

Minutes Review Group 0334
Post Implementation Review of Central Systems Funding and
Governance Arrangements
Wednesday 30 March 2011
at ENA, Horseferry Road, London

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Alan Raper	(AR)	National Grid Distribution
Andy Miller	(AM)	Xoserve
Brian Durber	(BD)	EON UK
David McCrone*	(DM)	Scottish Power
Gareth Evans	(GE)	Waters Wye
Joanna Ferguson	(JF)	Northern Gas Networks
Jon Dixon	(JD)	Ofgem
Jonathan Wisdom	(JW)	RWE npower
Martin Brandt	(MB)	SSE
Sean McGoldrick	(SM)	National Grid NTS
Simon Trivella	(ST)	Wales & West Utilities
Stefan Leedham	(SL)	EDF Energy
Tim Davis	(TD)	Joint Office

* *by teleconference*

1. Introduction

1.1. Minutes from the previous meeting

The minutes of the previous meeting were approved.

1.2. Review of Action from the previous meeting

RG0334 015: All parties to identify any additional and specific issues/concerns that they may wish to be included within the draft review group report, in time for consideration at the next meeting.

Update: No suggestions were received in advance of the meeting. **Closed**

Action RG0334 016: Transporters to present an overview of the ACS and its change process

Update: Presented. **Closed**

Action RG0334 017: Ofgem to provide feedback on the incremental and fundamental options identified in the draft Report

Update: Published on 25 March. **Closed**

2. Review Group Discussions

All materials related to this meeting are available at www.gasgovernance.co.uk/0334/300311.

2.1. Process and Governance of ACS changes

AM presented an overview of the ACS change process.

SL indicated that he had always favoured ACS governance being within the UNC, and he felt that the case for this was now stronger given both the conclusions of the Codes Governance Review and experience with some modifications that had created inconsistency. GE supported this, and questioned why the existing process had been implemented in the way it was. ST opined that there was an expectation at the time that more services might potentially be transferred to a User Pays approach, and hence the focus may not be on UNC modifications. Practice now suggested that the interaction with the modification process justified bringing UNC and User Pays decisions within a single process.

ST emphasised the need to be clear what was meant by moving governance of ACS changes into the UNC. The ACS is not the charging methodology *per se* but the statement of charges, and care would be needed when defining what was being brought within UNC governance. A process like that used for transportation charges was likely to be an appropriate model.

A range of potential ACS changes was identified, with differing degrees of materiality – and it was recognised that any process should be commensurate with the materiality. JD suggested that, at minimum, if a modification follows the self-governance route, it would seem appropriate for the supporting charges to also be subject to self-governance rather than needing Ofgem approval.

MB suggested that when there are system changes it is important to understand them and their implications, of which the ACS and User Pays is part. This stimulated further discussion as to the appropriate scope for any move to bring the ACS change process within UNC governance, with consensus that a single process was preferable while leaving open the opportunity for charges to be updated in line with the methodology.

JF felt the discussion amounted to formalising best practice and codifying it within the UNC, plus identifying any supporting licence changes which may be required. ST offered to coordinate a Transporter view of the contents of a modification that could deliver this.

Action RG0334 019: ST to coordinate drafting the outline of a modification seeking to bring ACS methodology changes within UNC governance

2.2. Draft report

JD expanded on the note he had circulated setting out a preliminary Ofgem view on aspects of the draft report. He emphasised that the existing licence obligations should not be automatically considered a barrier to change. If the industry identified a different approach that would command general support, but is inconsistent with the present licence obligations, the licence can be modified. As with any debate regarding changes to ACS governance, Ofgem would not want options to be automatically ruled out – stepping back and considering the best way forward in the light of experience was preferable.

MB questioned what JD was referring to as in need of requiring additional transparency regarding the UK Link committee. JD said that this amounted to making UK Link discussions part of the general bundle of modification papers, such that any input is more tightly integrated with the modification process – helping to ensure technical issues are identified early in the change process. While the UK Link papers are all published and meetings are open, the role and purpose of the Committee may not be clear to those not directly involved. It was suggested that UK Link should provide a view in the Workgroup report.

JD indicated that Ofgem would like reassurance that the Code Administration Code of Practice principles can be delivered. TD indicated that he believed that the mechanisms are in place to do this. BD suggested that more direct involvement with the Code Administrator requesting cost estimates from Xoserve would assist with transparency. He anticipated the promised costs matrix being a living document, updated as more information on costs became available, being kept up to date and published by the Code Administrator. ST was not clear this would add transparency and felt the existing process is transparent and working well. AM added that working with the Transporters helped to establish priorities and manage the workload for producing ROMs – he would be uncomfortable about receiving instructions from multiple sources that could impact the setting of priorities within a broader setting.

On electricity comparisons, it was recognised that Elexon had been the main comparator and that the more rigid structure of implementation dates was useful. However, there were also clear differences between Elexon and Xoserve that made direct comparisons difficult as Xoserve managed more processes.

The Group recognised that it had little experience of commercial best practice outside the energy arena and was not clear what is an appropriate comparator. GE offered to outline how Waters Wye approaches issues, but would not claim they were best practice nor clearly offer lessons for substantially larger organisations. He therefore offered to seek views from Gazprom on what they regarded as commercial best practice.

It was agreed that next steps should address recording the concerns that had been identified, and then considering how the possible remedies address the issues, preferably in the form of a matrix. GE highlighted that the key issues were around transparency and understanding/assurance. SL suggested that much of the difficulty was that issues are around perceptions of Xoserve, which are likely to differ between parties. Obtaining a level of agreement in a report was likely to be problematic.

AM suggested it may be worth highlighting issues that are and are not within Xoserve's control – for example, Xoserve is a small part of the general change process. A further example is the need for service demand estimates to inform system development, with user commitment being a valuable tool for developing requirements and understanding costs.

BF agreed to expand the draft report to incorporate the issues raised in discussions during meetings to date, including a matrix to summarise the position.

3. AOB
None.

4. Diary Planning for Review Group

The Review Group agreed to meet again by teleconference on 20 April to discuss the revised report, which would be circulated and comments invited in advance. GE also offered to present on commercial practice. A further meeting was agreed for 17 May.

ACTION LOG – Review Group 0334

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0334 015	16/02/11	2.2	Identify any additional and specific issues/concerns that they may wish to be included within the draft review group report, in time for consideration at the next meeting.	All	Closed
RG0334 016	09/03/11	2.1	Present an overview of the ACS and its change process	Transporters	Completed
RG0334 017	09/03/11	2.2	Provide feedback on the incremental and fundamental options identified in the draft Report	Ofgem (JD)	Completed
RG0334 018	30/03/11		Coordinate drafting the outline of a modification seeking to bring ACS methodology changes within UNC governance	WWU (ST)	