

Development Work Group 0270 Minutes
Tuesday 23 February 2010
Ofgem, 9 Millbank, London SW1

Attendees

John Bradley (Chair)	JB Joint Office
Tim Davis (Secretary)	TD Joint Office
Alan Raper	AR National Grid Distribution
Ann Jackson	AJ Scottish and Southern Energy
David Watson*	DW British Gas
Ed Reed	ER Cornwall Energy
Eddie Proffitt	EP MEUC
Fiona Cottam	FC xoserve
Gareth Evans	GE Waters Wye
Jamie Black	JB I Ofgem
Ben Woodside	BW Ofgem
Joel Martin*	JM Scotia Gas Networks
Rob Hill	RH first:utility
Scott Miller	SM Scottish Power
Simon Trivella	ST Wales & West Utilities
Stefan Leedham	SL EDF Energy

* by teleconference

1. Introduction and Status Review

1.1 Minutes from Previous Meeting

These were accepted.

1.2 Review of Actions

Action RG0270/02: Transporters and xoserve to develop views on alternative options and their implications

Update: The Transporters and xoserve had not completed this action and asked for it to be carried forward to the next meeting. **Action Carried Forward**

Action RG0270/03: EDF Energy and first:utility to consider the most promising options to develop

Update: Published and presented. **Action Complete**

2. Consideration of Options

2.1 Initial Evaluation of Alternatives

The Transporters reported that their initial evaluation had not been completed and asked for this to be considered at a subsequent meeting. ST explained that

similar issues had been debated at Nexus meetings and the Transporters were not as close to taking a view as he had anticipated. He suggested that it would be valuable to see the following presentation that would assist the Transporters in focussing on the options for which a view could be provided at the next meeting.

ER asked, given ST's description, about the interaction with the Nexus meetings and whether the 0270 Group needs to be kept abreast of developments elsewhere. FC suggested that the outcomes for a short-term approach and a Nexus solution may or may not be similar and hence the two were not necessarily related. ST added that any solutions implemented under 0270 would provide a feed-in to the Nexus solution. EP asked about the link to Ofgem's Smart Metering groups, which included considering a CCP (Central Communications Provider), and whether this Group was constrained in what could be achieved or if Ofgem might veto proposals because of developments elsewhere. It was recognised that there was a risk from developments elsewhere, but that that did not preclude the Group identifying and progressing a solution.

EP also raised a similar concern about interactions with the installation of Advanced Meters and how this fitted with Nexus. ST argued that this was separable from the 0270 issues and there was sufficient time to develop both, with the Nexus AMR work focussed on establishing high-level principles at the moment.

BW agreed to check with Ofgem's Smart Metering team to ascertain if there was any undue overlap or if the 0270 work was likely to be overtaken by developments elsewhere.

Action RG0270/04: Ofgem to ascertain if there is any undue overlap between 0270 and Smart Metering which means the Proposal is likely to be overtaken by developments elsewhere

RH clarified that his intention in raising the Proposal was to find a short-term solution that could be implemented ahead of any Nexus or Smart Metering developments.

2.2 Preferred Way Forward

RH presented a summary and assessment of the options discussed at the previous meeting and gave a view of the pros and cons of each.

On the summary, DW questioned the suggestion that revised EUCs and rolling AQ were part of the same solution. RH accepted that there was another element in that those with Smart Meters may have a different consumption pattern and so merit a separate EUC.

Option 1 – Elective DM for SSPs. GE questioned the suggested £800 pa cost and it was clarified that this was for voluntary DM sites rather than DM elective, which is likely to be substantially lower. GE also questioned the suggestion that the use of resources would be significant, believing this would be comparable to normal day-to-day Shipper business rather than representing an increase. FC confirmed, however, that this option would be resource intensive for xoserve, and that was one reason why a limit of 25,000 Supply Points had been established under Proposal 0224. It was recognised that this limit would be a significant constraint if the regime were extended to include SSPs. To remove the limit, testing would be needed to ensure that xoserve's systems remained robust with additional volumes, and subsequently to identify the investment needed to support expansion. ST also added that further consideration would also be needed to systems and other changes as this approach could bring SSPs into the LSP processes.

