Offtake Arrangements Workstream Minutes

Friday 16 October 2009

31 Homer Road, Solihull B91 3LT

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
Brian Durber	(BD)	E.ON UK
Chris Shanley	(CS)	National Grid NTS
Christian Hill	(CH)	RWE npower
David Winter	(DW)	RWE npower
Graham Wood*	(GW)	British Gas
Joanna Ferguson	(JF)	Northern Gas Networks
Joel Martin	(JM)	Scotia Gas Networks
Karen Marklew	(KM)	xoserve
Linda Whitcroft	(LW)	xoserve
Luke Fieldhouse	(LF)	National Grid NTS
Mark Jones	(MJ)	SSE
Richard Wilson	(RW)	National Grid NTS
Simon Trivella	(ST)	Wales & West Utilities
Stefan Leedham	(SL)	EDF Energy
Steve Marland	(SM)	National Grid Distribution
Stuart Gibbons	(SG)	National Grid Distribution
Tracy Hine	(TH)	National Grid Distribution

** via teleconference*

1. Introduction

JB welcomed attendees and explained the purpose of this Extraordinary meeting of the Offtake Arrangements Workstream.

2. Review of Minutes and Actions from previous meeting (12 September 2008)

2.1 Minutes from previous meeting

The minutes of the previous meeting were approved.

2.2 Review of Actions from the meeting of 28 January 2008

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

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

2.3 Review of Actions from the meeting of 12 September 2008

Action OF1045: National Grid NTS to add column to the Look Up Table to display 'meter type' and populate.

Update: Completed. **Action closed**

Action OF1046: Joint Office of Gas Transporters to amend wording on page 14 of the Measurement Error Notification Guidelines to clarify the actions of the various Parties in respect of the voting sequence.

Update: Completed. **Action closed**

Action OF1047: National Grid NTS to amend capability to capture all issues onto the one spreadsheet.

Update: Completed. **Action closed**

Action OF1048: Joint Office of Gas Transporters to amend wording on page 32 of the Measurement Error Notification Guidelines to capture the inclusion of reasons for acceptance as well as rejection.

Update: Completed. **Action closed**

Action OF1049: Joint Office to contact all listed nominees to reconfirm areas of expertise and request provision of more detailed CVs.

Update: Completed. JB also confirmed that all previously listed Independent Technical Experts (ITEs) had been contacted in September 2009 as part of the annual review of the List and all had confirmed their desire to remain on the list for the year 2009/10. There were no changes to any qualifications, however Advantica had been taken over and was now part of the Germanischer Lloyd group and known as GL Industrial Services UK Ltd. **Action closed.**

3. Measurement Error Notifications

3.1 Confirmation of attendees' authorised status

The Chairman asked the Users present, the Downstream Transporter and the Upstream Transporter for confirmation that they were authorised to act for their organisations. This confirmation was given.

3.2 Report from the Downstream Transporter

SG, representing National Grid Distribution as the Downstream Transporter, gave a presentation describing the issue (which potentially affected 34 of National Grid's Offtake meters across each of its distribution networks) together with the validation and audit process that had led to the identification of the anomaly. It was pointed out that the auditor's check that led to the discovery of the error was not actually part of the routine audit requirements, but had been carried out outside the official remit.

The nature of the error was described (an error in the measurement of the bore dimension of the orifice plate), and SG confirmed that the root cause had been traced back to source (a calibration error of the KEMCO 700 machine calibration itself). A bias had been introduced on 13 October 2006 and removed following a further calibration on

05 October 2007; therefore all orifice plates measured during this period will have been in error.

BD asked if identification of the error should have triggered another inspection. SG confirmed that it was subject to further analysis. The impact of the error (under reading and under reporting) was then qualified in more detail, indicating a potential under registration of 600GWh of energy at LDZ entry. Timelines were displayed - from the identified start of the error up to its notification to the Joint Office, and also an example was provided of a site where an affected orifice plate had been installed and removed. The error was actually discovered during an audit at Whitwell (08 July 2009). The auditor issued a draft report and National Grid then instigated further analysis to ascertain the nature of the issue.

