

**UNC Workgroup 0379/0379A Minutes
Provision for an AQ Review Audit
Thursday 25 August 2011
Elexon, 350 Euston Road, London NW1 3AW**

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Andrew Green	(AG)	Total
Brian Durber	(BD)	E.ON UK
Chris Warner	(CW)	National Grid Distribution
Colin Thomson	(CT)	Scotia Gas Networks
Dave Corby*	(DC)	National Grid NTS
David Watson	(DW)	British Gas
Elaine Carr	(EC)	Scottish Power
George Glen	(GG)	Scottish Power
Joanna Ferguson	(JF)	Northern Gas Networks
Joel Martin	(JM)	Scotia Gas Networks
Jonathan Wisdom	(JW)	RWE npower
Linda Whitcroft	(LW)	Xoserve
Lisa Harris	(LH)	Shell
Mark Jones	(MJ)	SSE
Nick Wye	(NW)	Waters Wye Associates
Stefan Leedham	(SL)	EDF Energy

**via teleconference*

Copies of all papers are available at www.gasgovernance.co.uk/0379/250811

1. Review of Minutes and Actions from previous meeting(s)**1.1. Minutes from the previous meeting**

The Minutes from the previous meeting were accepted.

1.2. Review of actions from previous meetings

WG0602 (amended): British Gas to produce a set of business rules to define a pre-audit process, consider an appeals process and the criteria for appointing an Auditor.

Update: Produced. **Closed.**

WG0606: British Gas (DW) to discuss with National Grid Distribution (CW) defining liabilities and the flow of funds within 0379.

Update: DW will include in the revised Business Rules. **Closed.**

WG0702: Consider specific reasons why an LSP site would have less chance of calculating an AQ than an SSP site.

Update: Deferred to next meeting. **Carried forward.**

WG0703: ICOSS to report back on their market and formally respond, quantifying the scale of any issues.

Update: Deferred to next meeting. **Carried forward.**

WG0705: 5 year grace period - Produce examples and an illustrative timeline to clarify the application to new and established Users.

Update: Deferred to next meeting. **Carried forward.**

WG0801: Warnings Report (LSP and SSP) - Clarify the meaning/ interpretation of each status code.

Update: Deferred to next meeting. **Carried forward.**

WG0802: Produce a table to show what charges are attracted to each category, and whether registered sites/appealed sites are included/excluded.

Update: Deferred to next meeting. **Carried forward.**

2. Discussion

DW explained the amendments made to the modification, in effect decoupling the implementation timeline from the AQ.

2.1 Potential Triggers for 0379 (Action WG0604)

SL gave a brief presentation on triggers identified and the need for initial oversight by a committee so that performance can be explained/monitored and assessed before a valid challenge can be made and an official performance Audit is invoked.

SL pointed out that a particular concentration in certain markets could be outside of the norm; perhaps the focus should just be on the SSP market. There could be many different factors, such as Shippers' individual tariff structures, that can vary the picture and these need to be perceived and understood before blanket conclusions are made and Auditors appointed. A committee should be able to review the circumstances before proceeding to the more formal Audit.

SL was considering raising alternative modification to both 0379 and 0379A.

DW indicated that he was considering the pre-audit process and may revise this.

2.2 Business Rules

0379

The Business Rules were reviewed and discussed, and the following observations/comments were noted in respect of various paragraphs:

Paragraph 2.1 – DW explained the rationale for the figures of 1% and 7.5%, and indicated that he intended to bring forward some analysis to illustrate and support these.

Paragraph 2.2 - DW will put in some controls that acknowledge the effects on small Shippers and a potential different level of treatment.

Paragraph 2.3 - LW sought further clarity on how costs were to be incurred/recovered (also at 2.15 and 2.17).

Paragraph 2.4 - BF suggested that it was more appropriate to refer to the UNCC and also to the Authority, rather than to Panel. Other references are to be changed.

Paragraph 2.6 – Anonymity to be maintained throughout process.

