

Distribution Workstream Minutes
Energy Related Proposals
Wednesday 04 March 2009
Holiday Inn, 61 Homer Road, Solihull

Attendees

Bob Fletcher (Chair)	BF	Joint Office
Helen Cuin (Secretary)	HC	Joint Office
Alison Jennings	AJ	xoserve
Amrik Bal	AB	Shell Gas Direct
Bali Dohel	BDo	Scotia Gas Networks
Brian Durber	BD	E.ON UK
Chris Warner	CW	National Grid Distribution
Fiona Cottam	FC	xoserve
Gareth Evans	GE	Waters Wye
James Crump	JC	Ofgem
Joanna Ferguson	JF	Northern Gas Networks
Joel Martin	JM	Scotia Gas Networks
Linda Whitcroft	LW	xoserve
Mark Jones	MJ	SSE
Mark Woodward	MW	xoserve
Mitch Donnelly	MD	British Gas
Phil Broom	PB	Gax de France
Richard Dutton	RD	Total
Richard Street	RS	Corona Energy
Simon Howe	SH	RWE Npower
Simon Trivella	ST	Wales & West Utilities
Stefan Leedham	SL	EDF Energy
Tim Davis	TD	Joint Office

Apologies

1. Introduction and Status Review

1.1. Minutes from the 09 February 2009 meeting

BD questioned the ability of the Joint Office facilitating the tender and contract process for UNC0229. TD confirmed that the Joint Office is not a legal entity or a recognised party in the UNC.

The following amendment was requested and agreed:

LW ~~expressed concern~~ noted that if xoserve are involved facilitating the appointment process it would preclude them from being able to tender their services.

The minutes from the previous meeting were then approved.

1.2. Review of actions from the 09 February 2009 meeting

Action 0013: All to consider UNC0231's £1,000 limit and provide views.

Action Update: MD confirmed that feedback had not been provided however he understood that the information would be commercially sensitive. He suggested that the information could be collated by Ofgem or the Joint Office for aggregation. **Carried Forward.**

Action 0015: MD to update 0231 strawman and provide an update at 15 January's meeting.

Action Update: MD confirmed that this action has been superseded. **Complete.**

Action 0028: AB to update UNC0229 strawman.

Action Update: AB provided and updated strawman which has been published on the website. **Complete.**

Action 0029: All to consider British Gas' Draft Cyclic read Modification and provide feedback.

Action Update: See item 3.1. **Complete.**

Action 0030: JC to obtain a view from Ofgem on how the industry could best review the theft of gas arrangements.

Action Update: JC believed that Ofgem may not be best placed to instigate and chair a review group. He believed it would be best dealt with by the industry rather than Ofgem. He wished to make it clear that Ofgem believe a review is required and that Ofgem would support any review process, but due to the scope of the review, Ofgem believe that any action should come from within the industry. He confirmed that Ofgem do not have a panacea, they cannot force the industry to take action.

RS made a reference to the governance and policy review, he confirmed that Ofgem have recognised within their consultation the use of industry wide governance. He believed the industry has asked Ofgem for their assistance but the message portrayed is at odds with the consultation. RS expressed the industry need help to review theft as it meets the requirements of a major policy review, looking at the all the associated codes and current arrangements which cannot be fixed solely by UNC changes. He highlighted a number of other parties which need to be involved which included Meter Readers, MAMs. And UIPs.

It was generally agreed by the group that a central body is required where there was a cross governance input. TD agreed that Ofgem need to support any policy review process. GE suggested the way forward may be to raise a modification for Ofgem to provide a view on whether this is a major policy review. It was agreed that the secretarial arrangements need not be provided by Ofgem but their support in setting the scope was needed to ensure success.

RS confirmed that the UNC route hampered UNC0208 as the participants needed to be wider than the UNC parties. JC made it clear that Ofgem would support, however he was concerned about imposed decisions being made. RS confirmed that there was no forum, and that all is required is a forum where the industry can get together but there needs to be a party to centrally facilitate a forum. MD gave the example of RG0157 which formed a CSEP NExA review group heavily supported by Ofgem, this was lead by industry participants.

