

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

Review Group (UNC0280) Minutes

Monday 19 April 2010

31 Homer Road, Solihull, B91 3LT

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
Jonathan Aitken	JA	RWE npower
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
Russell Somerville	RS	Northern Gas Networks
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 fourth meeting, which was quorate.

2. Review of Minutes and Actions

2.1 Minutes of previous meeting (15 March 2010)

The minutes were approved.

2.2 Actions

Action RG0280/004: Consider providing a list of the data that is currently used for annual NDM Proposals analysis, the CWV process, and the non-annual NDM Proposals analysis (ie listing everything used for each process, when and where it is available, and whether there are any intellectual property issues should the data be made available).

Update: MP gave a presentation providing further detail as requested.

Action closed

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

Update: Ongoing.

Action 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.

Update: GS reported that due to other commitments he had been unable to make further progress since the last the meeting, and that other parties may like to also give consideration to what is important. FC added that Project Nexus might be an appropriate approach. It was questioned what criteria might be used to how best define 'the best interests of the gas industry'. **Action carried forward**

Action RG0280/008: Annual Process - provide a timeline of the existing process.

Update: MP presented an overview of the timelines and indicated the various phases of the process, pointing out that UNC defines certain actions and imposes certain deadlines. Input of data to Gemini and Sites and Meters was briefly discussed, and SB questioned what was the latest date that input data could be provided, before it would cause any problems. FC responded that this would need to be considered, but probably early September, making sure it avoided other big loads, transfers, etc. xoserve started receiving enquiry calls from Shippers at the beginning of August in respect of the new EUC values. Any changes may have to be progressed through the UK Link Committee, depending on impact. SB reiterated that if the group was looking at flexing the process/system it would need to know how far back phases/windows could be extended without generating major repercussions, and was happy to make internal enquiries. RP agreed that the last possible date for loading T67 needed to be established, as well as any other impacts/effects on other processes. **Action closed**

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

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

Update: To be provided.

Action carried forward

Action RG0280/010: Using the Straw Man and comments from today's discussions, produce Terms of Reference for an Expert Group.

Update: SB had provided a draft ToR for consideration and discussion – covered under the agenda. **Action closed**

Action RG0208/011: All to review UNC TPD Section H with a view to deciding what changes may be required.

Update: In progress. **Action closed**

Action RG0280/012: Produce a Straw Man governance process.

Update: DP and BF had produced a Straw Man governance process and membership/voting options for consideration and discussion. **Action closed**

3. Governance Processes

3.1. Governance 'straw man'

3.1.1 Example provided by EDF Energy

DP led the meeting through EDF's rationale, and a discussion of the various points followed.

Expert Group Constitution

It was unclear to SG how DESC and the Expert Group were to interact; would there be a relationship or would DESC become redundant? DP believed that the Expert Group would contain the technical analytical expertise and make the decisions/judgement calls in respect of the analysis and any questions. However, this would not replace the functions of DESC. SB added that the memberships would reflect this, with the Expert Group members focusing on the analysis itself and being much more directly involved with the party conducting the analysis, and with the DESC members exercising a wider and more holistic view of the industry. The industry continued to evolve, and parties had developed different and divergent drivers since DESC was founded. Having the two levels of focus would present better opportunities for transparency and access to data, and an earlier understanding of these different/multiple drivers when it mattered, ie at the outset of undertaking analysis, would mean that there should be a better chance of achieving more acceptable outcomes and fairer allocations for the majority of market participants. MJ observed that, in view of this, DESC ToR might also need reviewing and redefining to take account of the differences in emphasis and any subtle changes in role.

DP explained that this had been put together along the lines discussed at the previous meeting. Members would have a focus on achieving outcomes in the 'best interests of the industry', ie addressing the uncertainty in allocation that makes difficulties for appropriate business models, pricing, and opportunities

for new entrants. It was questioned how this could be measured, ie that something proposed is better than the current state, or other alternative?

BF then briefly explained the workings of the UNC Modification Panel, which made decisions/recommendations on behalf of the industry - in the 'best interests of the industry' - and not from individual company perspectives.

It was suggested that it might also be useful to understand how this concept of 'neutrality' worked on the electricity side, and how this was managed.

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.

Noting a minimum requirement for quoracy, MJ asked if there was to be a maximum. FC believed there should be enough flexibility to meet quickly and decide quickly. Voting processes already exist to limit the numbers, but a cap may need to be considered, and it was suggested that this might be fixed at a minimum of 2 Shippers and 1 Transporter, and a maximum of 4 Shippers and 2 Transporters. BF pointed out that the Energy Balancing Credit Committee (EBCC) had had to reduce its quoracy levels to achieve a practical decision-taking scenario.

