

DEMAND SIDE WORKING GROUP MEETING

MEETING NOTES

Venue: Ofgem, 9 Millbank, London

Date: 12 January 2006 1 – 4pm

Attendees

Chairperson: Jo Witters (JW) Ofgem

Helen Connolly (HC)	Ofgem
Claire Rozyn (CR)	Ofgem
Eddie Proffitt (EP)	MEUC
Clare Temperley (CT)	British Gas Business
Jeremy Nicholson (JN)	EIUG
Steve Ladle (SL)	Total Gas and Power Ltd
Bob Spears (RS)	UCC
Helen Bray (HB)	CIA
Christiane Sykes (CS)	E.ON UK
Alison Meldrum (AM)	Corus
Chris Logue (CL)	National Grid
Paul Gallagher (PG)	National Grid
Dan Jerwood (DJ)	GDF
Hugh Mortimer (HM)	BOC
John Costa (JC)	EDF Energy
Steve Rose (SR)	RWE npower
Damian Cox (DC)	JHA
John Perkins (JP)	NG
Shelley Jones (SJ)	Statoil UK Ltd

1. Introduction

JW opened the meeting by thanking all those present for attending the first DSWG of 2006.

2. Review of

a) meeting notes from last DSWG meeting 24/11/05

There were no comments on the meeting notes from 24/11/05. These will now be published on the website.

b) actions from DSWG sub-group meeting 24/10/05

PG noted that the action points from last meeting with regard to NG's Information Systems would be addressed later in the meeting. CL also noted that the two action points pertaining to UNC modification proposal 035 had been addressed as part of UNC modification proposals 071 and 071a.

There were no action points to carry over to the next DSWG.

3. Performance of the Information Exchange – NG

PG lead discussions by running through the actions placed on NG at the November DSWG meeting.

Action: NG to confirm whether the indicated flows for the Isle of Grain (IOG) were for physical flows or nominations.

PG confirmed that flows from IOG, detailed on the summary page, are *actual* physical flows. JC asked what percentage of flows through IOG reached the LDZ's. PG noted that this information could easily be calculated by looking at flows onto the NTS, available on the summary page, and looking at the Total Flows from IOG, available on the IOG website.

EP asked whether the volumes of gas flowing onto the NTS from various sources, shown in aggregate on the summary page, could be separated into individual components. PG noted that this information could be found in the daily energy reports.

Action: Ofgem to circulate information on the percentage of flows from IOG to LDZ's

Action: NG to look into the option of changing the colours on the graph regarding the forecast year demand to date. Action: NG to investigate using different colours for rows regarding physical flows and nominations.

PG noted that the visual changes requested at last meeting had all been implemented. CS noted that she thought NG's website was overall very good.

Action: NG to check whether, if sub-terminals are not flowing, the information is recorded as nil and populated in the spreadsheet on the website.

PG confirmed that NG would be able to populate its spreadsheets in such a way that, if no data was received from a certain sub-terminal, this would clearly be indicated. HB asked when this would begin. PG stated that NG would get back to the Group with a date.

Action: NG to report back with the date the DSWG can expect to see relevant spreadsheets on the information website including a non numeric value to indicate that NG has not received data from a sub-terminal

Action: NG to look into the possibility of providing linepack information, from the Gemini system, to shippers and customers simultaneously.

PG noted that it would not be possible to get linepack information to shippers and customers simultaneously, due to the time lags involved in passing data between the four stages (hand-offs) of the system. PG confirmed that NG was looking at modifying software at each stage, which would result in a significantly shorter gap between information provision. PB stated that the result would be that NB92 data reaches the NG website a lot faster.

HB asked for clarification on the meaning of the time stamp given with each report. PG confirmed that the time stamp indicated the time that the data was created as opposed to the time that the report was published on the website. HB thought that this was misleading and it should represent the time the data is published. JW asked whether there was a definition on the website which would make this clear. PG noted that NG would look into providing an explanation of the date stamp, and also as to whether the time of publication of each report could be shown.

Action: NG to confirm whether the time stamps on the information summary page can be changed to represent the time reports are published on the website, as opposed to the time the data for reports are received

HB asked whether NG had manually updated a report yesterday. PG confirmed that NB92 had been updated manually yesterday.

Action: NG to look into the possibility of extending the hours of operation of its telephone helpline regarding the information exchange.

PG confirmed that operating hours of the help line had been extended to include weekends in the event that a fault is found with information published on the website. EP asked for confirmation of the operating hours. PG confirmed the help line would operate 9am-4.30pm on weekdays and 8am-3pm on the weekends. Operating hours would be published on the website.

Action: NG to report back to the group regarding the timescales involved in implementing solutions to address the issue of information on the daily summary report not being promptly updated.

