

Review Group 0158 Minutes
Wednesday 14 November 2007
Renewal Conference Centre, Solihull, B91 2JR

Attendees

John Bradley (Chair)	JB	Joint Office of Gas Transporters
Helen Cuin (Secretary)	HC	Joint Office of Gas Transporters
Mitch Donnelly (Proposer)	MD	British Gas
Alison Chamberlain	AC	National Grid Distribution
Brian Durber	BD	E.ON UK
Joel Martin	JMa	Scotia Gas Networks
Mark Jones	MJ	Scottish & Southern Energy
Matt Smith	MS	xoserve
Nick Reeves	NR	xoserve
Phil Broom	PB	Gaz de France
Richard Street	RS	Statoil
Samuel Lydgate	SLy	Shell Gas Direct
Scott Miller	SC	Scottish Power
Sham Afonja	SA	RWE Npower
Simon Trivella	ST	WWU
Stefan Leedham	SL	EDF Energy
Sue Davies	SD	WWU
Tina Brobbey	TB	Shell Gas Direct

Apologies

Sally Harling	SH	Corona Energy
Julian Majdanski	JM	Joint Office of Gas Transporters
Linda Whitcroft	LW	Xoserve

1 Review of Minutes and Action

1.1 Review of Minutes

SL highlighted that he has been recorded against the wrong organisation in the attendance list.

AC requested that the following quote be removed from the minutes: "AC suggested that the period the USRV is outstanding ought to be considered rather than the reconciliation period involved".

The minutes of the previous meeting were then approved.

1.2 Review of Actions

Action 0004: All to consider charging arrangements for a backstop mechanism.

Action Update: See Item 2.0, further consideration required.

Action: Carried Forward

Action 0006: All to consider how to incentivise USRV resolution

Action Update: See Item 2.0.

Action: Complete.

Action 0007: LW to investigate what meaningful information could be collated for USRV resolution, for example filter failures resolved against data submitted.

Action Update:

Action: Complete

Action 0008: All to consider an incentive charge mechanism

Action Update: See Item 2.0.

Action: Complete

2 Review Group Discussion

Reporting

NR explained what xoserve USRV reports are currently produced from Conquest highlighting that to provide meaningful information it would be ideal to report filter failures as a percentage. The following reports were briefly discussed:

- Number of filter failure per incentive band
- Number of filter failures per Shipper per month
- Number of filter failures resolved at 50% and 100% targets

NS highlighted that although a filter failure can be resolved, the resolution of the filter may in some cases create a subsequent filter failure.

MD suggested that there is not a problem with the existing reports for USRVs. However, he suggested it would be of benefit to understand released values on a monthly basis, as this would assist in understanding what element of the reconciliation invoice value is attributed to USRVs.

AJ made a point that the existing reports do not illustrate USRVs that have not been resolved.

RS suggested the reporting should include the USRV value; how long the USRV was outstanding and the period the USRV covers. xoserve highlighted that reporting the period a USRV remained outstanding may prove difficult; nevertheless the other information could be provided.

ST suggested that the reports presented at last month's meeting could be broken down to values released between £0 and £5000 and by EUC bands, to keep the Review Group informed of progress. It was made clear that this would not become an industry report; simply a report for the Review Group.

The possibility of a "Name and Shame", list was discussed but discarded. It was not apparent who would receive Shipper explanation for long outstanding USRVs and it was unclear who could be the governing body.

The workgroup concluded that the current reporting regime does not need to be changed. However, MD requested xoserve consider producing a report on USRVs outstanding, with an age analysis, split by AQ banding. He understood that an age analysis report is already produced but it is not split by AQ band.

Action 0009: xoserve to examine the possibility of producing an outstanding USRVs report with an age analysis by EUC bands

The implication of UNC0152V was discussed, JB suggested that the number of USRVs outstanding at the first cut off point needs to be considered to ascertain the extent of the issues related to the cut off periods.

Backstop Mechanism and Commercial Regime

ST provided some statistics confirming that 110 USRVs are unresolved and highlighting that 95% of the released values are less than £5000.

SD made a point that subsequent UNC0152V cut-off periods could increase the 110 unresolved USRVs to a figure between 300 and 400.

RS expressed the importance of having a backstop mechanism with the implications of UNC0152V.

Shippers believed that the obligation to resolve USRVs should rest with the Transporters. However, the Transporters expressed their concerns with having a Transporter obligation. RS expressed concern that a Shipper could ignore their obligation to resolve USRVs; choosing to pay the incentive payments instead and waiting for the reconciliation period to be cut-off by UNC0152V.

ST expressed that there is no evidence of the any party holding onto to USRVs for large values to avoid reconciliation. MD believed that the USRV needs to be removed from the Shipper to ensure action is taken to resolve USRVs.

Action 0010: Transporters to consider undertaking a backstop obligation for the resolution of USRVs.

