

Distribution Workstream Minutes
Thursday 24 May 2007
Elxon, 350 Euston Road, London

Attendees

Tim Davis (Chair)	TD	Joint Office of Gas Transporters
Lorna Dupont (Secretary)	LD	Joint Office of Gas Transporters
Andrew Keogh	AK	E=MC2
Bali Dohel	BD	Scotia Gas Networks
Chris Hill	CH	RWE npower
Chris Warner	CW	National Grid Distribution
Erika Melen	EM	EON UK
James Crossland	JC	Corona Energy
Jenny Boothe	JB	Ofgem
John McNamara	JMc	Ofgem
Linda Whitcroft	LW	xoserve
Mark Jones	MJ	SSE
Ndidi Njoku	NN	Ofgem
Phil Broom	PB	Gaz de France
Phil Lucas	PL	National Grid Distribution
Sham Afonja	SA	RWE npower
Simon Trivella	ST	Wales & West Utilities
Stefan Leedham	SL	EDF Energy
Steve Nunnington	SN	xoserve

1.0 Introduction and Status Review

1.1. Minutes from April Distribution Workstream

NN requested the following amendment to April's Workstream Minutes:

1.3 Review of Live Modification Proposal and Topic Log

~~NN~~ [The Joint Office](#) confirmed that Ofgem would be issuing a letter shortly for consideration at the meeting.

GW and NN requested the following amendments to April's Workstream Minutes:

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

~~NN referred to last month's meeting where Ofgem questioned the rate of 90% and again questioned why a 90% rate was chosen opposed to another percentage, for example 80%. NN referred to last month's meeting where Ofgem questioned the rate of 90% and again questioned whether the figure had any analysis to the support it as opposed to another percentage and questioned whether the 90% figure would alleviate to some degree the concerns Ofgem raised in its decision to reject UNC 096.~~

~~GW confirmed that rather than having a strong theoretical basis, this rate was chosen pragmatically to set a balance between LDZ impacts and the provision of appropriate incentives. GW confirmed that the 90% rate was identified as providing a balance between ensuring that Shippers continue to~~

have an incentive to monitor and pursue threshold crosser appeals, whilst ensuring that energy is allocated to the correct market sector.

The Minutes of the previous meeting were then approved.

1.2. Review of Actions from April Distribution Workstream meeting

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: To be covered under Topic 021Dis

Action: Closed – to be covered via topic process.

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

Action Update: SN advised there was a process to follow but there were no accompanying statistics. He described the process, and confirmed that the team did not receive many notifications, although Shippers are obliged to notify under UNC. Illegally operated bypasses were treated as Theft of Gas. As it was not treated as a separate RGMA flow there was no way of telling whether instances have increased over time. There was a suspicion that not every single case is actually being reported by the industry, as there was no incentive to do so.

Actions: PB to raise at the Gas Forum whether Shippers are receiving sufficient/accurate information from their service providers and that their processes are robust with respect to reporting bypass activity for monthly read meters.

Dis0302: SH and Audit Sub-committee to consider Modification Proposal 0135.

Action Update: SA advised that Shippers were meeting to discuss Terms of Reference and scope of the audit on 29 May 2007. Update on progress to be provided.

Action: Carried Forward

Dis0401: CW to confirm current charging rate for LDZ Annually Read NDM Supply Points.

Action Update: CW confirmed that there was one single charge rate, as pointed out at the previous meeting by ST and PB.

Action: Closed

Dis0402: VK to clarify the need for non UK companies to provide a new legal opinion when a Parent Company Guarantee is provided and Scottish companies sovereign credit rating.

Action Update: PL read out the following statement relating to the interpretation of the guidelines:

“The Ofgem Best Practice Guidelines require that where instruments of security are utilised they must be legally enforceable. The requirement for the provision of a legal opinion is amongst other things to make an assessment of enforceability for instruments of security provided by companies based outside England and Wales. The legal text associated with Modification Proposal 0146 requires the provision of a legal opinion where the Transporter reasonably requires this. This is to seek to minimise the risk of bad debt and consequently any amounts levied to Users via the ‘pass through’ mechanism.

The UNC is based on the laws of England and Wales and companies based outside of this jurisdiction may for example have different rules for enforcing judgments made in England. We must be seen not to discriminate against other countries that are outside of the jurisdiction of England and Wales, therefore that is why the drafting associated with Modification Proposal 0146 is at it is. I can also confirm that the United Kingdom (which includes Scotland) is sovereign rated (currently AAA).”

