

Offtake Arrangements Technical Workstream Minutes
Tuesday 09 February 2010
Renewal Conference Centre, Lode Lane, Solihull B91 2JR

Attendees

John Bradley (Chair)	(JB) Joint Office of Gas Transporters
Lorna Dupont	(LD) Joint Office of Gas Transporters
Alan Raper	(AR) National Grid Distribution
Alison Chamberlain	(AC) National Grid Distribution
Christian Hill	(CH) RWE npower
Claire Thorneywork	(CT) National Grid NTS
David Winter	(DW) RWE npower
Graham Wood	(GW) British Gas
Joanna Ferguson	(JF) Northern Gas Networks
Linda Whitcroft	(LW) xoserve
Luke Fieldhouse	(LF) National Grid NTS
Michael Berrisford	(MB) Joint Office of Gas Transporters
Dr Michael Reader-Harris	(MRH) Independent Technical Expert (ITE)
Simon Trivella	(ST) Wales & West Utilities
Stefan Leedham	(SL) EDF Energy
Stuart Gibbons	(SG) National Grid Distribution

1. Introduction

JB welcomed attendees and explained the purpose of the Offtake Arrangements Technical Workstream.

2. Review of Minutes and Actions from previous meetings

2.1 Minutes from previous meeting (16 October 2009)

In response to a comment from GW seeking to clarify understanding of the ITE's remit, AC confirmed that although the general view was that all the errors would be dealt with by the ITE, this was not fully agreed at the last meeting. The ITE has therefore looked at the first two errors as was agreed, and it was understood that the Workstream would fully agree the review of the remaining errors at a later stage if appropriate.

The minutes of the previous meeting were then approved.

2.2 Review of Actions from previous meetings (2007/2009)

Action OF1031: NG UKD to formally propose a UNC Modification Proposal amending UNC OAD Section F as agreed.

Update: None available. **Action carried forward**

Action OF1050: A rationale of the invoicing process and impacts in relation to the MEs to be issued as soon as possible.

Update: AC reported that National Grid UKD had yet to raise an explanatory note regarding invoicing impacts from its perspective. National Grid NTS would provide a general overview later in the meeting to aid understanding on how it is processed. GW observed that it would be helpful to know what/when to expect for internal accounting and for charging/refunding etc. **Action carried forward**

Action OF1051: DNs to confirm that consistent validation was carried out at Offtakes and independently witnessed.

Update: None available. ST confirmed that this would be addressed at the next Workstream. **Action carried forward**

Action OF1054: Downstream Transporter to invite preferred nominee to take up appointment and confirm acceptance of the appointment to the JO.

Update: Completed. **Action closed**

Action OF1055: Publish the name of the Independent Technical Expert on the JO website when confirmation of appointment received.

Update: Completed. **Action closed**

3. Measurement Error Notifications (NW001, NW002, and others)

3.1 Update on Measurement Issue – Independent Technical Expert (ITE)

As the appointed ITE, MRH gave a presentation describing the methodology used to calculate the magnitude of the mis-measurement errors relating to two Offtake meters (which potentially affected a further thirty of National Grid's Offtake meters across each of its distribution networks). Actual calculations had been carried out for the Blackrod Offtake, which had two orifice runs.

Information was provided on the measured diameters and the usage of the plates, together with a graph illustrating the period where the data diverged. MRH then explained why it was impracticable to recalculate the data, and demonstrated instead how to recalculate the flow rate from first principles.

The method to perform the recalculations was explained and illustrated with the mathematical equations used. MRH added that the average of the data had been taken to achieve a reasonable value; two conditions had been considered, ie low and high flow rates. He then went on to describe how he had concluded that certain parameters could be ignored in carrying out the corrections, as the effect of any differences would be negligible. The correction on MTA (16/07/2007 – 15/07/2007) was then illustrated.

MRH confirmed that a similar calculation would work for any site, and then asked what it was that was required as an answer. The response was that corrected volumes for each day were required.

