

**UNC Workgroup 0379/0379A Minutes
Provision for an AQ Review Audit
Thursday 28 July 2011
at 31 Homer Road, Solihull B91 3LT**

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Beverley Viney	(BV)	National Grid NTS
Brian Durber	(BD)	E.ON UK
Cesar Coelho	(CC)	Ofgem
Chris Hill	(CH)	first:utility
Chris Warner	(CW)	National Grid Distribution
David Watson	(DW)	British Gas
Gareth Evans	(GE)	Waters Wye Associates
George Glenn	(GG)	ScottishPower
Joanna Ferguson	(JF)	Northern Gas Networks
Joel Martin	(JM)	Scotia Gas Networks
Jonathan Wisdom	(JW)	RWE npower
Karen Kennedy	(KK)	ScottishPower
Linda Whitcroft	(LW)	Xoserve
Lisa Harris	(LH)	Shell
Mark Jones	(MJ)	SSE
Simon Trivella	(ST)	Wales & West Utilities
Stefan Leedham	(SL)	EDF Energy
Steve Mulinganie	(SM)	Gazprom

Copies of all papers are available at www.gasgovernance.co.uk/0379/280711

1. Review of Minutes and Actions from previous meeting(s)**1.1. Minutes from the previous meeting (06 July 2011)**

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: DW reported that this was underway but not yet complete. **Carried forward.**

WG0603 (amended): Scottish Power 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 and presented. **Closed.**

WG0604: EDF Energy (SL) to define additional triggers for presentation at next meeting.

Update: Item deferred to next meeting. **Carried forward.**

WG0605: Scottish Power (KK) to consider (within 0379A) how obligations would be placed on Ofgem; and how supplier charges would be applied.

Update: Included in Business Rules. **Closed.**

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

Update: Work in progress and DW confirmed will be built into the Business Rules. **Carried forward.**

2. Business Rules

KK (Scottish Power) presented a set of Business Rules, including the criteria for appointing an auditor and an appeals process. These were reviewed and KK noted comments and suggestions for further consideration.

Paragraph 3

It was questioned whether the 85% target was appropriate, and was a target being set in the right way. Was this an acceptable point at which an audit which involved considerable time and expense should be triggered.

It was asked why this was not just focused on 'live' sites.

GE had concerns that there were Shippers with a large number of publicly owned sites, where the ability to gain access was beyond their control.

SL agreed with the cap; whilst understanding that it was often hard to gain access, he would be concerned that that situation applied to 15% of a portfolio.

It was pointed out that there were different levels of performance between SSPs and LSPs, and should the targets be set differently.

LW confirmed that 2 reads at least 6 months apart were needed for an AQ. There may be new sites less than 6 months old, and this may have a negative effect if taking on a lot of these.

It was questioned whether a score of 84.9% or 84.1% would be rounded up or down, thus triggering or avoiding an audit.

It was suggested that some sort of 'filtration system' be put in place, eg an AQ Performance Assurance Committee to receive an explanation of reasons for poor performance, as there were concerns that seemed to be no leeway for an assessment before triggering an arbitrary audit. Would a phased approach to reviewing AQ performance be better? Could inaccessible sites and perhaps others be excluded in the context of this modification? Would companies seek to withdraw from sites that would inevitably skew these performance figures?

SM questioned the rationale for selecting 85% as the bar - looking at the statistics in the current market there appeared to be a large number of parties just above and below that marker.

DW observed that he was struggling to understand why performance should be worse in the LSP market than in the SSP market. It was noted that LSPs have a reconciliation process. JW added that far more reads should be available and therefore be available for calculating on a more frequent basis. LW added that a non-calculation report was provided.

It was suggested that root cause(s) needed to be established, and LW confirmed that there were 'Reason Codes' but that these were not definitive. **Post Meeting Note:** LW provided statistics split by LSP/SSP on the number of meter points that fail to calculate an AQ due to a number of status reasons (this information relates to AQ2010 and was previously presented at the AQ Forum in November 2010).

