

Development Work Group 0209 Minutes
Wednesday 18 June 2008
31 Homer Road, Solihull

Attendees

John Bradley (Chair)	(JB) Joint Office of Gas Transporters
Mike Berrisford (Secretary)	(MiB) Joint Office of Gas Transporters
Dawn Jarvis	(DJ) EDF Energy
Eleanor Laurence	(EL) EDF Energy
George Glen	(GG) ScottishPower
Joanna Ferguson	(JF) Northern Gas Networks
Karen Kennedy	(KK) ScottishPower
Mark Jones	(MJ) SSE
Phil Lucas	(PL) National Grid Distribution
Richard Street	(RS) Corona Energy
Sallyann Blackett (Proposer)	(SB) E.ON Energy
Simon Howe	(SH) RWE Npower
Stefan Leedham	(SL) EDF Energy
Steve Marland	(SM) National Grid Distribution
Steve Nunnington	(SN) xoserve
Steve Taylor	(ST) British Gas Trading
Sue Prosser	(SP) xoserve

Apologies

Denis Aitchison	(DA) Scotia Gas Networks
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1. Introduction and Development Work Group Operation

1.1 Minutes from May Meeting

Chair (JB) pointed out to members that following the previous meeting the notice (dated 16/05/08) advising members that the minutes had been published also included a statement covering the 'naming and shaming' debate.

1.2 Review of Actions from previous meetings

DWG0209 001 – In the absence of D Aitchinson, Chair (JB) advised members that DA had spoken with his legal team who have indicated that legal text will be available in time for inclusion within the Draft Modification Report for 0209.

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

Action DWG0209 001: Closed

DWG0209 002 – Chair (JB) advised members that he had received two responses relating to the 'threshold requirements' and that these will be discussed in more detail elsewhere in the meeting.

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

Action DWG0209 002: Closed

DWG0209 003 – Chair (JB) advised members that whilst no specific responses relating to the Small Supply Point (SSP) Appeals process had been received, this matter will be discussed in more detail elsewhere in the meeting.

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

Action DWG0209 003: Closed

DWG0209 004 – E.ON Energy (SB) advised members that she had prepared a presentation on the Load Factor Variation which would be discussed in more detail elsewhere in the meeting.

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

Action DWG0209 004: Closed

2. Development Group Discussions

2.1 Draft Legal Text (for inclusion within the business rules)

Members agreed that this topic had been sufficiently covered under item 1.2 above.

2.2 Threshold Requirements

Centrica (ST) provided a presentation on AQ Threshold Analysis, a copy of which is available to view or download from the Joint Office of Gas Transporters web site at: <http://www.gasgovernance.com/Code/DWGs/Mod0209/18June08/>

xoserve (SN) suggested that adopting a different threshold level would give little or no tangible benefits as they (xoserve) have to process the AQ reads anyway.

Members went on to discuss the implications of this presentation. Where a change in AQ leads to a threshold being crossed eg SSP to LSP, a different percentage change would be required to initiate a change in Supply Meter Point type than would apply to a simple change in AQ. Whilst the Centrica presentation concentrated on SSPs, thresholds for LSPs will need separate consideration. Some members didn't see the necessity of being informed when the AQ is retained because the change is small but other members wished to be informed. Due to the significant amounts of work associated with validation processes surrounding AQs, it was worth considering whether or not ALL AQ movements should be captured, although some form of tolerances may be needed to support a monthly rolling AQ process. A number of change threshold options were discussed, including no change threshold for SSPs and even Shipper specific change thresholds pre-agreed with xoserve. It was acknowledged, however, that any shipper specific approach would involve additional costs. Members agreed that repeating the 'current' Annual AQ process twelve times per year would be neither feasible or economically viable.

xoserve, in response to a question stated that it doesn't have a 'feel' at present for costs associated with a threshold based solution and would need to consider what other 'tolerances' should be applied to AQ reads.

