

Development Work Group 0209 Minutes
Tuesday 15 September 2008
31 Homer Road, Solihull

Attendees

John Bradley (Chair)	(JB) Joint Office of Gas Transporters
Mike Berrisford (Secretary)	(MiB) Joint Office of Gas Transporters
Chris Warner	(CW) National Grid Distribution
Denis Aitchison	(DA) Scotia Gas Networks
George Glenn	(GG) ScottishPower
James Crump	(JC) Ofgem
Joanna Ferguson	(JF) Northern Gas Networks
Karen Kennedy	(KK) ScottishPower
Louise Hellyer	(LH) Total Gas & Power
Mark Jones	(MJ) SSE
Richard Street	(RS) Corona Energy
Sallyann Blackett (Proposer)	(SB) E.ON Energy
Stefan Leedham	(SL) EDF Energy
Steve Nunnington	(SN) xoserve
Steve Taylor	(ST) British Gas Trading
Sue Prosser	(SP) xoserve

Apologies

Phil Lucas	(PL) National Grid Distribution
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1. Introduction and Development Work Group Operation

1.1 Minutes from Previous Meeting

Chair (JB) pointed out that a small typographical error in the minutes of the meeting held on 06 August 2008 had been amended and the minutes republished. Thereafter, the minutes of the previous meeting were accepted.

1.2 Review of Actions from previous meetings

DWG0209 011 – SSE (MJ), provided a brief overview of his presentation on the potential impacts of modification 0640. A copy of the presentation is available to view or download at the Joint Office of gas Transporters web site at: <http://www.gasgovernance.com/Code/DWGs/Mod0209/15Sept08/>

He went on to advise members that this document is presented as an ‘initial view only’ for further consideration by the group.

The main points of interest discussed included:

- Monthly Process
 - some of the original ‘dead bands’ contained within the Code have been removed by implementation of subsequent UNC modifications, and
 - some members believe a monthly AQ process would be too often.

- Annual Process
 - Possible move of the calculation date from current 01 April to 01 October, as an April calculation date is the 'constraining factor' in an annual process;
 - Members concluded that it would make sense to undertake all annual actions at or around the same time each year;
 - Marginal threshold crossers which 'toggle' across the threshold are not a major concern, and
 - Possible 'change window' required to support an annual process.
- Scrapping 0640 provisions
 - Whilst most adjustments are relatively small, it still assumes that you are able to obtain the reads in the first place.
- Summary
 - Whilst an annual process may be the preferred option, regardless of which option is selected, simplicity is the key;
 - Going back to the opening read of a read period used for the AQ calculation is preferable;
 - Undertaking a once per year 'snap shot' identifying threshold crossers and then reconciling these may be beneficial;
 - Retention of a 0640 (or similar style) process remains preferable, and
 - Parallel running of any new process alongside the 0640 process in the first instance is required before scrapping 0640 altogether.

In concluding discussions, CW indicated that he would like to review the proposals and co-ordinate a response with xoserve before reporting back to the October meeting. Furthermore, he will complete a comparative review of the possible alternative regimes (i.e. timelines, frequencies etc.) and provide an update at a future meeting.

When asked, members indicated that they wish to review 0640 requirements outside the DWG0209 sphere of work, depending upon CW's findings.

Chair (JB) asked, and members agreed to close the action.

Action DWG0209 011: Closed

Action DWG0209 024: National Grid Distribution (CW) and xoserve (SN) to review and consider the 0640 provision proposals and report the findings back to the October meeting.

Action DWG0209 025: National Grid Distribution (CW) to undertake a comparative review of possible alternative regimes and provide an update.

DWG0209 015 – xoserve (SN) indicated that he has not undertaken a response to date and that CW would subsequently inherit this action.

CW opened discussions by reminding members that his colleague, P Lucas has on several occasions raised concerns surrounding read performance statistics. In line with this, National Grid Distribution has requested xoserve investigate the matter further as any potential 0209 benefits could be undermined by poor read performance. It is expected that statistics should be available in time for the next meeting. He went on to point out that it is vital

that group members are able to appreciate the potential impacts of poor read performance and develop enhanced processes to counteract this.

Chair (JB) reminded members that before closing today's meeting, the group will need to identify what may be missing from the benefits review prior to submitting their report to the October UNC Panel.