Paragraph 2.10 – All costs to this point to be borne by the community.

Paragraph 2.13 – DW pointed out that no time limit on the Audit had been included, but this probably needs to be addressed.

Paragraph 2.14 - Brief discussion on the limitation/extent of an Auditor's powers to request/acquire information. Clarification may be required - DW to look at Performance Assurance controls under BSc. The lack of an appeal route was challenged. Not appropriate to have to move straight to legal recourse. DW to consider an appropriate appeals mechanism.

Paragraph 2.15 - Should there be a common/consistent methodology to be used by multiple Auditors.

Paragraph 2.16 – Mechanisms to redistribute any assessed financial benefit that may have been inappropriately accrued would be developed.

Paragraph 2.17 - DW to consider how costs might be recovered in the event that a Shipper exits the market midway through an Audit.

DW confirmed that he would reword the sections on costs and where they fall in different scenarios. He would also clarify where the responsibility lay and arrangements for the recovery of Xoserve's costs.

MJ pointed out that AQs may not have lasted until the end of a Gas Year. DW would consider how an Auditor might take account of this, and also how other pertinent circumstances might be filtered out.

DW will also consider excluding LSPs from this process.

The Business Rules will be redrafted and brought back to the Workgroup for review.

0379A

The revised Business Rules were reviewed and discussed, and the following observations/comments were noted in respect of various paragraphs:

Paragraph 2 – JW drew attention to best practice in electricity that GG might want to consider.

Paragraph 3 – It was suggested that the 85% target might be reconsidered over time.

Paragraph 8 – It should refer to ITE, *not* SME.

Paragraphs 8 and 9 and 10 – The degree of prescription necessary in the appointment of an Auditor was discussed. It was suggested that a similar set of specifications/guidelines to that for the appointment of the AUGE might be useful.

It was questioned whether a common daily rate could be required across multiple Auditors; if not how would Auditors of differing daily rates be assigned to carry out a particular audit on one Shipper rather than another? CW offered to provide feedback on Transporter views relating to Auditor appointments and related issues.

Paragraph 11 – It was queried that an Auditor would actually be 'improving performance', rather it was an assurance and control role.

Paragraph 12 (iv) – CW pointed out that there was no ‘Vacant site management process’ in the UNC.

Paragraphs 19 and 20 – LW queried the viability of prescribing a November invoicing date – January might be more appropriate. LW also queried the definition of National Market Share – was this SP or AQ?

The Business Rules will be redrafted and brought back to the Workgroup for review.

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 Thursday 22 September 2011, at Elexon 350 Euston Road London NW1 3AW

Action Log - Workgroup 0379

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
WG 0602	06/06/11	2	British Gas to produce a set of business rules to define a pre-audit process, consider an appeals process and the criteria for appointing an Auditor.	British Gas (DW)	Closed
WG 0606	06/06/11	2	Discuss with National Grid Distribution (CW) defining liabilities and the flow of funds within 0379.	British Gas (DW)	Closed
WG 0702	28/07/11	2	Consider specific reasons why an LSP site would have less chance of calculating an AQ than an SSP site.	Shippers (All)	Update due at meeting 22/09/11 Carried forward
WG 0703	28/07/11	2	ICOSS to report back on their market and formally respond, quantifying the scale of any issues.	ICOSS (SM & GE)	Update due at meeting 22/09/11 Carried forward
WG 0705	28/07/11	2	5 year grace period - Produce examples and an illustrative timeline to clarify the application to new and established Users.	Scottish Power (KK)	Update due at meeting 22/09/11 Carried forward
WG 0801	15/08/11	3.1	Warnings Report (LSP and SSP): Clarify the meaning/ interpretation of each status code.	Xoserve (SP)	Update due at meeting 22/09/11 Carried forward
WG 0802	15/08/11	3.1	Warnings Report (LSP and SSP): Produce a table to show what charges are attracted to each category, and whether registered sites/appealed sites are included/excluded.	Xoserve (SP)	Update due at meeting 22/09/11 Carried forward