DESC Constitution

SG argued that National Grid NTS should not be excluded from the membership, as UNC TPD Section H also affects its activities. It was noted that xoserve represented all the Transporters as their agent. DP responded that he was happy to include it. There was a brief discussion on the form of Transporter names used, and BF suggested that appropriate wording could be extracted from that describing the formal composition of the UNC Modification Panel.

At this point LW digressed, and asked if SB foresaw that xoserve would continue to conduct the analysis. LW was conscious that there might be many good ideas for additional pieces of work/requirements, but that constraints on resources and budgets may preclude such opportunities being followed up. SB responded that it was envisaged that other members of the Expert Group could also undertake analysis to assist the process as appropriate, adding that as the Expert Group would have direct involvement in the analysis at a very early stage this should prove more beneficial in assessing what potentially may be of most value or improved outcome. However, DP noted that the Expert Group would receive no financial remuneration for performing this and had no formal responsibility for delivering any outcome. RP observed that the Expert Group must be mindful of formal timelines and other constraints. SB added that all were aware of the specific process deadlines that had to be met, as these also applied to a party's own internal systems.

In response to a question from MJ, DP summarised his understanding that xoserve would conduct the formal analysis, and perhaps in parallel an Expert

Group member may also have performed similar analysis or provided a resource to assist if appropriate.

BF pointed out that the Gas Forum, and not the Joint Office of Gas Transporters, formally carried out the election/resignation process for membership of DESC on an annual basis.

Voting

MJ questioned that if the 'best interests of the industry' had already been defined, was a vote required. RP noted that if there were not a positive vote for change then the current process would be continued. JA believed that if metrics were well defined at the outset there would be no difficulties, as it would clearly either make it better or not. SB observed that she would expect the Expert Group to make any judgement calls/decisions as the process moved along. There was scope for the Group to disagree, and it should be prepared to backtrack if necessary in the light of better information. DP pointed out that the Expert Group would need to be composed of genuine experts who would be on call to respond to/vote on questions very quickly. SB believed that having the ability to replicate analysis would provide more reassurance, but it may need to consider if it was worth changing things or leave as it was. Recording of (and justifications for) decisions reached would be very important. It was envisaged that some formal meetings would inevitably be required, with appropriate administration/secretarial support to give visibility and reassurance assure the industry. More consideration needed to be given to this area and BF pointed out that more detailed formal rules would be required.

Dispute Process

SG questioned what would happen if, for example, the targeting of costs for a change was not agreeable to all parties, and a dispute arose; would it go to the next Committee? BF believed that any change involving apportionment of costs would have culminated in a UNC Modification Proposal being formally raised and there would be in depth discussion of any User Pays elements, etc.

MJ questioned who an 'Expert' might be in this context. SB responded it would depend on the issue in question, but there should be no difficulty in locating and appointing an industry accepted expert. JA pointed out that invoking the Expert Determination process would potentially be an incredibly slow method of achieving an acceptable resolution to any dispute. BF suggested that it might be more appropriate in certain circumstances to raise a Modification Proposal, under Urgent Procedures if necessary.

BF then briefly summarised the discussion and asked if there were any further comments. SG responded that the relationship between DESC and the Expert Group appears to be missing and needed to be given further consideration. He also sought clarity on whether DESC decided what major changes to analysis were required, or whether that would be part of the Expert Group's remit; for example a review of the Holiday Codes. Would DESC decide and instruct the Expert Group to review it, or would the Expert Group decide to do it and just get on with it, or would a consultant be employed, or would there be a consultation of some sort? RP pointed out that an Expert Group would have no financial

capability to appoint a consultant. DP responded that he would expect the Expert Group to have the most influence, and make a recommendation to DESC as appropriate.

It was suggested that there would need to be a clearer understanding of the DESC/Expert Group relationship so that each could perform its envisaged role responsively and effectively. DP noted this and agreed to give this further consideration.

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

3.1.2 Example provided by the Joint Office of Gas Transporters

BF pointed out that it will need to be decided if voting rights are to be restricted to Shippers, or extended to both Shippers and Transporters, and then gave a brief description and explanation of four potential options in respect of membership and voting.

In order to establish a preferred model it was reiterated that the role of DESC needed to be defined more clearly. How does the industry want this Committee/Group to work?

It was suggested that in light of today's discussions more detail on how DESC and the Expert Group would interact and work should be considered, and that revised ToRs for each entity together with a view of any overarching governance would be welcomed.

Further consideration should be given to:

- the roles of Shippers and Transporters within DESC;
- the method for making the views of each known; and
- how representations should be made at DESC for ratification to be granted at UNC Committee.