JC confirmed he may have misinterpreted what was being asked of Ofgem and that he would take back the concerns relayed to him and re-consider the best way to gain cross industry support to review theft. MD confirmed that Andrew Watson has been provided with a terms of reference for a review group. SH suggested that a Gas Industry Review Group is proposed. TD suggested that simply assigning an appropriate title for the

group and holding the meeting at Millbank may be enough to encourage cross industry participation. **Carried Forward.**

Action 0031: Joint Office to provide a view of a facilitating a Review Group with a terms of reference which is not limited to the UNC.

Action Update: BF confirmed that a review needs to be aimed at UNC however some influencing factors may be fed in. **Complete.**

Action 0032: CW to check all the licence references within the gas illegally taken scheme.

Action Update: CW confirmed that this is being considered. **Carried Forward.**

Action 0033: CW to investigate and report on how the scheme and reasonable endeavours documents work together.

Action Update: CW confirmed that this is being considered, however MD highlighted the 1997 documents previously examined were superseded at Network Sales. It was agreed that the current documents would be provided to the Joint Office for publication on their website **Carried Forward.**

Action 0034: All to consider what the new gas illegally taken process may look like for inclusion in UNC and the costs associated with pursuing theft for discussion at the 04 March 2009 Distribution Workstream Meeting.

Action Update: To be considered in responses to action 0013. **Complete.**

2. Modification Proposals

2.1. Proposal 0229: Mechanism for Correct Apportionment of Unidentified Gas

CW provided a presentation explaining National Grid Distributions (NGD) position in respect of UNC0229 and offering general support. However, he believed that Shippers should contract directly with the independent expert and xoserve undertake final calculations of energy.

CW believed that xoserve are more than capable of the apportionment of energy value between parties and NGD would be unwilling to contract with any other party for this service. RD believed that any party would be able to apportion energy if given the rules. TD challenged this view as there was no opposition to xoserve conducting the actual energy apportionment; it was believed that xoserve are better placed to apportion the energy at the final stages as that is what they do now.

RD believed that xoserve had a view on the use of the RbD methodology and whether this was valid. AB confirmed that RbD has no function within this process.

RS believed that the NGDs presentation was distracting the discussion away from the proposed modification. RS suggested that the presentation represented an alternative proposal which NGD may wish to consider raising.

ST suggested that National Grid NTS may be an appropriate party for facilitating the contract. No challenge was made to this suggestion.

RS confirmed that he supports the appointment of an independent expert.

There was an agreement that a set of business rules would be required for appointing an independent expert and how the methodology should be defined..

TD believed that all parties agreed to the principles of the modification however the group appear to be over concerned with who will be the party who contracts with the independent expert. He suggested the Modification simply needs a hook into the UNC. CW confirmed that NGD do not want any obligation to appoint an expert, he expressed concern about the formation of the contract on behalf of the Shippers. He believed the obligation should be with the Shippers. TD referred to other agent contracts that Transporters undertake and challenged NGDs position.

Ofgem were approached about the RIA and the level of detail Ofgem require. JC suggested that the assessment would not be impacted by whom the third party may be and that Ofgem could undertake an RIA with high level principles and how the methodology should be formulated, nevertheless Ofgem stipulated that they do not want an a poorly developed modification drafted in haste to meet the timescales of the RIA.

It was agreed that Ofgem would not need detailed business rules on how the charging will work or the voting process for appointing an expert.

JC confirmed that Ofgem have started to put together an RIA for UNC0194A, UNC0228/UNC0228A. He confirmed that Ofgem want the RIA to cover as much ground in one strike as possible. RS asked what key elements would be required. JC confirmed that the RIA should look at how the apportionment of energy will impact the industry.

The incorporation of UNC0194A within UNC0229 was briefly discussed.

It was noted that the group needs to consider the methodology parameters.

SH highlighted that the detail within the UNC in relation to appointing an RbD Auditor is very minimal. However, ST believed as the end result is much more contentious, the meter error notification process could be used as a model.

RS suggested that how the expert is appointed needs to be considered and that this expert should be given high level charging principles for them to determine the methodology.

JC asked if it was possible to include the high level charging principles within the proposal. AB asked if there were any areas within UNC0229 that Ofgem would want more information in comparison to the level of details for UNC0194, UNC0228/UNC0228A. JC reiterated that the detail yet to be considered particularly who the third party expert would not have an impact on the RIA.

Creating a UNC related document with Business Rules for the appointment process of the AUGGE was discussed. It was suggested that a separate UNC Related document (the AUGS) would be produced by the AUGGE. However, following discussion it was agreed that both of these elements could be contained within a single UNC related Ancillary Document.