PG noted that NG had made a number of improvements to the website since the end of last year. Faults were now identified and solved in much shorter timescales. The NB_92 report is currently being worked on, specifically to speed up its publication.

Action: NG to have a standing item on the DSWG agenda to give an update regarding the performance of the information exchange (included on agenda for DSWG 12 January, therefore actioned)

JW asked the Group how they felt the website was performing generally. JN noted that everyone has appreciated having access to information and the fact that the Group had now focussed discussion on the detail of the website as opposed to the principle of having a new website, was credit to the work of the DSWG. JN considered that the UK could now point to its own information systems as a good example to the EU of a workable information system.

EP noted that MEUC members in the past didn't bother trying to access gas market information. Now that the mystery had been opened up, members considered the site a very useful source of data.

PG informed the Group that all pro-formas had now been grouped together in one place under Operational Information on the summary page, including ECQ and SCQ pro-formas. UNC 071a pro-formas would also be available in the next few days.

AM asked NG how many hits the website was getting per day. PG stated that popular reports were receiving over 10 000 hits per day and the site was receiving a reported 6 million hits a week *[PG has since withdrawn this comment –the correct data on the number of hits to NG’s website has since been circulated to the DSWG]*

HM asked whether any further comments on the website could be directed to PG. PG stated that this was fine and that comments could also be sent to NG via the link on the website.

SR asked whether, in the event a storage monitor is breached, storage nominations would be published on the NG website. PG confirmed that any information NG is obliged to publish in the event of a safety monitor breach, would be published on the ANS messaging system. Information that was relevant to the public would additionally, and automatically, be published on the NG website for public viewing.

SR asked NG whether further consideration had been given to SMS messaging for GBA’s. PG stated that NG would provide an update on this to the DSWG at the next meeting.

Action: NG to provide an update on whether GBA’s could be communicated via SMS messaging

4. Demand side response this winter, going forward - Ofgem

HC informed the Group that it was Ofgem’s intention to carry out two main areas of work going forward: analysis looking at levels of demand side response to date and work with customers and suppliers to understand whether there are barriers (real and perceived) to contracting opportunities. HC noted that Ofgem would be working closely with NG to understand the levels of demand side response and the break down of that response over the winter, with the intention of presenting findings to the DSWG. HC also noted that Ofgem hoped to hold separate discussions with shippers and customers in order to examine and understand in detail, whether any barriers (real and perceived) that currently exist to parties contracting for demand side response.

JW stated that the Ofgem’s seminar series had been a very useful means for Ofgem to reach and communicate directly with customers. The common message being received from customers was that shippers/suppliers were not speaking to customers about contracting opportunities. Similarly, the common message being received from shippers/suppliers was that customers were not interested in signing up to demand side contracts. JW reiterated that Ofgem needed to understand what it could do to identify and work together to remove the barriers that may exist between customers and shippers.

HM commented that shippers seemed to be offering products that didn’t meet customers’ needs – most of his clients were buying on a day-ahead basis. Other customers noted that they had tried to speak with suppliers but had heard nothing back. Customers were of the view that there seemed to be barriers between traders and retailers of supply companies. EP also noted that suppliers were not being pro-active, but rather acting more like trading agents. CS considered this to be a generalisation. JW said that it was important not to point fingers and create sides on this issue, but in order to move the debate forward, accept that at the moment barriers existed on both sides.

The challenge was now to identify which barriers were real and which barriers were perceived.

JW said that Ofgem wanted to float the idea of creating a sub-group to consider specifically what the barriers and opportunities were with regard to contracting for demand side response. SL noted that he was prepared to take the idea back to his supply business. HM was of the view that it would be extremely useful to have some people from the supply side coming in given that they have contact with market and knowledge of the products. AM noted that there would be commercial sensitivities and customers may not be comfortable speaking with suppliers in the room. JW suggested creating two separate sub-groups. JC considered that two sessions would be very helpful.

EP noted that the bulk of interruptible sites weren't big enough to trade gas alone. He noted that suppliers needed to consider exploring options for amalgamating the response of sites, or options that would allow customers to bid in smaller quantities of gas. EP stated that of the 1600 interruptible sites, 1500 sites are below the limit to be able to bid in. These are the sites that need to be facilitated.

CR considered that the availability of products that allow for partial interruption warranted consideration - partial operation was a much more flexible option for customers and it would be interesting to understand how much of this has been going on throughout the winter. BS raised the idea that rather than having all or nothing emergency firm load shedding or sell backs, consideration should be given to removing gas in a series of tranches as is the method used for interruptible supplies.

