

Offtake Arrangements Workstream Minutes

Wednesday 24 March 2010

West Midlands Bridge Club, 909 Warwick Road, Solihull B91 3EP

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
Ben Hanley	(BH) Northern Gas Networks
Brian Durber	(BD) E.ON UK
Chris Shanley	(CS) National Grid NTS
Dennis Timmins	(DT) RWE npower
Graham Wood	(GW) British Gas
Leyon Joseph	(LJ) Scotia Gas Networks
Linda Whitcroft	(LW) xoserve
Luke Fieldhouse	(LF) National Grid NTS
Dr Michael Reader-Harris	(MRH) Independent Technical Expert (ITE)
Richard Wilson	(RW) National Grid NTS
Stuart Gibbons	(SG) National Grid Distribution
Tim Davis	(TD) Joint Office of Gas Transporters

1. Introduction

JB welcomed attendees, and explained the focus of the Workstream. It was confirmed that those present were authorised to agree decisions on behalf of their respective organisations.

2. Review of Minutes and Actions from previous meetings

2.1 Minutes from previous meeting (09 February 2010)

Subject to a few minor amendments, the minutes of the previous meeting were 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: Available on the Joint Office website at: www.gasgovernance.com/oa/240310

National Grid Distribution provided a written response to this action. AC gave a brief overview of the information provided, and pointed out that the estimates contained within

the note had not been revised at this stage, but a revised estimate may be available in the next few weeks. **Action closed**

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

Update: Joel Martin (SGN) provided the following written response: “SGN carry out and complete validation of Offtake metering as per the validation guidelines specified in ME2. The validations are not independently witnessed unless they coincide with an Ofgem audit event.”

The other DNs present (NGN, NGD) confirmed that their responses were the same as that made by SGN. Wales & West Utilities was not present at this meeting and had yet to provide a response. **Action carried forward for WWU only**

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

Update: Completed. **Action closed**

Action OF0202: National Grid UKD 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.

Update: National Grid Distribution provided a written response to this action; this is available on the Joint Office website at: www.gasgovernance.com/oa/240310. AC gave a brief overview of the information provided. It was believed that aggregation of quantities could be made at an LDZ level, but not across LDZs; there may be one or two LDZs that may use the 0171 methodology as opposed to market share.

GW pointed out that, although these were errors of the same nature, they were still individual errors, and how they were treated would have a different effect. AR said that if the errors were significant it was best to look back at market share. In the spirit of 0171 the errors would be added together and it was appropriate to pass them through as one LDZ reconciliation. BD agreed with that interpretation.

Various scenarios were then briefly discussed. GW stated that he would like to obtain a legal view from his company’s perspective, and would then challenge if appropriate. DT also believed that separate errors should be processed separately. BD was happy with the aggregation principle.

AC estimated that two LDZs would not trigger 0171 and that three would, but this estimate could change when the figures were known. AR added that a middle-ground position was being sought and taken.

AC added that no other feedback had been received at this stage, in relation to the information imparted in the note.

JB then summarised the position. Where the aggregations in an LDZ exceed the 50GWh threshold then the reconciliation will be done according to the 0171 rules; if less then it would be based on current market share (normal rules). It was noted that Shippers had expressed different opinions on this. AR confirmed that National Grid Distribution would proceed as described and according to the UNC. AC added that it would be helpful if Shippers lodged objections in advance, if appropriate.

Action closed

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

Update: National Grid Distribution provided a written response to this action; this is available on the Joint Office website at: www.gasgovernance.com/oa/240310. **Action closed**

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

Update: Completed. **Action closed**

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.

Update: Issues/questions were received from one Shipper and one Transporter, and were addressed by the ITE in this meeting. **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 summarised the progress made on the mis-measurement errors relating to two Offtake meters (which potentially affected a further thirty two National Grid Distribution's Offtake meters across all of its distribution networks).

The error had been calculated for Blackrod (two orifice runs) in percentage terms. There had been a period where both tubes manifested the same error, and a period where only one tube was affected and MRH described the method for calculating and determining the percentage of flow through each tube, and pointed out the opportunities for making additional errors if care should not be taken. The percentage corrections were displayed as a graph, and MRH confirmed that a similar calculation would work for any site displaying the same error. It would obviously be simpler where there is only one flow to take into consideration.

