

GAS CUSTOMER FORUM MINUTES

Monday 12 May 2008

Elexon Office, 350 Euston Road, London

Attendees

Tim Davis	(Chair)	(TD)	Joint Office
Mike Berrisford	(Secretary)	(MiB)	Joint Office
Alex Spreadbury		(AS)	B&Q
Andy Miller		(AM)	xoserve
Claire Gibney		(CG)	NHS Purchasing & Supplies Agency
Chris Lewis		(CL)	CIPS
Chris Logue		(CLo)	National Grid NTS
Damien Cox		(DC)	John Hall Associates
Eddie Proffitt		(EP)	Major Energy Users Council
Joanna Ferguson		(JF)	Northern Gas Networks
Liz Spierling		(LS)	Wales & West Utilities
Mark Freeman		(MF)	National Grid Distribution
Richard Street		(RS)	Corona
Robert Cameron-Higgs		(RCH)	Northern Gas Networks
Simon Piercy		(SP)	Contigo
Steve Edwards		(SE)	Wales & West Utilities
Steve Marland		(SM)	National Grid Distribution
Steve Sherwood		(SS)	Scotia Gas Networks
Simon Trivella		(ST)	Wales & West Utilities

Apologies

Ritchard Hewitt	(RH)	National Grid NTS
Robert Spears	(RoS)	UCC

1. Introduction

Presentations are available at: <http://www.gasgovernance.com/industryinfo/GasCust/2008Meetings/>

1.1 Minutes of last meeting

Minutes of the 10 March 2008 meeting were accepted.

1.2 Review of Actions

- **GCF050** RCH informed members that he expected the baseline information for Interruptible loads (by Load Band) to be provided in week commencing 19/05/08.
Action: Carried forward
- **GCF051**, deferring Corona's AMR presentation to the next meeting was agreed.
Action: Carried forward
- **GCF052**, the meeting had been arranged as agreed.
Action: Closed
- **GCF053**, scheduled meetings dates are on the Joint Office web site, www.gasgovernance.com/Diary
Action GCF053: Closed

- **GCF054**, TD had provided mailing list details, which revealed no obvious gaps. CG was encouraging the Government purchasing agency to attend, and AS had similarly contacted fellow retailers.

Action GCF054: Closed

2. Presentations

2.1 xoserve Issues

AM gave a brief overview of xoserve's role, providing services on behalf of the Transporters under the Agency Services Agreement (published on Joint Office and xoserve websites). Currently xoserve are working on two major projects, namely:

2012 UK Link Replacement

xoserve has commenced work on a project to replace the existing UK Link suite of systems and will initiate formal consultation with the industry during 2008. The consultation will include end users and xoserve welcome an opportunity to attend the Gas Customer Forum.

User Pays

The User Pays arrangements were introduced to comply with the GT Licence conditions which Ofgem consulted on and introduced as part of the Distribution Price Control Review. Ofgem had also approved the Agency Charging Statement which sets out the charges which were introduced with effect from 1 April. The User Pays concept had been an Ofgem initiative requiring implementation within challenging timescales. The funding for the services involved had been removed from the Transporters core allowed revenue, and users now pay directly based on the extent to which they use the service.

AS suggested that the User Pays approach gives him no choice, as xoserve is the sole IAD provider, but leaves him exposed to a significant additional cost. AM explained that, as a licence condition requirement, the services must be provided on a cost recovery basis and must not discriminate between persons or classes or persons – hence all users, whether Shippers or end customers, faced the same charge structure. IAD use is charged for on a per account basis. AM agreed to contact AS separately to discuss his charging and service provision concerns.

Attendees indicated that they are experiencing problems with their respective Suppliers regarding the maintenance of data on UK Link systems. For example, AS knew of a number of meter records where the metric/imperial indicator was incorrect, but resolution had not been possible through their Supplier. This is compounded by Shippers appearing to have little appetite for getting involved in changing erroneous data. When asked, CG confirmed that Suppliers argue the problem lies in xoserve's delayed responses to their requests, but xoserve claim to be meeting their Standards of Service obligations. To gather evidence about where the delay is actually occurring, CG is collecting data documenting Supplier/Shipper/Customer communications in an attempt to identify and understand why it is taking so long to resolve issues. However, she is appreciative of the fact, that as a customer, she has no direct contractual relationship with xoserve and wonders who she can turn to for assistance. AS added that he experiences similar problems and when he has discussed his concerns with xoserve he has not received a satisfactory resolution. AM indicated that if CG and AS could provide specific evidence of problems with xoserve's performance, he would happily look into the matter and report back.