JN stated that figures show that there were levels of demand side response this winter – Global Insight is currently compiling a report on this for the DTI. The high prices that were experienced earlier this winter may well alter the buying patterns this year. JN noted that he would be surprised if consumers weren't taking this winter's experiences into account in planning for next winter. JN considered that it was likely that more customers would move away from day-ahead gas contracts. JW considered that the issue of partial interruption was a good point, and that NG had done a good job in this area in the electricity industry. This would be an area worth taking forward more work in gas.

JW stated that Ofgem would draft and circulate some terms of reference for a sub-group to be held with customers and a separate sub-group for shippers. JW asked the Group who would be interested in attending. CS noted that there was definitely interest, although resources would be stretched again this year.

Action: Ofgem to circulate draft TOR and dates for the DSWG sub-groups

RS asked whether any information has been recorded with regard to the impact of customers supplying demand side response on their businesses. JN stated that there were currently two pieces of work being undertaken on demand side response: Global Insight's report into the size of demand side response, and an Ilex report on the economic impact of demand side response. JN noted that there may be some preliminary findings on the Ilex report released soon.

EP noted that he was surprised that Ofgem hadn't received information on the size and distribution of demand side response from NG already, given that all sites are daily metered and that NG has all of this information on hand. JW said that while the information is available, the volume of that information was significant. EP noted that looking at who had been switching fuels would also raise a number of issues worth considering. JW agreed and stated that Ofgem would bring this information back to the Group as part of its review.

Action: Ofgem to share information on fuel switching with the DSWG as part of its demand side response review.

5. AOB

JW informed the Group of the upcoming Ofgem seminars to be held on January 24 and March 22, with a half day meeting on Gas Safety Monitor Arrangements to take place on 16 January. JW considered that while consultation documents were a useful means to consult industry on current issues, Ofgem would continue to hold seminars throughout this year following positive feedback from previous seminars. JW noted that Ofgem would post the dates of all its seminars on the Joint Office calendar. HB asked whether the DTI would be informed of these seminars. JW confirmed that they would be.

DC noted that he supported Ofgem's approach to seminars, as they provided an opportunity to meet and speak to new people, which stimulated new ideas and allowed industry to submit better responses to Ofgem's paper consultations.

EP asked whether Ofgem had heard anything from the EU Commission with regard to the questions Ofgem has asked them to consider in December of last year. JW informed the Group that the Commission were currently in the process of collating all the information received back from its questionnaires. Though Ofgem were pleased with the speed with which the Commission reacted to its initial information request, it was that the EU still operated on different timescales to the UK. JW noted that issues with the EU remained very high on Ofgem's agenda at senior levels.

JW also informed the Group that Ofgem had been doing some useful work on Europe with regard to transportation constraints, and that this information would likely be presented at the up coming seminars. JW stated that Ofgem would also pass these findings onto the Commission for them to take forward.

EP referred back to a presentation given by Centrica at Ofgem's winter to date seminar on 16 November and asked whether Ofgem knew how much of the 48 mcms of interconnector capacity was interruptible. JW noted that 75 percent of export capacity was interruptible. EP asked for clarity on how much of import mode was firm, and what were the rules that governed use of the interconnector capacity. JW noted that it was her understanding that Centrica had used all its firm capacity and had then made use of others capacity via the secondary market for unused I/C capacity.

RS asked for an update of the UIOLI issues at Isle of Grain. JW noted that Ofgem were still working with Grain on this issue. As indicated in the press, there was currently a ship on its way to Grain and intended for delivery to the UK. JW reminded the Group that BP and NG Grain would be available for questions at Ofgem's seminar on 24 January.

JW also informed the Group that Ofgem had met with BBL this week to discuss the progress of the BBL interconnector. JW noted that BBL recently released information with regard to spare capacity that would be available in summer 2007. JN asked whether Ofgem had licensing responsibility for interconnectors. JW noted that Ofgem had no licensing powers yet over existing interconnectors, but was responsible for the BBL licence as a new interconnector. JW noted that this was currently with the DTI and likely to be finalised soon, at which point Ofgem will be the licensing and regulatory authority for all interconnectors. EP asked whether Ofgem had any information on the Ormen Lange pipeline and whether part of it had just been completed. JW stated that she was unaware whether part of the interconnector had been completed, noting that she understood commissioning would take place around August.

JW also informed the Group that the UNC 006 Case Study had been sent out to relevant parties this week and consultation responses were due back on Monday.

Action: Ofgem to forward the 006 Case Study letters to those present at the DSWG (actioned)

The next DSWG meeting will be held on 15 March 2006 from 1-4pm at Ofgem's Millbank Offices

Issues to note

- ◆ Please note that after further consideration, Ofgem considers that a more prudent way forward for the demand side review is for Ofgem to undertake one to one meetings with suppliers and customers and then to feed the findings back to the DSWG.
- ◆ The next DSWG meeting will now be held on 30 March 2006 from 1-4pm at Ofgem's Millbank Offices