

**Distribution Workstream Minutes**  
**Thursday 26 April 2007**  
**Elxon, 350 Euston Road, London**

**Attendees**

|                          |     |                                  |
|--------------------------|-----|----------------------------------|
| Julian Majdanski (Chair) | JM  | Joint Office of Gas Transporters |
| Helen Cuin (Secretary)   | HC  | Joint Office of Gas Transporters |
| Alex Travell             | AT  | E.ON                             |
| Bali Dohel               | BD  | Scotia Gas Networks              |
| Bob Bruce                | BB  | Glentonbruce                     |
| Chris Hill               | CH  | RWE npower                       |
| Chris Warner             | CW  | National Grid Distribution       |
| Erika Melen              | EM  | Powergen                         |
| Graham Wood              | GW  | British Gas Trading              |
| James Crossland          | JC  | Corona Energy                    |
| Karen Kennedy            | KK  | Scottish Power                   |
| Linda Whitcroft          | LW  | xoserve                          |
| Marie Clark              | MCI | Scottish Power                   |
| Mark Jones               | MJ  | Scottish & Southern              |
| Mick Curtis              | MC  | E=MC2                            |
| Ndidi Njoku              | NN  | Ofgem                            |
| Phil Broom               | PB  | Gaz de France                    |
| Phil Lucas               | PL  | National Grid Distribution       |
| Richard Street           | RS  | Statoil UK                       |
| Sham Afonja              | SA  | RWE npower                       |
| Simon Trivella           | ST  | Wales & West Utilities           |
| Stefan Leedham           | SL  | EDF Energy                       |
| Steve Nunnington         | SN  | xoserve                          |
| Sue Davies               | SD  | Wales & West Utilities           |
| Tim Davis                | TD  | Joint Office of Gas Transporters |
| Vickey King              | VK  | National Grid                    |

**Apologies**

|                   |     |                       |
|-------------------|-----|-----------------------|
| Jenny Boothe      | JB  | Ofgem                 |
| Rob Cameron-Higgs | RCH | Northern Gas Networks |
| Simon Howe        | SH  | RWE npower            |

**1.0 Introduction and Status Review**

**1.1. Minutes from March Distribution Workstream**

The following amendments were requested:

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

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~~<sup>44</sup> to ~~50~~<sup>45</sup> working days is required during one year.

**3.8 Credit Cover – Draft Modification Proposals**

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

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

Paragraph 7:

~~Ofgem believed they have now established legal responsibilities but need to understand the risk implications of these networks.~~ Ofgem believe that while the underlying legislation seems supportive of the view that the DNs have no responsibility for the pipe work on sub-deduct premises, there is no clear stipulation to render the position free from real doubt. Ofgem believes establishing the safety implications of sub-deduct pipe work is the most important next step.

The Minutes of the previous meeting were then approved.

#### 1.2. Review of Actions from March 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:** No further update

**Action: Carried Forward**

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

**Action Update:** Network information is being correlated and the intention is to provide a report at the May Distribution Workstream.

**Action: Carried Forward**

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

**Action Update:** Update to be provided at the May Distribution Workstream.

**Action: Carried Forward**

**Dis0303:** All DNs to provide any technical information of sub-deduct configurations including the condition of these networks and respond to the suggestion of adoption.

**Action Update:** See Item 3.1

**Action: Complete**

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

**Action Update:** PL provided a short presentation; the only change required to the draft Modification Proposal concerned the calculation of the 15 day proxy. The Modification Proposal's Draft Legal Text is being amended and it is intended to raise 5 Credit Modification Proposals at the May UNC Modification Panel.

**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 Demand Side Management". JM confirmed that an extraordinary Distribution Workstream was being held at Elexon on 08 May 2007 to review the Final Modification Report and Legal Text. NN confirmed that Ofgem would be issuing a letter shortly for consideration at the meeting.

**0126 Review Group:** JM confirmed that the Review Group met on 24 April and will meet again on 30 May 2007.

**0131 Review Group:** JM confirmed that this Review Group would also be meeting on 30 May following an Offtake Committee meeting on 16 May.

