

**Review Group 0158 Minutes**  
**Wednesday 26 September 2007**  
**31 Homer Road, Solihull, B91 3LT**

**Attendees**

Julian Majdanski (Chair)	JM	Joint Office of Gas Transporters
Helen Cuin (Secretary)	HC	Joint Office of Gas Transporters
Alison Chamberlain	AC	National Grid Distribution
Andrew Margan	AM	British Gas Trading
Bali Dohel	BD	Scotia Gas Networks
Erika Melen	EM	E.ON
Joanna Ferguson	JF	Northern Gas Networks
Karen Kennedy	KK	Scottish Power
Linda Whitcroft	LW	xoserve
Loraine Goodall	LG	Scotia Gas Networks
Marie Clarke	MC	Scottish Power
Mark Jones	MJ	Scottish & Southern Energy
Matt Smith	MS	xoserve
Michael Painting	MP	Total
Richard Street	RS	Statoil
Samuel Lydgate	SLy	Total
Sham Afonja	SA	RWE Npower
Shilpa Padhiar	SP	RWE npower
Simon Trivella	ST	WWU
Sue Davies	SD	WWU
Susannah Garwell	SG	E.ON
Tina Brobbey	TB	Shell Gas Direct

**Apologies**

Brian Durber	BD	E.ON UK
Joel Martin	JMa	Scotia Gas Networks
Mitch Donnelly (Proposer)	MD	British Gas Trading
Stefan Leedham	SL	EDF Energy

**1 Review of Minutes and Action**

**1.1 Review of Minutes**

The minutes of the previous meeting were approved.

**1.2 Review of Actions**

**Action 0001:** All to consider what level of interest would be appropriate.

**Action Update:** See Review Group Discussion

**Action:** Complete

**Action 0002:** xoserve to consider the extent of USRV information that can be provided, initially providing an age analysis of USRVs and details of released values, debits and credits separately (within 6 months, 12 months and then 18 months).

**Action Update:** LW provided a statistical analysis for August 2007

**Action:** Complete

**Action 0003:** xoserve to try to provide some high level system impacts for calculating interest.

**Action Update:** LW confirmed that she was unable to ascertain system impacts for interest due to the complexities.

**Action:** Complete

**Action 0004:** All to consider charging arrangements for a backstop mechanism.

**Action Update:** Review Group Discussion and to be considered further

**Action:** Carried Forward

**Action 0005:** xoserve to consider and provide example scenarios that may occur.

**Action Update:** MS provided scenarios.

**Action:** Complete

## 2 Review Group Discussion

### Interest Payments

It was clarified that the base rate plus 1-2% interest rate would be applied to debits and the credit charge applied would be the base rate. ST asked what would happen to credit interest payments, it was clarified these would be netted off against the debit payments.

SA suggested that the debit interest rate charge base rate +2% could have an increasing scale with the age of the USRV.

RS confirmed that Statoil do not support any interest charges.

The group debated the principle of interest payment and whether this would provide an incentive to encourage the desired behaviour.

RS confirmed Statoil examine USRVs on a daily basis highlighting that some I&C USRVs can be very complicated.

AM expressed concern to the RbD market having to pick up costs due to unresolved USRVs.

RS suggested there are numerous solutions which could incentivise the correct behaviour and that he would be willing to share these with the group.

EM believed that the introduction of interest charges would further complicate an already complicated process. She believed that there was a balance to be achieved and suggested Shippers should have a limited period to resolve the issue before commissioning a commercial service. EM suggested that Shippers could voluntarily commission the commercial service for a lesser charge before the USRV is automatically provided to xoserve for resolution with a penalty charge much greater. LW expressed concern that xoserve were not in a position to undertake the resolution of USRVs that could not be resolved by Shippers. ST highlighted this would need to be a commercial service offered by xoserve or another third party.

RS believed it would be worthwhile looking at various mechanisms.

**Action 0006:** All to consider how to incentivise USRV resolution

### August Analysis

LW highlighted that from the analysis provided by xoserve for August 2007 it was not apparent if credits were being targeted more than debits, or that the RbD community were being heavily affected by filter failures.

LG suggested that the proposal appears too complicated compared to any likely benefits in light of the information provided by xoserve.

MS summarised several example scenarios that may occur, these included estimated Transfer Reads which result in filter failure for both Shippers, reads that don't follow on from the previous read, and Meter Exchange reads input incorrectly. MP asked if xoserve had a feel for the numbers involved. MS believed that rogue Meter Reads was the biggest filter failure.

