

**Minutes Review Group 0334**  
**Post Implementation Review of Central Systems Funding and**  
**Governance Arrangements**

**Wednesday 15 December 2010**

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

**Attendees**

Tim Davis (Chair)	(TD)	Joint Office
Mike Berrisford (Secretary)	(MiB)	Joint Office
Alan Raper	(AR)	National Grid Distribution
Alex Ross	(ARo)	Northern Gas Networks
Brian Durber	(BD)	E.ON UK
Chris Hill	(CH)	First:Utility
Dave Watson	(DW)	British Gas
David M <sup>c</sup> Crone*	(DM)	ScottishPower
Gareth Evans	(GE)	Waters Wye
Graham Franklin	(GF)	xoserve
Joel Martin	(JM)	Scotia Gas Networks
Jonathan Wisdom	(JW)	RWE npower
Jon Dixon	(JD)	Ofgem
Martin Brandt	(MB)	SSE
Sean M <sup>c</sup> Goldrick	(SM)	National Grid NTS
Simon Trivella	(ST)	Wales & West Utilities
Stefan Leedham	(SL)	EDF Energy
Steve Mullinganie	(SMu)	Gazprom

\* *via a teleconference link*

**1. Introduction**

**1.1. Minutes from the previous meeting**

GE commented that he believed that his outstanding action (RG0334 004) should be expanded to include all funding requirements going forward. Thereafter, 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:** For discussion at a future meeting.

**Carried Forward**

**Action RG0334 002:** Parties to present their experiences encountered in progressing User Pays Proposals.

**Update:** Please refer to item 2.2 below.

**Closed**

**Action RG0334 003:** Joint Office (TD) to prepare guidance on the User Pays process.

**Update:** TD provided a brief onscreen review of the proposed revisions to the Modification Proposal template to now include both an xoserve initial point of contact account box and additional fields in the right hand ruler, for contact parties information. GF agreed to a new action to set up a new xoserve single point of contact account box.

**Closed**

**Action RG0334 004:** ICOSS (GE) to present feedback on the option of both passing through of User Pays costs and the wider issue of future funding arrangement provisions.

**Update:** Please refer to item 2.1 below.

**Closed**

**New 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.**

## 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).*

*Please note, that whilst the following items were discussed out of sequence during the meeting, they are presented here in their original order for ease of clarity.*

### 2.1. Follow-up discussion on the pass-through proposal

GE provided a brief overview of his 'Current system regime – options for change' presentation citing that it is aimed at high-level governance issues.

#### Impact of process slides

In considering the time spent debating the appropriateness of cost allocation, ST pointed out that in his view, discussions on modification 0255 centred on how to apportion costs across the shippers rather than the Transporter/Shipper split. TD added that currently modifications 0333 and 0337 are undergoing extensive debate on the Transporter/Shipper costs split issue.

DW suggested that based on his various workstream experiences, he does not think that past considerations of the Transporter/Shipper split have been an issue. Whether or not, a proposer 'sticks to their guns' is not a concern either as parties can always propose alternative modifications.

Moving on, GF advised those present that xoserve do not wish to become seen as debt collectors as suggested by the NRPS modification. Neither does he think that the examples provided (NRPS, AUGE and AMR datahub) are a good basis on which to further the UP debate. SL was of the view that UP had not 'driven' delivery of any of these modifications.

Some parties present indicated that based on their UP experiences, they would not wish to see these services coming under the control of xoserve. However, this was not a view shared by all those present.

#### Oversight Committee slide

When asked, GE confirmed that the proposed change management activities do not include UKLC change requests, simply focusing on all modification proposals and not just UP ones.

In considering the role of the working committee, AR suggested this has a 'feel' similar to the one previously undertaken by the then Prioritisation Sub-Committee.

When asked, GE confirmed that the information in question is that currently held within xoserve systems. In looking at the ability to challenge solutions, MB remained concerned about issues surrounding dispute resolutions and prioritisation of the changes. JD suggested that if you had qualitative benefits and risk analysis this approach could work.

Asked if the committee would interface with the workteams, GE envisaged that it would.

#### Board Structure Changes

When asked if their influence would extend beyond shipper related aspects of xoserve's work, GE suggested that, subject to legal considerations, this would be feasible. GF pointed out that in his view any shipper representatives 'promoted' to xoserve's board would be required to sign confidentiality clauses. AR does not see this as a workable solution unless any Transporter specific aspects were removed. However, JD pointed out that in future, the Transporter Licence Objectives could change.

