

Distribution Workstream Minutes
Energy Related Proposals
Monday 09 February 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
Chris Warner	CW	National Grid Distribution
Fiona Cottam	FC	xoserve
James Crump	JC	Ofgem
Linda Whitcroft	LW	xoserve
Mark Jones	MJ	SSE
Mark Woodward	MW	xoserve
Mitch Donnelly	MD	British Gas
Richard Street	RS	Corona Energy
Simon Howe	SH	RWE npower

Apologies

Brian Durber	BD	E.ON UK
Simon Trivella	ST	Wales & West Utilities
Stefan Leedham	SL	EDF Energy

1. Introduction and Status Review

1.1. Minutes from the previous meeting

The minutes from the previous meeting were approved.

1.2. Review of actions from the previous meeting

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

Action Update: See item 4.1. **Carried Forward.**

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

Action Update: See item 4.1. **Carried Forward**

Action 0022: Joint Office to produce draft Panel Letter for inclusion within the UNC 0208 Review Group Report.

Action Update: BF confirmed that a draft Review Group letter had been discussion at 29 January 2009 meeting and that this has been incorporated within the review group report. The review group report has now been published on the Joint Office website and will be considered at the February Panel Meeting. **Complete.**

Action 0023: RS to raise meter accuracy issues with MAMCoP.

Action Update: RS confirmed that this has been raised internally and will be raised in due course. **Complete.**

Action 0024: CW to discuss the Gas illegally taken scheme with British Gas.

Action Update: CW confirmed on the 29 January 2009 that the gas illegally taken scheme 1997 had been discussed with MD. **Complete.**

Action 0025: MD to review UNC0231 proposal and consider incorporating scheme into Proposal.

Action Update: MD acknowledged on the 29 January 2009 that an expert group will be reviewing the gas illegally taken scheme 1997. **Complete.**

Action 0026: Joint Office to consider the formation of an expert group for reviewing the gas illegally taken scheme.

Action Update: Joint Office arranged expert review of the gas illegally taken scheme 1997 following the Distribution Workstream 09 February 2009. **Complete.**

Action 0027: Joint Office to monitor the need for an extension for UNC0231 and request when appropriate.

Action Update: Joint Office to request 3 month extension at the February Panel meeting. **Complete.**

2. Modification Proposals

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

AB highlighted the main changes to the strawman to take into account a change to the Transporters role, he confirmed that Shippers will be able to jointly nominate a list of candidates and that candidates can also nominate themselves for the UNCC to select an independent expert.

The RbD Audit sub-committee auditor appointment process was discussed and agreed to be a good model of how the process could work.

FC expressed concern about mutually agreeing the contractual terms. She believed it was important that the Transporters are included within the process if they are expected to contract with the AUDE on behalf of Users.

MD suggested that a sub group committee could set the terms of the tender process.

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

Consideration was briefly given to whether the Gas Forum or the Joint Office could facilitate the tender process. However concern was expressed about the division of interests. Particular concern was expressed to the use of the Gas Forum as not all Shippers are part of the Gas Forum and that the directorship may become an issue. In addition the Joint Office would be unable to manage such a contract process due to its legal status.

RS reiterated his concerns about the conflicts of interest if xoserve were to be appointed as an independent expert.

JC highlighted how the BSC audit process works, he explained that Elxon devise methodologies and that a consultant undertakes the calculations required.

MD expressed concern with potential yearly expert appointments and yearly changing methodologies. AB confirmed that the group had considered this last month and agreed that it would be beneficial to undertake a review after the first year's appointment before appointing on a longer term.

The logistics of going out to tender every year to develop a methodology was discussed. It was considered that after the first year's review that an expert may wish to be appointed for a fixed period possibly 3 to 5 years, with a methodology that is used for an agreed period. It was also considered whether to appoint for fixed period but allow minor changes to methodology.

AB confirmed that the first appointment may wish to be reviewed after the first year to ensure confidence, he believed that the methodology does not have to remain static and that an annual review should consider this. However, any changes with the methodology would not be expected to be significant. If significant changes were suggested it would bring into question the appropriateness of the previous methodology.

MD questioned the likely timescales required for the tender process, appointment, contract negotiation and the period for configuring the methodology when compared to the process used for the RbD audit. No likely timescale was agreed though it was not expected to take 12 months, it was hoped the process would be much shorter.

