

**UNC Workgroup 0429 Minutes**  
**Customer Settlement Error Claims Process**  
**Thursday 28 March 2013**  
**ENA, 52 Horseferry Road, London SW1P 2AF**

**Attendees**

Bob Fletcher (Chair)	(BF)	Joint Office of Gas Transporters
Lorna Dupont (Secretary)	(LD)	Joint Office of Gas Transporters
Alex Ross-Shaw	(ARS)	Northern Gas Networks
Andrew Margan	(AM)	British Gas
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON UK
Dave Corby*	(DC)	National Grid NTS
David Addison	(DA)	Xoserve
David Mitchell	(DM)	Scotia Gas Networks
Edward Hunter	(EH)	RWE npower
Elaine Carr*	(EC)	ScottishPower
Gareth Evans	(GE)	Waters Wye Associates
Hayley Burden*	(HB)	National Grid NTS
Hilary Chapman	(HC)	Xoserve
Joanna Ferguson	(JF)	Northern Gas Networks
Jon Dixon*	(JD)	Ofgem
Lorna Lewin	(LL)	DONG Energy
Mark Jones*	(MJ)	SSE
Naomi Anderson	(NA)	EDF Energy
Rob Cameron-Higgs*	(RCH)	Wales & West Utilities
Steve Mulinganie	(SM)	Gazprom

\* via teleconference

Copies of all papers are available at: [www.gasgovernance.co.uk/0429/280313](http://www.gasgovernance.co.uk/0429/280313)

The Workgroup Report is due to the UNC Modification Panel on 16 May 2013.

## 1. Review of Minutes and Actions from previous meeting

### 1.1. Minutes

The minutes of the previous meeting were accepted.

### 1.2. Actions

No outstanding actions.

## 2. Workgroup Report

The Workgroup considered its Report and the legal text provided.

The proposed implementation dates were reassessed. DA believed it would be a 6 month implementation timescale.

It was noted that references to Modifications 0395 and 0398 were no longer required.

Facilitation of the relevant objectives was considered, and various views were expressed. GE commented that Modification 0398 had shortened the limitation period to 4 years and this potentially reduces the risk.

SM explained how a party would be protected from material damage. The concept of the '12 month pot', how it operated and impacted final positions, was discussed. NA explained her understanding of the position and how it was difficult for small Supply Points to reconcile the position. GE then explained how he saw disconnects within the process and how new entrants would pick up debits/credits for periods prior to their formal entry into the gas market as a 'live' Shipper'. AM observed that new entrants will pick up a cost but will not be able to raise a claim because they had not been operating in the market for the previous 4 years. EH did not believe the claims process to be sufficiently robust. DA observed that the Energy Balancing Credit Committee (EBCC) had raised a number of similar points and concerns. That it was based on throughput rather than portfolio had also been discussed by the EBCC. The previous experience relating to Lehman's also gave rise to EBCC concerns within this area. Opening the reconciliation period further was of concern to DA who observed that adding a potential third way to do this would change what Xoserve would need to do quite fundamentally.

DA confirmed that Xoserve had provided options to GE and that one had been chosen.

Concerns were expressed that the passing of risk to a party that has no control over the data did not seem right.

AM believed it not to be a Statute of Limitations issue; GE and SM disagreed with this view. AM commented that some parties mitigate risk by use of contracts. Views varied as to what could be done.

It was concluded that disparate views were clearly held and no consensus was likely to be reached.

Asked about the cost estimate, DA reported that it was likely to be less than £100k for development costs, but there would also be operational costs.

AM expressed concerns that risk from a party in one market sector can be passed to a party in another market sector. It does not create the correct incentives to resolve errors in a timely manner. AM suggested that it would be helpful to see the reconciliation periods for gas and electricity more closely aligned. GE added that Energy UK had carried out some work on shortening periods and identified some concerns. SM observed that any risk needed to be hedged as far as possible in a fragmented and unbundled market.

#### *Costs*

DA confirmed that development costs were likely to be less than £100k; the level of operational costs would depend on the nature of the claims.

#### *Legal Text*

The text was discussed, and a number of minor amendments were identified as being required.

Paragraph 1.3.11(a)(i) - DA explained the principles within the modification and believed that this paragraph required amendment to clarify the evidence being provided. He suggested an alternative wording for CW to consider. He also expressed concern that more clarity and explicitness was needed regarding the circumstances under which Xoserve would be permitted to reject a claim; some level of comfort was required. There is nothing in the text as it stands that provides that, and the inclusion of a certain overt level of detail with appropriate warranties should be considered.

Paragraph 1.3.11(a)(iii) – Consider deleting "...an estimate of ....".

Paragraph 1.3.11(a)(v) – Losses or gains – it was pointed out it could go both ways, and it was suggested "impact" might be a better word to use.

Paragraph 1.3.11(b) – The reference to 90 days gave Xoserve cause for concern. DA noted that elsewhere in the UNC there are principles of "starting/stopping the clock". Rejection and arbitration were briefly discussed.

Paragraph 1.3.11(d) – There were concerns regarding it being one way – should it be both ways, ie to any counter party, rather than ‘Shipper”. It was agreed that it should only be one way.

Following the discussion GE recognised the need to provide Xoserve with the comfort and confidence that it could adequately police this process and further consideration would be given to the text. The modification is correct but the text does not currently provide enough detail to support what Xoserve may need to do. He did not believe that any change required would be material and the modification would not require revision.

BF confirmed that it would not delay the finalisation of the Workgroup’s Report and that the UNC Modification Panel can be advised that the Workgroup recommends that the Transporter should review the text before it goes out to consultation.

The Workgroup Report will be submitted to the April UNC Modification Panel for its consideration.

**3. Any Other Business**

None.

**4. Diary Planning**

*Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)*

No further meeting was required.