

Review Group 0168 Minutes
Monday 11 October 2007
Elxon, 350 Euston Road, London NW1 3AW

Attendees

John Bradley (Chair)	(JB) Joint Office of Gas Transporters
Mike Berrisford (Secretary)	(MiB) Joint Office of Gas Transporters
Andy Miller	(AM) xoserve
Alan Raper	(AR) National Grid Distribution
Bali Dohel	(BD) Scotia Gas Networks
Chris Warner	(CW) National Grid Distribution
James Crump	(JC) Ofgem
John Costa	(JCo) EDF Energy
Joanna Ferguson	(JF) Northern Gas Networks
Kate Potts	(KP) E.ON UK plc
Lorraine Goodall	(LG) Scotia Gas Networks
Mitch Donnelly	(MD) British Gas Trading
Mark Jones*	(MJ) SSE
Nigel Nash	(NN) Ofgem
Nididi Ndjoku	(NNd) Ofgem
Paul Edwards	(PE) GTC
Steve Briggs	(SB) British Gas Trading
Sebastian Eyre	(SE) EDF Energy
Simon Howe	(SH) RWE Npower

Apologies

Chris Hill	(CH) RWE Npower
Richard Dutton	(RD) Total Gas and Power
Richard Street	(RS) Statoil
Simon Trivella	(ST) Wales & West Utilities
Stefan Leedham	(SL) EDF Energy

* *via teleconference*

1. Introduction and Review Group Operation

JB welcomed members to the meeting

1.1 Minutes of last meeting

The minutes of the 13 September meeting were accepted.

1.2 Actions arising

RG0168/001 – Gemserv added to the group email list on 13/09/07.

JB asked, and members agreed, to close this action.

Action RG0168/001: Closed

RG0168/002 – Revised Terms of Reference circulated to members and issued to the September 07 UNC Panel and for which the panel approved.

JB asked, and members agreed, to close this action.

Action RG0168/002: Closed

RG0168/003 – Please refer to item 3.0

RG0168/004 – Please refer to item 2.0

RG0168/005 – Link to Ofgem's web site included within the 13 September meeting minutes.

JB asked, and members agreed, to close this action.

Action RG0168/005: Closed

2. Update on Current Arrangements

AM gave this presentation, which had previously been given at the Billing Operations Forum.

AM provided clarification that the statement regarding cost effectiveness referred to the introduction of RbD in 1998. However, when reconsidered a few years ago, it was still found to be the case. SH stated that he believed a non reconciliation solution, based around using deemed readings may be a more cost effective solution. AM agreed that historic assumptions, made in this area, may need to be revisited as the market has changed over time. AM agreed that there had been a number of significant changes within the industry since 1998 and it may be appropriate to assess the impact of these on RbD.

JB reminded members that the responsibility for provision of accurate data lies with Shippers as well as Transporters and parties should ensure relevant information was provided to the Authority to assist its decision making.

When considering the RbD Basic Concepts – 1 slide, MD pointed that with regard to bullet 2, whilst segment 5 can be calculated, it cannot be allocated on a Shipper basis. Members concluded that how segment 5 gets apportioned is a separate matter and not for consideration by this group. However, Chair (JB) reminded members that should the group recommend the raising of a modification proposal, this would require consideration.

JB then took the opportunity to point out that:

- With respect to the Energy Allocation pie chart, any unallocated energy in the larger supply point market are 'lumped into' the NDM Small Supply Point portion;
- This includes any measurements in the LDZ Offtake (which SB pointed out had a tolerance of +or- 2%), the DM quantities, the LSP NDM quantities, not all of which had pressure and temperature correctors fitted, and the Shrinkage Quantity, which is adjusted each year by the DNs.

SB believed that there existed a 'perverse incentive' on the DNs, whereby the more gas entering the NTS, the more money generated – a revenue driver. In response, AR and LG confirmed that there is no such revenue driver for the current formula period. JB pointed out that, historically, a "NTS system balance" calculated from meter readings at NTS Entry Points, gas consumed at compressor sites and LDZ Offtakes indicated, in the absence of any other explanation, that the Entry Point meters were reading higher than the LDZ Offtake meters.

It was clarified that DM are subject to reconciliation, this can occur when a D-7 estimate is used, or when a datalogger is re-synchronised with the meter and drift between the datalogger pulse and meter reading has occurred.

Whilst the Review Group recognised the influence these adjustments would have on the RbD calculations it felt that it should concentrate on areas internal to the Small Supply Point portion. This was partly because of the issues being considered in the context of Modification Proposals 0115 and 0115A "Correct Apportionment of NDM Error" Ofgem (NN), indicated that a decision on 0115 and 0115A could be expected within the next few days. Members then agreed that this matter could be revisited post the Authority decision.

CW reaffirmed his view that AQ Accuracy is critical to the overall process and that a large proportion of inaccurate reads &/or data can be alleviated with the adoption of 'smart metering'.

Continuing discussions, JB displayed the Ofgem RbD Issues Log for consideration. NN advised that the log is updated via email requests submitted to the Authority. Moving swiftly through the log itself, members agreed whether or not there was a need to consider an issue in light of the group's considerations. All but two of the issues were considered to be outside the remit of the Review Group, the exceptions being:

Issue 6 "Individual Meter Point Reconciliation"

Issue 7 "UNC Review Proposal 168: Individual Meter Point Reconciliation"

JB concluded from previous discussions that some members believe the problem may well lie in the SSP AQ process and the theory behind it. MJ supported this by adding that 400 TWh are being reconciled and this is a major problem for the six (6) large Shippers concerned. SB added that the solutions and their associated costs are unknown at this moment.

