

Distribution Workstream Minutes
Thursday 22 March 2007
Novotel, Birmingham International Airport

Attendees

Julian Majdanski (Chair)	JM	Joint Office of Gas Transporters
Helen Cuin (Secretary)	HC	Joint Office of Gas Transporters
Alex Thomason	AT	National Grid NTS
Andy Green	AG	National Grid Distribution
Brian Durber	BD	E.ON UK
Chris Warner	CW	National Grid Distribution
Erika Melen	EM	Powergen
Fiona Cottam	FC	xoserve
Graham Wood	GW	British Gas Trading
Ian Simpson	IS	Corona Energy
James Crossland	JC	Corona Energy
Jenny Booth	JB	Ofgem
John McNamara	JMc	Ofgem
Linda Whitcroft	LW	xoserve
Mark Buckthorpe	MB	Statoil UK Ltd
Mark Jones	MJ	Scottish & Southern
Mick Curtis	MC	E=MC2
Ndidi Njoku	NN	Ofgem
Nick Wye	NW	Waters Wye Associates Ltd
Phil Broom	PB	Gaz de France
Phil Lucas	PL	National Grid Distribution
Rob Cameron-Higgs	RCH	Northern Gas Networks
Sallyann Blackett	SaB	xoserve
Sham Afonja	SA	RWE npower
Simon Howe	SH	RWE npower
Simon Trivella	ST	Wales & West Utilities
Stefan Leedham	SL	EDF Energy
Steve Nunnington	SN	xoserve
Sue Davies	SD	Wales & West Utilities
Thomas Vickers	TV	Gaz de France
Tim Davis	TD	Joint Office of Gas Transporters
Vickey King	VK	National Grid Credit Risk

Apologies

Marie Clark	MC	Scottishpower
Glenn Nixon	GN	Natural Gas Shipping Services

1. Introduction and Status Review

1.1. Minutes from February Distribution Workstream

The Minutes of the previous meeting were approved.

1.2. Review of Actions from February Distribution Workstream meeting

Dis0802: Ofgem to consider providing a written response, outlining its preliminary view on Network Ownership beyond the ECV, to assist with policy development.

Action Update: JMc provided a presentation. See Item 3.1

Action: Complete

Dis1104: Ofgem to consider facilitating a meeting with the AiGT, Transporters and Shippers to assist with the CSEP NExA issue resolution.
Action Update: JB acknowledged the receipt of proposed agenda items and indicated a meeting would be arranged towards the end of April 2007.

Action: Complete

Dis0201: Transporters to provide Ofgem with agenda items to enable Ofgem to facilitate a meeting with the AiGT, Transporters and Shippers to discuss the CSEP NExA issue resolution. (See Action Dis1104)

Action Update: JM confirmed CW had provided a co-coordinated response to Ofgem via the Joint Office and that a Proposed Draft Agenda was available on Joint Office website under the March Distribution Workstream.

Action: Complete

Dis0202: All to provide membership nominations for Review Group 0131.

Action: Complete.

Dis0203: British Gas Trading to provide a revised Proposal for 0115

Action: Complete.

Dis0204: xoserve to provide Theft of Gas statistics.

Action Update: SN provided figures of Theft in the I&C and Domestic Markets (LSP and SSP). The figures will be made available on the website under the March Distribution Workstream.

Action: Complete.

Dis0205: xoserve to provide an age profile of filter failures prior to March's Meeting.

Action Update: LW provided a presentation. See item 3.3

Action: Complete

Dis0206: Cost/Benefit Analysis to be undertaken to understand the impacts of reducing the threshold of 73,200 Kwh for Individual Meter Point Reconciliation.

Action Update: GW confirmed that there was no information to report this month requesting that the action is carried forward until next month.

Action: Carried Forward

Dis0207: xoserve to provide number of supply points which are currently allocated to the wrong LDZ

Action Update: FC provided an update on outstanding cross-LDZ reconfirmations for February 2007 (excluding within LDZ errors).

Action: Complete.

Dis0208: Ofgem to bring a view to the next meeting on the 60-month payment history.

Action Update: JB highlighted that were a number of alternatives where a 60-month history was not available, for example using data as it accrues up to 60 months.

Action: Complete

Dis0209: CW to provide draft Credit Modification Proposals with Legal Text prior to March's Distribution Workstream Meeting.

Action: Complete.

Dis0210: All to consider the management of Small Value Invoices for discussion at March's Distribution Workstream Meeting.

Action Update: ST confirmed WWU had received a couple of responses and that no negative feedback had been provided. ST confirmed that further conversations would take place with xoserve to establish an efficient mechanism for the management of small value credits and debits.

