

# Minutes Review Group 0334

## Post Implementation Review of Central Systems Funding and Governance Arrangements

**Friday 07 January 2011**

at the ENA, 6th Floor, Dean Bradley House,  
52 Horseferry Road, London. SW1P 2AF.

### Attendees

|                              |       |                            |
|------------------------------|-------|----------------------------|
| Tim Davis (Chair)            | (TD)  | Joint Office               |
| Bob Fletcher (Secretary)     | (BF)  | Joint Office               |
| Alan Raper                   | (AR)  | National Grid Distribution |
| Alex Ross                    | (ARo) | Northern Gas Networks      |
| Andy Colley                  | (AC)  | SSE                        |
| Brian Durber                 | (BD)  | E.ON UK                    |
| Clare Cameron                | (CC)  | Ofgem                      |
| David M <sup>c</sup> Crone   | (DM)  | ScottishPower              |
| Gareth Evans                 | (GE)  | Waters Wye                 |
| Graham Frankland             | (GF)  | xoserve                    |
| Jonathan Wisdom              | (JW)  | RWE npower                 |
| Sean M <sup>c</sup> Goldrick | (SM)  | National Grid NTS          |
| Simon Trivella*              | (ST)  | Wales & West Utilities     |
| Stefan Leedham               | (SL)  | EDF Energy                 |

\* via a teleconference link

## 1. Introduction

### 1.1. Minutes from the previous meeting

BD asked for clarification on the punctuation mark at the end of the second paragraph of page 5. The punctuation mark was considered to be an error and could be disregarded. The minutes of the previous meeting were approved.

### 1.2. Review of Action from the previous meeting

**Action RG0334 001:** Shippers/Suppliers to bring forward their experiences of funding system changes from the electricity industry.

**Update:** To be discussed under item 2.2. **Action Completed.**

**Action RG0334 005:** xoserve (GF) to set up a new single point of contact email account box for consideration/resolution of modification proposal related funding matters.

**Update:** An Email contact address has been provided. CC asked if there were any estimated timescales for responses to queries. GF confirmed an acknowledgement could be sent on receipt. However, it is dependant on the query for the formal reply, though currently there is no target timescale for responses. BD thought there might be benefits to considering a target

response time. GE thought it might be worth publishing contact points for those who do not normally contact xoserve for such queries.

**Action Completed.**

**Action RG0334 006:** Provide a presentation on the Electricity funding model at the 07/01/11 meeting.

**Update:** Presentation provided, see item 2.2 **Action Completed.**

**Action RG0334 007:** Consider the suggestions put forward to enhance xoserve's services and provide a response.

**Update:** Presentation provided, see item 2.1. **Action Completed**

**Action RG0334 008:** Consider future funding (allocation) options for discussion at the 07/01/11 meeting.

**Update:** GE advised this would be addressed at a future meeting.

**Action Carried Forward.**

## 2. Review Group Discussions

*Copies of all materials are available from the Joint Office web site at: [www.gasgovernance.co.uk/0334](http://www.gasgovernance.co.uk/0334).*

### 2.1. Examination of Existing User Pays Process (*inc Modification Rules impacts/change requirements*)

GF introduced the aims of the presentation and how the keys points raised at the meeting held on 15 December had been considered.

DM asked if, when a potential Proposer requests information, xoserve consider alternatives to system changes where these are identified as complex or expensive. BD thought this should be done prior to a Mod being raised. GF confirmed xoserve consider all types of alternatives when approached by Proposers.

TD asked if the standard list of questions is an exhaustive list, or are other questions asked. GF confirmed this is a check list only and other appropriate questions may be asked. GE asked how the process will work, particularly if the Proposer has no idea what the solution is likely to be. GF thought it would be useful if the Proposer and xoserve meet prior to a Mod being raised to ensure solutions are discussed and considered before a Mod is raised (this could sit in stage 1). GE was concerned how responsive xoserve is to the Proposer.

TD asked if this proposed process could override the workgroup process by developing solutions before other industry views are explored. GE agreed that there is a danger discussions sit behind closed doors rather than in an open meeting. GE added that, as put forward previously, there should be a group of people who have a role to support delivery of change at minimum cost and disruption to the industry.

GF asked if there is a requirement to bring ROMs forward in the process. BD asked if this would be dependent on the potential solution and information required in the early discussions to develop the draft Mod. DM would like to see more detailed explanations of the information and costs contained in a ROM ie why is the cost as estimated and why the timeline is required to

deliver the solution. GF considered the focus appears to be on cost. However, business drivers should be an important part of the early discussion to understand why the change is needed.

