

# User Pays User Group Minutes

## Monday 08 December 2008

### at Elexon, 350 Euston Road, London

#### Attendees

Tim Davis (Chair)	TD	Joint Office
Bob Fletcher (Secretary)	BF	Joint Office
Alan Raper	AR	National Grid Distribution
Andy Miller	AM	xoserve
Bali Dohel	BD	Scotia Gas Networks
Collette Baldwin	CB	E.ON Energy
Gareth Evans	GE	Waters Wye for Gazprom
Graham Frankland	GF	xoserve
Helen Barratt	HB	xoserve
James Crosland	JC	Corona Energy
Jemma Woolston	JW	Shell
Joel Martin	JM	Scotia Gas Networks
Kevin Woollard	KW	British Gas
Lorna Gibb	LG	Scottish Power
Mark Cockayne	MC	xoserve
Phil Broom	PB	GDF Suez
Richard Dutton	RD	Total
Richard Phillips	RP	RWE npower
Robert Cameron-Higgs	RCH	Northern Gas Networks
Rosie McGlynn	RM	EDF Energy
Sharon Cole	SC	Scottish and Southern Electricity
Shelly Rouse	SR	Statoil

#### 1.0 Introduction and Status Review

TD welcomed attendees to the meeting and advised GE that the proposed User Pays User Committee constitution did not include consultants, though there were no objections to his remaining in the meeting.

##### 1.1. Minutes from the previous Meeting (17 October 2008)

The minutes of the previous meeting were approved.

##### 1.2. Review of Actions from previous meetings

The outstanding actions from previous meetings were reviewed.

**UPUG 0021:** Transporters to reconsider signing the User Pays contract and return to next meeting with reasons for their decisions.

**Update:** The Transporters have not signed the contract.

**Action Carried Forward.**

**UPUG 0028:** xoserve to review the file/form functionality.

**Update:** This was still under review.

**Action Carried Forward.**

**Action UPUG0045:** xoserve (GF) to include change process steps in the UPUC ToR.

**Update:** GF's presentation (see below) confirmed this would happen.

**Action Closed**

**Action UPUG0046:** Parties to confirm to xoserve how they wish to approach the transition between contracts.

**Update:** xoserve advised that, due to the extent of contract changes, it was considered that existing customers would need to sign the new contract..

**Action Closed**

**Action UPUG0047:** xoserve to make amendments to the UPUC Terms of Reference and apply appropriate version control.

**Update:** GF confirmed this had been adopted.

**Action Closed**

**Action UPUG0048:** xoserve to make amendments to the UPCEG Terms of Reference and apply appropriate version control.

**Update:** GF confirmed this had been adopted.

**Action Closed**

**Action UPUG0049:** xoserve to publish copy of Contract Change Process.

**Update:** xoserve have published contract changes register and process.

**Action Closed**

**Action UPUG0050:** xoserve to investigate the account password reset requests returned as 'removed due to inactivity', and verify if there was a time restriction associated with perceived lack of use.

**Update:** Not covered in meeting.

**Action Carried forward**

**Action UPUG0051:** Consumer Focus – charges for use: RM agreed to confirm what charging arrangements had been made elsewhere (eg SPA Schedule 23, ECOES).

**Update:** Not covered in meeting.

**Action Carried forward**

**Action UPUG0052:** xoserve to provide an Operational Update for November by email.

**Update:** Update issued.

**Action Closed**

## **2.0 Customer Voting Arrangements**

GF gave a presentation on voting proposals and models and how these had been developed based on discussions during previous meetings and individually with customers prior to the meeting.

PB said he was more concerned with how changes could be implemented and funded rather than the voting structure. The process should seek to avoid a requirement to pay for services or changes that a party did not require, but also avoid free-riding, for example by opting in to a service after others had met the development costs. GF presented the proposed non code services change process. GE asked who can propose a change. GF advised any signatory to the contract can propose a change, which would then be considered by the User Pays User Committee.

GE asked why if a user does not register a vote it should be counted as a yes vote – for example, if not taking a service you are likely to be neutral with regard to a change but by not voting would be regarded as in favour. In his opinion, the main aspect should be to ensure beneficiaries are clearly identified and that voting is by those who wish to use the service. RM was concerned that voting should reflect that system limitations may prevent alternative services being offered or the maintenance of an existing service if users migrate. TD said that for existing services voting could be restricted to users of that service, but be open to all for new services, and this may reduce any issues around neutral votes as services are taken by choice. However, there remains an issue around late entrants for services and how development costs are recovered – should they be required to reimburse existing takers of a service?

RD asked how the process would work if services were taken via bilateral arrangements rather than as a Non-Code User Pays Service. GF advised that a service provided via a bilateral arrangement would be commercially confidential. If others sought a similar service, each case would be treated on its own merits and subject to commercial negotiation.

GF returned to the presentation and xoserve's proposed process for managing development costs for changes to existing services, suggesting these could be funded by use of a development budget charged against existing services. The suggested level of £25k would imply a 1% increase on existing charges. RD thought the development costs should be borne by xoserve from the 6% margin. GF pointed out that the user pays arrangements are based on being cost reflective and xoserve would therefore aim to recover costs at some point – the proposal was a transparent and clearly identifiable way of doing this. PB was happy to consider the xoserve proposal as a starting point as it was transparent, though customers needed to understand how the process would work if more money was required to develop/manage changes.

RD asked how cost overruns are to be managed when developing services, and who would bear unexpected costs. GF said information on this would form part of the reports back to the User Pays User Committee. AR thought this would be part of the risk when considering a change, though RM thought it is not likely changes of significant magnitude would follow the Non-Code User Pays route. AM advised that xoserve would provide analysis and risks around such projects that provide a confidence level for success and ranges of potential costs.

