

Review Group 0168 Minutes
Monday 08 November 2007
Elexon, 350 Euston Road, London NW1 3AW

Attendees

John Bradley (Chair)	(JB) Joint Office of Gas Transporters
Mike Berrisford (Secretary)	(MiB) Joint Office of Gas Transporters
Andy Miller	(AM) xoserve
Alan Raper	(AR) National Grid Distribution
Bali Dohel	(BD) Scotia Gas Networks
Chris Warner	(CW) National Grid Distribution
David Osborne	(DO) Elexon
James Crump	(JC) Ofgem
Joanna Ferguson	(JF) Northern Gas Networks
Jon Spence	(JS) Elexon
Karen Kennedy	(KK) ScottishPower
Mitch Donnelly	(MD) British Gas Trading
Mark Jones	(MJ) SSE
Nicola Rigby	(NR) National Grid NTS
Nigel Nash	(NN) Ofgem
Nididi Ndjoku	(NNd) Ofgem
Richard Street	(RS) StatoilHydro
Simon Howe	(SH) RWE Npower
Simon Trivella	(ST) Wales & West Utilities
Stefan Leedham	(SL) EDF Energy

Apologies

Kate Potts	(KP) E.ON UK
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1. Introduction and Review Group Operation

JB welcomed members to the meeting, including David Osborne and Jon Spence of the Elexon Operations Department who attended to provide members with a presentation on the Electricity Market Arrangements.

1.1 Minutes of last meeting

xoserve (AM) questioned the source of the reference to 400TWh. Following discussions members agreed to remove the number from the Terms of Reference, thereafter, the minutes of the 11 October meeting were accepted.

1.2 Actions arising

RG0168/006: Please refer to item 2.1 below for details.

RG0168/007: Please refer to item 3.1 below for details.

RG0168/008 & 009: Please refer to items 3.2 & 3.3 below for details

RG0168/010: MD advised members that Shippers responses to date have been limited and he would therefore like to carry forward the action until the December meeting.

Chair (JB) asked, and members agreed to carry forward the action.

Action RG0168/010: Carried Forward

2. Presentation of Similar Process (Electricity)

2.1 Elexon Electricity Market Presentation

(NB this was taken prior to item 1 on the agenda)

DO opened the presentation by pointing out that NETA refers to the New Electricity Trading Arrangements. MD added that the Distribution Companies/Grid Supplier Point Groups roughly map to gas LDZ's.

MD informed members that, in gas, the SMRA and Data Aggregator (DA) roles are undertaken by xoserve and the Supplier Agents are similar to the Meter Reading Agents within the Gas arena.

DO pointed out that the EAC/AA/NHHAA system softwares are provided centrally and operated under licence. Furthermore, both the Data Collectors (DCs) and DAs are subjected to a 'qualification process' whereby they must demonstrate suitable compliance with the requirements of the BSC.

Looking more closely at the 'SVA Process Overview', MD pointed out that the Central Data Collection Agent (CDGA) is equivalent to the LDZ Data Agent within the gas market and as a rough rule of thumb, the right hand side of the process map equates to the xoserve role. When asked, MD confirmed that the meter readings are sent by the DC to both the Supplier and DA at the same time. JS added that the DC is an agent of the Supplier.

With regard to the 'Timing of Settlement Runs' slide, DO informed members that 'WD' refers to working days and that monies change hands at +21WD. MD pointed out that the 14 month reconciliation period 'matches' UNC 0152V timings. Members enquired if settlement is fixed when physical reads are utilised. JS responded by indicating that it is, although it should be noted that periodic reconciliation will reflect the difference in readings.

RS asked where the difference between the actual metered readings and line losses was taken into account, to which JS responded by stating that 'line losses' are applied per User type supported by a 'correction factor' (a smearing process), which includes items such as metering inaccuracies, theft of gas etc. He added that the correction factors are smeared across the NHH users as the HH reads are deemed as accurate.

RS then asked what would happen in the event of a Supply Point change of ownership part way through the process. MD responded that the closing and opening reads are deemed as being accurate.

Examining the 'Costs' slide, RS pointed out that the SVA Operations element equates to Gemini in the gas market. He went on to point out that under the GDPCR £2.83 million (10%) of the allowed revenue has been removed. AM added that this is public information and believes that it is possible to 'map' xoserve's costs to these. RS asked if the figures provided were in fact the total cost of operating the regime, to which JS responded by informing members that the total cost is approximately £35.25 million pa.

JS opened the second part of the presentation by informing members that the graph shapes match the profile coefficients, and that this is the percentage (%) of HH usage as a percentage (%) of the annual usage.

Looking at the 'profiling process', RS asked how accurate the temperature and sunset data was. JS responded, stating that temperatures are recorded over a three (3) day period in each of the areas. He then went on to point out that 'demand

peaks' (World Cup penalty shoot-out's etc) are not specifically included in the profile.