Action: Complete

1.3 Review of Live Modification Proposals and Topics Log

JM reviewed the current live Distribution Modification Proposals:

Modification Proposal 0088: "Extension of DM service to enable Consumer Demands Side Management". JM confirmed that the UNC Panel deferred their decision until April 2007 to allow additional time for the provision of the legal text.

CW noted that the Panel had discussed the possibility of holding a separate meeting to review the text when it is provided.

2. Modification Proposals

2.1 Proposal 0115: "Correct Apportionment of NDM Error"

PB provided a presentation, which considered an alternative view to British Gas Trading's Proposal.

PB suggested that Review Group 0126 might assist resolving the LDZ Off-take Metering issue. However GW challenged this. JM confirmed the meter assurance programme was discussed but noted that the Review Group would not be looking at this in detail. NW expressed concern that the metering error was dealt with by a general smear.

With regards to undetected theft, PB confirmed that demand estimation and customer billing allows Gaz de France to monitor possible Theft of Gas. GW confirmed that there is a programme looking at the incentives surrounding the detection of I&C theft.

TV expressed concern that the British Gas Trading Proposal will have an unbalanced pass-through to the I&C market.

PB suggested that there is no evidence of unregistered sites in the I&C market. However GW expressed concern that some I&C sites may be undetected as Shippers may be unaware of some I&C sites that exist.

PB provided a number of graphs and statistics demonstrating the Must Read performance of three Shippers

SaB expressed concern about the ability to smear charges without site-specific information, explaining the complexities of charges when different EUC bands would be involved.

SH requested whether xoserve would be able to provide a report on the number of reported bypass activities in a year for monthly read meters.

Action 0301: SN to investigate the possibility of reporting bypass activity for monthly read meters.

BD agreed a proportional charge would make more sense.

GW referred back to a late 2006 Distribution Workstream Meeting where the DM meter market was considered, but it was thought that this added another level of complication and it was best to deal with this by way of a separate Proposal.

GW confirmed that British Gas Trading still wish to progress UNC Modification Proposal 0115 as it is, allowing the consultation process to document concerns and views.

JMc asked for clarification of RbD charges and the use of a single rate, particularly if considering the involvement of a different segment of the market. It was suggested that an appropriate charging rate would need to be considered. PB believed that it was likely that this will not be a single rate.

The Workstream considered British Gas Trading's Proposal and produced a Workstream Report, capturing concerns raised.

NW expressed concern that the allocation would be less equitable for the I&C sector. TV expressed concern with a single rate and how this modification will have an impact on the I&C market.

FC raised a point that there would be additional work and development costs involved. Which would involve the creation of an ad-hoc invoice and filter flows for the supporting data.

There was a general consensus that I&C prices are likely to increase.

2.2 Proposal 0135: “ To extend the scope of the RbD Auditor’s role”

SH provided an introduction to the Proposal.

FC requested clarification to the scope and extent of data to be audited. SH confirmed that the process and the RbD calculations would be included.

A debate developed on the period the auditor would need to undertake the audit and whether a period can be fixed. FC confirmed that currently 40 to 50 working days is required during one year.

CW highlighted that UNC Section V9.6.1 indicates that the RbD Audit Sub-committee makes all the decisions, relating to the scope and terms of the RbD Audit. CW expressed concern with placing this in the UNC as this would place constraints on the RbD Audit Sub-committee.

JM suggested that this proposal is further considered offline with SH and the Audit Sub-committee and discussed again at the April Distribution Workstream.

Action 0302: SH and Audit Sub-committee to consider Modification Proposal 0135

2.3 Proposal 0136: “ Reconciliation following AQ Amendment where an SSP becomes an LSP prior to calculation of Provisional Annual Quantity”

GW provided a presentation confirming the background to this proposal.

SH asked for clarification on the 90% charge exclusion. GW highlighted that the exclusion would act as an incentive. NN suggested that the 90% rate ought to be considered further to decide if this is an appropriate rate.

GW explained that if an appeal is undertaken mid March then you are excluded from charges. By removing the exclusion this would incentivise shippers to manage threshold crossers more timely.

JM confirmed that a Workstream Report would be drafted and made available ahead of the April Distribution Workstream.

3. Topics

3.1. 013Dis, Network Ownership beyond ECV at Prime and Sub-deduct Meter

JMc provided a presentation summarising the background to the issue, Ofgem's concerns and the way forward.

JMc confirmed that there are approximately 1700 sub-deducts configurations, all of which will pre-date 1996.

AG highlighted that the regulatory framework detailed within the presentation includes additional provisions which are not solely for sub-deducts.

