

# Distribution Workstream Minutes

## Energy Related Proposals

### Thursday 15 January 2009

#### Holiday Inn, 61 Homer Road, Solihull

#### Attendees

Bob Fletcher (Chair)	BF	Joint Office
Helen Cuin (Secretary)	HC	Joint Office
Amrik Bal	AB	Shell Gas Direct
Brian Durber	BD	E.ON UK
Chris Warner	CW	National Grid Distribution
Denis Aitchison	DA	Scotia Gas Networks
Eddie Proffitt	EP	Major Energy Users Council
Fiona Cottam	FC	xoserve
Gareth Evans	GE	Waterswye
James Crump	JC	Ofgem
Jemma Woolston	JW	Shell Gas Direct
Joanna Ferguson	JF	Northern Gas Networks
Linda Whitcroft	LW	xoserve
Mark Jones	MJ	SSE
Phil Broom	PB	Gaz de France
Richard Dutton	RD	Total Gas and Power
Richard Street	RS	Corona Energy
Rob Cameron-Higgs	RCH	Northern Gas Networks
Simon Howe	SH	RWE npower
Simon Trivella	ST	Wales & West Utilities
Stefan Leedham	SL	EDF Energy

#### Apologies

Mitch Donnelly	MD	British Gas
Shelley Rouse	SR	Statoil

## 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 0001:** AB to provide a strawman to expand Proposal 0229.

**Action Update:** BF suggested that action has been superseded by Action 0012. **Complete.**

**Action 0004:** MD to provide a strawman to expand Proposal 0231.

**Action Update:** Superseded by Action 0015. **Complete.**

**Action 0007:** Total to provide a strawman to expand Proposal 0232.

**Action Update:** Superseded Action 0019. **Complete.**

**Action 0008:** RS to provide suggested drafting for inclusion in the 0208 Review Group Report.

**Action Update:** BF confirmed that this was provided at the last meeting 06 January 09. **Complete**

**Action 0009:** All to consider the draft Review Group Report for consideration at the 16 December Workstream meeting.

**Action Update:** The Draft Review Group Report including the comments by RS was reviewed on 06 January 2009. Attendees agreed to consider their response for today's meeting. See item 2.1. **Complete**

**Action 0010:** Joint office to request a three month extension for UNC0229 at the January Panel.

**Action Update:** JO added to agenda. **Complete**

**Action 0011:** All to consider draft strawman to be published on the Joint Office website and provide any additional comments necessary to AB.

**Action Update:** **Complete**

**Action 0012:** AB to update 0229 strawman and provide an update at January's meeting.

**Action Update:** **Complete**

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

**Action Update:** Ofgem were asked to provide a view, see item 2.3.

**Carried Forward.**

**Action 0014:** Ofgem to provide a view on licence amendments to allow the reasonable endeavours scheme to be governed within UNC.

**Action Update:** JC confirmed that Ofgem had considered the impacts on licence and necessary derogations and these shouldn't be a barrier to revision and governance of the existing reasonable endeavours scheme and its inclusion within UNC. **Complete**

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

**Action Update:** MD sent his apologies. CW highlighted a 1997 scheme for gas illegally taken, CW agreed to provide a copy for publishing on the Joint Office website for further consideration, see item 2.3. **Carried Forward**

**Action 0016:** Transporters to review how the proposed methodology for charging misallocated energy could be applied using transportation charges detailed in UNC0232.

**Action Update:** Transporters confirmed they had written to Ofgem seeking their views on licence changes and reopening Transportation charges. See response to Action 0017. **Complete**

**Action 0017:** Ofgem to provide a view on the proposal and how changes licence would be managed.

**Action Update:** JC confirmed that Ofgem have no issues with the content of the proposal. However, they have considered the impacts on Transporters Licence and allowable revenues and believe that it is not an appropriate time to re-open the shrinkage arrangements, see item 2.4. A formal response will be provided for the January Panel meeting. **Complete**

**Action 0018:** Transporters to consider the potential impacts on their licence for charging misallocated energy via transportation charges and consider raising these issues with Ofgem.

**Action Update:** Transporters written to Ofgem see Action 0017. **Complete**

**Action 0019:** RD to review Modification Proposal 0232 following comments received in the meeting and develop a strawman for the 15 January meeting.

