

**“Review of Demand Estimation UNC Section H Processes and Responsibilities”**

**Review Group (UNC0280) Minutes**

**Monday 14 June 2010**

**Energy Networks Association, Dean Bradley House, 52 Horseferry Road,  
London SW1P 2AF**

**Attendees**

Bob Fletcher (Chair)	BF	Joint Office of Gas Transporters
Lorna Dupont (Secretary)	LD	Joint Office of Gas Transporters
Alison Chamberlain*	AC	National Grid Distribution
Colin Thomson	CT	Scotia Gas Networks
Dave Parker	DP	EDF Energy
Fiona Cottam	FC	xoserve
Gavin Stather	GS	ScottishPower
Linda Whitcroft	LW	xoserve
Louise Hellyer	LH	Total Gas & Power
Mark Perry	MP	xoserve
Matthew Jackson	MJ	British Gas
Richard Pomroy	RP	Wales & West Utilities
Sallyann Blackett	SB	E.ON UK
Simon Geen	SG	National Grid NTS

*\* via teleconference*

**1. Introduction and Review Group Operation**

BF welcomed members to the sixth meeting, which was quorate.

**1.1. Review of Minutes from previous meeting**

The minutes of the previous meeting were approved.

**1.2. Review of actions from previous meetings**

**Action RG0280 005:** Collate list of concerns into the Review Group Report.

**Action Update:** Ongoing. **Carried forward**

**Action RG0280 009:** Produce a timeline, including a disputes process, with Expert Group participation overlaid.

**Action Update:** Provided by SB. **Closed**

**Action RG0280 017:** Transporters to give consideration to any costing/financing elements to be included in the ToRs.

**Action Update:** BF noted that any particular arrangements might be indicated within the Modification Proposal (and may also be affected by Price Control timings). SB added that extra finance may be required if the analysis in question was deemed to be outside of what might normally be expected to be carried out. DP suggested that DESC might also recommend the funding approach, which may in turn be endorsed by UNCC/Panel. **Carried Forward.**

**Action RG0280 019:** E.ON and British Gas to discuss the alternative proposal and see if the concerns raised can be eliminated or brought into the straw man.

**Action Update:** MJ and SB had discussed these concerns, and SB had addressed them as far as possible in the revised ToR. **Closed.**

## 2. Review Group Discussion

### 2.1. Review of revised Expert Group ToR

SB had provided a redrafted DESC and Expert Group Terms of Reference updated to reflect previous discussions.

The group considered elements of the Terms of Reference and BF made appropriate amendments to the text on screen as the discussion progressed and agreement was reached.

*Section 4:* RP suggested that the term 'hung' vote, should be replaced by 'tied' vote, as discussed at the previous meeting. For the avoidance of doubt it was agreed that following a 'tied' vote the current process would continue unchanged.

*Section 6:* RP pointed out that an ampersand should be used instead of 'and' when referring to the Transporter by name, as in 'Wales & West Utilities'.

CT queried how the basis of membership had been decided. SB responded that it had been developed according to the perceived impacts of the processes, ie the Shippers felt the most significant impacts. RP pointed out that the risk for Transporters is the funding. However, implementation of the proposed Modification Proposal may change the responsibilities, (recommendation will be from the Expert Group and not necessarily a Transporter recommendation as currently specified in the UNC. BF pointed out that other voting options could be considered, for example weighted voting as suggested in a recent proposal for us at the UNC Panel.

The proposed Expert Group could be comprised of a different membership to that of DESC.

LW questioned how it would be decided if a particular piece of analysis would fall outside of 'normal' expectations, and expressed concern as to how system changes might then be accommodated. DP pointed out that if it was decided that changes to systems were required then it would automatically be classed as outside of the standard analysis. LW was also concerned that Shippers'

systems may actually demonstrate more flexibility than xoserve's systems when performing analysis and that xoserve may then have to consider upgrading to deliver the same reports.

In response to questions regarding xoserve's systems, FC said that they had been developed as required to suit particular analyses. SG observed that it would be very expensive to change xoserve's mainframe system; SAS was used for analysis in-house and this can be more easily changed by whoever does the analysis as it just involves time spent in adjusting the tables.