Noting that this particular issue had come to light outside the routine audit, GW asked what had triggered the auditor's impulse to carry out analysis outside of the remit; had the auditor been asked about it? SG responded that this was unknown.

GW also noted that a certificate of fitness for use had been issued, but its fitness was clearly in question; as this was not covered in a routine audit how would such errors be picked up in the future? SG responded that the calibrations were certified by an accredited organisation to a recognised standard. Remediation will be put in place such that orifice plates that have dimensional changes outside the uncertainty of measurement will be investigated, and the CMM will be checked on a routine basis to ascertain suitable repeatability. Responding to a question from CH, SG believed it was unlikely that the same laboratory would be used in the future.

GW questioned if there was any particular reason why details of the error could not have been released earlier, ie 11 September, rather than 14 October? AC responded that National Grid Distribution had wanted to check the details thoroughly first to come to a reasonable estimate of the position, and not wanting to assume too much, knowing that it would require an expert's opinion. A number of learning points had been recognised so far and other DNs would also seek to learn lessons from this incident.

3.3 Proposal to appoint a single Independent Technical Expert (ITE)

After discussion of the MEs, the Users, Upstream Transporter and Downstream Transporter were invited to indicate whether a single Independent Technical Expert should be appointed.

AC believed that it would take a good number of 'man days' to assess and analyse the error(s) and it was possible that any one expert may not be able either to commence the work as soon as required or to allocate as much time as might be required to complete the investigations. National Grid Distribution believed that initially the best course might be to concentrate an investigation on the two most significant errors, with prompt reporting, and then cover the other 32 as appropriate. It would be prudent to appoint an ITE and discuss with him/her what such an investigation might entail, before considering further action. It was recognised that churning out the calculations and the reports would take some time.

ST asked if it was a consistent bias. SG replied that this was not consistent across all sites – the magnitude varied slightly. It was suggested that the methodology that arose from the investigation of the two SMEs might practically be applied across all the other errors.

BD and SL agreed that it made sense to appoint a single ITE. How the ITE was instructed would be key; the ITE may have a different view of how the error(s) may be resolved. If the ITE could demonstrate that there was only one variable and that could be applied to all then may be that should be accepted.

AR observed that the SMEs will have to be investigated, and then the others could be worked through. A correction factor may be able to be applied to the calculations once

any trend had been identified. As part of the investigation, the factor to be applied will have to be established, and then this may enable the correction of the measurements for the remaining errors. AC acknowledged the necessity of keeping the Workstream regularly updated with progress and said that if extra assistance were deemed necessary to churn the calculations then National Grid Distribution would approach the Workstream to agree how to acquire the extra assistance.

The meeting agreed that a decision could be made to appoint a single ITE to investigate the two highest SMEs and to defer taking any action on the rest for the time being. This would not preclude the appointed ITE from looking at the others. The Downstream Transporter will then consult on the process for the remaining MEs. SL would expect one ITE to develop a methodology for all of the MEs. RW pointed out that the ITE may need to consider the calibrations of other equipment and that this could be an issue or even identify other issues? An expert methodology should be applied across all the errors to reduce the risk of challenge.

Following these discussions, JB concluded that a consensus had been reached. It was agreed that the Workstream would commence the process to choose and officially appoint a single ITE to investigate and develop a methodology for the two most significant MEs, which potentially could also be applied to the remaining MEs, in the interests of consistency.

All three groups of parties indicated that a single Independent Technical Expert be appointed to prepare a Significant Measurement Error Report for the two most significant MEs.

GW then commented that an understanding of how the debits/credits would flow in respect of the MEs would be welcome and requested an indication of how the invoicing process was likely to operate; Shippers would need to understand the financial impacts. LW responded that there were two ways, the Uniform Network Code171 method and the normal method.

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

There was a brief discussion the annual inspection process, and it was pointed out that Shippers did not have sight of the audit reports. Examinations were carried out with the agreement of Ofgem and the Upstream Transporter was present at many of the validations. GW commented that as Shippers were impacted greater transparency would be welcomed to give confidence that all was operating correctly.

