

Extraordinary Distribution Workstream Minutes
Tuesday 08 May 2007
Elexon, 350 Euston Road, London

Attendees:**Members**

Tim Davis (Chair)	TD	Joint Office of Gas Transporters
Helen Cuin (Secretary)	HC	Joint Office of Gas Transporters
Alex Thomason	AT	National Grid NTS
Bali Dohel	BD	Scotia Gas Networks
Brian Durber	BD	E.ON UK
Chris Warner	CW	National Grid Distribution
Christian Hill	CH	RWE npower
David Faragher	DH	Total Gas and Power
Debbie Harding	DH	Scotia Gas Networks
Fiona Cottam	FC	xoserve
Jonathan Dixon	JD	Ofgem
Phil Broom	PB	Gaz de France ESS
Rob Cameron-Higgs	RCH	Northern Gas Networks
Simon Trivella	ST	Wales & West Utilities
Stefan Leedham	SL	EDF Energy
Trisha Moody	TM	xoserve
Valeska Bergner	VB	Total Gas and Power

Teleconference

Richard Street	RS	Statoil
Mick Curtis	MC	E=MC ²

1. Introduction

TD welcomed all to the meeting which had been arranged to review the Final Modification Report and Legal Text for Modification Proposal 0088: "Extension of DM service to enable Consumer Demand Side Management".

2. UNC 0088 Legal Text Review

In Ofgem's absence, TD ran through the note provided by Ofgem regarding issues for further consideration, highlighting their interests in costs and likely levels of take-up. It was confirmed that Total and E.ON had provided a response prior to the meeting.

The responses received suggested that estimates of likely take up of the service were commercially sensitive and necessarily best estimates. But there was real interest in the market. Discussion evolved around the likely demand and potential number of sites that may wish to consider a DM AMR service. It was suggested that there could be up to 350,000 sites that would be eligible for the service. xoserve was asked if they could identify the number of sites which have AMR equipment installed. CW confirmed that there is a read flag available to identify reads that have been taken with AMR equipment but FC said that, as this flag is not an asset flag, it would be difficult to obtain information from UK Link to confirm the number of sites with AMR equipment installed. It was envisaged from the

figure of 350,000 that initial take up would be in the hundreds rather than thousands.

CW suggested that implementation of this proposal would require all Shippers to be geared up to manage a DM AMR service and be able to manage daily meter reads and gas nominations. TM highlighted that meter readings would need to be provided daily to be able to make use of turn down days, otherwise opportunities to benefit would be missed.

DF suggested that Total would respond to their customers' needs and provide meter readings to meet their requirements. Shippers recognised that additional effort would be needed on their part.

CW said that as part of the Development Workgroup 0088 meetings members discussed elective DM provisions. CW expressed he was unsure if the workgroup actually identified the benefits of a DM AMR service. CW challenged if this proposal was the appropriate long-term solution or if others should be considered. TD confirmed that other alternatives were discussed at the Development Workgroup but the Proposer was clear that they wished to pursue the option in 0088 - this was the only option on the table and needed to be considered on its merits.

The group then considered the Legal Text.

DF confirmed Total had a number of questions about the Legal Text in order to ensure they understood it in detail, but they did not have any fundamental concerns.

DH highlighted that a number of assumptions had to be made when drafting the Legal Text and that xoserve and National Grid assisted with some aspects. CW complimented Scotia Gas Networks on the Legal Text, confirming that assumptions had to be made because the Business Rules were too high level particularly concerning reconciliation and capacity.

TD asked if it would be beneficial to explain what key assumptions had to be made, but this opportunity was not considered necessary. While no major concerns were expressed with the Legal Text, the following were noted:

DF noted the different terminology used (DM AMR) and enquired about visual inspection reads (which for monthly read sites is one in every four months). FC confirmed that within the Legal Text there is an opportunity to provide visual inspection reads but not a compulsion. CW confirmed that there is also the requirement for Must Reads.

CW expressed a concern with the use of the term "best endeavours", DH explained the difference between reasonable and best endeavours noting a problem with the paragraph numbering in Section M6.1.4.

DF expressed his concern with the cash out process and the impact of not having appropriate reads.

CW noted that there is a proposed obligation on the Transporters under Section 3.5 of the Business Rules to procure a read if a Shipper fails to read one in every four months. CW confirmed that this is not an additional requirement to the AMR read, but was not clear that the text created the obligation. DH confirmed that this would be added into section M6.

FC questioned if there is a need for a backstop Must Read. FC also enquired about visual meter inspections. TD believed that there is no obligation within the Business Rules or Text for meter inspections

CW confirmed that the DM and DM AMR services are different and that there are no Meter Inspections for DM sites.

AT questioned Section A 4.5.4 c) suggesting that the statement needs to be changed. FC agreed that the text in paragraph 4.5.4.c) should state “is not greater than” instead of “not less than”.

FC highlighted that the section of text within brackets should be removed from Section E 6.1.6 c).

FC suggested that Section E 13.1 d) should state DM AMR Meter components, for the avoidance of doubt and confusion.

FC suggested within Sections G1.6.4 b) and G1.6.6 that the reference to AQs should be made clear that this is the Supply Point AQ and not a Meter Point AQ. DH noted that any reference to an AQ ought to use the appropriate defined term.

