

Distribution Workstream Minutes
Thursday 25 November 2010
Elxon, 350 Euston Road, London NW1 3AW

Attendees

| | | |
|----------------------|------|----------------------------|
| Bob Fletcher (Chair) | (BF) | Joint Office |
| Alan Raper | (AR) | National Grid Distribution |
| Andrew Wallace | (AW) | Ofgem |
| Andy Lees | (AL) | National Grid Shrinkage |
| Brian Durber | (BD) | E.ON UK |
| Chris Warner | (CW) | National Grid Distribution |
| Clare Cantle-Jones | (CC) | ENA |
| David Watson | (DW) | British Gas |
| Gareth Evans | (GE) | Waters Wye Associates |
| Joanna Ferguson | (JF) | Northern Gas Networks |
| Joel Martin | (JM) | Scotia Gas Networks |
| Karen Kennedy | (KK) | ScottishPower |
| Linda Whitcroft | (LW) | xoserve |
| Mark Jones | (MJ) | SSE |
| Phil Broom | (PB) | GDF Suez |
| Richard Street | (RS) | Corona Energy |
| Sasha Pearce | (SP) | RWE npower |
| Simon Trivella | (ST) | Wales & West Utilities |
| Stefan Leedham | (SL) | EDF Energy |
| Steve Mulinganie | (SM) | Gazprom |
| Tim Davis | (TD) | Joint Office |

1. Introduction and Status Review

1.1. Minutes from the previous meeting

The minutes of the previous meeting were approved.

1.2. Review of action from previous meetings

Action Dis0808: 0045Dis, Handling of Emergency Situations at Priority Customer Sites – Provide a statement of the actions/approach to be taken by Transporters when attending commercial sites that should be considered a priority.

Action Update: ST undertook to provide an update at a subsequent meeting. **Carried Forward.**

Action Dis0907: UNC0330 - All to provide further comments/ suggestions to MR by 07 October 2010 for consideration/inclusion in the Proposal; MR to revise Proposal as appropriate.

Action Update: To be reviewed 3 December. **Carried Forward.**

Action Dis0908: UNC0331 - Review the suggested text and make sure it mirrors the changes proposed, with a view to completing the draft Report at next month's meeting.

Action Update: To be reviewed 3 December. **Carried Forward.**

Action Dis1004: 049Dis - DNs to organise a workshop to 'walk through' the various scenarios (and timelines) for changing the status of the 1700 interruptible supply points to firm.

Action Update: Workshops have been arranged. **Closed.**

Action Dis1005: 049Dis - Shippers to identify their requirements to enable the Networks to include consideration of these in their proposed workshop.

Action Update: Workshops have been planned based on the feedback received. **Closed.**

Action UNC 0282 024: xoserve (LW) to investigate enhancing the report suite to include 'age analysis' for vacant sites (by Shipper)

Action Update: LW indicated that this had been included in the ROM cost. **Closed.**

Action UNC 0282 025: ScottishPower (KK) to prepare a revised business rules document to reflect the points made in the meeting in time for consideration at the 25/11/10 meeting.

Action Update: BF confirmed this had been published. **Closed.**

Action Dis1101: 047 Dis - All Shippers to review the revised Assessment Table Options (complexity scale) and provide feedback at the next meeting. **Action Update:** The table was reviewed. **Closed.**

Action Dis1102: UNC0292 - xoserve (LW) to investigate what would happen in the event that a submission breaches a Shipper's daily limit (cap) and whether or not, the whole of the file, or simply just a part of the file would be rejected.

Action Update: LW clarified that the whole file would be rejected in these circumstances. **Closed.**

Action Dis1103: UNC0292 - xoserve and Transporters (LW/CW/JF) to prepare a high-level guidance document that outlines how parties would approach undertaking consideration and calculation of their respective limits (caps).