## 2.0 Modification Proposals

### 2.1 Proposal 0115A: “Correct Apportionment of NDM Error”

PB provided a presentation detailing the scope and rationale of GDF’s Alternative Modification Proposal.

CW raised a concern with Larger Supply Points below the mandatory Monthly Read threshold that could elect to be read monthly and the impact this could have on the remaining LSP Annually Read sites. CW noted that in an extreme case, Shippers could elect their entire portfolio of Larger Supply Points to be Monthly Read at limited cost. This could leave Shippers with a small number of Annual Read sites bearing the NDM smear. CW highlighted that in theory this meant that as soon as a Supply Meter became Monthly Read, issues concerning undetected theft and unregistered Supply Points was no longer relevant to that Supply Point. PB/MC responded that with such a read frequency, theft, for example, was far less likely.

MCI expressed a concern on the impact on the iGT market.

PB believed the Proposal could encourage the introduction of smart meters.

PB suggested a two-tier price band per LDZ would be utilised. Confirming that rate (b) within the presentation would be the prevailing price from the transportation charge for the sector. CW questioned how the actual Supply Point would be identified. LW expressed a concern with the potential system implications if individual charging rates had to be identified. However, ST confirmed that currently a fixed rate is used per band per LDZ.

KK questioned if the charges are actually derived by the NDM SOQ. ST responded that a single charge rate is applied to Supply Points below 293,000 kWh. CW confirmed he would validate this.

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

AT requested clarification that this Proposal concentrates around Theft of Gas and not leakage. PB confirmed that there are already incentives for leakage.

xoserve confirmed that further consideration is required. TD suggested that xoserve could log any concerns with PB and if necessary PB could vary the Proposal to achieve its objective. JM pointed out that if a variation is made the timescales for Consultation could change for 0115A.

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

SA requested that this agenda item is discussed at the May Workstream. JM suggested that the RbD Audit Sub Committee meeting in the afternoon might wish to discuss the Proposal with James Boraston, who is the RWE npower RbD Audit Sub-committee member. A number of Transporters requested if they could attend this meeting. AT explained this is a member only meeting and additional attendance would need to be agreed by the other members.

ST wished to understand if the Modification Proposal still exists. JM confirmed the Proposal would continue through the Modification process unless it is withdrawn before being issued to consultation.

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

The Workstream Report was considered and finalised; the following areas were discussed:

MC wished to understand why there was a 90% threshold. 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%.

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.

A debate occurred around the incentives and how the Proposal may not actually encourage a change in behaviour to undertake Threshold Crosser appeals earlier rather than leaving them as late as possible in the AQ revision process.

### **2.4 Proposal 0141: “Revision to the ‘User Suppressed Reconciliation Values’ Financial Incentives arrangements”**

GW provided a summary and background to the Modification as discussed at last month’s Distribution Workstream under Topic 019Dis, USRV Incentives.

RS asked if xoserve would foresee a significant increase in workload if the Proposal were implemented. LW confirmed that the level of work is not expected to significantly change in respect of invoicing. However more queries may be submitted as Shippers pay more interest to Filter Failures.

The percentage payment of 2%, which the Transporters are allowed to retain from received incentive payments, was discussed and whether this rate was still suitable. AT suggested keeping the 2% rate with a cap applied of £2,000. ST suggested rather than setting an amount, set a monthly cap of 0.5%. The Workstream agreed that the existing 2.0% rate should still apply with a 0.5% monthly cap.

The Workstream Report was considered and finalised.

JM requested if the associated Topic could be closed. It was agreed to keep the Topic open to allow for monitoring.

## **3.0 Topics**

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

CW provided a presentation responding to Ofgem’s adoption suggestion.

MC questioned the different approaches to adoption and the perceived risks, challenging that the risks are no greater for each scenario.

SL asked if NG would be refunding Transportation Charges for the Supply Meter Point for Prime and Sub configurations if they were charged for works required prior to being adopted. CW confirmed that this had not been considered in detail at this stage.

ST summarised information from Ofgem’s presentation provided last month relating to ownership of pipe work and awareness of responsibilities.