#### Tender of processes slide

GE explained that this is a close match to the Elexon model.

With respect to the first bullet point, GF explained that xoserve do this now with their respective service providers. Furthermore, it should be noted that xoserve provide a much greater range of 'core services' than Elexon, for a similar cost.

MB voiced concern about issues surrounding the Elexon funding model and how this would possibly be applied/reflected in the gas side and believes that further consideration is required.

#### Legal/complete Separation slide

SM suggested that when considering establishment of a separate licence entity care will be needed to avoid duplication.

MB questioned why this cannot be progressed through the UNC, when the Elexon model is progressed through the BSE – why the difference?

Leaving the presentation aside, GE indicated that he currently does not have a clear view (preference) as to which option is best and acknowledged the view that optimising the current processes may also be a viable option. He would welcome any feedback and suggestions. DW indicated that he was not currently minded to work up the more extreme options as presented.

In moving on to consider what other things xoserve could do to assist the industry, GF suggested three key items that could bring benefits as being:

- better prioritisation of changes;
- earlier engagement and debate, and
- provision of improved information.

TD suggested that investigation of the UP process definitions may also be beneficial.

SMu referred back to the DME Phase I delivery and take up issues, suggesting that earlier sight of the various aspects would/could have resulted in a better take-up of the service. He also supports the view that

provision of more up front clarity and timeline indicators would benefit the industry as a whole. However, he does not wish to see the creation of another group just for the sake of it, but does see the 'role' of this review group as an opportunity to engage in meaningful debate.

AR questioned if the debate was really about improving the processes, or more to do with xoserve's positioning within the industry and its subsequent role. He pointed out that improving the process is a short-term solution, whereas repositioning xoserve would be a longer-term solution. Either way, the Transporters would welcome further debate on the matter.

In closing, GE agreed to undertake a new action to provide a presentation on the Electricity model at the 07/01/11 meeting and GF agreed to consider the suggestions put forward to xoserve and provide a response at the 07/01/11 meeting.

**New Action RG0334 006: ICOSS (GE) to provide a presentation on the Electricity funding model at the 07/01/11 meeting.**

**New Action RG0334 007: xoserve (GF) to consider the suggestions put forward to enhance xoserve's services and provide a response at the 07/01/11 meeting.**

## **2.2. Discussion of specific UP modifications (including lessons learnt from each)**

### Modification 0279 – 'Improving the availability of meter read history and asset information'

GF provided a brief overview of the presentation. When asked GF advised that changes were made to the modification during discussions between the proposer and xoserve, culminating in the provision of an annual report. It should be noted that the length of these individual reports, reflect the size of an organisations portfolio. Had alternative data access options such as web or email based been considered, the outcome may have been different. BD remembered that most discussions focused on permissions. ST supported this by adding that preparation of the legal text had also considered the development of appropriate permissions mechanisms.

Asked if a more 'vague' approach at the initial engagement stages of the proposal development would/could have allowed xoserve to propose more flexible solutions, GF indicated that it possibly may have done. DW wondered where the balance lay between a proposer's original intentions and xoserve's possible (technical) solutions.

GF reiterated that xoserve welcome the opportunity to engage with parties as early in the process as possible. GE observed that parties often raise proposals 'in the dark' and feels that the electricity market offers a superior and more open approach to the provision of information such as via the web site. Whilst acknowledging the advantages that this route may bring, GF warned about potential IS Security issues. Asked about the level of information provided on the electricity side, GE advised that whilst direct access to system and cost related information may not be available, indirect access (via interpretation) is achievable. GF agreed to examine the Exelon approach and consider the points discussed.

SL suggested that the issue is not simply restricted to information provision but also having access to the right technical personnel at the right point in the process. He sees benefit in getting this aspect right as well. In response, GF advised that xoserve are looking into the ROM (and to some extent the DCA) processes with a view to providing superior industry information that

would assist proposal development. ST suggested, and several parties agreed, that the addition of a new level of information provision that sits before a ROM (a finger in the air / best guess approach) maybe beneficial. GF agreed that an approach along the lines of providing an initial high-level system and technical conceptual appreciation, &/or a pre-ROM perspective (rough finger in the air) could work in future. JW wondered if provision of a list of parameters that provide a guide to the costs associated to various levels of system change would also benefit a pre-ROM approach.