TD highlighted principle 8 of the code administration code of practice and what is currently required to be provided. TD suggested a cost estimate should be considered throughout a Mods development, being clarified/refined as further development takes place. SL thought it would be useful to have a “finger in the air” approach to allow ideas to be explored without xoserve incurring significant cost.

## **2.2. Consideration of the Electricity Model**

GE introduced the presentation and its aims, highlighting some differences between electricity and gas code administration. JW clarified that the MRA covers some UNC as well as SPAA roles and responsibilities and should not be excluded when considering the code administration processes.

AC clarified that the chairman of the Elexon board also chairs the Panel. However, Panel and board membership is not the same, though a number of board members are Panel members. In reality Elexon fulfils the roles of code administrator and central systems provider, whereas these are separated under UNC. GE clarified that he was not seeking to draw parallels between xoserve and Elexon but looking to highlight any process advantages that could be adopted for use in UNC.

AC confirmed that the BSC Panel can raise Mods. However, these were for housekeeping only and without commercial impact. He also advised that the BSC Panel receive an initial assessment of costs and impacts from Elexon when a Mod is first presented, and therefore the BSC Panel has an overview of the costs being budgeted by the secretariat to progress the change (these are not systems change costs). BD asked if the Joint Office should similarly provide an estimate of its costs to progress a change?

It was noted that a number of the processes highlighted in the presentation are based on the process used by BSC prior to the recent codes governance review. The process should now be the same as that to be used by the Joint Office.

GE noted that BSC Panel members include Elexon members who can influence the decisions taken on Mods, whereas xoserve has no presence or voting rights on the UNC Panel.

SL asked how xoserve consider the prioritisation of changes? GF confirmed that changes are discussed and feed into a central plan. Options are considered to manage changes and system development across several Mods to ensure changes are implemented efficiently. GE thought there would be a benefit in having a central industry group to take an overview of this process.

GE explained the process followed by Elexon by showing P229 as an example of how thorough and detailed it can become. AC provided the context of the example used and why the steps taken had been needed. GF asked if the BSC receives a similar number of Mods to progress. GE advised

the BSC manages far fewer.

GF asked if Elexon have to report to the BSC Panel where costs start to exceed the estimate. AC confirmed this was correct as all changes are funded on a market share basis.

SL asked if issues such as funding of cost benefit analysis lie outside the User Pays scope of RG0334. GE advised the scope includes central system funding that should include a holistic review of system development and the change process, and was certainly not restricted to the User Pays process.

AC clarified that the two Elexon releases per year for system changes are coordinated with other associated bodies such as DCUSA. TD advised this is similar to UNC obligations as implementation is managed through the UK Link committee, with three releases per year and six months notice of change being required. In practice, however, the release requirements in the UNC are not followed rigidly and the UK Link Committee usually accepted other timings. SM advised that changes to NTS systems are coordinated, such as Gemini, which has to be coordinated with other associated system releases.

GE considered there would be benefits to bundling changes and implementation dates. SL thought it would be useful to understand the likely implementation date of a Mod earlier in the process to help parties with planning changes to their systems.

CC referenced Mod 0281, which would require Proposers to include implementation dates linked to decision dates. SL agreed, this might help with planning changes and considering impacts. CC thought it promoted discussion in the development of the Mod in the Workgroup. TD noted that the Proposer is given this responsibility in Mod 0281 – perhaps dates should be provided by the central systems provider? AC confirmed the BSC Panel set implementation dates that reflect Elexon advice and release dates.

GE saw some merit in the Proposer setting desired implementation dates - a committee type approach might override the business drivers of a company that needs to see a change happen quickly. SL would like to see a change process that is mindful of the overall implementation costs of the industry. JW agreed and felt that, as this is included in the BSC process, it should be included in the UNC process.

GE accepted the Panel could have this responsibility since members have defined roles; it should not be down to Workgroups, as suggested by some, where membership can change from meeting to meeting.

AC was concerned how optimum planning assumptions can be made without an overall industry impact. GE agreed it was beneficial to understand the overall impact but this should not be allowed to stall the Mod process and reduce its flexibility.

GF considered there were two types of User Pays Mods, those that affect all and could be considered mandatory, and those which parties can elect to use. Therefore, two different processes may be required to manage coordination of implementation.