The strawman was considered and some amendments noted. AB confirmed other areas of the strawman which need to be reconsidered.

LW asked if the methodology would determine the monthly billing values, RS confirmed that the modification states the values will be a fixed amount shared by aggregate AQ per sector. The inclusion of UNC0194A within UNC0229 was reconsidered to ensure this modification can stand alone, xoserve wished to unsure there was enough detail for the billing process.

Action 0035: xoserve to review the billing aspects of UNC0194A and inform the proposer of any elements which they believe is required within UNC0229.

It was agreed that the arrangements for how it would be billed will need to be set out very clearly in the business rules.

Action 0036: AB to consider the inclusion of 0194A into UNC0229.

Action 0037: UNC0229 strawman to be updated and republished.

CW suggested that a reference to a competitive tender process will need to be included within the proposal.

MD advised the appointment of the independent third party needs to be mindful of procurement regulations such as submitting an OJEU notice, this includes an invitation to tender, the value of contract and its requirements. In effect the AGUE is the invitation for parties to tender as a result a Shipper nomination would not be required. AB confirmed that he would investigate this further.

Action 0038: AB to consider relevant procurement regulations which may impact UNC0229.

LW questioned if Shippers are not the contracting party then they may not have any ability for recourse and as a result they would not be able to challenge the contract.

CW reiterated that Shippers should be the contracting party due to the liability and obligations associated with contract.

MD suggested that if Transporters were to be the contracting party they may want to be included within the Tender process to ensure they are contracting with a reputable party.

CW reiterated the view that NGD do not want to appoint independent experts and if NGD were to appoint, they would appoint xoserve.

The consideration of an alternate proposal was debated.

It was agreed to meet again on 12 March 2009 to consider the Workstream Report and high level business rules.

2.2. Proposal 0231: Changes to the Reasonable Endeavours Scheme to better Incentivise the Detection of Theft

BF questioned if the reasonable endeavours scheme needs to be reviewed and whether the Workstream wished to consider a Workstream report.

MD confirmed he has had conversations with Ofgem about a potential derogation in the license, he believed that Ofgem were not supportive towards a derogation and would rather see a scheme which had elements of the current scheme inserted into the UNC. A separate UNC related document was discussed, it was suggested that this contains the details of what claims can be made and what evidence would be required.

MD acknowledged that the scheme needs to be updated and confirmed that the 1997 scheme was superseded at DN sales though the scheme was not fully reviewed. As result of DN sales each network have a reasonable endeavours scheme which they will need to review.

GE questioned the possibility of having one document in UNC outside of licence. JC advised if one document were to be inserted in UNC this would allow Shippers the opportunity to set the reasons for compensation and the amount of compensation allowable, Ofgem did not think this was appropriate governance and wanted the licence requirements to remain.

MD advised that having the table as part of the UNC as an ancillary document would allow Shippers with support from Transporters to update the values under self governance. TD confirmed that the UNC related Ancillary Document would need to detail the governance arrangements for managing changes.

MD summarised the things that need to be considered. These included, the UNC related Ancillary Document governance, what values need to be inserted into the document, what the range of costs could be (evidence via Ofgem), and the costs of administration.

MD confirmed that he would produce a strawman for further consideration.

Action 0039: All Shippers to provide via Ofgem evidence of incurred costs to determine the appropriate levels of compensation for the scheme.

MD asked for feedback on the compensation values, claim types and whether they are appropriate. MD believed that the current types of claims may be sufficient, however feedback was invited. xoserve were asked to provide a copy of their types of claims document, including evidence required to make a successful claim for publication of the Joint Office website.

Action 0040: All Shippers to provide feedback to MD on the theft claim types and supporting evidence.

Action 0041: xoserve to provide the Joint Office with the list of current possible claims for publication. **Post meeting update action completed.**

It was agreed that a separate expert group was not required going forward however xoserve's input would still be required at the Workstream.

3. Topics

3.1. 036Dis, Submission of cyclic meter reads

MD introduced Modification Proposal 0242: "Changes to the window for the submission of Valid Meter Readings", this proposed an extension to the cyclic read window. The reason behind raising this modification was that none routine read collections, take longer to process and result in rejections. The extension to the read windows will allow more meter reads to be accepted and thus reduce AQ review appeals.