RD asked how costs would be recovered if customers opt out of a project due to escalating costs. AM again pointed out this would be part of the reporting process to the User Pays Committee who could decide whether the change should continue or be stopped – a proposed change could be stopped at various points if it became clear that assumptions had been wrong.

TD asked if attendees were willing to accept the transparent development budget and the consensus was in favour. RP asked if this cost would be spread evenly, GF said it would be applied as an uplift to existing services.

**Action UPUG 0053: xoserve (GF) to amend the Contract, UPUC Terms of Reference and ACS as necessary to reflect the use of a transparent development budget**

GE and RD suggested the voting mechanism should be changed as the square root methodology could allow as few as two domestic Shippers to block change wanted by I&C Shippers. After a vigorous debate, TD suggested that voting could involve two tests: a proposal would proceed if no more than 3 votes against were registered, or if more than 80% of weighted votes (using the square root transformation of user pays revenue share) were in favour, with non-voters

regarded as being in favour. While not the preferred option for a number of parties, this was unanimously accepted as a suitable way forward, albeit with some reluctance.

**Action UPUG 0054: xoserve (GF) to amend the UPUC Terms of Reference to incorporate a two step voting test**

### **3.0 Terms of Reference**

AM gave an overview of proposed changes to the UPUC and UPCEG (User Pays Contract Expert Group) Terms of Reference, including voting arrangements, contract and service amendments. The documents will be updated to reflect the changes.

### **4.0 Funding Change**

Discussed during agenda item 2.0.

### **5.0 Contract Refinements Register**

AM gave an overview of the UPCEG held on 1<sup>st</sup> December and the comments xoserve have considered following the meeting. RP asked if any other parties had provided responses to the draft agreement following UPCEG: AM confirmed this was the case.

AM confirmed the next draft Contract should be available by 12<sup>th</sup> December and asked for responses to this by 24<sup>th</sup> December. RP thought this was short notice. GF advised the refinements register will be published (alongside these minutes) to help with the review process and a UPCEG meeting was planned for Monday 15<sup>th</sup> December to support the process. JW asked if the agreement had changed significantly since the last draft: AM advised the changes were based on comments received so should not be unexpected. It was agreed the meeting should go ahead as planned.

### **6.0 Future Service Developments**

Deferred to a future meeting.

### **7.0 Any Other Business**

#### **7.1 ACS Review**

GF advised that letters requesting confirmation of services will be sent to users and he requested responses as this will facilitate the development of revised ACS charges for approval by Ofgem.

AM advised that a modified ACS would be submitted to Ofgem in January to accommodate the new Code Service for Filter Failures as defined under Modification 0192.

#### **7.2 Customer Survey**

GF advised a customer survey will be undertaken by Maven who will be contacting users for their views on services received including User Pays services.

### **7.3 Operational Update**

All indicators were green.

### **7.4 Christmas working**

GF asked Users to notify their requirements for service position on Christmas Eve and the following week in order to help ensure the correct level of service is maintained by xoserve.

**Action UPUG 0055: Shippers to notify xoserve of their working requirements for the Christmas period.**

## **8.0 Diary Planning for User Pays User Group**

### **8.1 User Pays Contract Expert Group**

Monday 15 December 2008, 10:00, Elexon, 350 Euston Road, London

### **8.2 User Pays User Committee**

(10:00 Second Monday monthly, ENA Offices, Horseferry Road, London)

12 January 2009

09 February 2009

09 March 2009

13 April 2009

11 May 2009

08 June 2009

13 July 2009

10 August 2009

14 September 2009

12 October 2009

09 November 2009

14 December 2009

### Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
UPUG 0021	14/07/08	2.2	Transporters to reconsider signing the User Pays contract and return to next meeting with reasons for their decisions.	All Transporters	<b>Carried forward</b>
UPUG 0028	14/07/08	3.2	Password resets: xoserve to review the file/form functionality.	xoserve (AM)	<b>Carried forward</b>
UPUG 0045	17/10/08	2.0	Contract Change: to include change process steps in the UPUC ToR.	xoserve (GF)	<b>Closed</b>
UPUG 0046	17/10/08	2.0	Contracts: Parties to confirm to xoserve how they wish to approach the transition between contracts.	ALL	<b>Closed</b>
UPUG 0047	17/10/08	4.1	Make amendments to the UPUC Terms of Reference and apply appropriate version control.	xoserve (GF)	<b>Closed</b>
UPUG 0048	17/10/08	4.2	Make amendments to the UPCEG Terms of Reference and apply appropriate version control.	xoserve (GF)	<b>Closed</b>
UPUG 0049	17/10/08	4.2	Publish a copy of the Contract Change Process document.	xoserve (GF)	<b>Closed</b>
UPUG 0050	17/10/08	7.1	Account Password Resets: investigate the account password resets requests returned as 'removed due to inactivity', and verify if there was a time restriction associated with perceived lack of use.	xoserve (GF)	<b>Pending</b>
UPUG 0051	17/10/08	7.2	Consumer Focus – charges for use: RM to confirm charging arrangements in other areas (eg SPA Schedule 23, ECOES, etc).	EDF Energy (RM)	<b>Carried forward</b>
UPUG 0052	17/10/08	8.0	Provide an Operational Update for November by email.	xoserve (DA)	<b>Closed</b>
UPUG 0053	08/12/08	2.0	Amend the Contract, UPUC Terms of Reference and ACS as necessary to reflect the use of a transparent development budget	xoserve (GF)	Pending
UPUG 0054	08/12/08	2.0	Amend the UPUC Terms of Reference to incorporate a two step voting test	xoserve (GF)	Pending

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Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
UPUG 0055	08/12/08	7.4	Notify xoserve of their working requirements for the Christmas period.	Shippers	Pending