CW suggested that, as they currently stand, the business rules may fall short of requirements. He believes that they may well be 'over engineered' thereby falsely inflating potential system costs (especially inclusion of detailed validation requirements) and that a 'stripped down' version may be more cost effective. Further discussions highlighted the following points of interest:

- The validations, as currently developed, are an attempt at reducing manual interventions;
- It is doubtful that any modification, based on the current details, would deliver any significant savings for the Transporters;
 - However, xoserve could potentially benefit from a smoothing of their resource profile, and
 - It may be more about operational cost mitigation rather than concerns surrounding the initial system set up costs; the idea being to avoid 'loading' reconciliation.

CW indicated that it is National Grid Distribution's intention to now raise and submit to xoserve, a ROM (Rough Order of Magnitude), looking to identify the high level costs of introducing a monthly Annual Quantity (AQ) review and recalculation regime as advocated by UNC modification proposal 0209.

This ROM would request costs based on two (2x) possible options:

1. a fully engineered 'heavy' solution, to include full AQ validation and reporting mechanisms, and
2. a pared down 'light' solution, featuring only those requirements deemed essential to support implementation.

Additionally, the ROM would also seek a view on the comparative costs of implementation as part of Project Nexus, or alternatively, at an earlier point to Nexus implementation. However, it should be noted that the ROM request would not consider adopting a phased implementation approach (i.e. LSPs ahead of SSPs). An initial 'view' from xoserve indicates that the documentation would take at least a month to prepare.

In concluding discussions, Chair (JB) pointed out that in light of comments made, the members will need to review both the business and validation rules later in the meeting.

Chair (JB) asked, and members agreed to close the action.

Action DWG0209 015: Closed

Action DWG0209 026: National Grid Distribution (CW) to compile and submit a ROM request to xoserve looking to identify costs for two (2x) possible options for introduction of a monthly AQ review, plus potential Project Nexus implementation costs.

DWG0209 016 – Please see item 2 below.

DWG0209 017 – xoserve (SP) informed members that they (xoserve) are currently undertaking a review of their internal training materials before deciding if it is appropriate to publish them to a wider audience. However, it

remains her intention to prepare a simplified version for release in due course.

Chair (JB) asked, and members agreed to close the action.

Action DWG0209 017: Closed

DWG0209 018 – Chair (JB) advised members that an amended version of the validation rules had been published and a copy is available to view or download from Joint Office web site at:

<http://www.gasgovernance.com/Code/DWGs/Mod0209/06Aug08/>

Chair (JB) asked, and members agreed to close the action.

Action DWG0209 018: Closed

DWG0209 019 – Please see item 3 below.

DWG0209 020 – Please see item 4 below.

DWG0209 021 – Ofgem (JC) informed members that he had spoken to his colleague, N Nash on the matter. It remains difficult at this time to fully understand what information provision is actually required especially in light of potential audit requirements. It is therefore hoped that additional clarity will be available once this group have identified the various audit arrangements and with this in mind, the Authority would like to defer a decision at this point. JC did however point out that the Authority is looking to the industry to promote an element of 'self governance'.

Chair (JB) reminded members that currently information provision to the Authority is NOT a UNC obligation. Perhaps the group could/should consider what type of information (both public and restricted) would be appropriate for provision to the Authority. In this respect, 'public' information is anonymised. Members felt that information should continue to be provided.

JB pointed out that, historically, the Authority have requested information where any 'reasonable suspicions' have existed. JC supported this statement, but added a warning against potentially over burdening the Authority. SN advised members that currently they (xoserve) retain the option to escalate issues to the Authority where discussions with the various parties involved have failed to provide a satisfactory resolution. Whilst agreeing that this approach make sense, JC reiterated the fact that the Authority is keen to promote a degree of self governance, where appropriate.

Chair (JB) asked, and members agreed to close the action.

Action DWG0209 021: Closed

DWG0209 022 – E.ON (SB) advised members that she has not progressed this action to date because she believes that the Development Work Group Report may be subject to additional change in line with these discussions. It remains her intention to complete this action following completion of the meeting.

Chair (JB) asked, and members agreed to carry forward the action.

Action DWG0209 022: Carried forward

DWG0209 023 – Following a brief discussion, members agreed that this action should now be reassigned to ALL members to consider the costs vs benefits, especially in light of the fact that 0209 requirements are now considered over and above those of 0177.