ST confirmed that Wales & West Utilities have 210 Prime and Sub-deduct configurations with 327 Sub deduct meters. ST confirmed that WWU would have a similar response to that provided by National Grid Distribution and that they would also want to re-engineer sites.

CW believed that the Workstream had exhausted discussions on this issue. He believed that, rather than a UNC matter, this is an industry issue that has now been put forward as a submission for consideration under the Price Control Review. As a result the Workstream agreed that the Topic should be closed.

**Post meeting note:** Ofgem has asked for an opportunity to provide some feedback on National Grid's presentation at the May 2007 meeting.

### **3.2. 014Dis, CSEP NExA agreements**

NN confirmed that a meeting has taken place and that Ofgem will be writing to iGTs asking for an explanation as to why the iGT Modifications have not been implemented along with a request for an action plan.

### **3.3. 018Dis, Charging for reconciliation quantities.**

SA confirmed that this Topic will be discussed further at the May Distribution Workstream and that the Topic priority can be changed to a low priority.

### **3.4. 019Dis, USRV Incentives.**

JM requested if this Topic could be closed as a result of the Modification Proposal 0141 Workstream Report being presented at the May UNC Modification Panel Meeting. The Workstream believed it was worth leaving the Topic open for monitoring with the Topic priority changed to medium.

### **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. It was also agreed that the Topic priority could be changed to Medium.

### **3.6. 022Dis, LDZ Boundary and MPRN mismatch.**

ST confirmed work is ongoing and that he will report back.

### **3.7. 023Dis, Small Value Invoices**

ST confirmed work is ongoing and that he will report back.

### **3.8. Any New topics**

None

## **4.0 AOB**

### **4.1. Credit Modification Proposals**

CW confirmed that National Grid's 5 credit Modification Proposals would be raised shortly. CH expressed a concern relating to Parent Company Guarantees for draft Modification Proposal "Acceptable Security Tools available to Users for Transportation Credit Arrangements". CH stated that if a non UK company provides or varies a Parent Company Guarantee a new legal opinion has to be provided, whereas an England and Wales based company does not have to do this. VK confirmed that she would consider CH's concerns and clarify the position.

CH also expressed a concern regarding Scottish companies (registered outside England and Wales) and whether Scotland has the called for sovereign credit rating.

**Action 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.

### **4.2. RbD Issue Log**

NN confirmed that the RbD Issue Log has been published on the Ofgem Website([http://www.ofgem.gov.uk/Licensing/IndCodes/Governance/Documents1/RbD\\_Issues\\_Log\\_doc.pdf](http://www.ofgem.gov.uk/Licensing/IndCodes/Governance/Documents1/RbD_Issues_Log_doc.pdf)). It is intended that this will be reviewed after six months to assess its appropriateness. A template of the log will be provided to the RbD Audit Sub-committee and Distribution Workstream Secretary for circulation. NN asked if the issues log be considered and any additional issues that wish to be registered are provided to Ofgem.

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

CW asked about the availability of Ofgem's RbD Conclusions Document. NN noted that this would be available shortly and suggested that Jonathan Dixon is the best Ofgem contact to provide an update on the progress of this document.

## 5.0 Diary Planning for Workstream

Next Meetings:

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           |
|------------|--------------|------------|--|--|-------------------------|
| 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: Carried Forward |
| Dis0301    | 22/03/07     | 2.1        | SN to investigate the possibility of reporting bypass activity for monthly read meters.  | Xoserve (SN)   | Action: Carried Forward |
| 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: Carried Forward |
| 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: Complete        |
| 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: Complete        |
| Dis0401    | 26/04/07     | 2.1        | CW to confirm current charging rate for LDZ Annually Read NDM Supply Points.   | National Grid (CW)                                       | Action: Pending         |
| Dis0402    | 26/04/07     | 4.1        | 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. | National Grid (VK)                                       | Action: Pending         |
| Dis0403    | 26/04/07     | 4.2        | All to consider RbD Issues log and provide Ofgem with any additional issues  | All  | Action: Pending         |