AM advised that early in 2008 xoserve met with the various Utility Infrastructure Providers (UIPs) to look at problems such as timely meter point registrations. Furthermore, an xoserve Unregistered Meter Point working group has been established and regularly meets with Shippers to examine and categorise sites (including direct customer enquiries) and information on who, and how, to contact in the event of difficulties is available on the respective Transporter web sites. ST suggested that if problems stem from 3rd party UIPs, xoserve and the DNs have little by way of leverage to change their approach, although an electronic communication mechanism is provided. ST suggested that if CG and AS had

any examples of perceived failures by UIPs he would be happy to review the circumstances and see if process improvements could be introduced.

EP stated he has major concerns surrounding how the user pays concept has been introduced, citing a lack of opportunity to partake in meaningful consultation (the proposal being hidden deep within Price Control documentation) and an inability to influence the six service lines. EP believes that the user pays services are not competitive as xoserve is the only possible provider. AM did not believe that the concept of competitive provision was part of the user pays initiative – it provides users with the ability to better manage their costs, and potentially take further advantage of services. AM acknowledged, however, that user pays communications with end users and their representatives could have been better.

AS commented that the IAD Terms of Use when entering the system state that there is no charge for the IAD service. AM explained that the Framework Contract for the Provision of Non-Code Services details the terms under which the IAD Service is to be provided, and takes precedence over the Terms of Use. AM agreed to provide a copy of the Contract to AS. AS asked if, given they have a contract, users will have access to someone within xoserve who can provide advice and assistance on general matters e.g. issues with data maintenance, and AM indicated that is the principal contact, available at:

A Miller, Customer and Contracts Manager, xoserve Customer and Communications, 31 Homer Road, Solihull B91 3LT.

Email: andy.j.miller@xoserve.com

Telephone: 0121 623 2348

EP asked how users could be assured that the 2012 UK Link Replacement program will be a success. AM pointed to the following key factors as being a demonstration of xoserve's commitment to delivering a successful replacement:

- Past experience in large system changes;
- Excellent working relationship with xoserve's I.T. service providers;
- Service providers integrated alongside xoserve personnel;
- All work is subject to independent 3rd party review;
- Contingency planning will be completed in a timely manner;
- Phased implementation to avoid the pitfalls of a 'big bang' approach;
- Engagement with Transporters commenced 2007;
- Engagement with the wider community will take place during 2008;
- Further engagement with Shippers/Suppliers anticipated to ensure system is 'fit for purpose'; and
- There will be an extensive build and testing regime adopted.

Attendees indicated that they had found AM's presentation and presence extremely helpful and requested that xoserve issues becomes a regular item on the GCF agenda.

Action GCF055: xoserve (AM) to contact B&Q (AS) to discuss charging and service provision concerns.

Action GCF056: NHS (CG) and B&Q (AS) to provide evidence of their Supplier problems associated with the maintenance of data on xoserve systems, to xoserve for consideration.

Action GCF057: xoserve (AM) to provide to B&Q (AS) a copy of the Framework Contract for the Provision of Non-Code Services.

2.2 DN Interruption Reform

Wales & West Utilities

LS explained that the DNs' formal interruption tender information was released to Shippers by xoserve on 01 May. The DNs have also provided details of their Interruption Requirements and further background information on their own and the Joint Office web sites. (www.gasgovernance.com/industryinfo/int/)

LS emphasised that WWU have only published partial requirements for Gas Years 2012/13 to 2015/16 - WWU expect to supplement these requirements in future Annual or ad-hoc invitations utilising further information on system capacity and future network demand. WWU do not need to undertake any physical investments for 2015/16 until 2012 should appropriate bids not materialise, but want to provide an indication to enable users to bid. Anyone wishing to tender for a 5 year contract can do so but should ensure that the Interruption Offer does not exceed the requirements for any of the individual 5 years.

CG indicated that she believes that this approach could potentially influence the bid process. SE pointed out that the values represent what WWU presently think they need in terms of their Interruptible Contract Requirements, but this may change in future due to impacts from the move to 95:5 capacity:commodity charging. CG highlighted that some Suppliers propose charging on a per bid basis such that WWU's going back to the market option can become expensive.

TD asked if consumers felt that they had sufficient information to enable them to enter into the bid process. CG felt she had, but remained concerned about unknown factors – notably future movements in fuel prices such that being able to bid an indexed price could have been useful. EP suggested that the main issue remains how do you value oil & gas in 3 years time and it is the 'marginal' costs which will determine whether you bid or not.

RS indicated that his customers are presently not showing a great deal of interest in the process and asked if the DNs have received much feedback. LS said that additional Shippers are beginning to register an interest. ST acknowledged that it is difficult to confidently predict take up levels, but believes WWU will get a sufficient number of bids.