ST commented that these figures appeared to be lower than expected. SG responded that National Grid Distribution had arrived at an indicative range but MRH's figures were definitely lower. GW stated that Shippers needed to get to a final value following the indicative figure. MRH responded that these numbers would have to be multiplied by the flow rate in the different streams. The measurements relating to the tubes would need to be split out by recalculating the flow rate for each tube, using an assumed value of discharge coefficient, bearing in mind that these tubes do not necessarily run at the same time. Small corrections may be required, but this would not cause any great

difficulty, and it should be easy to produce a number rather than a percentage. SG commented that the factor was fine; we would need to know what tube was running on that date. A volume correction by day would need to be known for each tube. GW observed that the indicative figures were based on assumptions that both tubes were running. Shippers will need to know the difference between those and the figures that take into account actual running periods. The correction figures were lower than the original estimate but the figures were not way out of line.

There were no objections to moving to a theoretical method of assessment as being the way forward.

JB asked the Workstream whether it agreed with a day by day approach for assessing the volume error over the period of mis-measurement; this was agreed by those present.

GW asked how errors had been calculated in the past. AC said she was unable to comment, but was certain that a daily figure has to be achieved in this case. CT added that the level of granularity/benefits had been discussed previously; 0.00004% had been reached so far and any further depth would take much longer to achieve.

CH referred to the need to derive daily corrected volumes – SAP needs to be applied in order to calculate the energy adjustment. GW added that it needed to be consistent. MRH added that he needed to be sure that he is applying the correction factor to the appropriate figures/period that National Grid was using; because the corrections are quite small it was possible to end up making more errors if care was not exercised.

Action OF0201: National Grid UKD to obtain the appropriate daily data from National Grid NTS.

MRH explained that in the second period there was one tube missing – he would need to know each day each percentage with each tube. Whilst he could extract data from what he already possessed, he would not get exactly the same data that was used by the flow computer. He was very conscious not to introduce new errors into the situation.

The discussion moved on to billing. AC and LW believed there was more benefit in all of the errors being billed together, rather than the first two, followed by a piecemeal approach to the others. LW said that it could be done in stages if necessary but an appropriate decision would need to be made as routes for processing can differ. CT pointed out that this was not a 'normal' error but was an 'aggregated' error – it needed to be decided if it should be treated as an aggregated error. GW agreed that, from the Shippers' point of view, it was probably easier if the errors were processed at the same time. LW thought it best to reflect the period of the error, and AC could not see any issues for the DN in approaching that way. AC asked if Shippers could come to the next meeting with a view on how they might like to see the errors billed, together with any identified technical issues. SL would prefer one bill for billing purposes and added that Modification 0171 should be born in mind when considering the billing. There was then a discussion on the UNC provisions, which make a distinction between historic and current market share. The former applies where the error exceeds 50 GWh.

AC and CT believed it would be prudent to review what is set down in the UNC in relation to errors of this nature and their commercial position and obtain a legal view before making a decision on whether to treat this as one SMER or many. GW agreed that clarity as to what is set out in UNC was required. AR added that a view should be taken to see if there was any discretion permitted as to how this could be treated – is it one SMER or lots of MERS? It may be that the qualifying quantity may be the deciding factor. AC added that the errors currently being calculated by MRH might drop below the 50 GWh threshold, although the expectation was that it would be over. CT observed that this was a totally unanticipated and unique problem, and to interpret UNC very carefully was the key.

Action OF0202: National Grid to seek an interpretation of the UNC (TPD Section E7.8 – qualify LDZ reconciliation) in relation to treatment of the errors (historic or current AQ split); Shippers also to consider and offer views.

JB then asked the meeting if the position of the SMERs should be looked at and MRH engaged to address the remainder, or will the DN just use the established methodology to perform the calculations on the remainder. MRH pointed out that the scale of the data could give difficulty in seeking to avoid introducing small errors. It was not yet decided if the remaining thirty errors should be treated as SMERS.

SL expressed a desire to see the draft report as soon as possible.

Bearing in mind that MRH needed further data to produce appropriate figures, GW asked if any indication of timescales was available, so that Shippers would know when to expect an invoice(s).

Action OF0203: National Grid UKD to produce an indicative timeline for billing etc.

CT then provided a handout detailing a process flow diagram relating to cash flows. It was emphasised that all parts needed to be processed at the same time. Depending on the route taken, it may be possible to try and match the Reconciliation Invoice. There are many options but it was not known when these were to be processed; it would be quite tight counting backwards from July.