Option 2 – Aggregated Logical Meter. This approach would be similar to that used to support CSEPs. FC raised a concern that implementing this approach would require shadow meter points to be created since, unlike CSEPs, the meter points attached to the logical meter point would change with change of Supplier. EP was unclear how this would work if aggregated and RH clarified that the aggregated demand would be reconciled. GE questioned the end-to-end process and what the solution would actually deliver in practice in terms of AQ changes for the logical meter and each individual supply point. SL argued this would simply be the process of adding together Supply Point Aqs to create an aggregated AQ for the logical meter.

Option 3 – Aggregate LSP. It was recognised that similar practical issues to those for Option 2 would exist as a result of the aggregation process. FC clarified that the barrier at present is that, while aggregated supply points exist, reconciliation is at meter point level and systems may need to be developed to handle supply points instead of meter points, with ST suggesting that a newly defined meter point type may be necessary, with a refined definition of Supply Point. In addition, the existing aggregation and disaggregation processes are not dynamic. AJ identified that this would therefore be expected to delay the change of supplier process in these cases. It was also recognised that aggregating into a single Supply Point would impact the level of transportation charges, although the Transporters could address this through a change to charging methodologies. FC then summarised that a variation of this option might be to allow reconciliation to continue at Meter Point level, with aggregation to a single Supply Point then undertaken by xoserve rather than the Supplier submitting an aggregated read. GE mused whether that this could be further simplified by updating the LSP data on a monthly cycle rather than daily. EP asked what the benefits of the approach would be, and it was suggested that shipping to the aggregated LSP would be outside RbD, and the Shipper would have greater control over their aggregated AQ. AJ and EP were concerned that this option would be a significant barrier to changing Supplier, and this barrier was already evident at aggregated I&C Supply Points. RH recognised that the rules would need to prevent introducing any barrier to switching.

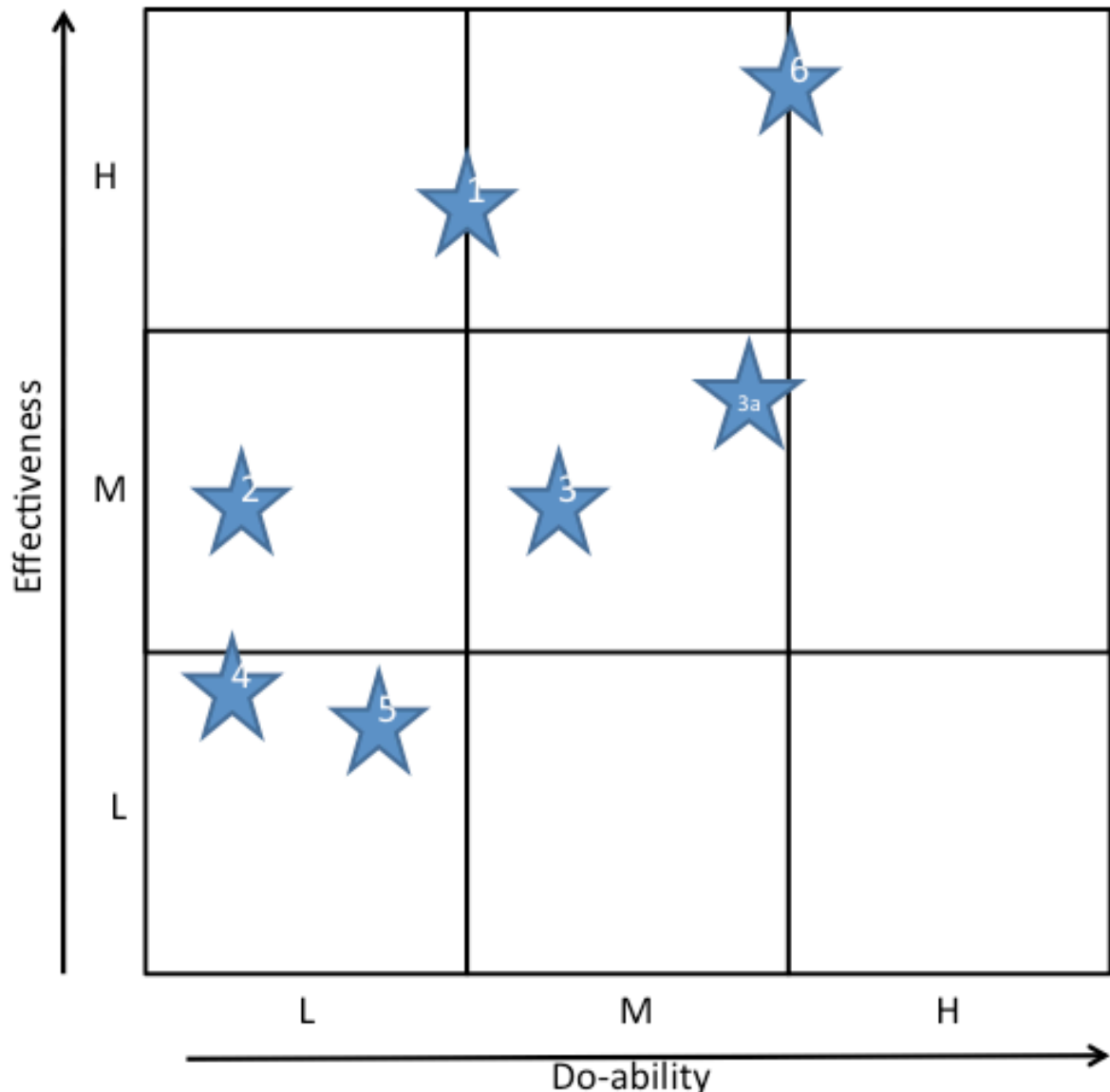
Option 4 – Smart EUC (Rolling AQ). This approach could recognise the different consumption characteristics of sites with Smart Meters, with more frequent updating of the AQ. SL clarified that Proposal 0209 had been brought into the Nexus discussions since evidence had not been provided to indicate that the benefits were likely to exceed the costs in the period prior to Nexus implementation.