A short discussion followed and CH stated that further clarification would be appreciated. He had two concerns: why should SSE, registered in Perth, have to provide legal opinion and why should it have to be provided at SSE's expense? Other non-UK Shippers shared these concerns. AK questioned the vagueness of 'reasonable circumstances' and how this might be defined. Further questions included 'Why is it in the Best Practice Guidelines?' and 'Will National Grid change its proposal in the light of comments received?' to which CW responded in the negative. ST suggested all the DNs, not just National Grid, should confirm their views on when a legal opinion was/was not reasonably required.

Ofgem confirmed that it did not propose to review the Best Practice Guidelines, but this issue had been raised through another route (confidential request) and was being looked at internally. It was uncertain whether any view reached would be made public, as the request was confidential.

Actions: CW advised that National Grid was undertaking a review of enforceability and would return with a response before the next meeting.

DNs to clarify their position on when a legal opinion was/was not required. CW to provide examples before the next meeting.

Dis0403: All to consider RbD Issues log and provide Ofgem with any additional issues.

Action Update: Ofgem had received no additional issues.

Action: Joint Office to write to Ofgem requesting an indication of when the RbD conclusions document could be expected.

Dis0501x: Ofgem to provide the Joint Office with a further set of issues for all to respond to.

Action Update: JB advised that her colleagues were liaising to identify the focus required for Modification Proposal 0088, but was not aware of the current position.

Action: Carried forward

1.3 Review of Live Modification Proposals and Topics Log

TD confirmed that the majority of the Modification Proposals were in their consultation phase, with others on the agenda.

0126 Review Group: The Review Group will be meeting on 30 May 2007.

0131 Review Group: This Review Group would also be meeting on 30 May 2007.

2.0 Modification Proposals

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

It was agreed to defer development until June, following a separate Shipper meeting to consider this.

2.2 Proposal 0141A: “Revision to the ‘User Suppressed Reconciliation Values’ Financial Incentives arrangements”

EM gave a presentation and explained the rationale for raising this alternative proposal. EM also drew attention to an error in Appendix A, which will be rectified. In E.ON’s view 0141 as drafted did not give Shippers a focused approach. There were concerns that increasing the liability cap would fail to address current behaviour and would continue the present risk to the RbD market. A discussion took place on the opportunities for ‘gaming’ and the lack of incentives to clear aged items.

EM stated that if this alternative proposal were approved it would provide a good incentive to clear aged items before any proposals emerging from Review Group 0126 are implemented. ST thought it may just rejig Shippers’ payments under the current liability cap and not have the desired effect. EM argued that the proposal incentivised Shippers in such a way as to reduce the risk to the RbD market, both in terms of over inflated incentive charges and in that Shippers would be incentivised to clear these items in a timely and proficient manner. The benefits of a penal as against an incentive regime were briefly discussed and CH commented, that unless severe, penalties tend to get ignored.

ST was happy with the cap at 2%, however LW was not sure that the proposed 0.5% cap increase would cover the increased costs were this proposal to be implemented.

There may also be a residue of ‘unresolvable’ USRVs, which Shippers were unable to clear themselves, the management of which would need further consideration. It was thought that a further proposal might be required to resolve any legacy aged items.

LW asked for clarification on Modification Proposal 0141A as to whether EON were suggesting that the £20 charge (between 2 and 4 months) is removed or included as the Modification Proposal did not mention this.

Action Dis0502: EM to provide clarification on Modification Proposal 0141A as to whether EON were suggesting that the £20 charge (between 2 and 4 months) is removed or included.

It was acknowledged that support for this alternative proposal among Workstream attendees was lukewarm.

2.3 Proposal 0144A: “Quantification of Value at Risk (VAR) to determine a User’s minimum Code Credit Limit Requirement”

ST gave a presentation and explained the background to the alternative.

PB questioned the effect, assuming that the capacity /commodity split went through. ST responded that this just reinforced it and did not lessen the purpose.

Ofgem was asked for its view on the additional 15 days usage. JB responded that the Guidelines had taken 2 years to develop and took account of the billing cycles of gas and electricity. These allowed for the credit arrangements to fluctuate, and the 15 days was the proxy they had settled on.

VAR was predicated on a User becoming insolvent rather than on day-to-day trading. In trying to balance an industry with a monopoly provider and other players, so that all types of Users would be able to trade and not be penalised by higher levels of security (barrier to competition) Ofgem had tried to even out the field. Users were incentivised to pay bills and have the right security in place. It was the Networks' responsibility to manage the credit arrangements reasonably, to ensure market competition actually worked.

At the time it was recognised that the calculation could be fairly low at times, but this was measured against the normal trading cycles at the time.

Ofgem assured the meeting that it would be looking at both the original and the alternative proposals before reaching its decision. ST pointed out that the Best Practice Guidelines were interpreted differently in both proposals and this should be given careful consideration.

In ST's view 0144A would lead to greater stability, and 0144 did not really fit with the Best Practice Guidelines, and it was of concern that if 20 days proved to be the obstacle, the issue would remain unresolved. It was observed that all DNs support the Best Practice Guidelines and that interpretation was always a challenge.