TD asked if the Panel should consider implementation dates, though only

xoserve could confirm if the change timescale could be met. GE agreed this would be desirable and Panel might usefully give clear guidance to Ofgem with a preferred and optional decision/implementation dates. CC agreed it would provide useful guidance to Ofgem when they are required to make a decision on a Mod. SL would prefer the Panel to make a clear recommendation on implementation and Transporters decide if it is achievable and provide reasons why/why not.

GE asked if Elexon's service providers attend industry meetings. AC confirmed this was so for specific discussions on a Mod where it is considered desirable.

GF confirmed xoserve host meetings with industry participants in its own right to discuss the operation of the system. GE asked if there should be a similar committee to UK Link with a role of understanding the overall cost of implementation and development and not just when a Mod should be implemented.

AC confirmed that, in BSC, the Workgroup defines the scope/terms of reference of cost benefit analysis of a Mod and that Elexon fund the process. Elexon may recommend a service provider for any analysis.

GF explained that xoserve's costs for managing change is partly funded through each transporters PCR, however User Pays funds additional work. AC provided the BSC contrast, with Elexon funded by a pot of money proportionally paid based on market share of each user.

GE explained that he would welcome considering funding options, including those based on market share. Any fund could be supplemented by the Proposer paying for each DCA raised, in order to reflect the burden placed on the industry as a whole. AC was concerned this might create a gate fee and be a barrier to small parties in particular, even if the fee was based on market share.

SM explained that, currently, only Ofgem or Panel can request a DCA. Therefore controls are already in place to prevent abuse of the process. AR suggested that DCAs are funded unless a Mod fails to progress, then perhaps the Proposer should pay. SL indicated this approach had been rejected as a barrier to smaller parties during the discussion on the concept of User Pays

### **3. AOB**

TD explained the existing Mod rules and recent changes, emphasising the information required for a User Pays Mod is not always available to the Proposer. The Mod rules do not particularly constrain the process as they allow the Panel to request the best available cost information within defined timescales.

The group discussed its terms of reference and whether all the aspects had been discussed. The group debated whether longer-term changes had been considered fully and how the Ofgem PCR consultation could be supported. Parties were unsure if discussions influencing the price control were within scope for a UNC Review Group. CC suggested a recap at the next meeting on what has been discussed and whether the group can make recommendations either for the UNC or more widely.

#### 4. Diary Planning for Review Group

TD summarised that the agenda items for the next meeting would be:

1. Review of previous discussions
2. Funding options for the change process
3. Consider the Ofgem consultation on funding and whether there are any recommendations/suggestions required to feed into the consultation process.
4. Outline the draft report

**New Action RG0334 009:** SL to consider future funding (allocation) options for discussion at the 26/01/11 meeting

**New Action RG0334 0010:** AR/GF to consider future funding (allocation) options for discussion at the 26/01/11 meeting

The next meeting is scheduled for 26 January 2011.

**ACTION LOG – Review Group 0334**

| <b>Action Ref</b> | <b>Meeting Date</b> | <b>Minute Ref</b> | <b>Action</b>   | <b>Owner</b>         | <b>Status Update</b> |
|-------------------|---------------------|-------------------|---|----------------------|----------------------|
| RG0334 001        | 05/11/10            | 3.0               | Shippers/Suppliers to bring forward their experiences of funding system changes from the electricity industry.                        | Shippers (All)       | Completed            |
| RG0334 005        | 15/12/10            | 1.2               | Set up a new single point of contact email account box for consideration/resolution of modification proposal related funding matters. | xoserve (GF)         | Completed            |
| RG0334 006        | 15/12/10            | 2.1               | Provide a presentation on the Electricity funding model at the 07/01/11 meeting.  | ICOSS (GE)           | Completed            |
| RG0334 007        | 15/12/10            | 2.1               | Consider the suggestions put forward to enhance xoserve's services and provide a response.  | xoserve (GF)         | Completed            |
| RG0334 008        | 15/12/10            | 2.2               | Consider future funding (allocation) options for discussion at the 26/01/11 meeting   | ICOSS (GE)           | Carried Forward      |
| RG0334 009        | 07/01/11            | 2.2               | Consider future funding (allocation) options for discussion at the 26/01/11 meeting   | EDF Energy (SL)      | Pending              |
| RG0334 010        | 07/01/11            | 2.2               | Consider future funding (allocation) options for discussion at the 26/01/11 meeting   | Transporters (AR/GF) | Pending              |