

Governance Workstream Minutes

Thursday 19 June 2008

350 Euston Road, London

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Julian Majdanski (Secretary)	(JM)	Joint Office
Alan Raper	(AR)	National Grid UKD
Alex Barnes	(AB)	BG Group
Bali Dohel	(BD)	Scotia Gas Networks
Chris Hill	(CH)	RWE npower
Chris Logue	(CL)	National Grid NTS
Catherine Wheel	(CW)	Ofgem
Emma Luckhurst	(EL)	EDF Energy
Chris Wright	(CW _r)	British Gas
Jenny Boothe	(JBo)	Ofgem
John Bradley	(JBr)	Joint Office
Joel Martin	(JMa)	Scotia Gas Networks
Peter Bolitho	(PBo)	E.ON UK
Phil Broom	(PBr)	Gaz de France
Martin Brandt	(MB)	SSE
Richard Street	(RS)	Corona Energy
Simon Trivella	(ST)	Wales & West Utilities
Stefan Leedham	(SL)	EDF Energy

1.0 Introduction and Status Review

1.1 Minutes from Previous Workstream

Were accepted without amendment.

1.2 Review of Actions

Action: GOV 1034 ST to obtain and present details on how system development costs are apportioned amongst the Transporters.

Contained within presentation provided, see item 2.1.

Action Complete

2.0 Modification Proposals

2.1 0213 “Introduction of User Pays Governance Arrangements into the UNC”

SL presented his view of the changes required to the Modification Proposal proforma to allow the capture of User Pays costs, the split for how they should be recovered, the proposed charge type and a suggested charge amount for inclusion in the ACS. He suggested that the recovery split would be provided by the Proposer as free text rather than restricting the options to some set choices, and this split could be amended following discussions or varied following consultation. There would also be the ability for other parties to raise an alternative Proposal with different funding arrangements. MB was concerned that discussions would concentrate on the proposed split and not on the merits of a Proposal and that there would be merit in restricting the options for any funding split, for example with only 100:0, 80:20 and 50:50 being permitted. TD advised that it may be sensible to provide for the

Modification Panel and Ofgem to review any proposed recovery split even if recommendations could not be binding on the Proposer.

ST believed that the pre-consultation phase will need to be more thorough in order to ensure appropriate cost estimates and associated charges can be developed. MB considered that the size of the costs and charge would be important for people to decide whether they supported a Proposal and hence that increased certainty about charges would be necessary. PBo considered that the Panel should concentrate on the relevant objectives when assessing the merit of Proposals, not on the costs and how they were split.

There was a discussion on the merits of adopting a methodology similar to that used by Elexon to capture costs. If indicative costs were used, it would be necessary to understand what the confidence limits were and what assumptions had been used. It may be better to give a range of costs and, particularly, charges as take up of a service could affect the level of any charge which was set to recover an element of fixed costs.

SL then gave an updated presentation of the proposed Business Rules. The Panel would decide the timescale for analysis which could be funded by a "pot" administered by the Joint Office, set initially at £200k. The Panel overview would give an appropriate level of governance.

ST provided a presentation which gave a Transporter view of how the process could work. It outlined how xoserve costs are currently shared amongst Transporters and suggested that adopting a similar model of only five allocation types would keep the process simpler. However SL considered this type of split artificial and not cost reflective, which is a Licence requirement.

ST outlined that there would be initial costs for impact analysis and then there would be set up costs (investment) and ongoing operational costs (incremental). Transporters would wish to recover all investment costs regardless of take up of a service and ST suggested that the ACS should provide for these costs to be recovered from all potential beneficiaries - this would ensure all parties were treated equally without penalty or discrimination for either early or late take up of the service. SL considered that the potential beneficiaries might not see it that way if they do not intend to use a particular service. PBr felt it was appropriate for any initial costs to be met through charges over time rather than being paid upfront.

There was a general discussion in respect of the timescales for providing cost estimates. It was considered that the appropriate Workstream should discuss costs and refine each Proposal to optimise best value for money.

MB suggested it would aid understanding of costs if some information could be provided for past Modification Proposals by working through scenarios that covered impact, development and transaction costs. TD agreed that the Joint Office would look at this.

New Action 1035: JO to examine costs of past Modification Proposals

ST concluded his presentation by noting that further discussion was needed to understand how changes could be made to the ACS for alternative Proposals and whether Urgent Proposals could be User Pays and, if so, how they could be accommodated.

It was agreed that this Proposal would need to be discussed further, preferably at an additional separate meeting.

3.0 Topic 013GOV Industry Codes Governance Review

No progress to report.

4.0 Any Other Business

None

5.0 Next Meeting

7 July 2008 at Ofgem's Offices, Millbank, commencing at 10.30.

Action Log – UNC Governance Workstream 19 June 2008

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner*	Status Update
GOV1034	15/05/2008	2.1	Obtain and present details on how system development costs are apportioned amongst the Transporters	Wales & West (ST)	Completed
GOV1035	19/06/2008	2.1	JO to examine costs of past Modification Proposals	Joint Office (TD)	