

Review Group 0131 Minutes
Wednesday 11 July 2007
61 Homer Road, B91 3LT

Attendees

| | | |
|--------------------------|-----|----------------------------------|
| Julian Majdanski (Chair) | JM | Joint Office of Gas Transporters |
| Helen Cuin (Secretary) | HC | Joint Office of Gas Transporters |
| Alison Jennings | AJ | National Grid Distribution |
| Barry Purl | BP | Scotia Gas Networks |
| Chris Hill | CH | RWE npower |
| Claire Thorneywork | CT | National Grid NTS |
| Joel Martin | JMa | Scotia Gas Networks |
| Karen Kennedy | KK | Scottish Power |
| Linda Whitcroft | LW | Xoserve |
| Richard Wilson | RW | National Grid NTS |
| Simon Trivella | ST | WWU |
| Stefan Leedham | SL | EDF Energy |
| Steve Pownall | SP | National Grid NTS |
| Steve Skipp | SK | Scotia Gas Networks |

Apologies

| | | |
|--------------|----|---------|
| Brian Durber | BD | E.ON UK |
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1. Review of Minutes

Steve Pownall requested the following amendment to **Section 2.4**.

SL moved on to look at the advantages and disadvantages of Shipper involvement post-MER. The fear for Shippers was that this could be too late and potentially created missed opportunities should Shippers identify concerns if the pre-MER processes were not more transparent.

Steve Pownall offered the following clarification for **Section 2.9**.

During the debate on the post MER 'process'. Steve Pownall suggested that it was no longer appropriate for Shippers to continue to vote in this process and further proposed that it was for the relevant (two) Transporters to decide if the meter error was a genuine technical error and as such, it would then proceed to the reconciliation process. These views were supported by all the attendant Transporters.

1.1 Review of Actions

Action 0010: ST to raise a topic at the OA Workstream to review areas of the OAD which are linked to Review Group 0131 issues.

Action Update: Complete

Action: Closed

Action 0011: SL to produce a flow chart showing the proposed process and, in conjunction with the Joint Office, a first draft of the Review Group Report, including a draft Modification Proposal.

Action Update: Complete.

Action: Closed

2 Review Group Discussion

2.1 Offtake Metering Error

SS provided an Offtake Metering Error presentation. SS highlighted that SGN have concerns with the production of the Meter Error Report (MER) within 14 days.

CT clarified that the expert determination within the 0642/0643 Process Flow diagram is not the same expert determination which is the defined term in the UNC.

SS concluded his presentation with a summary of the proposed changes.

SP and RW questioned the obligation for expert determination. RW expressed concern with the costs of conducting it for all reconciliation values as this is only currently undertaken for significant values. ST disagreed that an expert determination is required for every reconcilable meter error and suggested a trigger level would be beneficial.

A discussion evolved around the expert determination involved for Farningham.

AJ suggested that an expert may be an in house provision and need not be an independent party. A discussion evolved around the process for expert determination and the production timings of the MERs. ST suggested that the technical dispute process could be used to negate the requirement for expert determination on every occasion.

RW noted that within page 12 of the presentation "Expert confirmed Upstream Party's assessment" is incorrect and should actually state Downstream.

SL expressed concerns with a large "black box" of calculations taking place and the need for more transparency pre MER generation.

SS expressed concern with the process for Shipper queries and fielding questions from numerous Shippers when expert determination had been given.

AJ pointed out that there would be commercial reasons why Shippers would want to pay for an independent expert.

SL was supportive of a technical forum to discuss technical issues and answer technical questions from Shippers which may prevent later disputes.

SS expressed concern of using numerous experts and referred to the Farningham case where the experts suggested further calculation enhancements in an attempt to improve the accuracy of the meter error calculations; however these enhancements only improved the calculation fractionally.

2.2 Meter Error Notification

ST provided a Meter Error Notification Presentation.

JM read an email received from Brian Durber who was unable to attend: "It was recognised by the Offtake Workstream that the production of a draft MER would be a beneficial stage in the whole process, following which Shippers would have the opportunity to raise final concerns over technical issues. We support the position laid out in the Review Group Report. We acknowledge that Transporters are willing to involve Shippers on the pre-MER process. In particular they welcome the WWU initiatives around the process details. However they do not believe that the

governance should sit solely with the Transporters under Offtake Committee control but should be part of Meter Error Notification Guidelines, a UNC Related Document and therefore subject to normal UNC guidance.”

SL also raised a concern around the governance and that it is not strictly a Transporter to Transporter process but a Transporter to User issue. SL believed that Shippers needed to be engaged within the governance arrangements within the Notification Process (Pre MER) and that the Offtake Committee may not be the appropriate forum to engage with them.

A discussion evolved around the governance arrangements of the changes being made. SL agreed with Brian Durber’s comment regarding the potential need for the process to be codified under the UNC. CT confirmed that the ancillary agreement will be connected to the OAD via the UNC. CH agreed with SL that the Shippers will want to have an input into the technical part of the process as this will assist with understanding the extent of the financial implications.

ST provided an updated Process Flow diagram acknowledging feedback regarding the User dispute element of the process and acknowledged that there is potential for stalling the process. SL also expressed concern about the ability to stall the process.

CT stressed the importance of having a final cut off where there is a full and final settlement point.

SL expressed a concern that the process is geared to the larger Shippers who may have better resources to engage on the Notification Process and that a smaller Shipper may wish to engage at a later point which could stall the process. This has the potential to affect the financial impacts due to the close out window associated within Review Group 0126 processes.

SL also expressed a concern with gaming. A discussion evolved around the dispute process and whether any technical or commercial disputes can delay final settlement. SL strongly believed that a User could use a dispute to delay final settlement for financial advantage due to the interaction with any of the Modification Proposals to Limit Retrospective Invoicing that may be implemented.

LW suggested that the group may wish to consider an additional process whereby expert determination is considered once three sub-committee meetings have been held and no agreement has been reached. This would ensure there is an end point.

A debate opened as to whether the dispute process should be limited to technical issues or include commercial elements. SP expressed concern that the Transporters may not support commercial disputes. JM suggested that there cannot be a commercial dispute if the technical information is agreed to be correct by expert determination.

Following extensive discussions on the possibility of gaming SP suggested that a hybrid between the two process flow diagrams ought to be considered due to the possibility of a spurious technical issue being raised.

Action 0012: All to consider the process particularly to avoid a potential for gaming.

Action 0013: JM to request the Modification Panel for an extension to complete the Review Group Report.

3 **Diary Planning for Review Group**

10:30 Wednesday 22 August 2007 31 Homer Road, Solihull, B91 3LT

4 **AOB**

None.

APPENDIX A.**ACTION LOG - Review Group 0131**

| Action Ref | Meeting Date | Minute Ref | Action | Owner | Status Update |
|-------------------|---------------------|-------------------|---|-------------------|----------------------|
| RG0131 0010 | 30/05/07 | 1.1 | ST to raise a topic at the OA Workstream to review areas of the OAD which are linked to Review Group 0131 issues. | WWU (ST) | Action: Complete |
| RG0131 0011 | 30/05/07 | 2.13 | SL to produce a flow chart showing the proposed process and, in conjunction with the Joint Office, first draft of the Review Group Report including a draft Modification Proposal | EDF (SL) | Action: Complete |
| RG0131 0012 | 11/07/07 | 2.2 | All to consider the process particularly to avoid Shippers gaming. | All | Action: Pending |
| RG0131 0013 | 11/07/07 | 2.2 | JM to request an extension for the provision of the Review Group Report | Joint Office (JM) | Action: Pending |