Chair (JB) asked, and members agreed to carry forward the action.

Action DWG0209 023: Carried forward

2. Validation Rules

xoserve (SP), provided a brief overview of her presentation on 'The AQ calculation and validation process'. A copy of the presentation is available to view or download at the Joint Office of gas Transporters web site at:

<http://www.gasgovernance.com/Code/DWGs/Mod0209/15Sept08/>

SP informed members that the presentation is the same as the one provided at the August meeting with the addition of supporting meter point information and figures. She went on to remind members that as per discussions at previous meetings, members need to appreciate that Users will have to undertake additional validations of their own in future. In response, RS pointed out that cost vs benefit analysis of the new action item DWG0209 025 will be of paramount importance.

In closing, SN advised members that as a general 'rule of thumb', any validations that are currently in place will not be considered as optional in regard to their (xoserve's) comparison exercise.

Chair (JB) asked, and members agreed to close the action.

Action DWG0209 016: Closed

3. Detailed Business Rules

Chair (JB) provided a presentation on the business rules (v0.4) undertaking appropriate changes on-screen.

A copy of the 'original' draft and revised (marked up) versions of the business rules are available to view or download from the Joint Office web site at:

<http://www.gasgovernance.com/Code/DWGs/Mod0209/08Aug08/>

During discussion, members identified the following important factors:

- members indicated that the validation override principle is required for both possible system solutions (heavy or light), as it provides a facility to manage costs;
- members believe that some form of 'AQ Validation Rules' will be required, although a 'light' solution may require fewer supporting rules;
- the amended 'Winter Consumption' definition in the rules is identical to the current definition of WAR (Winter Annual Ratio = winter consumption / AQ). It was therefore agreed the current definition could remain;
- where the winter consumption is incorrect, Users will be able to utilise the appeal process;
- Users will need to undertake both AQ and winter consumption appeals to 'drive through' any changes;
- peak load factors influence provision of accurate winter consumption predictions;
- concerns remain surrounding which EUC band a profile is allocated to;
- unless appealed, the WAR band will be determined by the winter consumption in May and will apply from 01 October in that year,;
- any dates in [] are reliant on information to be provided by the system developers in due course;
- care will be needed in 'stripping out' the various validation rules to avoid being left in a position whereby only the 'heavy' and expensive solution is viable, and
- the ROM request will be broadly based upon these revised business rules.

In concluding discussions, Chair (JB) reminded members that clarity over what is, or is not, included in xoserve's comparison models, and the basis upon which each option is developed against changes to the current system is of paramount importance.

SN pointed out to members that currently, the system can not differentiate between a pre payment (ETM) or AMR meter.

Chair (JB) agreed to take an action to publish updated business and validation rules to enable National Grid Distribution to prepare a ROM request.

SP agreed to take an additional action to develop an appeals process presentation for consideration at the October meeting.

Chair (JB) asked, and members agreed to close the action.

Action DWG0209 019: Closed

Action DWG0209 027: Joint Office (JB) to prepare and publish a revised business and validation rules document as soon as is practicably possible.

Action DWG0209 028: xoserve (SP) to develop an appeals process presentation for consideration at the October meeting.

4. Publication of Information

In discussing this item, members highlighted the following points of interest:

- currently there exists two (2x) annual AQ meetings and in future the industry will require a vehicle with which to manage information provisions – what is required and by whom;
- report content will be of paramount importance, such as aggregate AQ information, behavioural patterns etc.;
- consideration of appropriate governance mechanisms is required as it is not xoserve's role to 'police' the industry;
 - Reviewing of the reporting frequency should be via the Uniform Network Code Committee;
- what should be the preferred reporting frequency – monthly or annual?;
 - The real issue here is in fact at which forum should these be considered – the AQ sub group was suggested but it was agreed that a formal UNC body such as the Distribution Workstream is appropriate if it is to be referenced in the UNC itself, and
 - Members concluded that for the 12 months following completion of the final implementation phase of the new rolling AQ regime, the reporting should be on a monthly basis.

Chair (JB) asked, and members agreed to close the action.

Action DWG0209 020: Closed

5. Development Work Group Report

Chair (JB) asked, and members confirmed that sufficient detail had been provided during the business rules discussions for xoserve to undertake a meaningful comparison exercise.

