

Development Work Group 0270 Minutes
Tuesday 23 March 2010
31 Homer Road, Solihull B91 3LT

Attendees

John Bradley (Chair)	JBr Joint Office
Alan Raper	AR National Grid Distribution
Brian Durber	BD EON UK
David Watson*	DW British Gas
Fiona Cottam	FC xoserve
Gareth Evans	GE Waters Wye
Jamie Black	JBI Ofgem
Joanna Ferguson	JF Northern Gas Networks
Mark Jones	MJ Scottish and Southern Energy
Rob Hill	RH first:utility
Scott Miller	SM Scottish Power
Stefan Leedham	SL EDF Energy
Tim Davis (Secretary)	TD Joint Office

* by teleconference

1. Introduction and Status Review

1.1 Minutes from Previous Meeting

These were accepted.

1.2 Review of Actions

Action RG0270/02: Transporters and xoserve to develop views on alternative options and their implications

Update: See agenda item 2.1.

Action Closed

Action RG0270/04: Ofgem to ascertain if there is any undue overlap between 0270 and Smart Metering which means the Proposal is likely to be overtaken by developments elsewhere

Update: JBI reported that Ofgem did not envisage any developments, which would make this Proposal redundant, adding that Ofgem was generally supportive of changes which encouraged entry and/or smart metering.

Action Closed

Action RG0270/05: Shippers to consider practical issues associated with the preferred options.

Update: See agenda item 2.2.

Action Closed

2. Consideration of Options

2.1 Initial Evaluation of Alternatives

AR reported on the front running options as follows:

Option 1 – Elective DM for SSPs.

This service has been designed with a maximum number of supply points in mind (25,000) and to provide the equivalent of the present DM service. The costs associated with the DM Elective service are to be funded by the Shippers able to use the service. AR therefore saw an issue both in terms of volume, since it was not clear the 25,000 limit could be increased, and in terms of funding if the system were opened to those who were not funding it.

SL indicated that some Shippers were already expected to fund the development despite having no intention of using the DM Elective service. Opening up the system to SSPs may not, therefore, necessarily be inappropriate. GE suggested it should be possible to adjust the funding retrospectively and change who pays should that be considered necessary.

AR suggested that the volume limit was the key issue. BD clarified that the DM Elective regime was to be provided on a first come first served basis, such that it could be swamped if opened to SSPs.

RH suggested that what was needed was to quantify the issue as to what the implications would be if, say, the limit was increased to 100,000 supply points, or more. AR explained that processing of daily reads would be the issue – the present threshold for daily reads is 500,000, which could be reconsidered as part of Nexus but any change is unlikely to be realistic before that. What xoserve would need is an understanding of scale before being able to quantify the cost.

RH suggested that volumes were hard to establish in light of commercial confidentiality, although numbers could be collated and anonymised by Ofgem or the JO – JBI confirmed Ofgem would be willing to support this.

GE said that any answer to the question of likely usage would firstly lead to a question of how much it would cost to use the service. If this cost was reasonable, suggested take up may be high, and higher than would be seen in reality since the suggested take up could be aspirational.

JBI asked if the incremental costs of expanding the service to a number of indicative demand levels could be provided, and AR said he would be happy for xoserve to have a look at this.

Action RG0270/06: xoserve to provide indicative costs for expanding the maximum number of Supply Points capable of receiving the DM Elective service.

FC added that if there was a widespread implementation of DM Elective, at some stage RbD would need to be reconsidered. To get a proper feel for cost and system implications, xoserve would need to complete a ROM, which would need a clear definition of what was proposed and an indication of demand levels.

GE argued that, without knowing the ballpark cost, it was hard to rule out the option – i.e. it was necessary to know whether accommodating 100,000 Supply Points would cost £50,000 or £5m.

Option 3a – Aggregate LSP

AR reported that there is a cap built into the xoserve systems which allows a maximum of 500 Meter Points to be aggregated into a Supply Point, and this aggregation impacts EUCs and transportation charges – which could be subsequently adjusted through

reconciliation. In practice, aggregation would need to be by exit zone as opposed to LDZ in order to generate accurate transportation charges.

GE asked how often the portfolio of sites is updated for transportation charge calculations. AR said this is largely the capacity charge, which is invoiced monthly but calculated on a daily basis. Hence any aggregation would be effective as soon as implemented.

SL explained that he had understood this option to involve a process which xoserve would operate behind the scenes rather than involving the Shipper in declaring that sites were aggregated, and so impact EUCs etc. FC suggested that there would be a workload on Shippers because they would have to ask for meter points to be aggregated although visibility of individual meter points would remain. BD wondered whether nominal aggregation was anticipated or could provide a route to implementation.

JBr asked, if the existing aggregation constraints were removed from the UNC, could this be implemented immediately? AR said not since limits and checks would be necessary. SL suggested that Shippers could warrant that a smart meter had been fitted. AR questioned whether a rigorous test of readings was envisaged or if xoserve should simply accept all reads. GE argued that this was a question of risk and if Shippers were willing to accept the risk, so be it.

AR emphasised that the details would need to be developed, such as whether any Supply Point could be eligible or if some would be excluded – for example if AMR sites as well as smart metered sites would be included. GE said the key was to find a quick solution even if this introduced some downsides and would not be an ideal solution. AR added that he would be concerned by any approach which allowed Transportation Charges to be reduced through reduced charging rates - that would be likely to fall foul of obligations to provide services without undue discrimination.

It was recognised that there could be administrative difficulties on Supplier switching as disaggregation would be involved when one customer moved, and this was not a widely used process - experience has proven that disaggregation creates problems.