It was suggested that Must Read statistics would offer a view of the percentage of access success/fail, and LW was requested to provide details on this. Shippers agreed to consider the identification of any core issues as to why a LSP would not recalculate.

Action WG0701: Provide Must Read statistics to offer a view of the percentage of access success/fail.

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

KK observed that if LSP sites have valid reasons why they cannot recalculate to the same extent as SSPs then it would be helpful if an insight into these reasons could be provided. It was suggested that ICOSS might report back on their market and formally respond, quantifying the scale of any issues.

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

It was also questioned if the 85% bar applied to each individual Shipper Short Code, or Licence, or aggregated and if it was appropriate for a dead band value to drive an audit. LW advised that it might be more realistic to review performance across a distribution curve and agreed to take an action to provide such analysis.

Action WG0704: Provide a distribution curve of performance to be used as a competitor for performance rather than the dead band of the 85% performance proposed in the Modification.

Paragraph 4

There was a short debate relating to the 5 year grace period and the application of Supplier Charges. SM reiterated his belief that there should be an opportunity for dialogue and explanation/assessment before the point of audit is reached. JW added that a governance framework was required and recourse to a 'Performance Assurance Board'.

It was suggested that KK produce examples and an illustrative timeline to clarify the application to new and established Users.

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

Paragraph 6

It was thought there should be an opportunity to demonstrate mitigating circumstances.

The management and costs of audits were discussed. If for example, 4 audits had to take place at the same time, would the cost be individual, or shared

across the 4 parties. Concerns about disparity in size and complexity were raised. How would auditors be chosen, assigned and remunerated. CC believed that proportionality was needed to ensure significant cost was placed on parties to manage a marginal risk.

Paragraph 12

DW believed this should be more objective. BD and JW suggested best practice guidelines would be useful.

Paragraph 13

It was questioned who would look at this information, how it would be evaluated and how put to use.

Should there be a provision enabling a party to reclaim costs (from whom?) if it was proved that everything possible had been done to maintain/improve performance.

BD proposed there should be no audit; Supplier Charges should just be imposed as a penalty. No one sees the audit findings and it does not really deliver any benefit except perhaps to the audited party.

Some industry oversight is required, including an acceptable degree of assurance on performance levels. Should there be an escalation route prior to involving Ofgem?

How would Supplier Charges be calculated and by what mechanism? What is an appropriate level? KK proposed to look at the logic behind filter failure regime liabilities. It should be cheaper to obtain the meter read rather than taking the 'hit'. ST suggested using the must read as a basis of Supplier charges.

Paragraph 19

LW questioned the specifying of 'November' – perhaps it should just refer to 'an invoice run'.

Paragraph 20

KK was also considering whether LDZs should be used for apportionment and performance rather than National.

The Business Rules would be revised and brought back to the Workgroup for further discussion. ST confirmed that once the Business Rules were stabilised the legal text would be drafted and the ROM would be requested.

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 Workgroup meeting will take place within the business proceedings of the Distribution Workgroup on Monday 15 August 2011 at 31 Homer Road, Solihull B91 3LT.

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)	Carried forward
WG 0603	06/06/11	2	Scottish Power to produce a set of business rules to define a pre-audit process, consider an appeals process and the criteria for appointing an Auditor.	Scottish Power (KK)	Closed
WG 0604	06/06/11	2	Define additional triggers for presentation at next meeting.	EDF (SL)	Carried forward
WG 0605	06/06/11	2	Consider (within 0379A) how obligations would be placed on Ofgem; and how supplier charges would be applied.	Scottish Power (KK)	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)	Carried forward
WG 0701	28/07/11	2	Provide Must Read statistics to offer a view of the percentage of access success/fail.	Xoserve (LW)	Pending
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)	Pending
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)	Pending
WG 0704	28/07/11	2	Provide a distribution curve of performance to be used as a competitor for performance rather than the dead band of the 85% performance proposed in the Modification.	Xoserve (LW)	Pending

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
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)	Pending