In response to questions from DT, SG explained how the error had occurred and been identified. On the assumption that a fee had been charged by the accredited laboratory, DT then asked if any liquidated damages had been agreed for such mistakes. SG confirmed this had been explored but was not being pursued.

3.2 Review of Technical Measurement Issues submitted by Users

One submission (from British Gas Trading) had been received in advance of the meeting, and the spreadsheet including MRH's written response had been republished on the website. The spreadsheet was displayed for further consideration and discussion.

Ref TMINW00105032010

Point 1 - Consideration of information relating to drain holes did not form part of the original remit.

Point 2 - MRH acknowledged the validity of the second point, however a change of emphasis in the wording, which he would be making, would not change the content/calculation.

Point 3 - In respect of the third point, 10 mbar was chosen because it makes no difference to the size of the correction and is about the minimum recorded.

GW thanked MRH for his responses to the points raised, and had no further comments to make.

3.3 Review of Technical Measurement Issues submitted by the Transporters

Three submissions (from National Grid NTS) had been received in advance of the meeting, and the spreadsheets had been republished on the website. These did not include the ITE's comments as he wished to respond at this meeting. The spreadsheets were displayed in turn for further consideration and discussion.

Ref TMINW00117032010A – Provision of Baseline Data to support Error Calculation

Point 1 - MRH agreed with LF that a fuller introduction was required, and a little more detail would be included in the description of the error. MRH did not have copies of the orifice plate certificates, only the numbers on the spreadsheets. It was assumed that the numbers were correct on the data provided to him. It should be possible for SG to source copies of the certificates, in order to provide an audit trail.

It was agreed that the whole flow computer configuration may not be relevant, but some parts would be worth including where they demonstrated consistency between the calibration certificate data and the configuration; 34 sets of a significant quantity of data would carry a cost both to produce and to process. It may be more difficult to source this information.

RW believed there would be merit in including the plate certificates and in establishing what was actually input to the flow computer. MRH added that sight of these would also help to validate the numbers he had processed and give confidence that no further error has been inadvertently introduced.

Action OF0301: SG to source, and provide to the ITE, copies of the orifice plate certificates, and where possible any relevant flow computer data for validation and inclusion in the SMER.

Point 2 – SG confirmed that the relevant plate serial numbers have been checked.

Point 3 - The suggestion of including some information in an appendix to the SMER was briefly discussed. MRH pointed out that one day = 300 – 400 lines on the spreadsheet; it would be possible to produce samples for validation.

Ref TMINW00117032010B

Point 1 – MRH responded that both that the tolerance in the laboratory measurement device was much lower than the errors experienced. The certificates should supply the number, but the spreadsheets he had compiled did not. If the certificates are not included, then MRH will extract the number and include details in the SMER.

Point 2 – MRH believed that an explanation as to how the corrected orifice plate measurements were calculated had already been included in the SMER, but he would revise it to make it clearer.

Ref TMINW00117032010C

Point 1 – MRH was unable to comment on drain hole correction, as he had not had sight of the flow computer configurations; if these were made available to him he would be able to provide an answer.

LF pointed out a discrepancy between Tables 1 and 2 (different calibration reference numbers). MRH responded that the numbers in Table 1 were extracted by copying from

(not by hand) the spreadsheet provided to him. Table 2 was a copy of what he was also sent. He agreed that they did not appear to be quite consistent. He was not sure why but would check.

LF then queried the numbers in the second column of Table 2. MRH responded that if there was an error there, it was not the error that he was engaged to look at. The identification and investigation of any other errors was not in his remit. He was therefore unable to offer an explanation.

Action OF0302: SG will look at the configuration to see if it is relevant and will provide flow computer configurations where obtainable.

Point 2 – MRH commented that he had not looked at this in terms of this remit; drain holes are more variable than the main holes, but small errors in drain holes make very little difference. MRH did not feel that consideration of these would add any merit.