Option 5 – SSP AQ Appeals. FC suggested that there could be an issue that regular and frequent appeals may be needed, which may be resource intensive for the Shipper - the Licence and UNC obligation is to be consistent when raising appeals, avoiding discrimination. There was also a question as to whether xoserve could cope with a significant increase in appeals.

Option 6 – LSP Elective. DW suggested this was equivalent to Option 4, but RH clarified that Option 6 would allow a site to utilise LSP processes whereas Option 4 would just adjust the AQ and continue to be treated as an SSP. FC identified that, under this option, some system constraints apply which would need to be addressed in order to ensure bottlenecks were avoided.

JB identified three common themes from the discussions: RbD issues; EUC implications; and transportation charge implications. These may be manageable with small numbers, not having a significant impact across the market, and could be addressed over time as smart meters are rolled out.

The Group then considered which of the options looked the most likely to be worth developing further, using the matrix below (as provided by RH).



It was therefore concluded that focussing on Option 3a (i.e. the variant identified by FC during the meeting) and Option 6 would be appropriate, with options 2, 3, 4 and 5 disregarded. EP was particularly keen for Option 1 to be retained for I&C sites, which he saw as having high do-ability since the process is already being developed and the only issue is the number of sites that can be accommodated. From a customer perspective, he was also concerned about 3a in light of the potential barrier to switching. GE suggested that do-ability for Option 1 could be regarded as low since the functionality was already being introduced on a phased and would extend beyond the implementation horizon that the Proposer was looking to achieve.

4. Development Work Group Process

All agreed to look at each of the favoured options with a view to assessing the implications of each. The transporters agreed to pursue action 02 in light of the discussions, and that they would be in a position to present their findings ahead of the next meeting. RH offered to meet other Shippers to work through some examples of the options and look at the practical implications from the Shipper viewpoint.

Action RG0270/05: Shippers to consider practical issues associated with the preferred options.

5. Diary Planning for Development Work Group

It was agreed to meet again following the 25 March Distribution Workstream, 13:00 at Elexon. The transporters confirmed that they would complete their initial analysis in time to be published ahead of this meeting.

6. AOB

None raised.

ACTION LOG - Review Group 0270: 23 February 2010

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0270 001	10/12/2009	3.0	Joint Office to amend draft Terms of Reference in light of discussions and publish for comment on the Joint Office website.	Joint Office (BF)	Completed
RG0270 002	28/01/10	4	Develop views on alternative options and their implications	Transporters and xoserve	For presentation on 25 March
	28/01/10	4	Consider most promising options to develop	EDF Energy and first:utility	Presented 23 February Complete
RG0270 004	23/02/10	2.1	Ofgem to ascertain if there is any undue overlap between 0270 and Smart Metering which means the Proposal is likely to be overtaken by developments elsewhere	Ofgem (BW)	Report due on 25 March
RG0270 005	23/02/10	4	Shippers to consider practical issues associated with the preferred options.	Shippers	To be presented on 25 March