Action Update: LW indicated that internal discussions were ongoing in light of the recent changes to the Proposal. xoserve would welcome a separate discussion with Shippers about options for how to implement what is required. LW's initial suggestion is that above limit volumes could be submitted in separate files up to the daily limit, and those not processed could be rolled forward to the next day. **Carried Forward.**

Action Dis1104: UNC0326 - All parties to review the amended version of the 0326 workstream report and provide feedback where appropriate.

Action Update: No written comments had been received. **Closed.**

Action Dis1105: UNC0326 -ScottishPower (KK) to consider how the apportionment of costs for discontinuing or new Shippers is accommodated within the Proposal.

Action Update: KK confirmed she had reconsidered the Proposal in light of comments received. **Closed.**

1.3. Review of Live Modification Proposals

BF noted that Ofgem had agreed that the timetable for the 0274 Work Group (Creation of a National Revenue Protection Service) be extended to April 2011.

SM confirmed that some minor changes would be provided to Proposal 0314 (The provision of a "Data Update" to Non Code Parties) in time for the Workstream Report to be provided to the December Modification Panel.

2. Discussion Items

Copies of all materials are available at: www.gasgovernance.co.uk/dist/251110.

2.1. Proposal 0335 – Offtake Metering Error – Payment Timescales

SP explained the intent behind the Proposal, which is simply to spread large payments over a period rather than being invoiced in a single month. She confirmed that draft Business Rules had been published on which comments would be welcome.

AL asked if the process would apply equally to credits and debits, and SP indicated that she would be happy to consider this.

SM asked if there is a fixed maintenance regime for offtake meters, and AR confirmed that the regime has been explained at the OA Workstream. This includes annual validation at each offtake, plus an Ofgem audit. AL confirmed that NTS witness the validation. GE asked if recent large meter errors had been picked up prior to or during these validations, and it was confirmed that experience varied depending on the nature of the error.

Regarding the Business Rules, LW suggested that a fixed monthly payment may not be feasible – actuals would vary between months because of variations in market share and SAP. It would be easier to bill the energy for each equivalent month – SP said she would be happy to adopt this.

AL outlined the involvement of the NTS Shrinkage Manager in the process and suggested that the Business Rules implied NTS invoicing the DN's, which is not the present position. SP confirmed that input to the Business Rules was being sought to ensure they are clearly defined and understood and can be implemented by the Transporters.

The Workstream felt that if the Proposal was seeking to create matching cashflows, the key is understanding the cashflows both before and subsequent to any error. SL emphasised that crossing a price control period threshold may complicate this, and possibly have licence implications.

DW suggested adjusting NTS commodity charges to match RbD invoice timetables might be a possibility. AR indicated that the cashflows were not straightforward and questioned whether the impacts had been overstated, bearing in mind that Suppliers would have billed their customers on actuals. In his opinion, the Proposal was geared towards providing incentives on Transporters to identify and resolve issues as quickly as possible rather than being simply a cashflow issue. BD and SL agreed with this and that the incentives were important, while DW emphasised that large one-off debits were significant cashflow issues irrespective of the way in which customers had been billed.

AL agreed that he would be able to provide a summary of the cashflows involved across the whole lifecycle at the 21 December meeting.

New Action Dis1106: National Grid NTS (AL) to present the cashflows associated across the shrinkage lifecycle, both with and without an

error having occurred**2.2. Proposal 0282 - Introduction of a process to manage Vacant sites**

KK ran through the changes made to the Proposal. Following debate, it was agreed that the revision to include an Age Analysis report was a potentially useful addition, but it should be clear that the Proposal does not restrict the format in which data is provided. ST felt that it would be useful to allow flexibility rather than the tables being incorporated within the UNC. DW was concerned that this might lose the concept of anonymity and would wish to see the proposed definition (% of SSP portfolio) retained.

LW then ran through the ROM. There was some surprise that implementation would take about a year, with KK emphasising that the Proposal had been based on an existing process to try to support practical implementation. LW explained that the changes would touch xoserve's suite of systems and those interactions made the time necessary. AW asked if the solution could be delivered quicker but at a higher cost.