3.0 Topics

3.1. 014Dis, CSEP NExA agreements

NN confirmed that Ofgem had written to the iGTs asking for an explanation as to why a number of iGT Network Code Modification Proposals have not been implemented along with a request for an action plan. Ofgem will be facilitating a further meeting and taking steps to resolve the issues, which appear to be a lack of understanding of the processes and how they work, and communication. These were not viewed as sufficient to permit non-implementation, and Ofgem can take enforcement action if necessary and appropriate.

CW observed that the meeting was aware of modifications that had not been implemented, eg mod 75, and which could have a consequential impact on RbD, and thought that provision of updates from the iGT Modification Panel to the Distribution Workstream would be welcomed. TD stated that iGTs were entitled to appoint a representative to the UNC Modification Panel, but did not attend in practice.

Action Dis0503: Ofgem to remind the iGTS that they are able to appoint a representative to the UNC Modification Panel.

Action Dis0504: Joint Office to add 'Update from iGT Modification Panel' as a standing agenda item at future Distribution Workstream meetings.

It was agreed this should be left open on the Topics Status Report.

3.2. 018Dis, Charging for reconciliation quantities.

There was no progress to report and it was agreed this would be discussed at the June Distribution Workstream meeting.

3.3. 019Dis, USRV Incentives.

CW advised that BGT had seen Modification Proposal 0141 as a first step, but unfortunately it was not represented at this meeting. It was agreed that the topic status should be changed to 'On Hold'.

3.4. 021Dis, Individual Meter Point Reconciliation.

MJ advised that he would bring information to the June Distribution Workstream meeting for discussion.

3.5. 022Dis, LDZ Boundary and MPRN mismatch.

ST advised that the DNs were continuing to work behind the scenes; the number had not altered much, impacts were still being analysed, and there was no firm decision on resolution yet, though it might possibly be done as a datafix. ST agreed to report back to the July Distribution Workstream meeting.

3.6. 023Dis, Small Value Invoices

It was agreed this would be discussed at the June Distribution Workstream meeting.

3.7. Any New topics

None

4.0 AOB

4.1. Closed Topic: 013Dis, Network Ownership beyond ECV at Prime and Sub-deduct Meter Configuration

JMc explained that he had wanted the HSE to attend but this had not been possible. Ofgem had been meeting with the HSE and will continue to be involved in the work to review this issue through its GDPCR team.

Ofgem had received information for National Grid and Wales & West regarding the sub-deduct configurations on their networks, but had yet to receive information from the other networks. BD said that Scotia had provided all the requested information.

It was agreed that this topic should remain at 'closed' status on the Topics Status Report, being taken forward by Ofgem rather than the Distribution Workstream.

5.0 Diary Planning for Workstream

Next Meetings:

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
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: Closed – to be covered via topic process
Dis0301	22/03/07	2.1	PB to raise at the Gas Forum whether Shippers are receiving sufficient/accurate information from their service providers and that their processes are robust with respect to reporting bypass activity for monthly read meters.	Gaz de France (PB)	Action: Carried Forward
Dis0302	22/03/07	2.2	SH and Audit Sub-committee to consider Modification Proposal 0135 - update on progress.	RWE npower (SH) and Audit Sub-committee members	Action: Carried Forward
Dis0401	26/04/07	2.1	CW to confirm current charging rate for LDZ Annually Read NDM Supply Points.	National Grid (CW)	Action: Completed
Dis0402	26/04/07	4.1	CW advised that National Grid was undertaking a review of enforceability and would return with a response before the next meeting. DNs to clarify their position on when a legal opinion was/was not required. CW to provide examples before the next meeting.	National Grid (CW) All DN's National Grid (CW)	Action: Pending
Dis0403	26/04/07	4.2	Joint Office to write to Ofgem requesting an indication of when the RbD conclusions document could be expected.	Joint Office (TD)	Action: Pending
Dis0501 X	08/05/07	2.0	Ofgem to provide the Joint Office with a further set of 0088 issues for all to respond to.	All	Action: Pending
Dis0502	24/05/07	2.2	EM to provide clarification on Modification Proposal 0141A as to whether EON were suggesting that the £20 charge (between 2 and 4 months) is removed or included.	E.ON (EM)	Action: Pending
Dis0503	24/05/07	3.0	Ofgem to remind the iGTS that they are able to appoint a representative to the UNC Modification Panel.	Ofgem (JB)	Action: Pending

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
Dis0504	24/05/07	3.0	Joint Office to add 'Update from iGT Modification Panel' as a standing agenda item at future Distribution Workstream meetings.	Joint Office (HC)	Action: Pending