Document;
- the Agency Services Agreement; and
- the Joint Governance Agreement.

She explained that, in the absence of these draft documents, it could prove difficult for interested parties to submit an informed response in relation to all aspects of the UNC drafting. Peter Bingham set out that this would also be consistent with the previous discussions regarding parallel consultations.

Steve Ladle asked whether this was a comprehensive list of the documents that would be issued. Sonia responded that there were various other aspects of the ancillary documents and that all of these had an associated programme of work under which the issues would be brought to DISG for discussion, as detailed in the licence document.

5. Transitional arrangements for modifications

Tim Davis distributed a paper in relation to this issue and stated that, for an overview, interested parties may find it useful to look at the summary included at the beginning of the paper. He outlined that the basic philosophy behind Transco's approach was that any modifications in progress should be allowed to continue through the process.

He set out that there were a number of categories of proposed modifications in progress which were discussed, in detail, within the paper distributed to the DISG. He outlined that it would prove difficult to attain a stable baseline of the UNC in view of the fact that modifications would constantly be proposed. He explained that:

- if these modifications were approved following the implementation of the UNC they would simply be included within the UNC drafting; and
- in order to address modifications in flight Transco were intending to use the consent to modify, contained within the network code, to implement the modifications prior to establishment of the UNC.

Tim detailed that Transco were of the opinion that they had covered all of the categories of modifications that were evident and asked whether DISG members would want Transco to explain each of the categories during the meeting. Sonia suggested that it may be more appropriate for DISG members to read the paper distributed and raise any comments or questions that they may have directly with Tim. She stated that comments should be provided as soon as possible.

Action: DISG members to review Transco's paper regarding modifications in flight and raise any issues that they have with Transco.

Lisa Waters asked whether it would be possible for Transco to compile a table outlining which modifications would fall into the categories identified in the paper which could be kept live and up-to-date.

Action: Transco to compile a table outlining the modifications that would fall into the categories identified in the paper and to keep this table live and up-to-date.

Steve Ladle asked whether Transco were proposing that the governance panel would meet on 1 May, following implementation of the UNC. Tim Davis responded that he envisaged that the panel would meet on 2 May, after the bank holiday. Steve Ladle pointed out that it would be necessary for Transco to appoint a panel in this regard and Tim responded that Transco would be writing to the gas forum to request that they constitute a panel for this purpose. Steve Ladle asked how many representatives this panel would be formed of and Tim responded that details such as this would be decided following Ofgem's consultation on the UNC.

6. Any Other Business

Sonia asked whether any DISG members had any other business to raise.

Tory Hunter asked whether there would be a DISG meeting next week. Sonia responded that there would not be a DISG meeting during the following week but that Ofgem intended to hold one the week after that. Jessica clarified that this would be on 8 March and Sonia set out that the meeting would be taking place in the morning only.

Peter Bolitho asked, with respect to the options discussed in relation to governance of the UNC, who it would be most appropriate to direct any comments towards. Sonia responded that these comments should be directed at Transco. Peter Bingham clarified that Transco would ideally like to receive comments of this nature prior to the UNC legal drafting session to be held in the afternoon. Peter Bolitho highlighted that interested parties would not necessarily be in a position to discuss their views regarding this issue as early as the legal drafting session on the UNC considering that it had only just been discussed at the DISG. Peter Bingham emphasised that Transco would be interested to hear the view of interested parties regarding its proposals in relation to UNC governance at this session.

Alison Russell asked whether had any idea of what would likely be on the DISG agenda for 8 March. Sonia responded that she anticipated that they would be discussing ancillary documents including the offtake agreement, the joint governance agreement (JGA), the agency services agreement (ASA) and incentive schemes. She highlighted that Ofgem were trying to reduce the frequency of DISG meetings to once every two weeks and to a morning session only. Sonia also outlined that Ofgem was considering scheduling a page turn of the licence at the following DISG and stated that, if any DISG members had views on this, Ofgem would be happy to hear them.