RW asked if an explanatory statement could be included in the SMER to add completeness, to which MRH agreed and went on to observe that in terms of real flow measurement, they did not mean very much; normal values can be used each time.

Point 3 – MRH agreed to include the orifice plate serial number, and whether or not there was an error present, in each column in Table 2; this would make the Table more useful.

JB then summarised the discussions. British Gas' questions had been answered. An appendix would be added to the SMER to include:

- the orifice plate certificates
- single day spreadsheet
- a statement on the significance of drain holes.

SG confirmed that answers would be provided in terms of kWh rather than percentages (volume on a daily basis was required from the ITE; energy could be calculated from the volumes).

There were no further questions from those present.

Action OF0303: The ITE to review the SMER to include an appendix containing additional data, and further details as discussed and agreed.

3.4 Methodology Approval

Agreement was now sought to facilitate dealing with all the meters affected by this error as one SME, to be produced by a nominated ITE using the same methodology as has heretofore been applied.

GW asked what the alternative process would involve. AC explained that if it was decided to treat the remaining errors as MEs, National Grid Distribution could still contract with the current ITE. There would be a different sign off process with the Upstream Transporter – each one would have to be signed off individually.

The most efficient way would be to apply the same process as has currently been followed. RW added that he would prefer to see treatment as a SME. It was made clear that this was not because the individual Measurement Errors were likely to be Significant (ie above 50 GWh) – they would almost certainly not be. The SMER was the best way forward to minimise the disruption to industry processes both for Transporters and Shippers.

With MRH taking no part in the discussion, the Chairman sought nominees for the position from the Shippers, Upstream Party and Downstream Party. MRH was the only

person nominated. The three groups then agreed unanimously to recommend to the Offtake Committee that MRH should be appointed as the ITE to investigate and produce a SMER on the remaining associated errors. It was requested that the same methodology would be used as developed for the existing Significant Measurement Errors with the addition of items agreed at this meeting.

3.5 Billing Issues

LW explained that for invoicing purposes, the quantities to be billed in line with the Modification 0171 methodology, would be required by xoserve by the last working day of the month; and for the normal reconciliation process, the information would be required by the seventh working day of the month. The quantities for those meter errors adjusted over the 50 GWh threshold would be raised on an Ad Hoc invoice, and those quantities under 50 GWhs would be raised on the reconciliation invoice. Where both sets of data are received by xoserve within the timescales, the Ad Hoc invoice will be issued in line with the Reconciliation Invoice schedule.

At this stage it was difficult to determine exactly when these errors will be ready for invoicing but updates will be provided when known.

AC added that until MRH was formally contracted and had finished processing the remainder it was difficult to know how long it would all take.

GW suggested it would be appropriate to complete the process and keep it within the calendar year if possible, and asked what else was required to facilitate a speedy resolution. AC responded that figures may be available in July, but it may not come out on an invoice until August. GW sought further clarity, and AC will discuss further with National Grid NTS .

3.6 Next Steps

3.6.1 Completion of Process

GW then asked MRH how much work would be required to complete the process. MRH replied that the calculations were not difficult, but they were voluminous, and would involve scaling up. Further discussion may be required to decide on an appropriate approach as, because of the sheer quantity of data, the process may require some automation so it could be carried out more efficiently and effectively. He believed it might be accomplished by the end of June. Contract negotiations would be started today, with an offer to National Grid Distribution by the end of the week.

GW thought this sounded promising, and requested that Shippers be notified as soon as possible if any delays were likely to be encountered.

MRH will issue the first SMER relating to Blackrod, and the remainder would follow if the report format etc was agreed to be appropriate, or could be produced differently if that was deemed necessary.

RW questioned the accessibility of the errors/adjustments for audit purposes. Information would be made available on request or via a website, eg Joint Office of Gas Transporters, if necessary. MRH noted that it should be produced in such a way that parties could access and use it, and so that parties could check it for themselves if need be. He still felt that June was an appropriate target date to conclude everything.

In light of this JB concluded that, following the updating that would take place subsequent to today's discussions, the draft SMER could be issued for review and comment.