Whoever does the analysis should be present at the Expert Group meetings, and it may be that sometimes the Expert Group may wish to do the analysis together. This would promote greater understanding of the analysis and what was required, and the reasons for decisions. Concerns were expressed relating to the provision of an appropriate level of resourcing for the tasks. SB believed that the benefits of having a more active involvement needed to be more fully recognised, and Expert Group members would have to individually manage any perceived constraints. DP pointed out that the need to provide intensive resourcing should diminish over time as the current problems and risks will dissipate with this new co-operative approach.

In response to questions from GS regarding the maintenance of the Expert Group as a 'standing group', SB believed this did not preclude the invitation and use of more specialised technical experts where it was deemed beneficial and appropriate to call upon such expertise.

SG asked if this also meant open systems and open data. SB responded that open data was required. This would enable rudimentary analysis to be carried out and assessed for viability before approaching the Expert Group or DESC and would promote a more efficient use of everyone's time. It was envisaged that data would be shared but not necessarily programmes (if necessary SAS codes or similar could be shared by the party performing the analysis). SB believed that reshaping the profiles would have no impact on the xoserve systems.

*Sections 4 and 8:* BF queried the quoracy specified for DESC and the Expert Group, and stated that for most UNC purposes quoracy was set at 2 Shippers and 2 Transporters (not 3 and 1); SB had no objection to this change. It was also pointed out that alternates are formally appointed and that the Joint Office of Gas Transporters will need to be formally notified in writing of any such appointments (temporary or permanent), otherwise that party's vote will be deemed ineligible. The Joint Office does not hold proxy votes for any party. If a meeting was deemed inquorate it could proceed as an informal meeting and a consensus may be arrived at where appropriate, but no formal decisions may be taken. DP questioned xoserve's role as a proxy for the Transporters, and wondered if that at times this may put xoserve in a difficult position. BF suggested this and any alternative might be considered within the Proposal. BF also pointed out that, following the outcome of Ofgem's Code Governance Review, it may be worth considering the inclusion of statements clarifying/justifying the reasons for particular decisions.

*Section 9 (g)*: FC questioned the meaning of ‘insignificance’ in this context, and this was briefly discussed, the consensus being that it would mean ‘not materially or statistically significant’.

## 2.2. Timelines

SB gave an overview of the various activities and interactions that it was expected would be carried out through the calendar year. She envisaged that the Expert Group would exchange views via email, teleconference, or physical meeting as appropriate, and would be mindful of any potential timeframes and constraints when addressing the reviews or proposing any major changes. Dates could be amended via the Modification Proposal if necessary.

SB pointed out that it was proposed to remove the very small and inappropriate time window to make a ‘validated sample request’ and extend the opportunity to make a request at any time during the year, which could then be fulfilled by xoserve at an appropriate time, depending on workloads, etc. MP suggested that perhaps the information could be published automatically and this would do away with the need for special requests. SB welcomed this suggestion and added that she would prefer the data to be disaggregated.

RP believed there may be an issue with the draft proposal addressing MSF updates and the provision of data relating to domestic customers may run into data protection issues. SB thought that the data could be provided in a ‘sanitised or anonymous’ state and that Shippers only needed to know the geographical location and the volume, address information is not required. RP observed that there might still be a potential commercial risk for Shippers, and perhaps this may need confirmation.

**Action RG0280 020: xoserve to consider what data could be published to obviate the need for ‘validated sample requests’, and whether this could be provided in disaggregated form, that was not commercially sensitive.**

In response to questions relating to the dispute process, SB believed that the chances of any disputes arising should diminish over time as a consequence of the involvement and work of the Expert Group. The DESC would endorse the outcome of the Expert Group and would still vote on the proposals, and BF pointed out that the UNCC was the primary route for escalation in the first instance. From recent experience SB was aware that it was very difficult to find an appropriately qualified and knowledgeable route of expertise within Ofgem to review/facilitate any difficulties within the area of demand estimation. SB added that she was attempting to remove the option of a request for disallowal to be made to the Authority, providing a sensible dispute resolution process could be managed through the Expert Group/DESC/UNCC route. A co-operative industry group and an inclusive, positive and effective approach to decision making would mean that less likelihood of reaching such an invidious position where a party would be seeking a disallowal.