Scotia Gas Networks

SS said the majority of his bid enquiries have come from larger interruptible sites rather than Shippers. The published requirements differed only slightly to those provided previously, with key differences being:

- Bids are invited for the whole of Scotland DN;
- There has been a reduction in the number of interruption zones;
- The South LDZ is now completely covered; and
- Southern Zone 2 was formally 3 zones.

CG enquired how sites with erroneous AQ data, which places them outside the bid parameters, will be dealt with - she has a site with a registered AQ of 1.9 which should be 19 million. ST suggested that regardless of the reason, it is too late to amend this for this year and bidding would not be possible. EP indicated that if this was his site, he would appeal to the Authority if he was ineligible to bid.

With reference to Southern Zone 2, EP enquired if the large figure was a cumulative SOQ total. SS clarified that it was not - levels have been set to try to take into account future projects (mains replacement and new pipe installation) and how people structure their bids will be important to future investment decisions.

Northern Gas Networks

RCH said NGN is reasonably happy with the level of interest shown in the bid process. While having no real idea of take-up levels, NGN remains confident that bids will be received. RCH confirmed that NGN's figures are very similar to the indicative figures provided previously, and the projected requirements are 1/10th of the current interruptible load.

RCH advised that for Zones 3 and 12, the interruption requirement is 7 days due to engineering work. He added that NGN's strategy differs to WWU's being flat over the 5 year period. When asked about the 102 day interruption requirement, RCH confirmed this to be the correct figure, rather than a misprint, and is the result of modelling profile requirements. He expects that in reality, the figure will be lower and emphasised that the volume involved is low.

National Grid

MF confirmed that the National Grid interruption requirement is close to that previously stated and is flat across the 5 years. There will be no requirement for interruption in either North London or the West Midlands. When asked, MF confirmed that NG does not intend to take bids for locations where currently no interruption requirement exists. He added that bid related enquiries are increasing the closer we get to the auction date.

CG enquired if systems testing had gone smoothly – and noted that no customers were involved. ST responded that both Users and xoserve had experienced testing problems, mainly associated with file format issues. ST emphasised that the Suppliers who were involved in the testing equated to approximately 70% of the total customer profile and that a lot of effort had gone into conducting the tests accurately. CG believes that communications had been good but remains concerned that customers were not involved in the testing. TD acknowledged that the communication chain - xoserve/Shippers, Shippers/Suppliers and Suppliers/Customers - can be a concern. However, all were working to make the process effective. RS confirmed that Shippers were seeking to help end users, such that they did not necessarily need to deal with the full complexity. ST emphasised that the testing issues related to inputs, not the xoserve systems, and all testing parties were able to resolve their problems and bid successfully.

ST and SS reminded all to bid early to give sufficient time for validation and resolution of any issues before the window closes. TD asked, and attendees confirmed, that they now feel fully aware of the interruption bid requirements.

2.3 Transportation Charging

TD explained that the DNs had published indicative transportation charges to apply from October 2008, and had presented on the underlying revenue information at the 6 May Distribution Charging Methodology Forum (DCMF). Copies of the Indicative Charges documents are available at:

www.gasgovernance.com/industryinfo/TransportationCharges/Oct08Ind

Northern Gas Networks

JF opened by explaining that NGN's report is subtly different to the other DNs due to their adoption of new modelling techniques and methodologies. A note supporting the indicative charges statement which highlights the approximate 5% reduction will be issued in due course.

Asked about when the October pricing calculator would be available, SE agreed to investigate. Members questioned why the indicative charges are not built in to the calculator already? SM responded, first, that updating the calculator is a time consuming exercise, and as a consequence, it is generally only updated annually and, secondly, it did not seem helpful to issue multiple copies of the calculator, for example to model indicative as well as actual charges. In addition it should be noted that the calculator does not yet include the 95:5 capacity:commodity split. However, the DNs' Indicative Charges publications include appendices that identify the impact of the 95:5 change.

Wales & West Utilities

SE said WWU have indicated a 10% (on a like-for-like basis) increase in charges. This is mainly due to:

- The market price of gas and consequent shrinkage costs; and
- AQ reductions.

EP voiced concerns surrounding the 10% quoted which follows significant price increases – what has happened to RPI-X? SE responded that the price control allowed for OPEX costs across the period on an RPI-X basis, such that this was now built in to the price control calculations.

RS questioned the 4% reduction in AQs for WWU, which was inconsistent with the Summer Outlook information provided by NTS which assumed demand growth. SE explained that demand growth does not necessarily result in a corresponding growth in

AQ – WWU believe the downward AQ trend is likely to continue. CG suggested a lack of a clear understanding of the charges adds to confusion.