GW asked what the timeframe was for Direct Connects. CT responded that it gets processed in set periods; there is a disputes process. At the moment it would be sensible to process within the same timeframes (all the same issue really), however Shippers may want to see it earlier, and disconnect the two areas. CT will be reporting back on progress and will update the position to Shippers, following an internal meeting on the findings in March.

3.3 Review of Technical Measurement Issues submitted by Users

No issues were submitted in advance of the meeting.

3.4 Review of Technical Measurement Issues submitted by the Transporters

No issues were submitted in advance of the meeting.

3.5 Next Steps

The Chairman outlined the next steps that could be considered following the discussion.

JB concluded that most of the technical work has been done, so it was not necessary to hold another Technical Workstream. If there were any technical questions on the methodology and the calculation of the correction factors these should be submitted to the Joint Office in advance of the next Workstream meeting. JB would check the guidelines to see if there was a 'final issues' deadline, and issue a note if appropriate.

Action OF0204: Check the guidelines to see if there is a 'final issues' deadline, and issue a note if appropriate.

SL pointed out that the SMER needs to include information on the correction factors and volumes, but it would be appropriate if correction factors were the focus at present. It was suggested that the preliminary SMER covering the two errors reviewed by MRH be published and that a closeout date for issues arising be set at 4 weeks later (the

spreadsheet available on the JO website should be used to raise any issues). The methodology could then be validated and the process could move on.

Action OF0205: Issue the preliminary SMER for consideration; and issues to be submitted to the JO using the appropriate spreadsheet prior to the next meeting.

The next meeting will therefore be a normal Offtake Arrangements Workstream, at which informal sign off can be given to the methodology, and the focus can be placed on billing issues. A review of the guidelines might also be commenced.

4. Any Other Business

None raised.

5. Diary Planning for Workstream

The next meeting will be an Offtake Arrangements Workstream, and is scheduled to commence at 10:00 on Tuesday 16 March 2010, in the Omega Room at the Renewal Conference Centre, Lode Lane, Solihull, West Midlands B91 2JR.

ACTION LOG – Offtake Arrangements Technical Workstream 09 February 2010

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
OF1031	04/07/07	2.1 Topic 007OF	NG UKD to formally propose a UNC Modification Proposal amending UNC OAD Section F as agreed.	NG UKD (AR)	Carried forward
OF1050	16/10/09	3.3	A rationale of the invoicing process and impacts in relation to the MEs to be issued as soon as possible.	NG UKD and xoserve (AC and LW)	Carried forward
OF1051	16/10/09	3.3	DNs to confirm that consistent validation was carried out at Offakes and independently witnessed.	DNs	Carried forward to March Workstream
OF1054	16/10/09	3.6	Downstream Transporter to invite preferred nominee to take up appointment and confirm acceptance of the appointment to the JO.	DT (AC)	Completed. Closed
OF1055	16/10/09	3.6	Publish the name of the Independent Technical Expert on the JO website when confirmation of appointment received.	JO (JB)	Completed. Closed

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
OF0201	09/02/10	3.1	National Grid UKD to obtain the appropriate daily data from National Grid NTS.	NG UKD (AC) and NG NTS (CT/LF)	
OF0202	09/02/10	3.1	National Grid to seek an interpretation of the UNC (TPD Section E7.8 – qualify LDZ reconciliation) in relation to treatment of the errors (historic or current AQ split); Shippers also to consider and offer views.	NG (AC and CT) and Shippers	
OF0203	09/02/10	3.1	National Grid UKD to produce an indicative timeline for billing etc.	NG UKD (AC)	
OF0204	09/02/10	3.4	Check the guidelines to see if there is a 'final issues' deadline, and issue a note if appropriate.	Joint Office (JB)	
OF0205	09/02/10	3.4	Issue the preliminary SMER for consideration; any issues to be submitted to the JO using the appropriate spreadsheet prior to the next meeting.	National Grid UKD (AC); Shippers	

Key to Responsibility

AR – Alan Raper; LW – Linda Whitcroft; AC – Alison Chamberlain; JB – John Bradley;

DNs – All Distribution Networks; Shippers – All Shippers