

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

Review Group (UNC0280) Minutes

Tuesday 18 May 2010

31 Homer Road, Solihull, B91 3LT

Attendees

Bob Fletcher (Chair)	BF	Joint Office of Gas Transporters
Helen Cuin (Secretary)	LD	Joint Office of Gas Transporters
Colin Thomson	CT	Scotia Gas Networks
Dave Parker	DP	EDF Energy
Fiona Cottam	FC	xoserve
Gavin Stather	GS	ScottishPower
Jonathan Aitken	JA	RWE npower
Joanna Ferguson	JF	Northern Gas Networks
Linda Whitcroft	LW	xoserve
Louise Hellyer	LH	Total Gas & Power
Mo Rezvani	MR	SSE
Matthew Jackson	MJ	British Gas
Richard Pomroy	RP	Wales & West Utilities
Sallyann Blackett	SB	E.ON UK
Simon Geen	SG	National Grid NTS
Stefan Leedham	SL	EDF Energy

1. Introduction and Review Group Operation

BF welcomed members to the fifth 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 meeting

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

Action Update: Ongoing. **Carried forward**

Action RG0280 007: Consider what sort of comparisons/measures might be required to facilitate a standard way of comparing a proposal for new/different analysis and provide a list of criteria to SB to support Action RG0280/006, above.

Action Update: GS provided a list of measurement criteria to be published on the JO website, which he wished to be considered by the Review Group. SB questioned the use of a fixed set of criteria, as this would be dependant on the analysis undertaken. RP was unsure how analysis could be requested without a fixed set of criteria to measure against. SG felt the list should not be dismissed as there maybe benefits to its use, though it may need a flexible

approach as not all the criteria would be needed in certain instances or require expanding in other scenarios. JA was concerned about consistency. MR suggested having a value range to allow for bank holidays in the model. SB was concerned that seasonality was not correctly defined particularly when profiles were not considered to be accurate enough. SL suggested that a workplan is established to set the criteria and to judge the analysis. **Complete**

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

Action Update: SB confirmed that she is waiting for the TR67 deadlines to allow completion of this action (see action update 0013). **Carried forward**

Action RG0280 013: xoserve and Shippers to consider the magnitude of extending TR67 load window and report back.

Action Update: LW confirmed what files are passed to Shippers, the data items required and the latest date the file can be received. **Complete.**

Action RG0280 014: Establish how 'neutral' decisions/recommendations are made on behalf of the electricity industry - in the 'best interests of the industry' - and not from individual company perspectives, and how this is managed.

Action Update: SB confirmed that PEG members contribute as industry experts independently of their business view. MR confirmed that company directors sign off that the expert provided is not representing their company. MJ questioned if there was a dispute process to allow the challenge/justification of reviews. RP asked how much challenge is made on the data. **Complete.**

Action RG0280 015: Give further consideration to clarifying the DESC/Expert Group relationship so that each can perform its envisaged role responsively and effectively.

Action Update: See item 2. **Complete.**

Action RG0280 016: Revise the Expert Group ToR to reflect the discussions/comments, and also produce a DESC equivalent ToR, and link to the proposed governance.

Action Update: See item 2. **Complete.**

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

Action Update: RP suggested that a user pays approach will need to be considered. He confirmed that a formal response would be provided to E.ON. **Carried Forward.**

Action RG0280 018: Arrange two further meetings in July and August, and request Report date extension.

Action Update: Arrangements have been confirmed for 23 July and 16 August, see item 4. **Complete.**

2. Review Group Discussion

2.1. Review of revised Expert Group ToR

SL provided a draft DESC Terms of Reference based on a version produced in 2006 and updated to reflect discussions in Review Group 0280.

The group considered elements of the Terms of Reference.

RP asked for clarification of what was meant by a hung vote, SL responded it is a vote that is tied. BF asked if a formal voting process would be considered. It was considered that the voting process would be on simple majority. SL highlighted that Shippers are likely to have the most impact on any changes and that a majority is deemed suitable. The recommendation will be from the Expert Group not necessarily a Transporter recommendation as in the UNC currently.

LW also asked about time constraints, timetables for information flows and recommendations that miss the timetables. SG highlighted that analysis may time out within the current year; consideration should be given to continuing the analysis to allow implementation the following year.

BF asked about there is likely to be a number of expert groups and the make up of representatives. It was questioned if separate expert groups would be established or one with the ability to change the appointed experts when appropriate. DP believed a common sense approach was needed. It was clarified that the Expert Group would define its Terms of Reference and seek approval from DESC.

RP expressed concerns with making short-term recommendations/forecasts, which use different analysis baselines to the long-term forecasts. SG explained it usually happens as the analysis is used for different reasons. RP challenged that this could bring into question the long-term forecasts and that this could have other consequences such as funding. The use of different histories was discussed, the availability of data and the different purposes of forecasting. FC highlighted that Ofgem are looking for the development of forecasts to allow sizing of networks to manage a 1 in 20.