The use of the terms “validation” and “audit” was clarified. The validation processes were clearly documented in Work Procedure T/PR/ME2 (available on the Joint Office website, under UNC Related Documents/Offtake Arrangements Document). (See further clarification in 5.0 below).

GW requested confirmation from the DNs that consistent validation was carried out at Offtakes and independently witnessed.

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

RW commented that all the NTS connects were being reviewed by the end of October and the relevant shippers were being contacted. Any identified issues would be brought back to the meeting and all parties would be engaged.

3.4 Eligibility of Independent Technical Experts (ITEs)

The Chairman outlined the Independent Technical Experts qualified to investigate and quantify an error with an Orifice Plate Meter.

3.5 Voting

The opportunity was given at this stage for each group to withdraw and confer and the Users, Upstream Transporter and Downstream Transporter each prepared and submitted up to three nominations on their respective nomination forms.

The Chairman then consolidated the list which, because of duplicates and one group only submitting two nominations, was refined to seven names, and invited each group to indicate its preferences on a ballot form explaining that the first preference would be awarded seven votes, the second preference six votes and so on. A further opportunity was given at this stage for each group to withdraw and confer.

The parties submitted their ballot papers; the votes were entered and totalled. The Chairman indicated the possibility of the Offtake Committee being required to adjudicate between nominees where votes were tied if the highest scoring nominee was unable to take up the appointment.

3.6 Announcement of result

The Chairman then announced that there was a clearly preferred nominee who would be the first person invited by the Downstream Transporter to take up the appointment. It was agreed that details of the voting would remain confidential but be retained by the Joint Office. The Joint Office would publish the name of the Independent Technical Expert on its website when he/she had accepted the appointment.

The standard Terms of Reference were then reviewed and no changes were indicated. It was agreed that the ToR would be recommended to the Offtake Committee.

Action OF1052: Recommend the agreed ToR to the Offtake Committee.

It was agreed that an Offtake Arrangements Technical Workstream would be convened and that this would be an open meeting. It would be arranged to take place at the end of November 2009 in Solihull.

Action OF1053: Make arrangements for Offtake Arrangements Technical Workstream (end Nov 09).

The Downstream Transporter would invite the preferred nominee to take up the appointment and would hold initial discussions to establish the most appropriate way forward. Confirmation of the appointment would be sent to the JO. An update would then be provided at the Offtake Arrangements Technical Workstream.

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

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

4. Measurement Error Notification – Wales & West Utilities

ST reported on a Pressure Transmitter fault at an Offtake at Gilwern (Wales South) where Wales & West was the Downstream Transporter. In accordance with Section 7 of the Measurement Error Notification Guidelines, his verbal report set out the background, cause and estimated impact of the Measurement Error, which was 50.7 GWh (assessed volume of error 4.67 mscm (under registration)). ST presented some timelines tracking the identification of the error and the actions subsequently taken.

The error was originally notified in March 2009, at which point it was estimated as ‘medium’, ie 30-50GWh, and GL Industrial Services had been commissioned to perform the analysis and produce a MER. The outcome of the analysis calculated the estimated energy to be

50.7GWh and it has therefore been reassigned to 'High' status, as set out under the Measurement Error Notification Guidelines now in use.

In response to questions, ST advised that the fault had been recognised through the triggering of an alarm in the Systems Operations Control Room, which had flagged up that the pressure was incorrect. ST pointed out that the DNs do not see the inlet pressure, and the fact that the inlet and the outlet had been incorrectly exchanged was not immediately evident to the DN.

As this error has been independently assessed by an ITE, ST proposed continuing to progress using the Measurement Error Notification Guidelines process and was keen for it to proceed to the Upstream Transporter for reconciliation. RW confirmed that he had reviewed the documentation, was satisfied with the fact that it had been evaluated by an ITE, and was ready to move forward with the reconciliation.

The Chairman asked for any further views on progression. All were satisfied with ST's proposal to progress to the Upstream Transporter for reconciliation, which would follow the UNC171 process. It was estimated this might take about 3 months before debits/credits flowed.