EDF Energy saw their suggested approach to the 'Minimum Change Threshold' as being capable of providing major benefits for Shippers if it were associated with a reduction in their incoming flows. However, members acknowledged that it remains difficult to agree the 'final' details of tolerances as the two responses do not provide objective reasons behind particular

tolerance suggestions. Other members indicated that they would like to further consider the potential costs associated with the removal of the SSP threshold before committing to any particular tolerance level. Members also acknowledged that ultimately the degree of sophistication implemented will be influenced by the costs and how they are funded.

xoserve pointed out the assumption that Shippers will not need to change their systems to accommodate the suggested changes, is incorrect and Shippers would incur some costs as xoserve believe that accommodating these requirements would be a new development. xoserve also pointed out that adopting a 'non tolerance' approach, would be more cost effective to adopt up front, rather than later on down the line. Members acknowledged that the easiest tolerance level to justify would be zero, as this would maintain the 'status quo' and setting the tolerance is the important element;

Some members pointed out that adoption of a rolling AQ process and the effect of 'matching' AQs to consumption changes quicker might affect timing and frequency of reads.

One member suggested that a 'flag' could be set against an AQ read at the (first) submission stage, so that it would not be validated.

Members agreed that clear identification of both the benefits and costs of any proposed AQ threshold changes is needed.

2.3 SSP Appeals Process

In opening, Chair (JB) reminded members that under the current AQ regime there is effectively a two stage appeals process and that the suggestion is to retain only the second stage and apply this to both LSPs and SSPs. Members concluded that some form of an appeals process will be required to address the issue of historically incorrect read data. SN supported this view by suggesting that the read replacements should become the 'de facto' process as it will go a long way towards eradicating erroneous data. He added that presently the read replacement facility is under utilised which provides an opportunity for improvement and members should be mindful of their obligations in this area. Chair (JB) pointed out that trying to deliver an appeal window in the 1st instance will be difficult. Members remained uncertain as to whether or not this will be a major issue under a monthly read regime.

When asked, SN advised members that xoserve never revert back to previous AQs as the principle remains that Shippers should amend their erroneous AQs, as this is a Code obligation and currently any incorrect AQ reads can sit there for up to 18 months. SM suggested that 'capacity risk' could be negated by the adoption of an annual SOQ review and furthermore, improved AQs would provide energy balancing benefits. Transporters are of the opinion that the benefits will be provided via improvements in the AQ processes. He did not support a monthly SOQ approach especially in light of the fact that load factors impact upon any changes to the SOQ approach. It would be difficult for DNs to accurately predict consumption for the purpose of charge setting and this could lead to instability in prices which is not in the Shippers' interest. RS warned that care is needed when considering who may be affected by the Transporters allowed revenue collection based around SOQs. Opinions remained divided over who would actually reap the benefits from adoption of a monthly rolling AQ regime if it were applied to SOQs as well. It could, for example benefit LSP sites at the expense of the SSPs.

SM remained concerned that there will be a potential for under/over recovery as AMRs will potentially be amending their AQs on a more regular basis than non AMRs. JF responded by suggesting that providing more (12x) AQ readings should provide for an improved trend indicator over and above a simple annual review approach. SM suggested that members might like to consider moving the AQ (SOQ) process to April each year (ie, book your SOQ once per annum) whilst adopting a monthly rolling AQ. Some members remained unconvinced that this approach would provide any real benefits as the assumption that all AQs will reduce is flawed. SM reiterated that he supports the principle of a rolling AQ, but NOT a rolling SOQ. RS responded by suggesting that the issue is what to do with out of date SOQs as he finds it increasingly difficult to justify to his consumers why they get charged for energy, regardless of whether or not they utilise it.

Chair (JB) suggested that National Grid Distribution's concern stems from the potential pricing instability wondering if members wanted yearly or monthly pricing certainty, as they (the members) appear to advocate moving towards a monthly rolling AQ and SOQ approach. Members suggested that moving towards an April price review when actual AQs remain unknown until October remains a concern and they do not necessarily believe that weather variations are a major impact.