SL reminded members that the regime will be rolled out to both LSP's and SSP's. Chair (JB) asked, and CW confirmed that his ROM request will include a cost impact based upon both a phased and big bang approach. JB reminded members that once

xoserve provide their comparison models on behalf of the Transporters, Shippers will need to consider the options.

Chair (JB) informed members that due to the fact that further work is required from the group in light of the proposed course of action, he will be requesting an extension to the group's reporting deadline at this month's UNC Panel meeting. The aim of this is to provide the group with sufficient time to complete its work with a view to presenting their report at the January 2009 UNC panel meeting.

At this point. members agreed to defer further consideration of the Development Work Group Report until the next meeting.

Action DWG0209 029: Joint Office (JB) to request a three (3) month extension to the workgroups reporting deadline to January 2009 to facilitate further investigations and development of potential solutions for a rolling AQ regime.

6. Diary Planning for Work Group

Members discussed rescheduling the proposed 06 October meeting date to a date in early November.

Post meeting note: a room at 31 Homer Road has been provisionally booked for Wednesday 05 November 2008, with the meeting commencing at twelve noon.

7. AOB

When asked about whether or not the work being undertaken by this group is being reported to the various iGTs, JB responded (in KK's absence) by indicating that he believed that it is.

APPENDIX A.

ACTION LOG – Development Work Group 0209

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
DWG0209 011	15/07/08	2.2	Investigate 0640 potential impacts on a validation process and report back at the next meeting.	SSE (MJ)	Update provided. Closed
DWG0209 015	15/07/08	6.0	Provide analysis of read performance against the current required submission frequencies over a representative period	xoserve (SN)	Update provided. Closed
DWG0209 016	06/08/08	2.1	Provide further analysis of her figures to identify a carry forward ratio (based on 2008 data).	xoserve (SP)	Update provided. Closed
DWG0209 017	06/08/08	2.1	Provide a copy of the xoserve training guidelines which highlight how to undertake an AQ validation check.	xoserve (SP)	Update provided. Closed
DWG0209 018	06/08/08	2.3	Review the validation rules document and make appropriate amendments with a view to publication in time for consideration at the next meeting.	Joint Office (JB) & xoserve (SP)	Update provided. Closed
DWG0209 019	06/08/08	3.0	Members to consider the revised business rules and report their views at the next meeting.	All	Update provided. Closed
DWG0209 020	06/08/08	4.0	Members to consider the merits of aggregating the monthly reports into one annual report.	All	Update provided. Closed
DWG0209 021	06/08/08	4.0	Double check with N Nash and identify/clarify what they (the Authority) actually want, based upon N Nash's rationale, in terms of information provision.	Ofgem (JC)	Update provided. Closed
DWG0209 022	06/08/08	5.0	Proposer to look to compare her 'original' proposal wording with the work group report to ensure correct alignment.	E.ON Energy (SB)	Update due at October meeting.

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
DWG0209 023	06/08/08	5.0	Proposer to look at the benefit summary for UNC modification 0177 and it's potential inclusion within the work group report.	All	Update due at October meeting.
DWG0209 024	15/09/08	1.2	Review and consider the 0640 provision proposals and report the findings back to the October meeting.	National Grid Distribution (CW) & xoserve (SN)	Update due at October meeting.
DWG0209 025	15/09/08	1.2	Undertake a comparative review of possible alternative regimes and provide an update.	National Grid Distribution (CW)	Update due at October meeting.
DWG0209 026	15/09/08	1.2	Compile and submit a ROM request to xoserve looking to identify costs for two (2x) possible options for introduction of a monthly AQ review, plus potential Project Nexus implementation costs.	National Grid Distribution (CW)	Update due at October meeting.
DWG0209 027	15/09/08	3.0	Prepare and publish a revised business and validation rules document as soon as is practicably possible.	Joint Office (JB)	Update due at October meeting.
DWG0209 028	15/09/08	3.0	Develop an appeals process presentation for consideration at the October meeting.	xoserve (SP)	Update due at October meeting.
DWG0209 029	15/09/08	5.0	Request a three (3) month extension to the workgroups reporting deadline to January 2009 to facilitate further investigations and development of potential solutions for a rolling AQ regime.	Joint Office (JB)	Update due at October meeting.

*** Key to action owners**

SP Sue Prosser, xoserve

SB Sallyann Blacket, E.ON Energy

SN Steve Nunnington, xoserve

CW Chris Warner, National Grid Distribution