5.0 General discussion

There was a short discussion on the differences between a physical validation and an audit. SG briefly explained the ME2 validation for an orifice plate and that the National Grid Distribution notified errors would not have been identified at validation. There was an annual framework of audits, and sites to be audited were selected on various criteria, and in agreement with Ofgem's Technical Directorate. However, each meter is not audited. More than one type of audit was carried out every year, and there was another audit framework under Ofgem where a metering check is also carried out. A meter examiner goes out every year.

CH commented that an audit at random rather than as selected gives cause for concern. AR responded that the selection criteria used and agreed with Ofgem should not be described as "random". BD believed that an inability to pick up errors of these magnitudes called into question the current 'normal' audit process. What is the auditor actually auditing and what is the meter inspection covering? SL added that there were clearly many lessons to be learnt; more transparency was required and more certainty and assurance that adequate controls were in place, as Shippers pick up the bills. Some members suggested that a view of the audit documentation was therefore required. AR responded that it was difficult to know how greater assurance could be gained over and above the current use of accredited suppliers; how far back up the chain should one be reasonably expected to have to go to reach an acceptable level of confidence and assurance? SL reiterated that more transparency was required to give more assurance that correct validations/periods were accommodated, and questioned why an additional 3 months over the 12 months seemed to be cropping up.

6. Any Other Business

6.1 TCMF and reasons for UAG

SL said that at the last TCMF meeting National Grid NTS had reported that UAG had increased significantly to 22 GWh this year; these MEs may in some way be contributing to this increase. RW replied that these MEs were not the sole cause of an increase in UAG; there were many other factors in play.

SL responded that National Grid NTS had presented an implied increase of 300%. This was a large increase in UAG and he would like to know what was the cause – it was a big jump and not a cumulative effect – and asked where this should be discussed.

JB pointed out that there was a related current action outstanding at TCMF and suggested that discussion takes place there. If this turned out to be insufficient there were other meetings such as the Transmission Workstream that could discuss the issue.

RW believed that UAG was not running at anywhere near 22 GWh. There may be daily spikes but not over the year. SL suggested that RW refer to the TCMF presentation.

7. Diary Planning for Workstream

The next meeting will be an Offtake Arrangements Technical Workstream, and is scheduled to commence at 10:00 on Friday 29 November 2009, at 31 Homer Road, Solihull, West Midlands B91 3LT.

ACTION LOG – UNC Offtake Arrangements Workstream 16 October 2009

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**
OF1043	30/07/08	3.3	Produce draft templates for MERs and SMERs and circulate	National Grid NTS (RW)	**Closed**
OF1045	12/09/08	4.1	National Grid NTS to add column to the Look Up Table to display 'meter type' and populate.	National Grid NTS (RW)	**Closed**
OF1046	12/09/08	4.1	Joint Office of Gas Transporters to amend wording on page 14 of the Measurement Error Notification Guidelines to clarify the actions of the various Parties in respect of the voting sequence.	Joint Office of Gas Transporters (LD)	**Closed**
OF1047	12/09/08	4.1	National Grid NTS to amend capability to capture all issues onto the one spreadsheet.	National Grid NTS (RW)	**Closed**
OF1048	12/09/08	4.1	Joint Office of Gas Transporters to amend wording on page 32 of the Measurement Error Notification Guidelines to capture the inclusion of reasons for acceptance as well as rejection.	Joint Office of Gas Transporters (LD)	**Closed**
OF1049	12/09/08	4.2	Joint Office of Gas Transporters to contact all listed nominees to reconfirm areas of expertise and request provision of more detailed CVs.	Joint Office of Gas Transporters (JB)	**Closed**
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.	xoserve (LW)	
OF1051	16/10/09	3.3	DNs to confirm that consistent validation was carried out at Offakes and independently witnessed.	DNs	

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
OF1052	16/10/09	3.6	Recommend the agreed ToR to the Offtake Committee.	JO (JB)	Completed.
OF1053	16/10/09	3.6	Make arrangements for Offtake Arrangements Technical Workstream (end Nov 09).	JO (JB)	Completed.
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)	
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)	