In closing, members indicated that whilst in broad support of an SSP appeals process they will need time to appreciate the pro's and con's from both sides before making up their minds.

2.4 Historic (recent) Load Factor Changes

E.ON Energy (SB) provided a presentation on Load Factor Variation, a copy of which is available to view or download from the Joint Office of Gas Transporters web site at: <http://www.gasgovernance.com/Code/DWGs/Mod0209/18June08/>

SB summarised some of the key considerations, as follows:

- No conclusions have been drawn in preparing the presentation;
- Load factors do impact upon SOQs;
- Data for 2002/3 is missing as it was not available on E.ON's system;
- Ignore band 9, as theoretically there should be no loads in there;
- Suggestion is that there will be no general update of SOQs due to load factor change in October but instead the new load factors will be applied when AQs and SOQs are revised as part of the rolling process ;
- When seasonal normal demand (SND) changes, load factors will also make a step change;
- Looking at the 'EUC Band 1 (SSP Area) slide, movement trend is around 1% over 7 year period and a 'static' AQ has been applied;
- Looking at the 'Various LF/PL changes' slide, EUC Band 2 is similar in behaviour to Band 1;
- Bands 3, 4 and 5 look as though they maybe doing something different to bands 1 and 2;
- On the 'Peak Load changes' slide, assumption is that LF changes whilst AQ does not;
- On the 'Year on year variability of load factors' slide, data is weather corrected;

- Peak load can be impacted by process load;
- Red indicated a reduction with a possible 'split' in 2005/6 being down to seasonal demand impacts;
- Looking at the 'Load Factor Movement' slide, in bullet point two - as a general rule of thumb, AQs have reduced over the same period;
- Considering the 'Impact from an AQ reduction' slide, it would appear that AQ changes have a bigger impact on peak loads than LF's do;

In closing, SB pointed out that the Modification Proposal proposes that when you do a SND change you will apply a 'scaling factor' to your AQs, and could therefore, apply a load factor recalculation at the same time. Furthermore, as AQs change once every 5 years, and assuming implementation of the modification in 2012, the next real change would be 2015.

2.5 Validation Rules Discussion

Members took the opportunity to discuss the validation rules requirements in light of the EDF Energy 'Rolling AQ Review Group 0209 Suggested Tolerances and Validations' representation. A copy of this document is available to view or download from the Joint Office of Gas Transporters web site at: <http://www.gasgovernance.com/Code/DWGs/Mod0209/18June08/>

In response to EDF's proposal to not submit USRVs for AQ calculation, SN reminded members that currently no USRV validation takes place and there will be costs associated with 'linking' the USRV and AQ systems and processes. Some members disagreed with EDF's view that not submitting USRVs would remove the requirement for the 500% tolerance, suggesting that there will still be a need to retain this tolerance in order to capture additional items. With regard to potential USRV errors, RS suggested that views on this depend heavily on the differences of processes between individual Shippers. Members remained concerned about timing and tolerance issues surrounding a proposed non submission of USRVs. SN pointed out that the timings of processes associated with a rolling AQ will be a development issue.

In response to the proposal that AQs would go live on the 1st of the month with notification (receipt of the file) occurring later, SN suggested that this approach could have implementation impacts and cost maybe an issue. PL reminded members that defining any timescales within Code will need due consideration. SB added that this will also need to be considered in more detail during the development of the business rules.

Looking at the table of data, members discussed the potential validation processes associated with 1st and 2nd level tolerances, concluding that care is needed to avoid over complication. Furthermore, some members believe there is advantage in adopting the above approach coupled with an ability to 'flag' any AQ failed readings in month one without having to wait until month three. KK advised that she believes that some form of validation is required to help prevent potential 'gaming' behavioural patterns emerging.