Option 6 – LSP Elective.

AR suggested the basic difference with this approach would be that sites were reconciled through readings rather than RbD. The current system restriction on reads is 525,000, so only a subset of the domestic market could be put into this approach without investment to remove this constraint. In addition, if this approach were adopted a number of details would need to be ironed out before final cost estimates could be provided – some SPA processes would need to be defined. However, it was believed this could deliver the required outcomes at least for up to the current limit of around 500,000 reads per day. FC cautioned, however, that there may be other downstream pinch points beyond the reads process, for example filter failures. The ability to handle 500,000 reads had been based on scaling the number of reads received rather than all the additional reads being from one sector.

FC also said that the number of reads received leaves headroom for about an additional 100,000 to 200,000 on a typical day. SL said that since reads can only be submitted weekly, this might equate to allowing 700k to 1.4m sites into the approach. However, FC said that xoserve already see an uneven flow and some days reach the maximum with excess reads being held back to the following day – there is not always headroom.

RH sought to clarify if an SSP treated as an LSP would keep its EUC, SOQ, AQ etc. It was agreed that this would be the aspiration and the rules would need to

be written to achieve this – with the AQ being updated as part of the Review process albeit that reconciliations would be based on reads.

SL asked if there were any limits other than the number of reads. FC suggested that this came back to the question as to the future of RbD and a limit might be placed to reflect the impact on sites remaining outside the process. FC added that volume limits would be expected to impact things such as filter failures and Conquest - this would not simply be about system capability to accommodate reads. SL asked if limits on the various processes could be identified in order to see whether the approach was practical and likely to be able to deliver significant benefits.

RH emphasised that his biggest issue was retaining the appropriate EUC for a domestic site despite being treated as an LSP, and it was clarified that the rules and processes could accommodate this.

GE asked how the sites involved could be identified. FC believed a database change would be involved, creating a new sort of site - this would be a systems rather than process change. SL suggested that discussions of Proposal 0202 had concluded that sites could be flagged and asked whether the same approach could be used – with Shippers warranting that sites had the appropriate metering arrangements.

AR suggested that reads could be received under Proposal 0202, but this did not mean the reads were utilised within xoserve's systems and processes. SL emphasised that the ambition should be to try and develop a process with minimal systems changes for both xoserve and Shippers given the ambition for early implementation.

It was agreed that Shippers should be asked to submit likely usage levels under each of these three options to Ofgem to try and inform discussions – for example, the likely impact on RbD and whether systems constraints would be hit without investment being undertaken. However, Option 6 looked the most likely to be the most promising option and RH suggested work should continue to develop the detail of this ahead of demand information being provided.

Action RG0270/07: JBr to issue a note requesting that Shippers provide to Ofgem likely take-up levels under each of Options 1, 3a and 6.

Action RG0270/08: JBI to provide an anonymised summary of indicated demands under Action 07.

2.2 Preferred Way Forward

The Shippers represented at the meeting confirmed that their preference was leaning towards Option 6. The Group agreed that, among the options identified, this appeared most likely to be practical while delivering the intended outcomes. It was agreed that it would be valuable to begin the process of writing Business Rules for this option.

FC confirmed that she would be happy to assist with the production of Business Rules, and RH confirmed he would be happy to be involved in any workshop looking to develop Business Rules. GE suggested the Gas Forum Supplier Group may be willing to develop an initial set of Business Rules with xoserve support. AR agreed to provide support to RH in producing a first cut of the Business Rules for consideration and refinement before returning to the whole Development Work Group for review and challenge.

Action RG0270/09: RH and AR to develop an initial draft of Business Rules to support Option 6 – LSP Elective.

4. Development Work Group Process

JBr noted that the group is due to provide its final report to the May Modification Panel meeting and it was clear that this aspiration would not be met.

Action RG0270/10: JBr to ask the Panel for an extension of the time to report.

5. Diary Planning for Development Work Group

It was agreed, subject to confirmation, to meet again on 4 May in order to allow time for a draft of the Business Rules to be developed and published ahead of that meeting.

6. AOB

None raised.

ACTION LOG - Review Group 0270: 23 February 2010

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0270 002	28/01/10	4	Develop views on alternative options and their implications	Transporters and xoserve	Discussed on 23 March Closed
RG0270 004	23/02/10	2.1	Ofgem to ascertain if there is any undue overlap between 0270 and Smart Metering which means the Proposal is likely to be overtaken by developments elsewhere	Ofgem (BW)	No undue overlap identified Closed
RG0270 005	23/02/10	4	Shippers to consider practical issues associated with the preferred options.	Shippers	Discussed on 23 March Closed
RG0270 006	23/03/10		xoserve to provide indicative costs for expanding the maximum number of Supply Points capable of receiving the DM Elective service.	xoserve (FC)	To be presented on 4 May
RG0270 007	23/03/10	2.1	Issue a note requesting that Shippers provide to Ofgem likely take-up levels under each of Options 1, 3a and 6.	Joint Office (JBr)	To be drafted in consultation with RH and issued asap
RG0270 008	23/03/10	2.1	Provide an anonymised summary of indicated demands under Action 07.	Ofgem (JBI)	Dependent on Action 07
RG0270 009	23/03/10	2.2	Develop an initial draft of Business Rules to support Option 6 – LSP Elective.	First:utility, National Grid (RH, AR)	To be published ahead of 4 May meeting
RG0270 010	23/03/10		Ask the Panel for an extension of the time to report.	Joint Office (JBr)	For 15 April Panel Meeting