CW acknowledged that the methodology needs to be approved at the UNCC committee, he asked what would happen if the UNCC were not able to agree. The voting configuration was considered. RS believed that the UNCC majority vote was a way of sense checking the methodology.

It was agreed that the apportionment of Transporter costs needs to be considered through a User Pays agreement. It was briefly considered how this would be apportioned.

LW questioned how the independent expert will be paid. It was acknowledged that all costs will be borne by Shippers. The Shippers would be invoiced to pay the expert. AB confirmed that this has not yet been considered and will be included in an amended strawman.

MJ asked if there were any perceived costs. MD questioned if the cost of the RbD audit would allow a better understanding of likely costs. LW confirmed that this is commercially sensitive information.

The 01 April effective date was challenged as the gas year starts 01 October. AB confirmed that the date had been changed to 01 April however this will be reviewed.

MD highlighted that the expert may decide on a percentage or a fixed cost of RbD and until the methodology is known the billing rules cannot be written. RS believed that the ITT will need to be clear as to what is expected in terms of the methodology.

It was agreed further consideration was required and the proposal will be discussed again on 04 March 2009.

Action 0028: AB to update strawman

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

See item 4.1

BF confirmed that an extension will be requested at the February panel Meeting.

3. Topics

3.1. Any New Topics

3.1.1. Submission of cyclic meter reads

MD introduced a potential new topic relating to Section M which currently sets the timescales for cyclic reads. This is limited to 10 days for 50% of the reads and 15 days for 90%. He explained that reads that are not submitted within this timeframe, can only be used for information purposes they cannot be used for calculation processes such as reconciliation or AQ calculation.

MD explained that dual service providers can encounter problems with dual service meter reads, due to the validation process. As a result British Gas wishes to extend the window. A Draft Modification Proposal has been produced and a copy will be provided for publication with the minutes. The proposed timescales suggested are 15 days for 50% and 20 days for 100%.

MD welcomed feedback on the suggested timescales and requested views from all parties on the likely impacts this change would have.

It was suggested that xoserve would be able to assess the likely demand for the service by examining the current level of cyclic meter read rejections. MD suggested that most Shipper read provisions systems are automatic and that all validated reads will automatically be submitted even if the read window will have been missed.

CW expressed concern about the risk of peak submissions increasing, if organisations stock pile. MD believed that as Shipper processes are automatic this would not change their submissions simply extend the window to which they are likely to be accepted.

The Workstream agreed to consider this further and that a new Topic would be raised with a High priority. It was agreed to discuss this topic further on 04 March 2009.

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

3.1.2. Review of arrangements relating to theft

MD introduced a potential new topic. British Gas would like to look at the whole industry arrangements surrounding theft, including the influences outside of the UNC. He was unsure with the recent development of UNC0208 how best the industry could undertake this review.

RS explained the problems encountered with UNC0208 in that a number of issues could not be thoroughly considered as these were outside the remit of the UNC.

MD explained that a number of processes that contribute to theft root causes are not in the control of UNC governance. However this should not prevent the industry from being able to consider and make recommendations to the appropriate governance bodies. He questioned how best to facilitate a review.

The intention was to consider a review proposal. RS explained that participation of all industry parties (MAMs and iGTS) may be more successful if Ofgem were to provide a lead, rather than a review group being formed under the constituency of the UNC.

MD asked if Ofgem are willing to facilitate such a group.

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

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.

The Workstream agreed to consider this further and that a new Topic would be raised with a High/Medium priority.

4. AOB

4.1. UNC0231 expert group

MD acknowledged that Ofgem have two concerns these being the hook within the license reflecting what is required in the UNC and the proposed £1,000 claim limit which will require robust analysis.

MD confirmed that he has discussed the £1,000 claim limit with a number of Shippers who believe that the figure appears appropriate. However, it may be difficult to quantify the costs incurred without divulging what is deemed commercially sensitive information.

RS perceived that the £1,000 will be used up very quickly within the LSP sector. He believed that previous claims have perhaps not been made because of the intensive claim procedure which would cost more money than the amount able to claim. RS made a point that the new process should be made less intensive to incentivise parties to process a claim.

CW highlighted that the scheme does not preclude the actual costs for going to court being claimed through the court process, however the costs cannot be redeemed twice.

It was acknowledged that the scheme needs to be updated and that Ofgem will need to approve any changes to the scheme.

