

## UNC Workgroup 0421 (0379A) Minutes Improve AQ Performance

**Wednesday 05 September 2012**

**31 Homer Road, Solihull, B91 3LT**

### Attendees

Bob Fletcher (Chair)	(BF)	Joint Office of Gas Transporters
Helen Cui (Secretary)	(HC)	Joint Office of Gas Transporters
Alan Raper	(AR)	National Grid Distribution
Andrew Wallace	(AW)	Ofgem
Anne Jackson	(AJ)	SSE
Brendan Murphy	(BM)	Waterswye
Brian Durber	(BD)	E.ON UK
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON UK
David Addison	(DA)	Xoserve
David Mitchell	(DM)	Scotia Gas Networks
Joanna Ferguson*	(JF)	Northern Gas Networks
Lorna Lewin	(LL)	DONG
Marie Clark	(MC)	Scottish Power
Richard Vernon	(RV)	RWE npower
Rob Cameron-Higgs*	(RCH)	Wales & West Utilities
Steve Mulinganie	(SM)	Gazprom

\*via teleconference

Copies of all papers are available at: [www.gasgovernance.co.uk/0421/050912](http://www.gasgovernance.co.uk/0421/050912)

Workgroup Report is due to the UNC Modification Panel on 18 October 2012.

### 1. Review of Minutes and Actions from previous meeting

#### 1.1. Minutes

The minutes of the previous meeting were accepted.

#### 1.2. Actions

No outstanding actions to consider.

### 2. Workgroup Report

MC provided a presentation on the modification updates and the benefits case.

MC explained that the voluntary audit element had been removed to enable a more focused concept to be considered separately. BD asked if the removal of the voluntary audit brought this modification more inline with Modification 0379. MC explained that Modification 0421 would allow a period for improvement before the likely charges are to apply. MC also explained that Shipper charges would now apply across four EUC bands.

AW was keen to understand the Shipper benefit analysis and how this translates into actual benefits, MC explained it could mean a benefit of £4.53 for each SSP customer.

MC suggested if all parties operated correctly the assumed £100m smearing due to understated AQs would improve.

SM was concerned that there was an element of cost being imposed on other parties. AJ believed in a market where AQs were increasing, costs would be increased and that there are currently incentives for Shippers to stay on top of AQs.

CB pointed out that Shippers may not be able to achieve 100% reduction in unallocated energy as 100% of AQ amendments may not be possible due to vacant sites, no access sites, and lack of meter readings that meet with the AQ Review window etc. DA explained that there is a cut-off point to strip out the sites that Shippers would not be able to influence due to recent supplier transfer i.e not within the Shippers portfolio at a particular point of time.

SM was keen to understand the true value of what could be fixed from the Warnings Report and whether it is a £170m or £50m debate. SM was keen to understand the percentage actually achievable, i.e. through an individual Shipper read provision activity.

AW understood that the modification was not to achieve 100%, the target was 85%.

Xoserve suggested that a model could be produced based on historical information to establish the likely percentage achievable.

**Action 0901: Xoserve to provide a worked up model based on historical data on the likely percentage reduction achievable**

SM questioned if the incentive for the modification should be on the value or the number sites. SM suggested that the modification concentrates on working the number of sites and he wondered if this would shift the focus for Shippers to work on an easier (smaller energy value) sites rather than working on the energy volume, which could result in the volume of the unallocated energy increasing.

MC believed that the modification with existing incentives would make steps towards improving the situation, as currently there are very few incentives.

SM wished to understand what the value of misallocation is in the LSP sector. MC believed that the LSP sector using the same methodology, as the SSP would be £170m. MC believed that any potential misallocation is costing the market money and that the market should be incentivised to improve the misallocation, which will ensure cost is placed where it is incurred.

DA explained the use of Backstop Dates following the correction of an AQ appeal (an AQ Amendment), SM understood that the Backstop is to prevent further corrections being made once a AQ amendment/correction has been made. SM wished to understand once a Backstop date has been locked in, how long does the Backstop date apply once set. He was particular interested in the 664 LSP sites which equated to £120m - where the AQ had not calculated due to the application of a backstop date, these appeared to be very large sites. DA explained that in the subsequent AQ Review year from the use of a Backstop Date the review would be affected and the Shipper would be required to undertake an AQ Amendment in the next AQ Review. SM was concerned about Shippers' being penalised despite an AQ amendment being proactively made.

**Action 0902: Xoserve to establish from the Warning report if an AQ has been appealed in the AQ performance year would this be reported as a warning or excluded from the warnings report as action has been taken earlier.**

It was considered by the Workgroup if DMs should be taken out of the Warnings report as they have no impact on the allocation.

SM expressed concern about cashflow issues, he wished to understand what the fines would be within the LSP and SSP sector. He was concerned that SSPs would not receive any fines, however the LSPs would. SM was keen to know how much would be flowing out of the LSP sector. It was understood that the LSP fines would be reallocated to the SSP sector. DB explained this information would assist Shippers being able to focus resources considering the potential fines to be incurred and the potential avoidance.

MC believed that Shippers would be able to determine their individual positions, however SM expressed a particular interest for the industry to see the aggregate value. He expressed if this information is not provided, Gazprom would ask for the Workgroup Report to state that the information was refused.

DA offered to try and establish the likely cashflow information for the LSP and SSP sectors based on the modification business rules as they stand now and information available based on a previous performance window, for the purposes of the business case.

DA also offered to examine if there was anything on the AQ warnings report that could be extracted to indicate proactive management of AQs.

**Action 0903: Xoserve to establish what elements of the AQ Warnings Report could be excluded to recognise proactive management of AQs**

**Action 0904: Xoserve to provide information on cashflows based on a previous performance window.**

Next Steps:

It was agreed that the Workgroup would:

Review the requested information

Conclude the Workgroup Report

**3. Any Other Business**

None.

**4. Diary Planning**

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

Workgroup meetings will take place within the Distribution Workgroup on:

Friday 05 October 2012, 09:00, via Teleconference

**Action Table**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0901	05/09/12	2	Xoserve to provide a worked up model based on historical data on the likely percentage reduction achievable	Xoserve (DA)	Pending
0902	05/09/12	2	Xoserve to establish from the Warning report if an AQ has been appealed in the AQ performance year would this be reported as a warning or excluded from the warnings report as action has been taken earlier.	Xoserve (DA)	Pending
0903	05/09/12	2	Xoserve to establish what elements of the AQ Warnings Report could be excluded to recognise proactive management of AQs	Xoserve (DA)	Pending

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Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0904	05/09/12	2	Xoserve to provide information on cashflows based on a previous performance window.	Xoserve (DA)	Pending