SL explained the draft Terms of Reference for the Expert Group.

The make up members was considered it was noted that the appointment process does not preclude the appointment of more than one expert from a single shipper. It was also questioned if alternates need to be considered. SL confirmed that this is included within section 8.

Assurance letters for company Directors were discussed and whether this ought to be referenced in the ToR. SB explained it's not in the PEG however it is accepted that this needs to be provided.

BF asked if consideration needs to be given for convening urgent or short notice meetings.

SL envisaged that meetings would be supported/administered by the Joint Office for transparency. Some concern was expressed about the ability to produce the level of detail in the minutes required for technical meetings and how this could potentially be managed through recordings, or self-producing minutes where parties provide statements for inclusion. The use of SharePoint or similar software for the management and tracking of documents was considered.

Discussion occurred about the ability of alternates to vote as discussions within a meeting could change an expert's preconceived vote.

LW questioned if the group is likely to have authority to spend money and have a budget. SB explained that the expert group can make a recommendations though it is anticipated authority would be granted elsewhere.

SG believed the group could influence costs through recommendations, SL explained that xoserve costs can be catered for through User Pays. MR asked if xoserve are able to outsource analysis, LW explained the practicalities, timing and costs would need to be considered, however it is possible to outsource analysis. SB believed there was a potential that members of the expert group could undertake data analysis themselves. DP explained some data would need to be outsourced such as Met Office data.

The consultation process was discussed, SL suggested that the workplan may consider changes that will be implemented in the next gas year, or allow a six month implementation plan to ensure sufficient time for consultation.

LW asked how Shippers were going to find out what they are going to pay/ contribute, SL suggested a UNC modification with a ACS change can be used to create the sharing mechanism for a new service. JF asked what would be needed for a new adhoc service. SL view was this would have the classification of a new Demand Estimation Service Line and that the value can go up or down. JF suggested this needed some more thought in terms of agreeing additional costs. SL suggested that a pot could be funded by Shippers which can be used for DESC funding, if this is not used it could carried over to the next year.

The ToR included a Typical Work Plan for a Year, which can be added to or removed, and a standard Agenda.

2.2. Governance Process

SL provided a Governance Strawman for the high level principles of the DSEC and Expert Group Governance.

MJ provided an alternative view on the 0280 Proposal highlighting some concerns on the current proposal. These included the independence of the Expert Group, Resourcing and Voting. MJ explained the alternatives to the proposal, with an adhoc working group to complete analysis. DP questioned the alternative with the limited DESC meetings and how this would fit together. MR was concerned with the dependency.

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 strawman.

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 6: Review of revised Expert Group ToR, Timelines, Governance Strawman.

4. Diary Planning for Review Group

Monthly meetings have been arranged to facilitate the Work Programme.

The next meeting will take place at 10:30 on Monday 14 June 2010 in Room 4 , Energy Networks Association, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF.

Meeting		Date	Time	Venue
6	Review of revised Expert Group ToR, Timelines, Governance Strawman.	Monday 14 June 2010	10:30	Room 4, Energy Networks Association, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
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 Carried forward
RG0280 007	26/02/10	5.0	Consider what sort of comparisons/measures might be required to facilitate a standard way of comparing a proposal for new/different analysis and provide a list of criteria to SB to support Action RG0280/006, above.	Scottish Power (GS)	Complete
RG0280 009	15/03/10	3.0	Produce a timeline, including a disputes process, with Expert Group participation overlaid.	E.ON (SB)	Carried forward
RG0280 013	19/04/10	2.2	Annual Process - xoserve and Shippers to consider the magnitude of extending TR67 load window and report back.	xoserve (LW/MP) and Shippers (SB)	Complete
RG0280 014	19/04/10	3.1.1	Establish how 'neutral' decisions/recommendations are made on behalf of the electricity industry - in the 'best interests of the industry' - and not from individual company perspectives, and how this is managed.	Shippers (SB and DP)	Complete
RG0280 015	19/04/10	3.1.1	Governance Strawman: Give further consideration to clarifying the DESC/Expert Group relationship so that each can perform its envisaged role responsively and effectively.	EDF (DP)	Complete

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0280 016	19/04/10	3.1.3	Revise the Expert Group ToR to reflect the discussions/comments, and also produce a DESC equivalent ToR, and link to the proposed governance.	E.ON UK (SB)	Complete
RG0280 017	19/04/10	3.1.3	Transporters to give consideration to any costing/financing elements to be included in the ToRs.	Transporters	Carried forward
RG0280 018	19/04/10	6.0	Arrange two further meetings in July and August, and request Report extension.	Joint Office (BF/LD)	Complete
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)	Pending