In response to EDF's claim that process automation will deliver benefits, SN warned that regardless of which option is proposed, there is a potential for significant system costs to be incurred as there will be need for increased data retention. Additionally, members should note that currently xoserve do not apply a 500% tolerance on LSP sites. Chair (JB) sought to summarise views that the tolerance % will vary in accordance with the AQ level. Considering the simpler option of a validation on SSPs only, EL suggested

that a minimum value for threshold crossers is all that would be needed. SH suggested that there are potential issues surrounding the removal of the 'dead band crossers' in light of their removal as part of the implementation of Network Code Modification 0640 "End of Year Reconciliation of Specific Categories of Smaller Supply Points". SN reminded members that the essence of 0640 was to incentivise Shippers to inform xoserve of any AQs moving from SSP to LSP. SP supported this by adding that in its current guise 0640 would not 'fit in' with a rolling AQ approach. Chair (JB) reminded members that a real 500% change in AQ would appear more gradually with a monthly rolling AQ than it does with the current annual process.

SP and SN advised members that they (xoserve) had looked into applying the 500% validation to domestic market threshold crossers and advised that members should also consider the potential impacts.

Summarising the high level validation statements, SL stated that their (EDF's) proposals would provide for:

1. step changes;
2. reduce potential 'gaming' issues, and
3. the development of different validation rules for AQs with a value of 1.

When considering the 'All reductions (other than negatives) will be accepted' statement, Chair (JB) suggested that should EDF's proposal be adopted, the systems would need to be flexible enough to cater for ALL validation tolerances (band by band and +or- values). SN warned members that this has the look and feel of a 'gold plated' solution and that the potential system costs could be extremely high for little or no tangible benefits.

The meeting then proceeded to discuss threshold crossers. SL suggested that there may be a need for two business rules to 'cover' threshold crossers, whilst SB believes the problem is more to do with those AQs which 'flick' in and out of RbD. SL suggested that their (EDF's) table is open for discussion.

Chair (JB) asked if any other members had been able to do any analysis in this area, to which the answer was no.

In closing this item, Chair (JB) suggested that there are two possible options and two key considerations to be developed, as follows:

Options

1. adopt EDF's suggested approach, or
2. apply a 500% tolerance over ALL SSPs

Considerations

1. if the options look to be too costly, can they be simplified, and
2. if the number of occurrences are low, what % tolerance should be applied

3. Consider Terms of Reference

Chair (JB) advised members that the Terms of Reference will be considered at the 19 June 08 UNC Modification Panel meeting.

A copy of the revised terms of reference (v1.0) are available to view or download from the Joint Office web site at: <http://www.gasgovernance.com/Code/DWGs/Mod0209/ToR/>

4. Work Group Process (Workplan)

Chair (JB) advised members that the Workplan will be considered at the 19 June 08 UNC Modification Panel meeting.

A copy of the revised workplan (v1.0) is available to view or download from the Joint Office web site at: <http://www.gasgovernance.com/Code/DWGs/Mod0209/ToR/>

5. Strawman

Members undertook a review of the strawman document, an updated copy of which is available to view or download from the Joint Office of Gas Transporters web site at: <http://www.gasgovernance.com/Code/DWGs/Mod0209/18June08/>

The following items were discussed:

- the question of whether or not USRVs should be excluded altogether - SB agreed to take an action to examine what level of validation would be required to facilitate the capture of USRVs;
- consideration of whether or not validation needs to be included and built in up front rather than at a later date, whereupon costs maybe prohibitive;
- deferral of DM consideration until a later meeting (session) - SB agreed to take an action to once again provide a copy of her minimum read period analysis;
- continued retention of the maximum three year consumption period to address any potential annual read issues and provide a similar 'backstop' to the current regime;
- assessment of the impacts of different minimum consumption periods in light of the fact that Code defines that Users will always utilise the nine months plus one day minimum consumption period - SB agreed to take an action to examine the NDM samples with regard to assessing the impacts of utilising either a 12 month + 1 day or 6 month + 1 day in preference to the current 9 month + 1 day approach;
- retain the current 50 and 42 week consumption target periods for monthly and non monthly in light of the fact that xoserve have drawn a 'blank' when discussing the matter with legal representatives – PL agreed to take an action to look into the historic Network Code Modifications that relate to the AQ consumption target periods;
- AQ increases of over 500% will need to be documented in line with the EDF proposals;
- consideration of whether or not a SSP threshold required;
- when asked, the consensus was that an SSP appeals process is required and we should 'stick with' the current LSP appeals process;
- members agreed that User Anonymity should be retained;
- all LSPs and SSPs should be included as part of the development of the UKLink Replacement;
- it should not be assumed that the 2012/13 UKLink Replacement (project Nexus) dates are cast in stone at this time;
- investigation work remains ongoing for LSPs becoming SSPs (and visa versa) when AQ changes are >5%;
- consideration of a possible replacement modification for 0640 is ongoing; and finally

- acknowledgment of the possible different impacts depending upon whether or not, Code Modification 0175 “Encouraging Participation in the elective Daily Metered Regime”, is implemented.

Action DWG0209 005: E.ON Energy (SB) to examine what level of validation would be required to facilitate the capture of readings that would have led to USRVs and report back to the July meeting.

Action DWG0209 006: E.ON Energy (SB) to provide a copy of the minimum read period analysis for consideration at the July meeting.

Action DWG0209 007: E.ON Energy (SB) to examine the NDM samples with regard to assessing the impacts of utilising either a 12 month + 1 day or 6 month + 1 day in preference to the current 9 month + 1 day approach.

Action DWG0209 008: National Grid Distribution (PL) to investigate all implemented Network Code Modifications that potentially relate AQ consumption target periods with a view to providing an update at the July meeting.

6. Diary Planning for Work Group

Chair (JB) provided a brief outline of the proposed workgroup meetings as follows:

- 15 July 2008 11.00 – National Grid Office, 31 Homer Road, Solihull
- 06 August 2008 12.00 – National Grid Office, 31 Homer Road, Solihull
- September and October meeting details to be confirmed in due course.

JB explained that there were only a limited number of time-slots at 31 Homer Road and this had caused the start time to vary from the optimum.

7. AOB

None.

APPENDIX A.

ACTION LOG – Development Work Group 0209

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
DWG0209001	14/05/08	4.0	consider preparing suggested legal text in time for inclusion within the business rules and to report back	Scotia Gas Networks (DA)	Update provided. Closed
DWG0209002	14/05/08	5.0	Consider threshold requirement in time for discussion at Session 2.	All members	Update provided. Closed
DWG0209003	14/05/08	5.0	Consider their positions with regard to the SSP Appeal Process.	All members	Update provided. Closed
DWG0209004	14/05/08	5.0	Investigate recent historic load factor changes and report her findings at the Session 2 meeting.	E.ON Energy (SB)	Update provided. Closed
DWG0209005	18/06/08	5.0	Examine what level of validation would be required to facilitate the capture of readings that would have led to USRVs and report back to the July meeting.	E.ON Energy (SB)	Update due at the July meeting.
DWG0209006	18/06/08	5.0	Provide a copy of the minimum read period analysis for consideration at the July meeting.	E.ON Energy (SB)	Update due at the July meeting.
DWG0209007	18/06/08	5.0	Examine the NDM samples with regard to assessing the impacts of utilising either a 12 month + 1 day or 6 month + 1 day in preference to the current 9 month + 1 day approach.	E.ON Energy (SB)	Update due at the July meeting.
DWG0209008	18/06/08	5.0	Investigate all implemented Network Code Modifications that potentially relate AQ consumption target periods with a view to providing an update at the July meeting.	National Grid Distribution (PL)	Update due at the July meeting.

In addition a number of actions were identified on the straw man update presentation placed on the Joint Office website.

*** Key to action owners**

PL Phil Lucas, National Grid Distribution

SB Sallyann Blacket, E.ON Energy