National Grid

SM said National Grid charges were being presented on a like-for-like basis, comparing October 2007 to October 2008 - the scale of actual increases/decreases will vary depending upon the 95:5 impacts.

ST explained that WWU raised Modification Proposal 0210 “Implementation of DNPC03 (LDZ System Charges – Capacity / Commodity Spilt and Interruptible Discounts), the Alignment of Failure to Interrupt Charges and the Alignment of the IFA Charge” to allow for Interruptible sites to pay a reduced (47.73%) capacity charge during the transition period. EP, on behalf of Alison Meldrum, suggested that, as a matter of principle, if you do not hold firm capacity you should not pay the 95% capacity charge. TD suggested that now is an ideal time for parties to submit their responses, such as this view, to the consultation which was due to close on 20 May.

ST advised members that WWU have also raised Modification Proposal 0215 “Enduring Arrangements for Supply Point Capacity decrease at an Interruptible Supply Point” to address some interruptible (reducing SOQ) issues which may impact some parties willingness to participate in the June auction. Currently any SOQ reduction at a site with firm and interruptible capacity is applied solely to the interruptible element. To address this, the Proposal allows the reduction to be applied to either the firm or the interruptible element if both the DN and customer agree to do so.

SM then provided an update on potential changes to the distribution charging methodology. The DNs are planning to review the data underlying the customer charge, which reflects the costs of the emergency service and service pipes. RS suggested, and SE and SM accepted, that this could result in a distributional shift in where charges are borne, such that end users may wish to keep track of any developments. EP questioned the complexity of charging, suggesting that the gas industry could mimic the electricity model which has only one (capacity) charge type.

Scotia Gas Networks

SS apologised that they had no presentation material on SGN's indicative charges. No issues were raised concerning SGN's proposals.

2.4 Transmission Issues

TD asked for views on the changes with the National Grid MIPI. DC indicated that everything was there, although finding information for the first time can still be problematic. EP felt the previous version had been easier to use but acknowledged that the new version provides more scope for improvement. He noted that some data can be up to 48 hours out of date - on the electricity equivalent, generation reports are more or less real time. RS questioned this, suggesting the generation reports offer little help to the market in reality, especially when factoring in the ½ hour close out which results in potentially more out of date information than its gas counterpart. CL acknowledged the need to strive for continued improvements to the service.

3. Modification Proposals

- 3.1 Review of UNC Modification Proposals
No additional issues raised.

4. Customer Issues

- 4.1 DNO Update
No additional issues raised.
- 4.2 Customer Issues
No additional issues raised.
- 4.3 Regulatory Issues
No additional issues raised.

5. Date of next meeting and agenda items

The next GCF meeting is booked for 28 July 2008 at Elexon's Offices, London.

Dates and locations are available on the Joint Office calendar, www.gasgovernance.com/Diary, and papers on the Gas Customer Form section of the website, www.gasgovernance.com/industryinfo/GasCust/2008Meetings.

Suggestions for agenda items can be sent to enquiries@gasgovernance.com

6. A.O.B.

EP asked about Review Group 0209, Rolling AQ review. He believes that AQs should be owned by the customer rather than the present arrangements where customers cannot manage their own data. RS advised that the Review Group is looking into the adoption of a monthly rolling AQ regime whereby the latest and most accurate AQ information is always used, rather than a once per annum approach, but was not revisiting fundamentals about data ownership.

Appendix A

Action Log – Gas Customer Forum – 12 May 2008

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner*	Status Update
GCF050	30/11/07	1.2	NGN (RCH) to investigate progress on the provision of baseline information for Interruptible Loads and report back at the next meeting.	RCH	Documentation to be provided w/c 19/05/08. Carried Forward
GCF051	10/03/08	3.1	Corona Energy (RS) to present on AMR issues at the next GCF meeting.	RS	Presentation due 28/07/08. Carried forward
GCF052	10/03/08	5.1	MiB to rearrange April meeting to early May.	MiB	Completed 13/03/08. Closed
GCF053	10/03/08	5.1	Joint Office (MiB) to confirm 2008 GCF meeting schedule.	MiB	Update provided. Closed
GCF054	10/03/08	6.0	All to consider how to promote GCF attendance.	All	Update provided. Closed
GCF055	12/05/08	2.1	xoserve (AM) to contact B&Q (AS) to discuss charging and service provision concerns.	AM	
GCF056	12/05/08	2.1	NHS (CG) and B&Q (AS) to provide evidence of their Supplier problems associated with the maintenance of data on xoserve systems, to xoserve for consideration.	CG/AS	
GCF057	12/05/08	2.1	xoserve (AM) to provide to B&Q (AS) a copy of the Framework Contract for the Provision of Non-Code Services.	AM	