

**UNC Workgroup 0421 Minutes
Improve AQ Performance**

Friday 05 October 2012

at 31 Homer Road, Solihull, B91 3LT

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office of Gas Transporters
Mike Berrisford (Secretary)	(MiB)	Joint Office of Gas Transporters
Alex Ross	(AR)	Northern Gas Networks
Andrew Margan	(AM)	British Gas
Andy Clasper	(AC)	National Grid Distribution
Brendan Murphy	(BM)	Waters Wye Associates
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON UK
Dave Addison	(DA)	Xoserve
David Mitchell*	(DM)	Scotia Gas Networks
Edward Hunter	(EH)	RWE npower
Lorna Lewin	(LL)	Dong Energy
Marie Clark	(MC)	ScottishPower
Mark Jones*	(MJ)	SSE
Naomi Anderson*	(NA)	EDF Energy
Robert Cameron-Higgs*	(RCH)	Wales & West Utilities
Rowaa Mahmoud*	(RM)	Ofgem
Sue Prosser	(SP)	Xoserve

* via teleconference link

Copies of all papers are available at: www.gasgovernance.co.uk/0421/051012

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

In order to provide responses to the following outstanding actions, DA provided an overview of the 'Modification 0421 Workgroup' presentation.

Opening, DA apologised for the short notice provision of the presentation before moving on to advise that the numbers in brackets relate to the various business rules contained within the modification and that the performance indicators include both dead and extinct meter point data.

When asked, SP confirmed that the LSP performance indication of 89.35% included AQ appeals / amendments – DA suggested that the presentation now reflects how the modification is seeking to 'benchmark' performance figures.

Examining slide 5, DA advised that whilst the data was extracted from within the system, no validation had been applied – it is simply a snapshot of the 2012 AQ data, so it should be noted that the 2013 data could provide a different view. Furthermore, the data does not show re-smearing impacts.

Looking at the data on slide 6, DA advised that the lowest LSP band assumes a minimum charge of circa £164 and the weighting applied assumes that a small LSP is

just as likely to fail as is a large LSP site. He went on to remind parties that incorrect allocation within the LSP market is 'picked up' by the SSP's and that transferring sites can skew the figures and results in some Shippers that passed the 'original' validation starting to fail – as a consequence, he has not factored this into the figures as presented.

In considering slide 7, BM enquired whether or not the information implied that there is a potential for a cross subsidy. Responding, AM advised that this is not necessarily the case, as it is related more to providing an incentive to ensure that (LSP) parties attain a minimum performance level, especially bearing in mind that the majority of LSP's are annual read sites. MC added that the data clearly indicates that some LSPs perform better than others in this respect.

When asked, parties agreed to close the outstanding actions.

0421 0901: Xoserve (DA) to provide a worked up model based on historical data on the likely percentage reduction achievable.

Update: Update provided as part of the above presentation.

Closed

0421 0902: Xoserve (DA) 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.

Update: Update provided as part of the above presentation.

Closed

0421 0903: Xoserve (DA) to establish what elements of the AQ Warnings Report could be excluded to recognise proactive management of AQs.

Update: Update provided as part of the above presentation.

Closed

0421 0904: Xoserve (DA) to provide information on cash flows based on a previous performance window.

Update: Update provided as part of the above presentation.

Closed

2. Workgroup Report

Review of Amended Modification

BF advised that following discussions with Ofgem, the proposer has once again amended the modification so that it now attempts to enhance the benefits analysis commensurate with the cost of implementation.

MC then provided a brief overview of her amendments explaining that bulk of the changes relate to Dataset 2C (LSP) and are not material in nature (i.e. removal of DM sites from within the LSP warning report, changes to the monetary values and new supporting information within the appendices), and neither do they involve changes to either the business rules or the 'Solution'.

Asked whether or not (within the benefits case) the assertion is that for sites where an AQ has not calculated are suppressed, MC advised that the data reflected analysis conducted in accordance with Ofgem guidelines for ascertaining the average figure. Following this, they (ScottishPower) conducted a 'sense check' exercise based on Mod 81 report ten requirements – she accepts that different parties could / would potentially come up with subtly different figures when undertaking their own analysis. When asked how the LSP charge is derived, MC once again made reference to the Mod 81 report

then, explaining that the data is separated out by EUC band, with a 5% market uplift applied – the detail behind this analysis is provided within the amended modification.

When asked, parties indicated that they would be happy to move on to consider refining the Workgroup Report to reflect the latest version of the modification.

Workgroup Report Review

The Workgroup agreed to align development of the Workgroup report with the amended modification and thereafter, BF undertook onscreen amendments to the report inline with discussions.

During the review, BF highlighted that the **green text** within the draft Workgroup report reflects changes made within the modification.

In considering what changes may be required to the legal text to reflect the amended modification, RCH suggested that these would be restricted to ‘tweaking’ the text as he does not believe that the changes are material in nature, and as a consequence, in his view this should not delay the Workgroup report going to Panel. BF suggested, and RCH agreed that the preferred option would be for the UNC Panel to request formal text be provided before the modification goes out to consultation.

In examining the relevant objectives section, BF pointed out that this time it is the **red text** that reflects the latest modification changes. In debating the various relevant objectives and specifically a) Efficient and economic operation of the pipe-line system, it was questioned whether or not, AQ would / could impact upon planning. As far as relevant objective c) Efficient discharge of the licensee’s obligations, parties debated whether or not the description should be widened to incorporate ALL industry licensees, and not just the Transporters.

Concluding, BF advised that he would now consolidate the Workgroup report and thereafter ensure that the amended modification is revised to ‘match’ – both documents would then be published on the Joint Office web site.

3. Any Other Business

None.

4. Diary Planning

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

The date of the next meeting, if required, would be decided at a later date.

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0421 09/01	05/10/12	2.	To provide a worked up model based on historical data on the likely percentage reduction achievable.	Xoserve (DA)	Update provided. Closed
0421 09/02	05/10/12	2.	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)	Update provided. Closed
0421 09/03	05/10/12	2.	To establish what elements of the AQ Warnings Report could be excluded to recognise proactive management of AQs.	Xoserve (DA)	Update provided. Closed
0421 09/04	05/10/12	2.	To provide information on cash flows based on a previous performance window.	Xoserve (DA)	Update provided. Closed