It was agreed that, once the draft SMER had been issued, 10 Business Days would be allowed for review and comment, and that an appropriate date meeting would be arranged to follow – but only if the comments justified meeting.

Action OF0304: The ITE to produce/issue the revised draft SMER for review and comment, following which JO to consider convening a Workstream meeting not less than 10 Business Days following issue of draft SMER.

GW requested that a draft timeline to cover the process be produced to provide a measure of assurance.

Action OF0305: Produce a draft timeline to cover process.

3.6.2 Review of 'Measurement Error Notification Guidelines for NTS to LDZ and LDZ to LDZ Measurement Installations'

The discussion then moved on to consider the opportunities for reviewing the 'Measurement Error Notification Guidelines for NTS to LDZ and LDZ to LDZ Measurement Installations'.

JB pointed out that at the time of its conception, aggregate errors had not been foreseen.

RW commented that on the whole the Guidelines seemed to have worked reasonably well in this first time of usage, but could be improved.

GW believed that as they had now been used for the first time, it would be a useful exercise to review the Guidelines, but suggested that as Stefan Leedham (as a primary author) was not present it might be more appropriate to wait until SL was available to contribute to the task.

AC thought that any review should be carried out as a separate session in order to give proper focus to any improvements that could be made but JB suggested that if only minor comments were received, the sessions could be combined.

It was agreed that the next meeting arranged in response to Action 0304, above, might usefully cover both approval of the SMER and the commencement of a review of the Guidelines.

4. Any Other Business

4.1 Notification of Other Types of Errors

GW had become aware of other errors through other meetings, such as the Billing Ops Forum, and wondered if there was a way that a single, wider communication route could be used to notify/raise industry awareness of errors in general. Were there any other accepted routes, other than this LDZ to LDZ route that was now available for these more focused errors? Could other areas be captured in the Guidelines perhaps?

It was understood that if a single party was affected or had a one to one contract then this would not be appropriate, but if the impact of an error would affect the RbD community then perhaps a better means of communication was required.

JB confirmed with the Transporters present that they would be happy to give consideration to this suggestion when reviewing the Guidelines.

5. Diary Planning for Workstream

The next meeting will be an Offtake Arrangements Workstream, and will be convened if necessary not less than 10 Business Days following publication of the draft SMER. Details of the meeting arrangements will be communicated when finalised.

The main focus of the meeting will be:

- To discuss the draft SMER if necessary

- To commence a review of the 'Measurement Error Notification Guidelines for NTS to LDZ and LDZ to LDZ Measurement Installations'.

ACTION LOG – Offtake Arrangements Workstream 24 March 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)	Closed
OF1051	16/10/09	3.3	DNs to confirm that consistent validation was carried out at Offakes and independently witnessed.	WWU (ST)	All DN's now responded, except WWU Carried forward to next Workstream
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)	Closed
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	Note provided. Closed
OF0203	09/02/10	3.1	National Grid UKD to produce an indicative timeline for billing etc.	NG UKD (AC)	Provided. Closed
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)	Completed. Closed

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
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	Completed. Closed
OF0301	24/03/10	3.3	Source and provide to the ITE, copies of the orifice plate certificates, and where possible any relevant flow computer data, for validation and inclusion in the SMER.	National Grid UKD (SG)	
OF0302	24/03/10	3.3	SG will look at the configuration to see if it is relevant and will provide flow computer configurations where obtainable.	National Grid Distribution (SG)	
OF0303	24/03/10	3.3	The ITE to review the SMER to include an appendix, additional data, and further details as discussed and agreed.	ITE (MRH)	
OF0304	24/03/10	3.6	The ITE to produce/issue the revised draft SMER for review and comment, following which JO to consider convening a Workstream meeting not less than 10 Business Days following issue of draft SMER.	ITE (MRH) and JO (JB)	
OF0305	24/03/10	3.6	Produce a draft timeline to cover process.	National Grid Distribution (AC)	

Key to Responsibility

AR – Alan Raper; LW – Linda Whitcroft; AC – Alison Chamberlain; JB – John Bradley; ST – Simon Trivella; MRH – Michael Reader-Harris

DNs – All Distribution Networks; Shippers – All Shippers