LW questioned how any additional work would be funded; would a Modification Proposal be required for every such change? How would any costs be

apportioned? The prospect of having to pay for something often led to disagreements relating to value, and there may be disagreements in deciding what work should be done/paid for. If extra analysis was identified as being appropriate, that required significant change or extra funding then a party from the Expert Group would need to sponsor a Modification Proposal. LW observed that Modification Proposals often took a great deal of time to move through the formal process and be decided. Referring to the outcome of Ofgem's Code Governance Review, BF believed that the proposed option of a 'self governance' route for appropriate future Modification Proposals might address this as the UNC Modification Panel will be able to make industry decisions on implementation without recourse to the Authority, and this may quicken the process.

DP had imagined different levels of analysis so that options/decisions requiring small amounts of funding could perhaps have an apportionment of the existing costs agreed. Perhaps a greater understanding is required of what the current budget/resource allows/has room for, so a better idea can be gained of what constraints/choices might exist going forward, and what flexibility/additional resources could be potentially be drawn upon and called into play.

**Action RG0280 021: xoserve to consider what the current budget/resource allows and establish if there is any room for manoeuvre going forward.**

### **2.3. Governance Process**

SB had reviewed TPD Section H and pointed out the potential areas for change and the particular paragraphs that were likely to be affected by the Modification Proposal. She would discuss the changes required to the text in greater detail with whichever Transporter was tasked with producing the legal text associated with the Modification Proposal.

The Modification Proposal would be raised as part of the conclusion to the Review Group Report, and will be appended to this as a draft.

## **3. Review Group Process**

Referring to the Work Programme and progress made to date, it was agreed that the following topics would be covered at the next meeting:

Meeting 7: Review of progress; review/approval of any draft Modification Proposal(s), provisional recommendations and draft Review Group Report.

## **4. Any Other Business**

None raised.

## 5. Diary Planning for Review Group

Monthly meetings have been arranged to facilitate the Work Programme.

The next meeting will take place following the next DESC meeting on Friday 23 July 2010 in Conference Rooms 5 and 6, at 31 Homer Road, Solihull B91 3LT.

Meeting		Date	Time	Venue
7	Review of progress; review/approval of any draft Modification Proposals, provisional recommendations and draft Review Group Report.	Friday 23 July 2010 (following the DESC meeting)	10:00	Conference Rooms 5 and 6, 31 Homer Road, Solihull B91 3LT
8	Finalise Modification Proposals; agree/finalise recommendations and approve Review Group Report.	Monday 16 August 2010	10:00	Conference Room 5, 31 Homer Road, Solihull B91 3LT

### Review Group 0280 - Action Log

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0280 005	26/02/10	3.0	Collate list of concerns into the Review Group Report.	Joint Office (BF)	Ongoing <b>Carried forward</b>
RG0280 009	15/03/10	3.0	Produce a timeline, including a disputes process, with Expert Group participation overlaid.	E.ON (SB)	<b>Closed</b>
RG0280 017	19/04/10	3.1.3	Transporters to give consideration to any costing/financing elements to be included in the ToRs.	Transporters	<b>Carried forward</b>
RG0280 019	18/05/10	2.2	E.ON and British Gas to discuss the alternative proposal and see if the concerns raised can be eliminated or brought into the strawman.	E.ON UK and British Gas (SB / MJ)	<b>Closed</b>
RG0280 020	14/06/10	2.2	xoserve to consider what data could be published to obviate the need for 'validated sample requests', and whether this could be provided in disaggregated form, that was not commercially sensitive.	xoserve (MP/LW)	<b>Pending</b>
RG0280 021	14/06/10	2.2	xoserve to consider what the current budget/resource allows and establish if there is any room for manoeuvre going forward.	xoserve (MP/LW)	<b>Pending</b>