AM pointed out to members that the accuracy of the AQ Process is heavily reliant on the meter reads. MD asked if there was any information available on how many Aqs roll forward. In response, AM confirmed that there is, but it is why they roll forward that is important.

JB asked members as to what other impacts may affect the AQ process, in response members suggested temperature variation from Seasonal Normal Demand, the issues surrounding artificially low or high Aq's and the potential for 'gaming'.

In summarising this item, JB concluded that the two main issues relate to the allocation and estimation processes. MJ stated he did not believe that the group should just be looking into the accuracy of the AQ review process as in his view the problem lies within some of the basic principles; of which the AQ process was only one aspect.

In light of the above, JB asked, and members agreed to close the action.

Action RG0168/004: Closed

The following list of new actions were agreed in preparation for the 08 November 07 meeting:

Action RG0168/007: AM/CW to examine how the AQ process is defined within the UNC and how it actually operates in practice and present their findings at the next meeting.

Action RG0168/008: AM to provide an overview of the 'basic' AQ Adjustments for the current year and update the table included within Ofgem's consultation document.

Action RG0168/009: AM to consider an extension to the Reconciliation reporting and report back at the next meeting.

Action RG0168/010: MD/SH to co-ordinate Shipper views on the AQ Process and report their findings at the next meeting.

3. Scheme of Work (Plan)

MD opened discussions by advising members that this is a 'high level' workplan and that a more detailed version would be prepared following these discussions.

With regard to Session 3(c), MD stated that whilst it is not the intention to simply 'cut & paste' a solution, he believed that benefit can be gained by examination of the Electricity Model. Chair (JB) asked if any members had any alternative suggestions, to which there was no reply. JB and MD agreed to take an action to arrange for an Elexon electricity representative (Peter Davis) to present at the 08 November 07 meeting.

JB went on to point out to members that they should be looking to:

- ensure, that at each session, they give due consideration to Cost/benefit and Risks (Session 3(a) items (i) and (ii));
- identify system impacts by the end of Session 5 on 11 January 08;
- appreciate that there may be timetable conflicts associated with the 08/11 meeting as several industry meeting are already scheduled to take place at Elexon on this date, and
- members will need to be 'pro-active' about completion of any 'homework' task assigned to them.

Members pointed out that with regard to the proposed definition in Session 6(a), they would prefer to see 'possible' or 'potential' added, as the definition currently pre presumes that a UNC Modification will be raised as an outcome of this groups work. MD agreed to amend this item.

One member suggested that, where there are other review groups looking at areas of overlap, that their views should be considered within this group especially in light of several new review proposals (0176, 0177 and 0178) being presented at next weeks UNC Panel on 18 October 07 for consideration. Ofgem (NN) added that they are keen to ensure that the views of the various review groups are synchronised as appropriate. JB asked if the Panel members present could ensure that these views are communicated at the Panel meeting. Panel members present agreed to take an action to undertake this.

P Edwards, in his role on behalf of the iGTs, acknowledged that there is a great deal of commonality between the iGT and UNC discussions on this matter, but commented that he believes that at this moment in time, the interests of both sides are best supported by M Donnelly in a 'shadow Chairman' role.

JB asked, and members agreed that they were happy with the proposed workplan (subject to the agreed changes), therefore the action should be closed.

Action RG0168/003: Closed

Action RG0168/006: JB/MD to arrange a presentation by an Elexon Electricity Market representative for Session 3 due to be held on 08 November 07.

4. Diary Planning for Review Group

11:30am, 08 November 2007 at Elexon, 350 Euston Road, London (immediately following the UK Link Committee meeting)

5. AOB

None.

APPENDIX A.**ACTION LOG - Review Group 0168**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0168/001	13/09/2007	2.0	Joint Office to add Gemserv to the group email listing	Joint Office (MiB)	Closed
RG0168/002	13/09/2007	3.0	Joint Office (JB) to refine the Terms of Reference prior to formal submission to the September 2007 UNC Modification Panel meeting.	Joint Office (JB)	Closed
RG0168/003	13/09/2007	6.0	The proposer to provide a scheme (plan) of work for the group to consider.	BGT (MD)	Closed
RG0168/004	13/09/2007	6.0	xoserve to provide an update on the 'current arrangements' and RbD parameters.	xoserve (AM)	Closed
RG0168/005	13/09/2007	6.0	Ofgem to provide a link to their 'Issues Log' to the Joint Office for inclusion within these minutes.	Ofgem (JD)	Closed
RG0168/006	11/10/2007	3.0	JB/MD to arrange a presentation by an Elexon Electricity Market representative for Session 3.	BGT (MD) & JO (JB)	Update at 08 Nov 07 meeting.
RG0168/007	11/10/2007	2.0	AM/CW to examine how the AQ process is defined within the UNC and how it actually operates in practice and present their findings.	xoserve (AM) & NG Dist (CW)	Update at 08 Nov 07 meeting.
RG0168/008	11/10/2007	2.0	AM to provide an overview of the 'basic' AQ Adjustments for the current year and update the table included within Ofgem's consultation document.	xoserve (AM)	Update at 08 Nov 07 meeting.
RG0168/009	11/10/2007	2.0	AM to consider an extension to the Reconciliation reporting and report back.	Xoserve (AM)	Update at 08 Nov 07 meeting.

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0168/ 010	11/10/2007	2.0	MD/SH to co-ordinate Shipper views on the AQ Process and report their findings.	BGT (MD) & RWE (SH)	Update at 08 Nov 07 meeting.

*** Key to action owners**

JB John Bradley, Joint Office of Gas Transporters

MD Mitch Donnelly, British Gas Trading

AM Andy Miller, xoserve

CW Chris Warner, National Grid Distribution

SH Simon Howe, RWE Npower