**Action Update:** GE had produced a presentation but in light of Ofgem's response (Action 0017) this was not reviewed. The presentation will be available on the Joint Office website. **Complete**

**Action 0020:** Joint Office to record key points discussed to enable a workplans to be formulated.

**Action Update:** BF confirmed that Workplans have been produced. The workplan for UNC0229 was reviewed. **Complete**

**Action 0021:** Joint office to request a three month extension for UNC0232 at the January Panel.

**Action Update:** JO added to agenda. **Complete**

## 2. Modification Proposals

### 2.1. Proposal 0208: Information relating to Unallocated Energy

BF confirmed that this was briefly discussed on 06 January 2009. He provided an amended Review Group Report with comments inserted for consideration.

BF explained the intention to complete the Review Group Report, he suggested that a draft letter is also included within the report as part of the recommendation; it was agreed that the letter would be discussed on the 29 January 2009.

RS offered to raise the issues with meter accuracy with MAMCoP.

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

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

### 2.2. Proposal 0229: Mechanism for Correct Apportionment of Unidentified Gas

AB provided a draft strawman. BF confirmed this would be added to the Joint Office website.

AB provided a high level view of the strawman which involved a central role for Transporters appointing a third party expert, he confirmed Transporters would not incur any costs. He assured the Transporters that the Proposal could be written to remove any GT liability.

AB confirmed the intention to limit the number of changes to be made to the methodology, the expert or Shippers would have a brief opportunity to raise changes.

CW questioned why Transporters would use a third party opposed to using xoserve to undertake the analysis. AB had no problem with xoserve being a potential party, however he believed that xoserve may not be the only party who could be used. AB was keen to seek the most appropriate, efficient party through an open tender process.

LW expressed concern about providing information that may not be understood, she believed to make the best judgement that there may be an element of assistance required and that this would have a cost associated with it.

ST asked for clarification on the role of expert, AB explained that the expert would work through volumes using a methodology. CW was concerned how the methodology would be ascertained. BF suggested the users would devise the methodology. Concern was expressed about the methodology for calculating energy not being set out in the UNC, which is against other modifications for energy calculations.

ST expressed concern with the formulas being ascertained outside of code, he believed that the methodology should exist within code. He was unsure that if a methodology cannot be ascertained for insertion into the UNC how a third party would ascertain a suitable and agreeable methodology.

RS explained that Shippers would have the opportunity to provide an alternative methodology which could be submitted to the expert.

RS believed Ofgem may want to undertake an impact assessment on this and similar modifications.

A discussion took place on appointing an expert who understands the gas industry market. BD highlighted that the Meter Error Notification process makes use of independent experts who also provide a methodology.

ST expressed concern about Transporters appointing an expert he suggested the Shippers ought to be collectively appointing the expert. The group considered the use of a sub-committee to undertake this role, similar to that of the RbD Audit subcommittee. RD challenged that as the Transporters are not affected by the allocation process they would be best placed to facilitate the appointment. It was suggested that the UNC Committee would determine the preferred tender from experts.

SL suggested that the Gas Forum could facilitate the tender process. RS objected to the Gas Forum to facilitating contracts. GE believed that the Gas Forum was not a suitable group to manage the tender process.

A discussion took place on the voting rights and how one Shipper could potentially veto the expert's recommendations.

The independency of technical experts was challenged, however SL believed that the contract would govern the independency required to sure a balanced view. A number of potential consultants were discussed.

AB explained that the methodology could exist within an ancillary document and should be reviewed on an annual basis by interested parties, this could include Shippers and the independent party but not exclusively.

The consultation process of the suitability of the methodology was discussed and how the governance of this would work.

SL asked about an appeals process and the incentive for Shippers to appeal methodologies that are not in their favour. He questioned why an appeals process would be required if the methodology had already been approved, however RS believed if a miscalculation was made an appeal process would be required to ensure no miscalculation is used.

LW questioned if the proposal considers the invoicing elements. AB confirmed he would consider this and include this within the proposal.

The group reviewed the draft workplan and proposed meeting dates.

### **2.3. Proposal 0231: Changes to the Reasonable Endeavours Scheme to better Incentivise the Detection of Theft**

CW explained that a presentation had been provided suggesting a potential way forward. He confirmed that he had located the 1997 scheme for gas

illegally taken which has been approved by Ofgem, however no governance was behind it. He believed there was no reason why this could not be an ancillary agreement. However there was prerequisite, there would need to be a review of the scheme. He explained that all references to Transco would need to be removed, Ofgem approval would need to be obtained, and the values of the scheme would need to be challenged.

An expert group was considered and how this could be managed. It was agreed that a separate forum would be required for this.

It was considered that an extension may be required to allow sufficient time to consider the scheme.

JC confirmed that Ofgem would need some justification and provision of the methodology used to increase the Shipper claims limit from £125 to £1,000. He confirmed that Ofgem would provide a view on the increase and its use as an incentive.