New Action Dis1107: xoserve (LW) to clarify whether the implementation could be shortened if the cost were increased.

SL questioned whether an alternative approach might be cheaper, perhaps not involving central system changes. GE questioned the value that was potentially being reallocated, and whether this justified the indicated cost. ST suggested that £21m was potentially being reallocated, although the final difference per Shipper was uncertain depending on the number of vacant sites per portfolio. He was also clear that the scale made manual processes impractical.

DW asked if benefits seen from the equivalent electricity change were available as these may inform the case for implementation. AW believed the equivalent implementation costs were lower in the electricity industry, which made it easier to conclude the benefits were expected to exceed the costs.

RS suggested that the costs appeared high given the indications being received in other fora for the costs and timescales to implement significant industry change. KK confirmed that the aspiration had been for implementation in 2011 and that the timetable appeared excessive compared to what would be expected internally for IS developments. GE suggested that the process of assessing system changes was usually a two way process with dialogue throughout, and he would like to understand the minimum and optimum implementation time, and associated costs. SM suggested it would be useful to see the actual analysis that was provided, which could help to understand the reasons for the suggested timescales and cost.

JM confirmed that a ROM analysis is not the same as a DCA (Detailed Cost Assessment) and is an early assessment of the likely cost without looking at detailed solution options. ST explained that further development could be started now to try and avoid any implementation delays, but this would lead to costs which would ultimately have to be met by the industry, even if abortive.

AW suggested that, apart from the desire for more understanding of the potential costs, he would wish to see an assessment of the potential benefits. It was recognised that all Shippers would have an incentive to use the process in order to avoid seeing an increase in costs. However, if all performed equally, there may be no net change in costs.

RS argued that, in principle, cost reflectivity may be improved, and this would be consistent with facilitating effective competition: the question was whether this benefit was sufficient to justify the costs.

The Workstream report was then considered and edited on-screen.

2.3. Proposal 0292: Proposed change to the AQ Review Amendment Tolerance for SSP sites

KK ran through the changes made to the Proposal. I&C Shippers suggested there was a case for allowing a minimum number of submissions per Shipper in order to avoid imposing excessive costs on small suppliers – it is not economic and efficient to process very small volumes. KK agreed to consider whether to amend the Proposal to allow for this. AW highlighted some issues with the suggested legal text, which it was agreed should be discussed separately.

LW indicated that the cost of implementation, excluding monitoring capacity limits and allowing some rollover, was expected to be in the range of £31k to £71k. The implementation time was 29 to 35 weeks, although the DNs indicated that development to date accounted for part of this period such that implementation next June would be feasible if development were to continue.

It was agreed that in light of the discussion, the Workstream Report would be completed on 3 December.

2.4. Proposal 0326: Allocation of unidentified gas following the appointment of the Allocation of Unidentified Gas Expert (AUGE)

KK outlined the minor changes made to the Proposal.

BF then ran through the Workstream Report on screen, which was agreed by attendees.

2.5. Proposal 0339: Clarification of the AUG Year in respect of UNC Modification 0229

2.6. Proposal 0340 - Clarification of the AUG Year in respect of UNC Modification 0229 (alternative)

CW introduced Proposals 0339 and 0340 against the background of 0317 having been implemented. 0317 includes transitional text, which will fall away once the AUGE report is available. It is therefore desirable to clarify when the first AUGE year should run from.

0339 proposes no backdating – the first AUGE year would be the next full year following receipt of an AUGE report. By contrast, 0340 specifies that that the AUGE year will commence in 2011 and the values recommended by the AUGE will be backdated to this date as and when the first report is received.

CW drew attention to what would happen if the AUGE's initial report is not delivered in time for 2012 – under either Proposal, values would be backdated to 2012.

DW felt both Proposals were clear and should proceed as soon as practical.