FC questioned if Section M 1.3.3 should read “subject to the provision of”

AT asked if the Final Modification Report would be issued for a re-consultation. TD explained that the Panel is scheduled to consider their recommendation with respect to implementation. The Modification Rules do not require further consultation, but the Panel may conclude that this is necessary. RCH and CW were unsure if a re-consultation to allow the consideration of the Legal Text would change representations.

TM confirmed that it would be difficult for xoserve to provide a more specific cost analysis due to the extent of the UNC impacts and the scope of work required. ST/TM explained that to carry out the required analysis xoserve would require approximately 4-6 months following a Transporter to request to undertake the work. It was also pointed out that it would be difficult to assess the impacts without firstly understanding the likely take-up.

TD asked if parties would be able to provide cost estimates if a longer period of time was available. It was expressed that it still may be difficult to produce reliable estimates in the absence of specific information regarding the way in which the Proposal might be implemented. The group confirmed that ideally they would want a decision from Ofgem before any costly analysis work is undertaken.

TM suggested that in any event a 12-15 month implementation timescale would be required, with the timing of implementation subject to consideration by the UK Link Committee.

TM confirmed that there are 1986 MPRNs within the DM portfolio with dataloggers, out of which only 643 have AQs greater than 58,600,000 KWhs (2 million therms), which suggests 1343 MPRNs fall below the existing DM Threshold. Out of the 1343 MPRNs there are 1015 that are NDM interruptible sites. This leaves 328 MPRNs that are truly NDM sites with Dataloggers.

The number of sites that would be eligible for this service would be circa 373,000 out of which about 33,000 are above 732,000 KWhs (75,000 terms).

JD arrived from Ofgem and TD asked what Ofgem were hoping to receive from their request for information. JD said that there are difficulties in the proposal of double counting and Ofgem are finding it difficult to quantify the benefits of the proposal or whether there is an alternative, such as altering thresholds. JD also wanted to understand the end customer benefits.

TD confirmed that an interest in the DM AMR service was expressed at the Gas Customer Forum. xoserve confirmed the system facility costs were likely be the same regardless of take-up, although operating costs would differ due to monitoring etc. E.ON and Total confirmed there they do not have any firm

numbers to indicate the level of interests. However both confirmed they do have interest parties, which TD said was consistent with the Gas Customer Forum view.

JD expressed a concern with understanding the costs and likely take up to ensure costs are covered. He expressed concerns about disproportionate costs, suggesting a cost of approximately £500k to the industry with no indication of demand for service is not suitable and that there needs to be more certainty of demand when changing systems. JD expressed that Ofgem do not want to force industry changes to build a service that will not be utilised.

RS wanted to understand the period over which Ofgem would like Shippers to assess the likely take-up. It was suggested that year 2012 would be an appropriate timescale, which would be in line with the next planned major UK Link refresh or replacement. It was understood that the rate of take-up would help Ofgem assess the payback of this development to ensure that the cost of change will be offset by the benefits in a reasonable timescale. TD suggested that given commercial sensitivity, Shippers could provide figures to Ofgem confidentially of the likely take-up until 2012.

CW suggested Shippers may also want to consider the impact to their systems and the costs that will be incurred whether or not they utilise the service with their customers.

RCH requested if Ofgem would be able to collate the confidential information to be provided by Shippers and provide this to the Panel to help with their decision. AT suggested it would be difficult for the Panel to make a recommendation without also understanding likely take up.

RCH suggested that Ofgem might like to provide the JO for circulation a sub set list of questions to which they wish to receive a response by the end of May, which JD agreed.

Action Dis0501x: Ofgem to provide the Joint Office with a further set of issues for all to respond to.

CW reiterated that there are alternatives to the proposal, which were noted by Ofgem. However DF also suggested that the Customer sign up for a DM service is low due to the start up costs.

TM expressed a concern that the industry could be bearing the cost of a service, which could be offered through an alternative means, which does not have cost impacts to the whole industry. TM also expressed concern with the UK Link volumetrics stressing that UK Link may not be able to cope with the potential volume increase of DM sites if this route were followed.

TD reiterated that Ofgem have to consider this Modification Proposal in its own right. TD expressed that the Proposer wished to progress with this Modification Proposal and that the community had not raised an alternative.

DF expressed that Shippers are not able to offer customers a daily price contract due to the current regime. CW suggested that the current DM regime could be adapted to address this.

ST highlighted that the group had not considered Demand Side Response at today's meeting. TD confirmed that Total and E.ON's responses did not foresee an immediate change in Demand Side Response, but this was likely to develop as the market took responded to the opportunity provided.

JD asked who would be paying for the service, as this was unclear in the Final Modification Report. TD asked if Ofgem thought Shippers who wanted this service could pay for it via a User Pays approach, as put forward in the Distribution Price

Control Review. JD confirmed that he would include this for consideration by the Shippers in his note to be circulated by the Joint Office.

CW enquired if only large NDMs will be interested. RS suggested that the likely interested sites will be the smaller or mid range sites as the larger NDMs would be able to benefit from a DM service.

3. AOB

PB highlighted an issue of NDM sampling and modelling EUC bands and asked if xoserve have any concerns in relation to this proposal. FC confirmed that sites dropping in and out during the year would cause problems for the algorithms and that this would have to be monitored through DESC. Equally the statistical acceptability of the remaining sample for the EUC bands would need to be kept under review and some changes might be necessary.