

Development Work Group 0194 Minutes
Tuesday 12 August 2008
Holiday Inn, 61 Homer Road, Solihull, B91 3QD

Attendees

Bob Fletcher (Chair)	BF Joint Office
Helen Cuin (Secretary)	HC Joint Office
Mitch Donnelly (Proposer)	MD British Gas
Bali Dohel	BD SGN
Brian Durber	BDu E.ON UK
Fiona Cottam	FC xoserve
Joanna Ferguson	JF Northern Gas Networks
John Edwards	JE WWU
Nick Wye	NW Waters Wye
Phil Lucas	PL National Grid Distribution
Richard Dutton	RD Total
Richard Street	RS Corona Energy
Stefan Leedham	SL EDF Energy
Tim Davis	TD Joint Office

Apologies

Linda Whitcroft	LW xoserve
Chris Warner	CW National Grid Distribution
James Crump	JC Ofgem
Julian Majdanski	JM Joint Office

1. Introduction and Status review

1.1. Minutes from previous meeting

The minutes of the previous meeting were approved.

1.2. Review of Actions from previous meeting

Action 0020: xoserve to establish what mechanism is available for Shippers to identify their Market Share.

Action Update: FC confirmed that UNC0081 had been examined; she explained that the amendments made by UNC0081 were not related to market share. However xoserve have contacted the Transporters and have agreed a report can be produced on the total NDM AQ by LDZ. This would allow Shippers to calculate their proportion of the market. FC confirmed that the report could be made available on the Joint Office website along side the minutes of today's meeting. RS requested the report be produced for the LSP NDM market only.

Action: Complete.

2. Review Group Discussion

2.1. Amended Modification Proposal

MD explained the amendments made to the Modification Proposal. The intent of the Proposal remains the same whereby an RbD allocation table is proposed to potentially reallocate costs as and when Proposals are raised to amend the percentages shown in the table. The table itself will be incorporated into the UNC as an Annex to section E.

NW expressed concern that it may be difficult for a decision to be reached on the implementation of this Modification without the Proposal incorporating numbers for inclusion in the RbD Allocation Table. MD highlighted that, once the table was established, any party could raise a Modification on the numbers to be incorporated into the RbD Allocation Table.

When the Group considered the amended Modification Proposal, RS expressed concern that the Proposal suggested that the Work Group had developed the Proposal over the last 6 months. RS and others did not feel the Group had been fully engaged with the changes made to the Proposal. He highlighted the work that had been undertaken by the Group relating to the figures for the proposed RbD Allocation Table, but this had now been removed.

RD believed that the group had not fully discussed the framework. MD challenged this, believing issues have been discussed at length including the scope of the RbD Allocation Table and what sectors should be included.

RD suggested that the Proposal should not state that there are a number of issues with the operation of the current mechanism as the RbD Mechanism is functioning as it was designed. RS suggested that advanced or remote metering should be used instead of referring to Smart Metering. TD suggested that a definition would need to be considered for implementation into the UNC whether described as Smart or Advanced Metering. PL confirmed that Remote Meter Reading has a definition in the code. However it was agreed that the definition ought to be checked before its use in the Proposal.

RS questioned the consistency of processes compared with Electricity industry, and MD briefly explained the correction approach within the Electricity distribution market at Grid Supply Point level.

TD highlighted that neither the RbD Allocation Table nor the Draft Business Rules were referenced in the Modification Proposal. It was agreed that the RbD Allocation Table and Draft Business Rules should be appended as part of the Modification Proposal if they were to be relied upon to inform the legal drafting.

2.2. RbD Allocation Table

MD confirmed that he expects to raise a Modification Proposal at a future date to incorporate revised figures into the RbD Allocation Table.

RD queried if the Development Work Group will be closed following this meeting. MD confirmed his intention to complete the Work Group Report in time for the August Panel Meeting.

2.3. Development Work Group Report

The Development Work Group considered and approved the Work Group Report for presentation to the Modification Panel.

When considering the relevant objectives, MD explained that the Modification Proposal is an enabling Proposal and will facilitate subsequent change. MD

highlighted that Ofgem had suggested that in this circumstance the main relative objective was likely to be efficient administration of the UNC.

RS challenged the management of unallocated energy - FC explained that there is no unallocated energy; all energy has to be allocated. RS argued that the RbD Reconciliation would always result in an RbD Smear. FC expanded on the RbD Reconciliation Process and concluded that there will always be a reconciliation difference due to the allocation process and site consumptions for sites such as schools.

RD expressed concern that the use of the entire RbD smear in the approach suggested in Proposal 0194 is fundamentally wrong. RS agreed and suggested that, contrary to MD's assertion that incentives would be improved; the approach had the potential to create a perverse incentive for I&C Shippers to misstate AQs.

NW suggested that introducing the framework may not facilitate competition as it may encourage Shippers to target low risk customers - reducing the impact of this Modification.

NW suggested that simply introducing the Allocation Table would not change the way in which costs are apportioned and so it was hard to see how its implementation could facilitate any relevant objective.

RS explained that Shippers targeting particular sectors, for example I&C, who operate with very small margins, could be put out of business by subsequent changes to the percentages in the allocations table, and hence its implementation would not facilitate competition.

MD argued that a framework with no percentages allocated simply makes future change easier as the table and framework will already exist. However RS disagreed and believed that the table also introduced the concept of a percentage mechanism for allocating the RbD Smear and this would affect competition.

RS and RD commented that the Development Work Group had missed an opportunity to review and agree an alternative solution and believed that the group had not been given the opportunity to fully consider the mechanism for smearing costs, with the Proposer making it clear that this aspect was not open to amendment. MD strongly disagreed and believed that the Work Group had made significant progress. RS suggested that the Proposal has been pushed through and the Group had not had sufficient time to consider the amended Modification Proposal. Some members expressed that they would have preferred more time to consider the amended Proposal, which had been produced on the day preceding the meeting. However MD believed that further consideration of the Modification Proposal would not change the entrenched views.

TD emphasised that the Development Work Group should consider whether the Proposal is sufficiently clear for the development of Legal Text. MD believed it was and it was agreed to recommend that the Panel request Legal Text for inclusion in the Draft Modification report which would be issued for Consultation.

3. AOB

James Crump had sent his apologies for absence and asked for his contact details to be made available should any Work Group member wish to discuss this Proposal with Ofgem:

Tel: 020 7901 7137

Email: james.crump@ofgem.gov.uk

4. Diary Planning for Review Group

No further meetings were planned.

ACTION LOG – Development Work Group 0194

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
DG0194 0020	05/08/08	2.3	xoserve to establish what mechanism is available for Shippers to identify their Market Share.	xoserve (FC)	Complete.