GE emphasised that the AUGE Guidelines provided that, in the absence of a report, the default would be zero. Seeing the prospect of retrospection was therefore disappointing and he (supported by SM and RS) could not support either of the Proposals since they included this possibility. CW and

ST suggested that, rather than introduce retrospection, the intention was to clarify the existing text in the UNC bearing in mind that Ofgem had required a date to be included in the legal text, which was submitted to them with an "X" as the date in the drafting.

CW indicated that if others wanted to see a third option that did not allow for any retrospection irrespective of when an AUG report is received, they may wish to raise a Proposal which sets this out. SM felt this was likely to be forthcoming. It was agreed to consider the Workstream reports on 21 December.

2.7. Proposal 0343 - The ability and requirement for Users and Transporters to raise issues to be considered by the Allocation of Unidentified Gas Expert as "known" issues

KK introduced the Proposal and invited comments. It was agreed that views should be provided to KK to take into account ready for a further discussion on 21 December.

3. Topics

3.1. 0045Dis, Handling of Emergency Situations at Priority Customer Sites

ST to provide an update at a future meeting.

3.2. 0046Dis, Mechanism for Correct Apportionment of Unidentified Gas

The Transporters proposed closing this topic now that regular monthly updates are being published, and this was agreed. **TOPIC CLOSED**

3.3. 0047Dis, Third Energy Package

BF confirmed that no further responses had been received, and options 1, 6, 7, 8, 9 remained under consideration. Following further discussion, it was agreed that 6 and 7 could be discounted at this stage.

New Action Dis1108: Transporters to consider the impacts of implementing option 8.

3.4. 0048Dis, Management of Domestic EUCs

The Workstream agreed to close this topic. **TOPIC CLOSED**

3.5. 0049Dis, DN Interruption Phase 2 ("Oct 2011 implementation")

It was recognised that Workshops had been established to take this forward. An update is expected at the next meeting.

3.6. 0050Dis, DM unbundling

ST suggested that this topic should continue in light of progress with the Modification raised to take forward unbundling of voluntary DM sites.

3.7. 0051Dis, Procurement of NDM Profiling Data

CW indicated that he would be bringing forward some thoughts in this area in due course.

3.8. New Topics

GE raised the letter released by Ofgem regarding the lack of feedback to xoserve on theft. A topic to look at a manual reporting mechanism was proposed. This was suggested as a High priority issue, since Ofgem's letter had suggested this should be addressed as a priority.

JF questioned why the web based functionality was not used to access ToG forms and ConQuest. RS explained that some Shippers had bought in external packages that were not consistent with this, but believed they were compliant with the UNC when emailing reports. JF agreed to talk to xoserve about how ToG reports received by email are handled, although having an example would help. RS confirmed that he could not provide an example since he was not aware of any genuine theft having been reported to xoserve by email during his time at Corona.

The Workstream agreed a status of High for the new topic.

DW asked for an update on National Grid's work reviewing its internal procedures regarding disconnections. Responding to DW about theft implications, CW confirmed that the Review would not relate to the circumstances in which disconnection was undertaken but was focussed on processes when it did happen. CW added that National Grid was also involved in the DCUSA discussions in this area and xoserve's Unregistered Sites group.

DW was interested in the approach when a property has been connected safely but not legitimately, and also where there was a dangerous situation. CW agreed to consider this and report back. In addition, CW agreed to respond on the prospects of providing a commercial service to disconnect properties at Shipper's request.

New Action Dis1109: National Grid (CW) to report on the approach to dealing with illegitimately connected sites that were either safe or unsafe, and whether a commercial disconnection service might be provided.

4. AOB

ST indicated that the Transporters anticipated announcing that the Royal Wedding Bank Holiday planned for 29 April should be treated as a non-business day. However, views from Shippers on the implications of this for systems would be welcome. SL felt that it might be easier from a systems perspective not to reclassify the day, although he would need to confirm whether or not this was the case.