The group debated the use of a commercial regime prior to a backstop mechanism.

RS highlighted that whatever incentive is introduced that there will always be a balance as to whether Shippers should resolve the USRV or accept the incentive charges. SD added to this point that with the implementation on UNC0152V, Shippers will also have a finite cut off to consider.

It was agreed that Incentive charges still need to exist.

SD suggested a committee could be formed to examine unresolved USRVs.

It was discussed how the obligation to resolve USRVs could be managed using a commercial arrangement, followed by a substantial incentive charge for USRVs that are not resolved before the UNC0512V reconciliation cut-off.

RS expressed a concern that some USRVs may be irresolvable, particularly if issues involve a number of supplier or where there missing data. MD suggested that there ought to be a point where an agreement could be made on the appropriate reconciliation for irresolvable USRVs and that this involved a neutral reconciliation in some cases. He also suggested that there could be an agreement for inter Shipper data to be supplied by xoserve to assist resolution.

The group agreed that, to understand the impact of UNC0152V that, it firstly needs to understand the problems associated with the current 110 outstanding USRVs

Action 0011: xoserve to provide the relevant Shipper their outstanding USRVs and any available information of what work has been undertaken to attempt resolution.

Action 0012: xoserve to confirm how many Shippers have the share of the outstanding 110 USRVs.

ST explained the implications of UNC0152V, clarifying that if a USRV reconciliation period spans a substantial period of time that the first cut-off period removed by UNC0152V may not in it entirety remove the unresolved USRV. He explained that if a reconciliation period covers 18 months there is a potential that 6 months reconciliation would remain and that the USRV would still remain outstanding.

MD suggested that xoserve advertise their ability to offer training and assistance with USRV resolution.

Short Term Incentives

RS summarised the previous month's discussion regarding interest incentive mechanism. SD suggested that the extent of interest payments need to be considered

MD suggested that the Review Group needs to fully understand the suppressed items to ascertain the likely impact of an interest payment incentive.

ST summarised the incentive charges for USRVs and suggested that most USRVs could be resolved within 18 months. He believed that an increased incentive charge at 2 years may incentivise action to be taken. This incentive charge ideally would be a substantial amount which would encourage Shippers to request assistance or accept the substantial payment.

MD highlighted that Ofgem would want an incentive charge that reflected the risk.

MD challenged if the existing £30 charge is an incentive. He reiterated his preference for an interest payment mechanism with a possible exclusion for reasonable endeavours to resolve a USRV where third party data is not available.

Action 0013: All to consider UNC Modification 0141a formula and the re-scaling of the existing USRV incentive charges.

Some pitfalls were expressed with regard to the use of interest payments. MD agreed to reconsider an interest payment regime taking into account the concerns expressed. MD noted that if a consensus cannot be reached that a Modification Proposal can be raised and alternate if required.

Action 0014: All to re-consider the advantages and disadvantages of interest incentives.

All members agreed that the actions should all be complete by 26 November 2007.

3. Diary Planning for Review Group

Approx 13:00, Tuesday, 04 December 2007, location to be confirmed.

10:00, Wednesday, 09 January 2007, Elexon, 350 Euston Road, London.

4. AOB

None.

APPENDIX A.

ACTION LOG - Review Group 0158

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0158 0004	22/08/2007	4.0	All to consider charging arrangements for a backstop mechanism.	All	Action: Carried Forward
RG0158 0006	26/09/2007	2.0	All to consider how to incentivise USRV resolution	All	Action: Complete
RG0158 0007	26/09/2007	2.0	LW to investigate what meaningful information could be collated for USRV resolution, for example filter failures resolved against data submitted.	xoserve (LW)	Action: Complete
RG0158 0008	26/09/2007	2.0	All to consider an incentive charge mechanism	All	Action: Complete
RG0158 0009	14/11/2007	2.0	xoserve to examine the possibility of producing an outstanding USRVs report with an age analysis by EUC bands	xoserve (NR)	Action: To be complete by 26.11.07
RG0158 0010	14/11/2007	2.0	Transporters to consider undertaking a backstop obligation for the resolution of USRVs.	All Transporters	Action: To be complete by 26.11.07
RG0158 0011	14/11/2007	2.0	xoserve to provide the relevant Shipper their outstanding USRVs and any available information of what work has been undertaken to attempt resolution.	xoserve (NR)	Action: To be complete by 26.11.07
RG0158 0012	14/11/2007	2.0	xoserve to confirm how many Shippers have the share of the outstanding 110 USRVs.	xoserve (NR)	Action: To be complete by 26.11.07

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0158 0013	14/11/2007	2.0	All to consider UNC Modification 0141a formula and the re-scaling of the existing USRV incentive charges.	All	Action: To be complete by 26.11.07
RG0158 0014	14/11/2007	2.0	All to re-consider the advantages and disadvantages of interest incentives.	All	Action: To be complete by 26.11.07