MC suggested that the incentives introduced by UNC Modification Proposal 0141 may encourage the right behaviour. It was also suggested that the Shippers who appear not to be resolving USRVs could be "named and shamed" and involve a mechanism whereby these Shippers would have to demonstrate what action had been taken to resolve the USRVs.

KK highlighted that I&C and Domestic Shippers could actually make money from the existing regime if they cleared 95% of USRVs. KK expressed an interest in a process where Shippers with large quantities of USRVs have the opportunity to correct their behaviour along with reporting their impact on the market.

LW highlighted that xoserve have seen a reduction in USRVs recently and suggested this may be a result of the Direction to Implement MP 0141.

RS was keen to see what changes would be realised from this Implementation.

The group discussed the possibility to "name and shame" Shippers with large quantities of USRVs that appear to not be reducing. However SA believed that any publishing of Shipper performance is commercially sensitive information.

LW highlighted that any outstanding USRV report needs to consider the number of filter failures generated and cleared.

**Action 0007:** LW to investigate what meaningful information could be collated for USRV resolution, for example filter failures resolved against data submitted.

### Backstop

JM asked the group about the backstop mechanism. AC suggested that the period the USRV is outstanding ought to be considered rather than the reconciliation period involved.

RS highlighted that the cut off period introduced by the implementation of any of the MP 0152 variants may result in Shippers not taking action on USRVs that are close to the cut off. He suggested that consideration is given to a commercial incentive regime with a backstop mechanism where xoserve assist with resolution of USRVs for a charge, but also allows Shippers an opportunity to voluntarily pass USRVs to xoserve for resolution, before the backstop is reached, for a smaller charge.

ST preferred to see a commercial service rather than an obligation in the UNC.

JF highlighted that Shippers should not be able to simply shift the obligation onto xoserve and expressed concern that there would then be a pressure applied to xoserve to resolve USRVs because of penalty payments being paid by Shippers.

MJ asked if a system could be implemented where xoserve could effectively ignore the UNC 0152 cut off mechanism for the reconciliation of USRVs. He suggested that

this may prevent Shippers ignoring USRVs which would normally reconcile beyond the 0152 cut off period. RS highlighted that this system would have to involve credits and debits.

SD suggested a system where a one off charge is levied for a filter failure that falls off the reconciliation close out period. However RS said he did not think this would incentivise correct behaviour if a very large reconciliation payment could be avoided.

KK again highlighted how a “name and shame” system may incentivise Shippers if they had to explain why performance is at a particular level and provide a plan of action to improve performance.

SD questioned whether a financial penalty is appropriate or if a commercial incentive ought to be considered, possibly a system where Shipper confirmations are capped.

RS highlighted that the group must not to concentrate only on old USRVs

SD suggested that the enhanced incentive cap needed to be monitored to see if it improves performance. KK also suggested that annual reviews of the incentive cap could be undertaken.

SP questioned why the incentive charge is not levied until month 2 and not again to month 4, suggesting that this ought to be reviewed. LW confirmed that charges occur at month 2 and month 4, but these are not levied at month 3.

**Action 0008:** All to consider a penalty charge mechanism

There was a consensus that all the solutions discussed had pros and cons and further consideration was required to incentivise USRV resolution.

### **3. Diary Planning for Review Group**

10:00, Wednesday, 14 November 2007, location to be confirmed.

### **4. AOB**

None.

## APPENDIX A.

## ACTION LOG - Review Group 0158

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0158 0001	22/08/2007	4	All to consider what level of interest would be appropriate.	All	Action: Complete
RG0158 0002	22/08/2007	4	xoserve to consider the extent of USRV information that can be provided, initially providing an age analysis of USRVS and details of released values, debits and credits separately (within 6 months, 12 months and then 18 months).	xoserve (LW)	Action: Complete
RG0158 0003	22/08/2007	4	xoserve to provide some high level system impacts for calculating interest.	xoserve (LW)	Action: Complete
RG0158 0004	22/08/2007	4	All to consider charging arrangements for a backstop mechanism.	All	Action: Carried Forward
RG0158 0005	22/08/2007	4	xoserve to consider and provide example scenarios that may occur.	xoserve (LW)	Action: Complete
RG0158 0006	26/09/2007	2	All to consider how to incentivise USRV resolution	All	Action: Pending
RG0158 0007	26/09/2007	2	LW to investigate what meaningful information could be collated for USRV resolution, for example filter failures resolved against data submitted.	xoserve (LW)	Action: Pending
RG0158 0008	26/09/2007	2	All to consider a penalty charge mechanism	All	Action: Pending