

**Review Group 0126 Minutes**  
**Wednesday 30 May 2007**  
**Holiday Inn, 61 Homer Road, Solihull**

**Attendees**

John Bradley (Chair)	JB	Joint Office
Alan Raper	AR	National Grid Distribution
Brian Durber	BD	E.ON UK
Chris Hill	CH	RWE Npower
Joel Martin	JM	Scotia Gas Networks
Karen Kennedy	KK	Scottish Power
Linda Whitcroft	LW	xoserve
Paul Gallagher	PG	National Grid
Richard Hall	RH	Ofgem
Simon Trivella	ST	WWU
Stefan Leedham	SL	EDF Energy
Steve Pownall	SP	National Grid NTS
Tim Davis	TD	Joint Office

**Apologies**

Julian Majdanski	Joint Office
Helen Cuin	Joint Office
Rochelle Hudson	Centrica

**1. Review of Minutes and Actions**

**1.1. Review of Minutes**

The Minutes of the previous meeting were approved.

**1.2. Review of Actions**

**Action RG126 0015:** PG/RW to provide illustration text for Section 4 of Review Group Report.

**Action Update:** Circulated

**Action: Complete**

**2. Review Group Process**

**2.1. Comparison of the 4-5 and 5-6 models**

To illustrate the potential impact of the two options, NTS had provided information which showed the different impact which would have occurred based on previous reconciliations. NTS felt the 5-6 option was the better of the two. CH said RWE favoured 4-5 as this avoided Shippers taking on more risk and no compelling argument had been made for 5-6. SP suggested that 5-6 gave better cost targeting and was more consistent with the Transporters' licence obligations – targeting costs on the appropriate Shippers. SL said the present approach didn't target costs at the Shippers operating at the time an

error occurred. Instead it based reconciliations on the present AQ, and so was not particularly cost reflective.

SL added that Suppliers had agreed not to bill customers more than a year retrospectively, and hence reconciliation produced an unmanageable risk – even when errors are managed as well as in the (exemplary) Evesham case. EDF therefore preferred the 4-5 option, if not an even shorter period.

SP said that, looking at the Ofgem decision letters and the effects of the alternatives, 5-6 better reflected the relevant objectives of the UNC modification process. Others suggested that arguments about the extent of socialising costs were not relevant as this is not a relevant objective. However, SL emphasised that risk reduction facilitated competition, which is a Relevant Objective.

AR said that it was up to individual organisations to take a judgement on the two competing arguments to form a judgement as to which was the preferred period. ST argued it was difficult to know the impact of unreconciled energy on specific parties – socialising the costs may not lead to a significantly different outcome. In addition, the data presented to the Group suggested that Farningham was a blip and unaccounted for gas through meter errors had been substantially reduced.

RH encouraged people to put forward their views based on merits rather than on their interpretation of Ofgem's likely position. The possibility of a time cut-off certainly had not been ruled out and if there was a balance to be struck, the Group's views on that would be helpful. If part of the concern was the AQ process, could this be changed? CH confirmed that RWE had taken a potential Modification Proposal in this area to the Distribution Workstream.

JB summarised the consensus that there should be a rolling cut-off period in whole years, but that there was no agreement on the number of years to cover.

## 2.2. Review of Advantages and Disadvantages

SP felt there should be more under the disadvantages section of the Review Group Report since they had not been updated to reflect the debate and remainder of the Report. Socialisation, for example, should be emphasised

## 2.3. Completion of the Review Group Report

The Group reviewed and amended the draft Review Group Report and agreed that it was ready for presentation to the Modification Panel.

### **3. AOB**

None

### **4. Schedule of Future meetings**

None

**APPENDIX A.****ACTION LOG - Review Group 0126**

<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b> (original ref)	<b>Action</b>	<b>Owner*</b>	<b>Status Update</b>
0015	24/04/07	2.1	PG/RW to provide illustration text for Section 4 of Review Group Report.	National Grid (PG/RW)	Action: Closed