MD confirmed that currently British Gas submit all collected meter reads and that their submission pattern would not alter.

RS confirmed that he had received some feedback on this topic and that extending the read window when considering current developments in AMR conveys the wrong message.

ST questioned whether the 50% window provision actually needs to be changed, he suggested that only the 100% window needed to be changed. MD asked for views on whether to change only the 100%.

MD agreed to leave the 50% window and only change the 100% window as his objective is to minimise changes to the existing systems and cost impacts. He also confirmed that he would reconsider the relevant objectives for inclusion in the proposal.

ST suggested that MD may wish to consider cost verses benefit analysis and user pays issues.

In light of the modification it was agreed to close the topic.

Action 0042: MD to amended UNC0242.

3.2. 037Dis, Review of arrangements relating to theft

No further discussions were held on this topic further to the discussion in the review of Actions.

3.3. 034Dis, AQ Appeals and the BTU Form

RS confirmed his intention to raise a modification by the end of this week, this will be an urgent modification.

It was agreed to keep this topic within the ordinary Distribution Workstream.

4. AOB

None

5. Diary Planning for Workstream

Thursday 12 March 2009, 11:00, Holiday Inn, 61 Homer Road, Solihull (UNC0229 only)

Thursday 26 March 2009, 10:00, Elexon, 350 Euston Road, London

Thursday 09 April 2009, Holiday Inn, 61 Homer Road, Solihull

Thursday 23 April 2009, Holiday Inn, 61 Homer Road, Solihull

Thursday 28 May 2009, 10:00, Elexon, 350 Euston Road, London

Thursday 25 June 2009, 10:00, Elexon, 350 Euston Road, London

Thursday 23 July 2009, Holiday Inn, 61 Homer Road, Solihull

ERP Action Table (Appendix 1)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
ERP 0013	16.12.08	2.3	All to consider UNC0231's £1,000 limit and provide views to Ofgem or Joint Office for aggregation.	All	Carried Forward
ERP 0015	16.12.08	2.3	MD to update 0231 strawman and provide an update at 15 January's meeting.	British Gas (MD)	Complete
ERP 0028	09.02.09	2.1	Update UNC0229 strawman	Shell (AB)	Complete
ERP 0029	09.02.09	3.1.1	Consider British Gas' Draft Cyclic read Modification and provide feedback	All	Complete
ERP 0030	09.02.09	3.1.2	Obtain a view from Ofgem on how the industry could best review the theft of gas arrangements.	Ofgem (JC)	Carried Forward
ERP 0031	09.02.09	3.1.2	Provide a view of a facilitating a Review Group with a terms of reference which is not limited to the UNC.	Joint Office (BF)	Complete
ERP 0032	09.02.09	4.1	Check all the licence references within the gas illegally taken scheme.	NGD (CW)	Carried Forward
ERP 0033	09.02.09	4.1	Investigate and report on how the scheme and reasonable endeavours documents work together using documents updated in 2005.	NGD (CW)	Carried Forward
ERP 0034	09.02.09	4.1	Consider what the new gas illegally taken process may look like for inclusion in UNC and the costs associated with pursuing theft for discussion at the 04 March 2009 Distribution Workstream Meeting.	All	Completed
ERP 0035	04.03.09	2.1	xoserve to review the billing aspects of UNC0194A and inform the proposer of any elements which they believe	xoserve (LW)	Pending

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			is required within UNC0229.		
ERP 0036	04.03.09		AB to consider the inclusion of 0194A into UNC0229.	Shell Gas Direct (AB)	Pending
ERP 0037	04.03.09		UNC0229 strawman to be updated and republished.	Shell Gas Direct (AB)	Pending
ERP 0038	04.03.09		AB to consider relevant procurement regulations which may impact 0229.	Shell Gas Direct (AB)	Pending
ERP 0039	04.03.09	2.2	All Shippers to provide via Ofgem evidence of incurred costs to determine the appropriate levels of costs for recovery.	All Shippers	Pending
ERP 0040	04.03.09	2.2	All Shippers to provide feedback to MD on the theft claim types and supporting evidence.	All Shipper	Pending
ERP 0041	04.03.09	2.2	xoserve to provide the Joint Office with the list of current possible claims for publication.	xoserve (AJ)	Completed
ERP 0042	04.03.09	3.1	MD to amended UNC0242.	British Gas (MD)	Pending