When asked whether or not, xoserve should be allowed to raise alternate modifications, most shippers shied away from this suggestion. However, SL felt that a model whereby xoserve could raise modifications (rather than alternatives to existing modification proposals) had some merit. GE had the opposite view, believing that xoserve's role is more aligned to service provision and would like to see them focus more on satisfying their customer's requirements.

In considering the role of xoserve, AR pointed out that they are tasked with providing a service to the Transporters, acting as their appointed agent. Their main focus is the provision of the 'core services', and thereafter only where spare capacity allows, the provision of User Pays (UP) services. SL thinks that the bottom line is that UP is all about the provision of services to shippers (& users). CH on the other hand, remains concerned by the apparent monopolistic position occupied by xoserve. In response, AR suggested that UP is a double-edged sword, seeking to provide both shipper services and the protection and delivery of the Transporters relevant objectives !.

In the end it was felt that provision of a standard set of Q&A's would go some way towards building confidence that xoserve had engaged with the industry correctly.

JD noted that from an Authority perspective, the principle behind User Pays has worked, but issues over the more detailed management aspects of the process remain.

#### Modification 0224 – 'Facilitating the use of AMR in the Daily Metered Elective Regime'

MB suggested that implementation of this modification had highlighted weaknesses in the provision of cost information, whereby the information was provided too late in the process to be useful.

JD pointed out that the representations for this proposal were submitted on the basis that the modification would satisfy its relevant objectives, with the Authority basing their decision on such. TD suggested that one improvement would be considering costs within the scope of satisfying the respective relevant objectives.

#### Modification 0270 – 'Aggregated Monthly Reconciliation for Smart Meters'

As proposer of the modification, CH voiced concern and disappointment that the proposal is now in a state of 'limbo'. He feels that the engagement with xoserve fell short of his, and his company's expectations, especially aspects of the ROM development. In short, he remains of the view that the proposal was 'watered down' following discussions with xoserve in an attempt to try to deliver a solution in a timely manner – however, this has not materialised. SL added that in his view, further industry frustration developed as a response to xoserve stating that the solution was complex and therefore costly without actually providing any meaningful supporting evidence. He is of the view that

ROM's would benefit greatly from the addition of enhanced commentaries. TD suggested that the late provision of costing information, 11 months into the development of the modification only served to compound the problems and frustrations. GF responded, suggesting that perhaps the ROM had actually served its purpose as the 'industry' now appears to have stepped back from developing the proposal any further. AR wondered if this was not a missed opportunity, as the main focus appears to have been on the functional changes and that consideration of the process related aspects earlier in the process would have been more beneficial.

In considering the potential benefit of discussing specific ROM matters within the Workstream's, SMu noted that these discussions can very easily become combative and believes looking at the more 'global' requirements is preferable. Either way, SL believes that communication to shippers needs to improve to aide their understanding.

TD wondered if provision of some form of a 'Tipping Point' pick list would be beneficial for future demand related modification proposals.

In closing, CH voiced his concern that xoserve did not provide an early enough indication that a DCA would have been beneficial.

Modification 0292 – 'Proposed change to the AQ Review Amendment Tolerance for SSP sites'

BD believes that the related capacity issues would have been better resolved had they been discussed earlier in the process.

Modification 0248 – 'Meter Reading Replacement'

When asked why there was such a difference of opinion on the complexity and costs for this modification, SL commented that their (as proposer) initial view was that this was a simple data field change. Their (EDF Energy) cost prediction was circa £100k. Unfortunately, xoserve's subsequent analysis (DCA) indicated a much larger figure of £400k to £1.5m. In response, GF pointed out that the problems were compounded by the fact that engagement with xoserve only took place after the proposal was formally raised.

SL went on to suggest that differing opinions on the demand forecast (take up of the proposed service line) went some way to explaining the expanded costs.

In considering the timing and progress aspects associated to this and other modifications, GF pointed out that deferral of discussions at various meetings only serves to make matters worse. SL believes that although EDF and xoserve did meet up on several occasions, communications between the two parties could have been better. GE added that perhaps 'proactive' engagement by xoserve would be beneficial even if it is, simply by picking up the phone. GF acknowledged that xoserve could improve their 'critical friend' role in future.