Action Dis 1110: Shippers to identify any barriers to 29 April 2011 being a non-business day

5. Diary Planning for Workstream

The next meetings are scheduled as follows:

Friday 03 December 2010, 10:00, 31 Homer Road, Solihull, B91 3LT

Tuesday 21 December 2010, 10:00, 31 Homer Road, Solihull, B91 3LT

Distribution Workstream Action Table: 25 November 2010

| Action Ref | Meeting Date | Minute Ref | Action | Owner | Status Update |
|--------------|--------------|------------|--|-----------------------------|-----------------|
| Dis0808 | 26/08/10 | 3.1 | 0045Dis, Handling of Emergency Situations at Priority Customer Sites – Provide a statement of the actions/approach to be taken by Transporters when attending commercial that should be considered a priority. | Wales & West Utilities (ST) | Carried forward |
| Dis0907 | 23/09/10 | 2.6 | UNC0330 - All to provide further comments/ suggestions to MR by 07 October 2010 for consideration/inclusion in the Proposal; MR to revise Proposal as appropriate. | ALL and SSE (MR) | Carried forward |
| Dis0908 | 23/09/10 | 2.7 | UNC0331 - Review the suggested text and make sure it mirrors the changes proposed, with a view to completing the draft Report at next month's meeting. | E.ON (SB) and SGN (JM) | Carried forward |
| Dis1004 | 28/10/10 | 3.5 | 049Dis - Organise a workshop to 'walk through' the various scenarios (and timelines) for changing the status of the 1700 interruptible supply points to firm. | DNs | Closed |
| Dis1005 | 28/10/10 | 3.5 | 049Dis - Identify their requirements to enable the Networks to include consideration of these in their proposed workshop. | Shippers | Closed |
| UNC 0282 024 | 12/11/10 | 2.1.1 | Investigate enhancing the report suite to include 'age analysis' for vacant sites (by Shipper). | xoserve (LW) | Closed |
| UNC 0282 025 | 12/11/10 | 2.1.1 | Prepare a revised business rules document to reflect the points made in the meeting in time for consideration at the 25/11/10 meeting. | ScottishPower (KK) | Closed |
| Dis1101 | 12/11/10 | 2.2 | 0047Dis - Review the revised Assessment Table Options (complexity scale) and provide feedback at the next meeting. | All Shippers | Closed |

| Action Ref | Meeting Date | Minute Ref | Action | Owner | Status Update |
|------------|--------------|------------|---|-----------------------------------|------------------------------|
| Dis1102 | 12/11/10 | 2.3 | UNC0292 - Investigate what would happen in the event that a submission breaches a Shipper's daily limit (cap) and whether or not, the whole of the file, or simply just a part of the file would be rejected. | xoserve (LW) | Closed |
| Dis1103 | 12/11/10 | 2.3 | UNC0292 - Prepare a high-level guidance document that outlines how parties would approach undertaking consideration and calculation of their respective limits (caps). | xoserve & Transporters (LW/CW/JF) | Carried forward |
| Dis1104 | 12/11/10 | 2.4 | UNC0326 - Review the amended version of the 0326 workstream report and provide feedback where appropriate. | All | Closed |
| Dis1105 | 12/11/10 | 2.4 | UNC0326 - Consider how the apportionment of costs for discontinuing or new Shippers is accommodated within the Proposal. | ScottishPower (KK) | Closed |
| Dis1106 | 25/11/10 | 2.1 | Present the cashflows associated across the shrinkage lifecycle, both with and without an error having occurred | National Grid NTS (AL) | Presentation due 21 December |
| Dis1107 | 25/11/10 | 2.2 | Clarify whether 0282 implementation could be shortened if the cost were increased | xoserve (LW) | Pending |
| Dis 1108 | 25/11/10 | 3.3 | Dis0047 - Consider the impacts of implementing option 8. | Transporters (All) | Pending |
| Dis1109 | 25/11/10 | 3.8 | Report on the approach to dealing with illegitimately connected sites that were either safe or unsafe, and whether a commercial disconnection service might be provided | National Grid (CW) | Pending |
| Dis 1110 | 25/11/10 | 4.0 | Identify any barriers to 29 April 2011 being a non-business day | Shippers | Pending |