<u>USER PAYS USER GROUP</u>

<u>WEDNESDAY, 30TH APRIL, 2008</u>

<u>XOSERVE OFFICES, 31 HOMER ROAD, SOLIHULL</u>

<u>10.00 A.M.</u>

<u>Present</u>:

xoserve	Helen Barratt, Operations Manager
	Graham Frankland, Customer Manager
	Vicky Palmer, Service Delivery Manager
	Dave Ackers, Customer Operations Manager
	Andy Miller, Customer & Contracts Manager
BGT	Graham Wood
Corona Energy	James Crosland
EDF Energy	Rosie McGlynn
E.ON	Colette Baldwin
Npower	Simon Howe, Laura Doherty
Statoil	Shelley Rouse
Scottish Power	Lorna Gibb (via tele conference)
Scottish & Southern	Adam Frak
Northern Gas Networks	Gareth Mills, Robert Cameron-Higgs
Scotia Gas Networks	Bali Dohel
National Grid Transmission	Nicola Rigby, Alex Thomason

1. <u>INTRODUCTION</u>

Helen Barratt welcomed attendees and outlined the main objective and purpose of this User Pays User Group is to develop the governance and change mechanism within the Contract and to develop the Group's Terms of Reference in a collaborative and constructive manner.

The agenda for the day was presented and briefly discussed.

A question was raised regarding invited parties, xoserve confirmed that all users had been invited and that the meeting was open to all users of the User Pays services.

2. CONTRACT AND GOVERNANCE – THE WAY FORWARD

Andy Miller gave presentation on a proposed approach as a means of initiating debate to understand customers views and requirements. He stated that the meeting needed to identify a suitable model for governance and change which works for all parties and is fit for purpose for User Pays, noting the scale of User Pays services in the scheme of the gas transportation business. However, firstly the arrangements for the User Pays User Group needed to be established, the governance and change activities being either within this group, or a sub-set of it. A number of areas of the User Pays User Group structure were then discussed.

2.1 User Pays User Group

2.1.1 User Pays User Group membership

The Group is open to any users who receive the services under the Framework Contract for the Provision of Non-Code User Pays Services (the Contract) e.g. Shippers, Major Energy Users and to GT Networks. Ofgem are also to be invited to attend.

If different arrangements were needed for governance and change, these would be defined with the development of the relevant processes.

A question was raised regarding organisations that were permitted access to IAD.

ACTION: xoserve to produce organogram mapping out IAD access and the supporting arrangements.

2.1.2 Secretary/Chair

Consensus amongst Shippers attending meeting was that they supported Joint Office chairing the meetings and taking minutes. The minutes should be published on the Joint Office website, and xoserve website.

Action: xoserve to approach the Joint Office and extend an invitation for them to Chair future meetings.

2.1.3 Quorum

After some discussion it was concluded that for the User Group, no quoracy needed to be defined. If needed for governance and change purposes the quorum could be defined at a later stage.

2.1.4 Frequency of Meetings

General consensus was meetings should be arranged as events required and that timescales for issue of agenda and minutes should follow same format as

current Joint Office processes and documentation should also be published on the Joint Office website.

2.1.5 Reports

It was considered the User Pays User Group should provide information on:
- Planned system outages that may impact User Pays services
- Significant unplanned outages during the previous period
- Performance data
- ACS modifications
- UNC Modification Proposals that may impact User Pays

This list was not considered exhaustive and other topics may be added, and removed, as required. It was suggested that a 2 page general overview should be produced quarterly and forwarded to the industry and Ofgem. It was also agreed that Ofgem should be invited to future meetings as an observer, albeit a non-active member of the Group. All attendees were supportive of this proposal.

2.1.6 Duties

It was agreed that it was important that this meeting should not duplicate duties undertaken by other groups. The meeting should not consider merits of Mod proposals as these are dealt with through other UNC Workstreams.

It was agreed that the User Pays User Group should be responsible for confirming changes to the Contract going forward.

Graham Frankland summarised by asking Shippers for their feedback on what they would like included in future meetings.

2.1.7 Frequency of meetings

It was agreed that the next meeting should be held w/c 2nd June with preference being given to Monday or the Friday of that week, dependent on Joint Office availability. Users agreed that if Joint Office is not available to chair the next meeting, they were happy for xoserve to undertake this role again. It was agreed that meetings would be held on a monthly basis thereafter.

ACTIONS:

xoserve to draft Terms of Reference document and issue for consultation and comment.
xoserve to invite Ofgem to future meetings

2.2 Contract Governance and Change

Discussion then took place on how changes to the Contract could be governed going forward.

Attendees made a number of points regarding the principle of the Contract. These included:
- Rosie McGlynn considered the User Pays contract is unusual in the fact that it is a "one-way contract" and it needs to be more of a collaborative contract, which means it is difficult to use any of the other Industry shared decision models as these are multi-party agreements.
- Andy Miller advised that the contract had been prepared based upon the principles within the GT Licence Condition A15. The contract was not a "normal" commercial contract as the services must be made available and are chargeable on a cost recovery basis with a minimal margin. There being minimal reward, xoserve were only prepared to accept minimal risk, a greater risk profile is not funded under User Pays. The value of the services was very small when compared to the value of transportation charges.