If any party had an alternative suggestion(s) as to how the process could work this should be provided to the next meeting for further discussion.

3.1.3 Draft Terms of Reference for the Expert Group, provided by E.ON UK

SB gave an overview of her thoughts and ideas regarding composition, role and responsibilities, and profile sign off process. She did not see it as being responsible for anything that cost money to do, as it would not attract a budget. Any output data would be shared across the whole industry.

It was suggested that the ToR should include some responsibilities to be mindful of timescales, and to respond back to industry.

There was concern regarding the proposed responsibility “...for defining a central climate case over the 5 year horizon that should be expected to form the weather base used to derive the expected level of demand in any current gas year.” DP believed that a budget might be required to address this. SG suggested that it might be simplified by giving DESC the remit. DP believed some funding approach needed to be agreed. SB responded that it sits with the Transporters at the moment; if it were made an industry responsibility then some agreement would need to be reached on how to fund it. BF suggested that consideration might be given to aspects that fell under the User Pays concept, and who would receive the most benefit. It was agreed that the words “on expected CWV levels” should be deleted (Profile Sign-Off Process: paragraph 9).

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.

It was suggested that how it would be costed/financed may also need to be included and that the Transporters should give consideration to this element.

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

It was noted that transparency of analysis was important, as small decisions would be made as the process went along. It was also recognised that who does the analysis can colour the perception of the data and any results, and that is therefore also important to know who is conducting the analysis. LW suggested that the Expert Group should be formally notified which party was conducting the analysis.

There were no further questions or comments.

3.2. Consultation Process

Included in discussions, above, and under further consideration.

3.3. Role of UNCC and DESC

Included in discussions, above, and under further consideration.

4. Discussion of Issues Identified

No further issues were identified, that required separate discussion.

5. Review Group Process

The Review Group will continue to give further consideration to the relationship between DESC and the Expert Group, and the associated governance 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 5: Review of revised Expert Group ToR, the roles of UNCC and DESC, governance, and consultation process.

6. Diary Planning for Review Group

Monthly meetings have been arranged to facilitate the Work Programme.

Reviewing progress made so far, it was suggested that further work would be required and it was agreed that two further meetings would be arranged for July and August (see details below).

An extension to the Report date will be requested at the UNC Modification Panel meeting.

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

Post meeting note: Arrangements have been confirmed for 23 July and 16 August, see table below.

The next meeting will take place at 10:00 on Tuesday 18 May 2010 in Conference Room 6, 31 Homer Road, Solihull B91 3LT.

Meeting		Date	Time	Venue
5	Revised <ul style="list-style-type: none"> • Expert Group ToR • Role of UNCC and DESC • Governance • Consultation process 	Tuesday 18 May 2010	10:00	Conference Room 6, 31 Homer Road, Solihull B91 3LT
6	Programme to be confirmed	Monday 14 June 2010	10:00	Room 4, Energy Networks Association, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
7	Review of progress; review/approval of any draft Modification	Friday 23 July 2010	10:00	Conference Rooms 5 and 6, 31 Homer Road, Solihull B91

	Proposals, provisional recommendations and draft Review Group Report.	(following the DESC meeting)		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: 19 April 2010

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0280/004	26/02/10	3.0	Consider providing a list of the data that is currently used for annual NDM Proposals analysis, the CWV process, and the non-annual NDM Proposals analysis (ie listing everything used for each process, when and where it is available, and whether there are any intellectual property issues should the data be made available).	xoserve (LW/MP/FC)	Closed
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)	Further detail required. Carried forward
RG0280/008	15/03/10	3.0	Annual Process - provide a timeline of the existing process.	xoserve (FC/MP)	Closed
RG0280/009	15/03/10	3.0	Produce a timeline, including a disputes process, with Expert Group participation overlaid.	E.ON (SB)	Carried forward
RG0280/010	15/03/10	3.0	Using the Straw Man and comments from today's discussions, produce Terms of Reference for an Expert	E.ON (SB)	Closed

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			Group.		
RG0280/011	15/03/10	3.4	All to review UNC TPD Section H with a view to deciding what changes may be required.	ALL Shippers and Transporters	Closed
RG0280/012	15/03/10	5.0	Produce a Straw Man governance process.	Joint Office (TD/BF)	Closed
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)	Pending
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)	Pending
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)	Pending
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)	
RG0280/017	19/04/10	3.1.3	Transporters to give consideration to any costing/financing elements	Transporters	

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			to be included in the ToRs.		
RG0280/018	19/04/10	6.0	Arrange two further meetings in July and August, and request Report extension.	Joint Office (BF/LD)	Post meeting note (see above)/Pending