It was agreed that the expert group need to fully understand the process.

Although the expert group started to review the gas illegally taken scheme it was agreed to consider the reasonable endeavours document in addition. It was acknowledged that there were some differences between the two documents and that it may be better to consider the principles of the scheme and use the two documents as a guide of what should be in the amended scheme.

AJ confirmed the process undertaken by xoserve. xoserve identify if the theft is downstream or not and highlighted to either the Shipper or Transporter who they believe is responsible for the investigation. xoserve make a record and await confirmation of allegations. If there is no evidence of theft there is no right to claim. Shipperless sites are provided to Transporters for investigation.

AJ provided some statistics for 2007 indicating 1157 cases of proven theft had been identified, however only 183 claims were received. LW also highlighted the statistics reviewed as part of UNC0208 where theft detection statistics were considered.

The auto close of 80 days was considered and whether this was a reasonable timetable. AJ suggested that this is probably a historical period assigned to the process.

RS suggested rather than having two separate documents whether it would be possible to have one single document. CW confirmed that there is a licence requirement for two separate documents.

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

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

RS expressed concern of not allowing the scheme to cross over into bad debt collection. It was agreed that the scheme is for genuine theft for example meter tampering not for cash collection or poor payment problems.

It was discussed that the scheme needs to be explicit that if the costs have been recovered via another mean ie. through court action these cannot be pursued through the scheme.

SH confirmed that the current scheme allows the recovery of administration costs for investigation and billing of customer. It does not preclude obtaining costs for the customer for the estimated gas usage.

MD suggested that scheme may want to allow Shippers to be able to claim costs for investigating allegations which do not provide adequate evidence of theft. This would involve a substantiation of the allegation and perhaps evidence of preventive action if adequate evidence cannot be obtained.

A discussion of using a Shipper claiming cap was considered which could be reviewed.

RS believed that the scheme needs to consider the best interest of consumers. MD acknowledged that there is already in place through the licence requirements.

The following points were recorded:

- Consumers pay for Gas Consumed
- Reduce levels of Theft
 - Visibility of prosecutions
 - Whole community benefit
 - Balance cost / value

The scheme is not:

- Credit / Cash Collection (genuine theft only)
- Energy Cost Recovery

The following considerations are required:

Process Steps

Supporting evidence

Cost / Cap

Cap – Market verses Shippers

Review time scales

Claim period

It was agreed that the group need to consider further what the process may look like and the costs associated with the steps that may take place pursuing theft.

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.

4.2. UNC0224 extension

BF confirmed that a three month extension will be requested for UNC0224.

5. Diary Planning for Workstream

26 February 2009, 10:00, Elexon, 350 Euston Road, London (0224, 0227, 0232)

04 March 2009, 10:00, Holiday Inn, 61 Homer Road, Solihull (0229, 0231, 0231, meter read topic)

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

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

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

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

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.	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)	Carried Forward
ERP 0022	15.01.09	2.1	Joint Office to produce draft Panel Letter for inclusion within the UNC 0208 Review Group Report.	Joint Office (BF)	Complete
ERP 0023	15.01.09	2.1	RS to raise meter accuracy issues with MAMCop	Corona (RS)	Carried Forward
ERP 0024	15.01.09	2.3	CW to discuss the Gas illegally taken scheme with British Gas.	National Grid (CW)	Complete
ERP 0025	15.01.09	2.3	MD to review UNC0231 proposal and consider incorporating scheme into Proposal	British Gas (MD)	Complete
ERP 0026	15.01.09	2.3	Joint Office to consider the formation of an expert group for reviewing the gas illegally taken scheme.	Joint Office (BF)	Complete
ERP 0027	15.01.09	2.3	Joint Office to monitor the need for an extension for UNC0231 and request when appropriate.	Joint Office (BF)	Complete
ERP 0028	09.02.09	2.1	Update UNC0229 strawman	Shell (AB)	Pending
ERP 0029	09.02.09	3.1.1	Consider British Gas' Draft Cyclic read Modification and provide feedback	All	Pending
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)	Pending
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)	Pending

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
ERP 0032	09.02.09	4.1	Check all the licence references within the gas illegally taken scheme.	NGD (CW)	Pending
ERP 0033	09.02.09	4.1	Investigate and report on how the scheme and reasonable endeavours documents work together.	NGD (CW)	Pending
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	Pending