AG clarified that the first valve available to the consumer is the valve intended to be the Emergency Control Valve (ECV). The valve that controls gas flow to the sub-deducts is actually classified as a control valve.

JMc confirmed that the Gas Transporter upstream will have a responsibility for safety and emergency but it does not have the right to gain access for maintenance.

JMc confirmed that Legally the DNs do not have a responsibility beyond the ECV however this may not be applicable to every configuration particularly if there is a separate contract. JMc expressed the need to investigate any agreements that may have been entered into. AG confirmed that National Grid would not have any such agreements available, as the successor gas supplier who may have contracts would have replaced them. It was indicated it is more likely that the individual sites may have the contracts.

Ofgem believed they have now established legal responsibilities but need to understand the risk implications of these networks. BD indicated that all Ministry of Defence bases have sub-deduct arrangements and some are extensive.

CW confirmed that National Grid believe that sub-deduct configurations do not form part of their Network.

JMc suggested the possibility of DNs adopting sub-deduct networks.

Action 0303: All DNs to provide any technical information of sub-deduct configurations including the condition of these networks and respond to the suggestion of adoption.

CW confirmed a response would be provided to Ofgem but suggested from previous considerations that this is probably undesirable, as this would involve unrecoverable costs. BD in response suggested that Transporters would generate revenue from adopting sub-deduct configurations.

3.2. 018Dis, Charging for reconciliation quantities.

SH confirmed the Modification Proposal has not been developed yet. He therefore agreed that the topic priority could be reduced from High to Medium.

3.3. 019Dis, USRV Incentives.

LW provided an age analysis of USRVs over a 6 month period and what the likely charges would have been had these not been scaled back. The xoserve presentation highlighted that there are 3388 outstanding filter failures where the current Shipper has changed however the failures still need to be addressed by the original Shipper.

LW believes that there is a lot of data cleansing activity that could be undertaken that would certainly assist with this issue.

GW confirmed that a draft Modification Proposal has been developed for consideration and to encourage further debate and development. GW provided a summary of the Modification Proposal.

LW questioned how the Proposal would assist with the resolution of filter failures. Some concerns were expressed about perverse incentives. It was also discussed what financial incentives should be in place to focus and incentivise the resolution of aging filter failures.

GW surmised that the Workstream needs to consider what close out period could be applied, what backstop date could be applied and what action is required for aged failures.

SH asked if Ofgem had a view on the value of the incentive that should be applied. PB suggested that the charge should reflect the damage that may be caused by filter failures.

A figure of £500 per aged failure per month was discussed.

ST requested if Ofgem had a view on the complete removal of the cap, which is resulting in a possible £30 charge reducing to approximately £5. JB asked the Workstream to consider if the removal of the cap would have the desired effect.

3.4. 020Dis, Meter Replacement and impact on Demand Estimation Sample.

SaB summarised the background to this topic, why it had been raised and the importance of maintaining the size of the Demand Estimation sample. Last month xoserve indicated a trial was being undertaken to maintain the sample size. SaB confirmed that xoserve have established that a lead which can be connected to the majority of meters with a lead outlet, enables the meter to be pulse enabled. This then enables data-recorders to be connected to most meter categories.

BD questioned what would happen if an AMR device was to be fitted to the site. SaB confirmed Section H of the UNC obliges Users to cooperate in maintaining the Demand Estimation sample.

FC explained that all leads attached will be labelled as the property of xoserve but there is a concern that during meter replacement, this equipment may be removed and mislaid.

SaB confirmed the intention is to apply the leads to meters after the Spring data collection, April 2007.

The Workstream agreed closure of this topic.

3.5. 021Dis, Individual Meter Point Reconciliation.

MJ and GW confirmed that no extra information was available to report this month and asked if the topic could be carried forward until next month.

3.6. 022Dis, LDZ Boundary and MPRN mismatch.

FC provided an update on outstanding cross-LDZ reconfirmations for February 2007 (excluding within LDZ errors). In total there are 90,209 reconfirmations required.

3.7. 023Dis, Small Value Invoices

ST confirmed WWU has received a couple of responses with regards to Action Dis0210. ST confirmed that further conversations would be undertaken with xoserve to establish an efficient mechanism for managing small value credits and debits.

3.8. Credit Cover – Draft Modification Proposals

CW confirmed 5 draft Modification Proposals have been raised with legal text for consideration by the Workstream.

PL agreed any amendments or required clarification would be made to the Proposals and then made available for any final comments in preparation for submission to the April UNC Panel.

CW expressed that National Grid are now keen to receive any concerns.

Some concern was expressed about the inter dependency of the legal text for the Modification Proposals and the impact this may have if one is rejected.