JS then advised members that Annualised Advance (AA) is similar to AQ and that the Estimated Annual Consumption (EAC) is effectively a 'rolling average' of all AA's. He went on to add that at the final reconciliation stage of the process, the energy consumption is compared with a profile calculated using the previous AA and a weighted average applied which takes into account seasonal effects. Where no previous AA or EAC is available, a 'default' class average value is used.

When asked, JS confirmed that this is not real time data in the true sense and that currently the group factor is over accounting for energy and it will take a long time to see any seasonal impacts take effect.

Members asked about the level of meter reading performance. JS responded that with regard to Half Hourly (HH) this is around 95% and None Half Hourly (NHH) between 94 and 95% with domestic supplies in the region of 96 to 97% (within area) by energy. Members enquired as to how far out the EAC and AA's are expressed as a percentage (%) of energy, to which JS advised that there was no correlation, but the quality of the EAC's calculated from the AA's is good. Members then enquired if the reconciliation for ordinary domestic customer consumptions was recalculated on a HH basis, to which MD confirmed that it was. Elexon utilise HH because the electricity is traded in HH and price changes occur in HH (balance positions). MD went on to suggest that should something similar be adopted within the gas market, HH reads would not be required.

JS confirmed that the role of the Data Aggregator could possibly sit with a central agent and could be undertaken by one organisation. However, members should be mindful that the complexity in data aggregation comes in the operation of it. When asked for Ofgem's view, NN had no particular view on this suggestion but asked if the billing of the customer equates to the settlement. MD pointed out that, with regard to gas, what Shippers charge their customers may bear little resemblance to what their payments are.

NN acknowledged that there are 'tensions' between costs and improving accuracy. Members highlighted the fact that within the gas arena, there is difficulty in identifying the correction factor as it remains largely unknown until the gas gets to full reconciliation. NN stated that he believes that there is more transparency of information with regard to meter reads, validation and performance in the electricity arena.

JB thanked David and Jon for the informative presentation.

Chair (JB) asked, and members agreed to close the action.

Action RG0168/006: Closed

A copy of this presentation is available to view or download on the Joint Office web site at:

www.gasgovernance.com/Code/Reviews/RG168/08Nov2007

3. Review of Current Arrangements

3.1 Code AQ Process definition and operation

National Grid Distribution (CW) provided the presentation informing members that he believes that the AQ regime is fairly stable at present and could remain so. However, this was not a view shared by all the members, especially in light of UNC Modification 0177 "Rolling AQ Review" which will be looking into the matter in more detail. Some members are of the opinion that the current AQ regime is time expired.

SH acknowledged that the recent issue of the AQ Packs may go some way to resolving some of the issues but remains concerned about inappropriate behaviours and what need to be done to resolve them. NN shared these concerns, but believes that this is an industry governance issue. MD also acknowledged the difficulty that xoserve have in not being able to 'police' the data that they issue on behalf of other parties.

Chair (JB) asked if members felt the current situation on AQ Review was satisfactory or whether changes should still be made.

CW reaffirmed his view that improvements can still be made in the provisions of quality data in a timely manner, such as the adoption of smart metering. MD acknowledged this point but added that the interaction between Shippers and xoserve could also be improved.

NN enquired as to whether or not there exists a Code obligation to achieve a 70% read rate across all sites, to which MD confirmed that such performance was required annually for all Smaller Supply Points. CW added, that there is an annual read obligation that requires a 100% of reads to be procured every two (2) years. CW also noted that in the event that the User fails to obtain Meter Readings within these timescales, the Transporter will procure a read. This is known as 'Must Reads'. CW commented that in effect this is a remedy to a breach of UNC by the User. Chair (JB), enquired if any members request further performance information from xoserve, to which the answer was no.

Chair (JB) asked, and members agreed to close the action.

Action RG0168/007: Closed

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3.2 AQ Adjustments for 2007

xoserve (AM) opened the presentation by pointing out that the detailed descriptions for the various calculations are contained within UNC TPD Section H. He went on to add that he believes that AQ related matters should be 'covered' by Review Group 0177. JB asked for members views on the AQ process, to which MD responded by stating that considering the electricity model and EAC utilisation, it would suggest that looking into more up to date and accurate information would be beneficial. JB noted that it is interesting that their (the electricity side) AQ's are derived by a weighted formula and suggested that this might be to avoid volatility. Members agreed with this deduction.

RS believed obtaining the 4.5 million reads that roll-over from year to year, rather than the actual timing involved, was the real issue and he did not believe that a rolling AQ process would help improve this, although it may help with the remaining reads. KK also pointed out that the xoserve validation process does not highlight issues such as 'suppressed reads' etc.

JB challenged the group to consider where they felt their role was, especially in light of Review Group 0177 being tasked with considering the rolling AQ's. Members of the group acknowledged that RG0177 and to a lesser extent 0178, had removed a large portion of its work area and one member even questioned whether or not this group still had a meaningful role to fulfil.