When asked if a form of 'Cap' indicator provided by a proposer would/could help xoserve in their initial ROM analysis, GF indicated that in his view, the principle is sound but commercial sensitivity issues would need to be considered on a one-to-one basis. SMu suggested that provision of a matrix along the lines of a time (short/medium/long term) v's cost (low/medium/high) comparison would bring benefits.

Modifications 0288 – 'Facilitating the Reduction of Enduring Annual NTS Exit (Flat) Capacity by a value less than 100,000 kWh', 0289 'To determine the

amount of Annual NTS Exit (Flat) Capacity to be released where the quantity of unsold NTS Exit Capacity fluctuates within the Gas Year' and 0290 'To facilitate the release of Additional NTS Exit (Flat) Capacity at National Grid NTS's discretion'

SM provided a brief overview of the National Grid NTS presentation.

In discussion, JD indicated that the Authority remains concerned about signing off on ACS's with a zero value. However, inclusion of a caveat covering a range of say zero to 'x' may have benefitted them in making their decisions. In future, instances where the costs increase beyond initial predictions, the funding of the difference should/could fallback to the Transporters.

TD suggested that the past issues bring to mind the question of whether or not, approval of a modification and its associated ACS should become a single decision. In response, JD suggested that this change in approach could be accommodated under the new governance regime. Parties agreed that there maybe merit in considering bringing the ACS within Code in due course. GE pointed out that he has prepared some funding questions for consideration within his presentation. He then agreed to a new action to consider future funding (allocation) options for discussion at the 07/01/11 meeting.

Modifications 0263 – 'Enabling the Assignment of a Partial Quantity of Registered NTS Exit (Flat) Capacity' and 0276 'Alternative User Pays approach to – UNC Modification Proposal 0263 - Enabling the Assignment of a Partial Quantity of Registered NTS Exit (Flat) Capacity'

ST pointed out that these proposals were not just about who should pay, but related to more fundamental issues surrounding funding.

Modification 0192 – 'Introduction of DNO obligations to facilitate resolution of unresolved USRVs'

AR reminded parties that this was the first USRV modification to progress through the process and the 4yr cut-off date was supported by a 2 stage process based around a desktop provision, followed by a site visit with costs developed to reflect this approach. As a consequence, there were no specific development costs involved. Furthermore, whilst this was not a UP modification, it was developed with UP considerations in mind.

The modification progressed smoothly and lessons learnt were then employed in progressing modification 0213 'Introduction of User Pays Governance Arrangements into the UNC'

In closing, JD believed that there maybe merit in xoserve providing future costs based on a proposer's initial requirements alongside costs based on a proposed solution option. This would then provide the proposer with the option to 'bite the bullet' and pay any extra costs to deliver a solution that would be better matched to their expectations.

**New Action RG0334 008: ICOSS (GE) to consider future funding (allocation) options for discussion at the 07/01/11 meeting.**

### 3. AOB

None.

### 4. Diary Planning for Review Group

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

- electricity model (inc MRA) presentation, and
- xoserve feedback on potential process changes.

The next meeting is scheduled for 07 January 2011 at the Energy Networks Association. 6th Floor, Dean Bradley House, 52 Horseferry Road, London. SW1P 2AF.

**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)	<b>Pending</b>
RG0334 002	22/11/10	2.2	Present experiences encountered in progressing User Pays Proposals.	Various	Update provided. <b>Closed</b>
RG0334 003	22/11/10	2.2	Prepare guidance on the User pays process.	Joint Office (TD)	Update provided. <b>Closed</b>
RG0334 004	22/11/10	2.4	Present feedback on the option of passing through some User Pays costs	ICOSS (GE)	Update provided. <b>Closed</b>
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)	Update due at 07/01/11 meeting.
RG0334 006	15/12/10	2.1	Provide a presentation on the Electricity funding model at the 07/01/11 meeting.	ICOSS (GE)	Update due at 07/01/11 meeting.
RG0334 007	15/12/10	2.1	Consider the suggestions put forward to enhance xoserve's services and provide a response.	xoserve (GF)	Update due at 07/01/11 meeting.
RG0334 008	15/12/10	2.2	Consider future funding (allocation) options for discussion at the 07/01/11 meeting.	ICOSS (GE)	Update due at 07/01/11 meeting.