

Review Group Report
Review Proposal Reference Number 0157
"Review of IGT Settlement and Reconciliation Arrangements"

This Review Report is presented for the UNC Modification Panel's consideration. The consensus of attendees at the Review Group is that the Review has concluded after twelve months of investigation and analysis and that further development of the options identified should now take place as part of the Ofgem CSEP working group meetings.

Appendix 1 contains the Terms of Reference.

Appendix 2 provides a summary presentation of the potential long term solutions identified by the Review Group, together with the Transporters' view of each.

1. Review Proposal

British Gas raised Review Proposal 0157 on 10 July 2007, the content of which is also included within the Terms of Reference.

2. Review Process

In accordance with the Modification Rules, at its meeting on 19 July 2007 the Modification Panel determined that the Review Proposal should be referred to a Review Group for progression. This Review Report was subsequently compiled by the Joint Office of Gas Transporters, and approved by Review Group attendees.

3. Areas Reviewed

The Review Group discussions focussed on a number of areas.

1. Mapping the end to end process, including process maps, timelines and analysis of data flows.
2. The issues identified within the current processes, which feed into the reconciliation process.
3. The potential for any short term "quick win" solutions, which resulted in part to Modification Proposals 0167, 0173, 0180V and 0200.
4. The potential to completely overhaul the regime and develop a long term solution involving fundamental change.

4. Recommendations

The Modification Panel is invited to accept this report and the Review Group's recommendations that:

1. No further work is required in respect of the Review Proposal, by the Review Group.
2. Work should continue in the Ofgem CSEP working group to complete the end to end process mapping and consider further development of the options for a long term solution from those identified within Annexe 3.
3. All outstanding/ongoing actions should be passed to that forum, to utilise the work already undertaken.

Appendix 1 Terms of Reference

Purpose

A Uniform Network Code Review Group is required to review the current UNC arrangements in respect of the CSEP settlement and reconciliation arrangements

Background

Further to recent discussions which have been undertaken via the Ofgem iGT CSEP NExA Group, it is evident that a clearer focus and a more structured approach needs to be undertaken to appropriately identify and address the issues that the industry currently faces relating to the existing CSEP settlement and reconciliation arrangements.

Five of the six large RbD Shippers have recently completed an analysis of February 2007 transportation invoices received from both iGTs and xoserve (on behalf of the DNs). The output from this analysis is detailed below and shows a mismatch, between the number of supply points invoiced by iGTs and the number of supply points invoiced by xoserve, of 47,700 (6%).

Shipper	Total No. of Supply Points invoiced by iGTs	Aggregate Total of Supply Points per xoserve CSEP Invoice	Difference
A	79,771	76,619	3,152
B	209,670	200,303	9,367
C	197,057	186,857	10,200
D	164,153	149,234	14,919
E	155,174	145,112	10,062
Total	805,825	758,125	47,700

As the 47,700 are supply points not known to xoserve, the energy associated with these supply points is not being included within any xoserve reconciliation activity and the associated costs are subsequently being picked up by RbD Shippers. The financial value of this exposure is material in its nature and requires attention and resolution.

There are a number of processes which are believed to play a contributory role to the problems Shippers face with the existing settlement and reconciliation arrangements. These include:

- IGT provision of weekly CSEP update files to xoserve
- Nested CSEPs
- I&C CSEP reconciliation
- IGT AQ review process

- Use of appropriate NExA AQ value tables
- General NExA contractual issues

Within a recently issued paper titled: 'CSEP NExA Issues – Ofgem Way Forward Proposals', Ofgem stated '*...we would strongly encourage the parties to establish a work/review group to take this issue forward.*' The Review Proposal therefore recommended that a cross industry Review Group be established and be facilitated by the Joint Office of Gas Transporters.

Scope

Identifying the root cause of the problem within the current regime and considering options for regime change which would facilitate xoserve being provided with, and utilising, accurate and timely data on the extant number of iGT Supply Points associated with each CSEP, thereby identifying potential means of cost effectively eliminating the difference in data highlighted in this Review Proposal.

Deliverables

The Group is asked to:

- review in detail, the relevant existing industry commercial and physical arrangements which are used to establish the number of iGT supply points associated with each CSEP
- identify and analyse any issues which impact the efficient and effective operation of the arrangements
- identify and develop appropriate solutions to rectify the issues identified, including the party responsible for implementing any such solutions
- develop any contractual changes to the large transporters UNC and Annex A of the CSEP NExa as required
- record issues which might usefully be taken forward under the governance processes associated with the iGT UNC

A Review Group Report will be produced containing the findings of the Review Group in respect of the work identified above, and may include a draft UNC Modification Proposal.

Limits

The Review Group will consider all appropriate governance arrangements including:

- The Uniform Network Code
- CSEP NExA Annex A
- Any other ancillary documents or agreements.

The Review Group in its initial phase will not concern itself with:

- Detailed changes required to processes and procedures

- Detailed changes required to existing systems
- Development of detailed business rules

The Review Group is established as a UNC Review Group under UNC governance. The iGT UNC, and individual iGT Network Codes, are therefore out of scope of the Review Group. However, where the Review Group identifies issues in relation to the iGT codes these will be recorded for consideration under the iGT UNC governance process.

Composition

The Review Group will comprise the following members

Name	Organisation
Julian Majdanski (Chair)	Joint Office
Helen Cuin (Secretary)	Joint Office
Mitch Donnelly (Proposer)	British Gas Trading
Abid Sheik	Energywatch
Alex.Travell	E.ON
Joel Martin	Scotia Gas Networks
Beverley Grubb	Scotia Gas Networks
Ndidi Njoku	Ofgem
Chris Warner	National Grid Distribution
Heidi.Martin	Npower
Jaime Sorrell	Total
James Crosland	Corona Energy
Karen Kennedy	Scottish Power
Marie Clarke	Scottish Power
Mark Jones	Scottish and Southern Energy
Rosie McGlynn	EDF Energy
Savita Shaunak	EDF Energy
Simon Trivella	Wales and West Utilities
Tim Davis	Joint Office

Others may attend any meeting subject to the agreement of the Chair, consistent with the Chairman's Guidelines.

A Review Group meeting will be quorate provided at least 2 Transporter and 2 User representatives are present. The iGTs are also invited, and encouraged to provide at least one representative willing to attend and contribute to Review Group discussions.

Information Sources

- Uniform Network Code
- The iGT Uniform Network Code
- CSEP NExA Agreements
- GT, Shipper and Supplier Licences
- Gas Act

- Various industry legislation as appropriate – may include reference to:
 - Gas Safety (Installation & Use) Regulations
 - Gas Safety (Management) Regulations
 - Industry Codes of Practice..

Timetable

It is proposed that a maximum period of six months be allowed to conclude this review, with a final Review Group Report presented to the UNC Modification Panel no later than January 2008.

Note:

- Frequency of meetings – monthly. The frequency of meetings will be subject to review and potential change by the Review Group.
- Meetings will be administered by the Joint Office and conducted in accordance with the Chairman's Guidelines.