JF suggested that the group might like to consider reviewing their terms of reference in light of RG's 0177 and 0178.

Following a brief discussion, members agreed that the review group should look to schedule their next meeting to immediately follow on from the second (2nd) meeting of Review Group 0177.

Following on, NNd asked members if they had any comments on the 'Reconciliation to SSPs' table. JB asked, and members agreed that the assumption that the figures remain about the same was true. He then asked if it was acceptable for reconciliation figures to be high. MD responded that RbD smearing issues have always been recognised, however, it is the cost of misallocation that is the important driver here. He remained concerned about the allocation of RbD levels as the current allocation method looks at year old data. Furthermore, it is how you allocate energy within the SSP market, not how you allocate it to the market that is within the scope of this Review Group. RS enquired if members believed that Meter Point Reconciliation would work without rolling AQ's, to which MD suggested that this was best discussed at the next meeting when more information may be available.

Chair (JB) reminded members that it should not be assumed that xoserve would undertake a feasibility study to ascertain the cost of individual meter point reconciliation without charging for the work. MD asked AM how much he thought it would cost to do a feasibility study to ascertain the cost of doing the work, to which AM replied that he would not undertake this without a commercial arrangement being in place in the first instance. He suggested that if MD wished to pursue this matter further, he should discuss it outside the meeting. MD agreed to take an action to do this.

RS reminded members that it is not just xoserve that needs to identify its costs, Shippers have a responsibility as well, especially as individual meter point reconciliation would impact on them. MD suggested that the group should look to consider both individual and rolling AQ reconciliation.

NN observed that the group should seek to identify the benefits associated with more accurate data and the cost associated with obtaining this before moving forward. We should seek to assess the 'value' of increased certainty, because without this the group would not move forward.

MD indicated that various parties may well have the figures available, but are not in a position to release them because of their confidential nature. Furthermore, some Shippers, based upon their portfolio, are clearly in a 'winning' position and therefore are not incentivised to change. JB wondered if a body similar to the Gas Forum could be utilised to identify figures without compromising any individual or companies commercial position. Without agreeing to this specific suggestions, MD agreed to undertake an action to discuss this with other SSP Suppliers and report back at the next meeting.

Chair (JB) asked, and members agreed to close the action.

Action RG0168/008 & 009: Closed

Action RG0168/011: Joint Office to schedule the next meeting of the group to immediately follow on from the 2nd meeting of Review Group 0177.

Action RG0168/012: British Gas Trading (MD) to formally approach xoserve to request an initial feasibility study to ascertain a 'ballpark' figure for the costs.

Action RG0168/013: British Gas Trading (MD) to discuss this with other SSP Suppliers and report back at the next meeting.

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3.3 Reconciliation Reporting

Covered under item 3.2 above.

3.4 Shipper views on AQ Process

Please refer to item 1.2 above for details.

4. Diary Planning for Review Group

To be confirmed.

5. AOB

None.

APPENDIX A.

ACTION LOG - Review Group 0168

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0168/006	11/10/2007	2.1 (3.0)	JB/MD to arrange a presentation by an Elexon Electricity Market representative for Session 3.	BGT (MD) & JO (JB)	Completed 08/11/07. Closed
RG0168/007	11/10/2007	3.1 (2.0)	AM/CW to examine how the AQ process is defined within the UNC and how it actually operates in practice and present their findings.	xoserve (AM) & NG Dist (CW)	Completed 08/11/07. Closed
RG0168/008	11/10/2007	3.2 (2.0)	AM to provide an overview of the 'basic' AQ Adjustments for the current year and update the table included within Ofgem's consultation document.	xoserve (AM)	Completed 08/11/07. Closed
RG0168/009	11/10/2007	3.2 (2.0)	AM to consider an extension to the Reconciliation reporting and report back.	xoserve (AM)	Completed 08/11/07. Closed
RG0168/010	11/10/2007	1.2 (2.0)	MD/SH to co-ordinate Shipper views on the AQ Process and report their findings.	BGT (MD) & RWE (SH)	Update to follow.
RG0168/011	08/11/2007	3.2	Joint Office to schedule the next meeting of the group to immediately follow on from the 2 nd meeting of Review Group 0177.	Joint Office (MiB)	Update to follow.
RG0168/012	08/11/2007	3.2	British Gas Trading (MD) to formally approach xoserve to request an initial feasibility study to ascertain a 'ballpark' figure for the costs.	BGT (MD)	In time for the next meeting.
RG0168/013	08/11/2007	3.2	British Gas Trading (MD) to discuss this with other SSP Suppliers and report back at the next meeting.	BGT (MD)	In time for the next meeting.

* Key to action owners

JB John Bradley, Joint Office of Gas Transporters

MD Mitch Donnelly, British Gas Trading

AM Andy Miller, xoserve

CW Chris Warner, National Grid Distribution
SH Simon Howe, RWE Npower
MiB Mike Berrisford, Joint Office of Gas Transporters