

**UNC Workgroup 0450 Agenda**  
**Monthly revision of erroneous SSP AQs outside the User AQ**  
**Review Period**

**Thursday 22 August 2013**

**ENA, Dean Bradley House, 52 Horseferry Road, Solihull B91 3QQ**

**Attendees**

Bob Fletcher (Chair)	(BF)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Alex Ross-Shaw	(ARS)	Northern Gas Networks
Andrea Varkonyi*	(AV)	First Utility
Andrew Margan	(AM)	British Gas
Andy Clasper	(AC)	National Grid Distribution
Chris Hill	(CH)	Cornwall Energy
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON UK
David Addison	(DA)	Xoserve
David Corby	(DC)	National Grid NTS
David Mitchell	(DM)	Scotia Gas Networks
Edward Hunter	(EH)	RWE npower
Erika Melén	(EM)	Scotia Gas Networks
Gareth Evans	(GE)	Waters Wye
Hilary Chapman	(HCh)	Xoserve
Huw Comerford	(HW)	Utilita
Joel Martin	(JM)	Scotia Gas Networks
Jon Dixon	(JD)	Ofgem
Lorna Lewin	(LL)	DONG Energy
Marie Clark	(MC)	ScottishPower
Mark Jones	(MJ)	SSE
Steve Mulinganie*	(SM)	Gazprom

\*via teleconference

Copies of all papers are available at: [www.gasgovernance.co.uk/0450/220813](http://www.gasgovernance.co.uk/0450/220813)

The Workgroup Report is due to the UNC Modification Panel on 21 November 2013.

**1.0 Review of Minutes and Actions from previous meeting**

**1.1. Minutes**

The minutes of the previous meeting were accepted.

**1.2. Actions**

**0501:** Xoserve (DA) to provide a copy of the ROM in time for consideration at the next meeting.

**Update:** DA confirmed that a revised ROM would be provided for publication once the business rules are finalised. Costs have not changed materially, despite an increase in complexity. **Carried Forward**

**0801: AQ Appeals process** – Confirm if a backstop date is created.

**Update:** DA confirmed that a backstop date was not created, and had not been factored in. He explained the impact of this and responded to various questions on the effects of not creating the backstop date. **Closed**

## 2.0 Discussion

Following the previous meeting's discussions the modification had been revised. AV explained the amendments made and HC gave details of the analysis conducted to reach the figures used and how the allocation was to be made on a proportional basis. SM queried the conclusions reached, and explained his concerns that the modification appeared to be losing its original aim to benefit smaller suppliers who were more likely to be materially impacted by incorrect AQs. AV noted these, acknowledging there will be conflicts of interest in whatever method is utilised. DA said that the model proposed reflectivity between portfolio and number of appeals provided for. SM believed his concerns were valid, in having to deal with the consequences of inheriting another party's faulty data, and believed the modification had diverged from its initial parameters.

DA indicated that some detailed performance tests would be required, but these were generally done at the end of development rather than at the start. The original modification was based on the premise of 16,000 appeals, and has subsequently been increased to 20,000 and then 26,000 –the latter figure cannot be accepted without reservation; viability and acceptance will depend on further testing which will be required. The take up rate is unknown at present. Originally it was going to be a fixed number and now there is an obligation to recalculate this every 6 months.

The development of the modification was discussed and whether it had moved away from its original intent to assist small suppliers. It was reiterated this was an interim process/solution until the advent of Nexus. Was 50 too low and disadvantage smaller suppliers? Thresholds were considered and the likelihood of ever reaching 26,000. Would capacity management be actively put at risk? What proportion of the 33 players would be likely to utilise their maximum allocation? DA explained that 26,000 could still be reached and any analysis would be based on this. Anything allocated under BRs 1 and 2 would be affected by what was being done under BR 3. It was commented that the ability to correct should not be constrained by an unrealistic approach to having to be 'politically correct' in apportionment. An arbitrary reduction from 200 to 50 was questioned. DA explained the consequences of moving to 100.

JD asked at what level does the ROM move? How many amendments does the market need and what is the price? Were there any capacity constraints to take into account? DA observed that version 3 of the Business Rules had shifted the figure to 26,000 - but it was not known if this constraint is justified. Rather than continue to argue over theoretical numbers, GE suggested the modification should be implemented and then the performance and limits could be properly assessed, and rebalancing could be made as and when necessary. There was an element of trial and error with the hypothetical numbers and identifying where pinch points may occur; peaks might be seen in April and October. Whatever was agreed needed to be flexible enough to encompass changes as required and reduce exposures to inherited risks from previous suppliers.

DA observed that there was no idea how parties will react to this obligation to keep their 'allocation'. AM questioned if there was no evidence or data available why was this modification being developed? SM asked if the modification was justified? AV believed it to be a valid issue and needed to be addressed. JD observed that it brings forward an element covered under Nexus, to make more frequent AQ adjustments. The only constant is doing at minimal cost or increasing cost by moving upwards; lower unit costs may be discovered. Capacity may outstrip demand. DA added that it was hard to know at what

point the system will 'break'. SM referred to DME - products can fail because of arbitrary levels set. It was Xoserve's view that there were other contributing factors to the failure of DME and not just volume constraints.

*Next Steps*

AV will consider revisions to the modification and the text where appropriate.

**3.0 Workgroup Report**

The intention will be to finalise the Workgroup's report at the next meeting.

**4.0 Any Other Business**

None.

**4.0 Diary Planning**

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

The next meeting will take place within the Distribution Workgroup on Thursday 04 September 2013, at Consort House, 6 Homer Road, Solihull B91 3QQ.

**Action Table**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0501	23/05/13	2.0	To provide a copy of the ROM in time for consideration at the next meeting.	Xoserve (DA)	<b>Carried Forward</b>
0801	07/08/13	2.0	AQ Appeals process – Confirm if a backstop date is created.	Xoserve (DA)	<b>Closed</b>