SD did not believe the VAR Modification Proposal was in line with Ofgem's best practice guidelines.

SH had considered the VAR Proposal and was concerned about applying a calculation of 0 multiplied by 15 days. Ofgem's view was the factor could be low but would unlikely to be zero. SH provided a presentation explaining that VAR = 15 days of average, and at some point in a month there would be a short period of days where there are no invoices outstanding and the VAR would become 0.

Ofgem confirmed that they are fully aware during billing cycles that invoices may not have been issued, however it was not the intention to have a VAR of 0.

A debate developed about the possibility of an average VAR which could be topped up in the winter months, perhaps having a six monthly adjustment to avoid notices being issued. The consensus was that there is a balance that needs to be established.

Action Dis0304: JB will consider the Draft VAR Proposal and check if the Proposal is line with the original intent of the Best Practice Guidelines.

SD expressed concern with the further modification of UNC Proposal 0113. She requested that the total invoice value should be considered and not the outstanding value or perhaps consider the underpayment of invoices on a collective basis, for example 3 occasions within a period.

PL confirmed that all comments would be considered.

3.9. Any New topics

None

4. AOB

- 4.1. SH requested when it is likely that the RbD issue log will be ready. NN confirmed that it will be published on the Ofgem website shortly and appended to the Ofgem Consultation Document.

5. Diary Planning for Workstream

Next Meetings:

Thursday 26 April 2007, 10:00 at Elexon, 350 Euston Road, London

Thursday 24 May 2007, 10:00 at Elexon, 350 Euston Road, London

Thursday 28 June 2007, 10:00 at Elexon, 350 Euston Road, London

Thursday 26 July 2007, 10:00 at Novotel, Birmingham International Airport

Thursday 23 August 2007, 10:00 at Elexon, 350 Euston Road, London

Action Table (Appendix 1)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
Dis0802	14/08/06	3.1	Ofgem to consider providing a written response, outlining its preliminary view on Network Ownership beyond the ECV, to assist with policy development.	Ofgem (PS)	Action: Complete
Dis1104	23/11/06	3.2	Ofgem to consider facilitating a meeting with the AiGT, Transporters and Shippers to assist with the CSEP NExA issue resolution	Ofgem (JB/NR)	Action: Complete
Dis0201	22/02/07	1.2	Transporters to provide Ofgem with agenda items to enable Ofgem to facilitate a meeting with the AiGT, Transporters and Shippers to discuss the CSEP NExA issue resolution. (See Action Dis1104)	Transporters	Action: Complete
Dis0202	22/02/07	1.3	All to provide membership nominations for Review Group 0131.	All	Action: Complete
Dis0203	22/02/07	2.1	British Gas Trading to provide a revised Proposal for 0115	British Gas Trading (SBr)	Action: Complete
Dis0204	22/02/07	2.1	xoserve to provide Theft of Gas statistics.	xoserve (SN)	Action: Complete
Dis0205	22/02/07	3.3	xoserve to provide an age profile of filter failures prior to March's Meeting.	xoserve (LW)	Action: Complete
Dis0206	22/02/07	3.5	Cost/Benefit Analysis to be undertaken to understand the impacts of reducing the threshold of 73,200 Kwh for Individual Meter Point Reconciliation.	British gas Trading (SBr) and Scottish and Southern (MJ)	Action: Pending
Dis0207	22/02/07	3.6	xoserve to provide number of supply points which are currently allocated to the wrong LDZ	xoserve (SaB)	Action: Complete
Dis0208	22/02/07	3.7.1	Ofgem to bring a view to the next meeting on the 60-month payment history.	Ofgem (JB)	Action: Complete
Dis0209	22/02/07	3.7.1	CW to provide draft Credit Modification Proposals with Legal Text prior to March's Distribution Workstream Meeting.	National Grid Distribution (CW)	Action: Complete
Dis0210	22/02/07	3.7.2	All to consider the management of Small Value Invoices for discussion at March's Distribution Workstream Meeting.	All	Action: Complete
Dis0301	22/03/07	2.1	SN to investigate the possibility of reporting bypass activity for monthly read meters.	xoserve (SN)	Action: Pending

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
Dis0302	22/03/07	2.2	SH and Audit Sub-committee to consider Modification Proposal 0135	RWE npower (SH) and Audit Sub-committee members	Action: Pending
Dis0303	22/03/07	3.1	All DNs to provide any technical information of sub-deduct configurations including the condition of these networks and respond to the suggestion of adoption.	All DNs	Action: Pending
Dis0304	22/03/07	3.8	JB will consider the Draft VAR Proposal and check if the Proposal is line with the original intent of the Best Practice Guidelines.	Ofgem (JB)	Action: Pending