The key aspect to be resolved was the method by which change to the Contract was to be agreed between the parties. This method was to be developed through this group and the next version of the Contract would contain these arrangements. A proposal was presented to promote discussion on this subject. There was a wide ranging discussion on the merits of various models. Discussion points included considering:
- how each customer could be best represented as or within a group
- possible vote distribution and voting arrangements between customers xoserve and possibly other groups
- the circumstances may trigger a change to the Contract in the first place
- the possible use of an escalation route in the event agreement could not be reached, and other industry models that currently exist.

ACTIONS:

Robert Cameron-Higgs to obtain information regarding the recent Ofgem governance questionnaire (being administered by Brattel) from Jonathan Dixon of Ofgem.

Colette Baldwin and Rosie McGlynn to provide summaries of the governance and change processes from existing industry contracts, to include; UNC Modifications, UNC UK Link Committee, iGT UNC modifications, SPAA, DCUSA, MRA, BSC, for discussion at the next meeting.

Andy Miller to circulate Royal Mail model to Group for consideration for discussion at the next meeting.

2.3 Timeline

xoserve presented a high level timeline of activities required to conclude contract governance and change activities. It was clear that some of the dates would not be met and xoserve agreed to provide a revised timeline.

ACTION: xoserve to revise high level timeline.

2.4 Refinements Register

Andy Miller advised that a number of comments on the Contract had been received. Many of these, whilst not changing the intent of the relevant clause, did add further clarification to the clause. It was therefore xoserve's intention to recommend a number of these changes be incorporated in the next version of the Contract. There are still a number of Contract comments under discussion which may result in further additions to this register.

3. OPERATIONAL UPDATE

3.1 Demand

Vicky Palmer gave a presentation on the current demand for services.

3.2 Invoicing

Vicky Palmer gave a presentation on the current invoicing situation and advised users that xoserve will be able to provide them with additional details regarding IAD for an interim period if required.

ACTION: Users to notify Vicky via email if this additional supporting information is required.

4. IAD

4.1 Outages

Dave Ackers gave presentation on proposed IAD outages planned for 17th/18th May and 21st/22nd June and provided reasons for these outages. It was requested that if users have any remaining issues or queries surrounding IAD activities could they please give xoserve as much warning as possible before these dates to enable xoserve to endeavour to resolve issues prior to outages.

Colette Baldwin asked what xoserve were going to do with the transactional usage data which will be available following the June implementation. She also asked where these outages had been discussed before, had it been presented at UK Link Committee as she felt this information had not been shared with the Industry before. Dave Ackers confirmed that this information had been presented and minuted at the 4 Service Delivery Operations Forum held during 2007 as well as the meeting held in January of this year. Representatives from E.ON had been present and had commented on the decision which had also been minuted. Questions were raised regarding where notifications of system outages or details of changes should be presented. There are certain rules that require notification at the UK Link Committee Meeting, and general updates are provided at relevant for a.

ACTION: agreed that where appropriate any future changes should be included within the information presented at the User Pays User Group.

Action: xoserve to clarify communications regarding system outages that may impact User Pays services

4.2 IAD Charging Mechanism

Andy Miller confirmed that the current charging mechanism was per IAD account. Currently the IAD service can only be partitioned by Shipper Shortcode and therefore, for those organisations with multiple active shipper portfolios, an IAD account was needed for each portfolio. The charge by IAD accounts is the most cost reflective charging mechanism available to xoserve at this time. However, there is an opportunity to review alternative methods such as by an account which accesses all of a company's shipper short codes or on a transactional basis by usage. He asked whether the users felt there was any value in xoserve proceeding with this proposal. The preference at the meeting was not to review these arrangements until governance matters have been resolved.

Colette Baldwin asked whether the forecast demand submitted by Shippers has influenced the cost that has been charged under the present arrangements. Helen Barratt responded that the unit price is based upon the total cost of service divided by total demand. Colette Baldwin stated that demand is already one-sixth down on forecast after so xoserve are already under recovering and therefore unit costs may increase.

5. <u>A.O.B.</u>

5.1 SPAA

xoserve confirmed the operational hours of the IAD service continues to be 06:00hrs to 22:00 hrs Monday to Saturday, excluding bank holidays. xoserve remained committed to providing the service at these operational hours.

The requirements to change the arrangements for providing IAD under User Pays arrangements require performance standards and an associated liability regime. To meet this, xoserve had defined "core hours" within the Contract against which performance would be measured and a liability regime constructed. The liability regime being consistent with the limited reward available under User Pays.

xoserve understood that the changes required to the SPAA schedule were still under discussion, and xoserve were keen to understand if there were any further clarifications it could provide to assist these discussions.

Colette Baldwin stated that Chris Warner was drafting a revised change which would incorporate changes to the performance standards detailed in SPAA. Suppliers had agreed that a 99.9% availability performance measure was unreasonable. xoserve were to be requested to consider extending the performance measure to 97% and the core hours to 08:00 to 20:00 Monday to Friday (excluding bank holidays) and 08:00 to 12:00 on Saturday. Helen Barratt stated that xoserve are happy to look at this but it may have price implications.

Action: xoserve to review options regarding the extension of the service availability performance measure and any financial implications.

6. <u>**SUMMARY AND NEXT STEPS**</u>

Helen Barratt brought the meeting to a close by thanking everyone for their attendance and constructive contribution to moving unresolved issues forward in a positive manner.