

UNC Workgroup 0379 Minutes Provision for an AQ Review Audit

Thursday 24 November 2011

at Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Alison Jennings	(AJe)	Xoserve
Anne Jackson	(AJ)	SSE
Brian Durber	(BD)	EON UK
Cesar Coelho	(CC)	Ofgem
Chris Warner	(CW)	National Grid Distribution
David Addison	(DA)	Xoserve
David Watson	(DW)	British Gas
Edward Hunter	(EH)	RWE npower
Erika Melen	(EM)	Scotia Gas Networks
Gareth Evans	(GE)	Waters Wye
George Glen	(GG)	Scottish Power
Karen Kennedy	(KK)	Scottish Power
Linda Whitcroft	(LW)	Xoserve
Lorna Lewin	(LL)	Shell
Simon Trivella	(ST)	Wales & West Utilities
Tim Davis (Secretary)	(TD)	Joint Office

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0379/241111>

1. Review of Minutes and Actions

1.1 Minutes

The minutes of the previous meeting were accepted.

1.2 Actions

No outstanding actions to review.

2. Discussion

Modification 0379A

KK ran through the Business Rules, explaining the changes made. She noted that, following recent discussions with Xoserve, further changes would also be made to the Business Rules for consideration at the next meeting.

LW suggested some further amendment may be needed to ensure BR20 operates as intended, which was agreed.

KK confirmed that she was committed to a fixed line in the sand rather than creating a graduated approach, which she thought could become overly complex. DW was concerned that this puts pressure on the robustness of the 85% performance measure, creating a cliff face for those just above and just below rather than a graduated, or banded measure. In any event, Ofgem might expect to see justification of any particular level. KK felt historic performance data meant 85% was a reasonable assumption to make – although data from the latest year may show a significant difference. In any event, performance data would be available early in the process and Shippers could respond to this and so avoid falling on the wrong side of the line in the sand.

DW asked if some worked examples, based on how Shippers perform at present, could be provided to support the consultation process, but LW said that real data was not available to inform this.

KK then ran through the Guidelines document. CW asked whether the proposed approach to appointment would be consistent with legal requirements for procurement. LW said that each Shipper would be paying for and appointing its own auditor, based on the approved list, and hence any procurement issues were for the appointing party. KK asked if the Offtake Committee is the appropriate body to approve a list of potential auditors, and the UNCC was suggested as an alternative.

DW questioned whether it is appropriate for the Shipper to appoint its own auditor, which could be seen as being less independent than if others chose the auditor.

The process for compiling a list of potential auditors was considered and it was agreed that some changes to the guidelines would be beneficial. ST suggested that the transporters be excluded from the nomination process as they would have no particular desire to nominate auditors. KK clarified that the intention was to create a long list from which the impacted Shipper would select an auditor.

LW questioned how any potential conflict of interest might be identified bearing in mind that the company to be audited would be anonymous. BD suggested that strong confidentiality conditions would be required. It was recognised that some additional rules to protect against conflicts of interest may be necessary, although confidence in an individual's independence may be sufficient to provide any necessary assurance that the process would be appropriate. KK emphasised that the audit was intended to provide support and suggestions for improving the process, and it was accepted that this made concerns around independence weaker. ST suggested that this pointed to the Shipper appointing their own choice of auditor without requiring the kind of process being put forward to generate an approved list. CC was similarly unconvinced that the process was necessary. GE suggested that providing a list may help in clarifying the bodies that are suitable and to provide guidance to smaller shippers regarding who may be available to help – those who put themselves forward to be on the list could be assumed to have considered what is needed and whether they are in a position to complete the task. GE therefore felt that a list of suggested consultants/experts could be an appropriate way forward.

KK agreed to reconsider the Guidelines in light of the discussion, and would also be looking again at the proposed reports.

Modification 0379

DW confirmed that Business Rules in support of 0379 are being drafted, but may not be ready for the next planned meeting (5 December).

BF confirmed that a Workgroup Report was due to be presented to the Panel no later than January 2012, and hence needs to be completed by 22 December.

3. Any Other Business

None raised.

4. Diary Planning for Workgroup

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

The next meeting of the Workgroup will take place within the business proceedings of the Distribution Workgroup, on Monday 05 December