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

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

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

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

#### **2.4. Proposal 0232: Allocation of Unidentified Gas via the Distribution Networks Charges**

JC confirmed that the Ofgem Network Stream had discussed the intent of re-opening the Price Control Review to bundle unaccounted for energy which is currently attributed to small supply points through RbD into Shrinkage. The view was that this is not an appropriate time to re-open the shrinkage arrangements. However the merits of the proposal had not been considered and the view provided would not preclude this being a consideration in the future. JC confirmed that a formal response will be provided.

ST asked if Ofgem could clarify whether they believe the proposal should continue. A discussion took place whether the proposal should continue to be developed. GE challenged that Ofgem may actually reject the modification it was presented to them with a future implementation date. RS was keen to continue with the development however RD was concerned that numerous industry changes could take place within the next two years and it may not be beneficial developing a process that may become redundant.

RD confirmed that he will consider Ofgem's view further however his initial reaction is to withdraw this proposal now and re-raise the inclusion of unallocated gas within the price control review in the future.

RS was keen to continue producing a Workstream report to capture outstanding considerations. RD was unsure whether this would be of benefit and that it may be worth starting from scratch due to potential regime changes.

### **3. AOB**

None.

#### **4. Diary Planning for Workstream**

29 January 2009, 11:00, 31 Homer Road, Solihull (0208 letter review, 0224, 0227, 0231 update and 0232 Ofgem letter)

09 February 2009, Solihull venue to be confirmed (0229, 0231, 0232, possible expert group)

26 February 2009, 10:00, Elexon, 350 Euston Road, Solihull (0224 and 0227)

04 March 2009, 10:00, Holiday Inn, 61 Homer Road, Solihull (0229, 0231, 0232)

### Action Table (Appendix 1)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
ERP 0001	07.11.08	3.2	AB to provide a strawman to expand Proposal 0229	Shell (AB)	Complete
ERP 0004	07.11.08	3.3	MD to provide a strawman to expand Proposal 0231.	British Gas (MD)	Complete
ERP 0007	07.11.08	3.4	Total to provide a strawman to expand Proposal 0232.	Total (RD)	Complete
ERP 0008	07.11.08	3.5	Corona to provide some suggested drafting for inclusion in the 0208 Review Group Report.	Corona (RS)	Complete
ERP 0009	07.11.08	3.5	Consider the draft 0208 Review Group Report.	All	Complete
ERP 0010	16.12.08	2.2	Joint office to request a three month extension for UNC0229 at the January Panel.	Joint Office (BF)	Complete
ERP 0011	16.12.08	2.2	All to consider draft strawman to be published on the Joint Office website and provide any additional comments necessary to AB.	All	Complete
ERP 0012	16.12.08	2.2	AB to update 0229 strawman and provide an update at January's meeting.	Shell (AB)	Complete
ERP 0013	16.12.08	2.3	All to consider UNC0231's £1,000 limit and provide views.	All	Carried Forward
ERP 0014	16.12.08	2.3	Ofgem to provide a view on licence amendments to allow the reasonable endeavours scheme to be governed within UNC.	Ofgem (JC)	Complete
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 0016	16.12.08	2.4	Transporters to review how the proposed methodology for charging misallocated energy could be applied using transportation charges.	All Transporters	Complete
ERP 0017	16.12.08	2.4	Ofgem to provide a view on the proposal and how licence changes would be managed.	Ofgem (JC)	Complete

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
ERP 0018	16.12.08	2.4	Transporters to consider the potential impacts on their licence for charging misallocated energy via transportation charges and consider raising these issues with Ofgem.	All Transporters	Complete
ERP 0019	16.12.08	2.4	RD to review Modification Proposal 0232 following comments received in the meeting and develop a strawman for the 15 <sup>th</sup> January meeting.	Total (RD)	Complete
ERP 0020	16.12.08	2.4	Joint Office to record key points discussed to enable a workplan to be formulated.	Joint Office (BF)	Complete
ERP 0021	16.12.08	2.4	Joint office to request a three month extension for UNC0232 at the January Panel.	Joint Office (BF)	Complete
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)	Pending
ERP 0023	15.01.09	2.1	RS to raise meter accuracy issues with MAMCop	Corona (RS)	Pending
ERP 0024	15.01.09	2.3	CW to discuss the Gas illegally taken scheme with British Gas.	National Grid (CW)	Pending
ERP 0025	15.01.09	2.3	MD to review UNC0231 proposal and consider incorporating scheme into Proposal	British Gas (MD)	Pending
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)	Pending
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)	Pending