

Review Group 0177 Minutes
Friday 22 February 2008
Renewal Conference Centre, Solihull

Attendees

John Bradley (Chair)	JB	Joint Office of Gas Transporters
Helen Cuin (Secretary)	HC	Joint Office of Gas Transporters
Sallyann Blackett (Proposer)	SB	E.ON UK
Bali Dohel	BD	Scotia Gas Networks
Chris Warner	CW	National Grid Distribution
James Boraston	JBo	RWE
James Crump	JC	Ofgem
Joanna Ferguson	JF	Northern Gas Networks
Karen Kennedy	KK	ScottishPower
Louise Hellyer	LH	Total Gas & Power
Mark Jones	MJ	SSE
Mark Linke	ML	Centrica
Nigel Nash	NN	Ofgem
Phil Lucas	PL	National Grid Distribution
Richard Myers	RM	Total Gas & Power
Richard Street	RS	Corona Energy
Stefan Leedham	SL	EDF Energy
Steve Nunnington	SN	xoserve

Apologies

Simon Trivella	ST	Wales and West Utilities
----------------	----	--------------------------

1. Introduction and Status Review

1.1 Minutes from previous meeting

The minutes of the previous meeting were approved.

1.2 Review of actions from previous meeting

Action RG0177 001: Identify the possible impacts and associated costs of implemented changes both prior to, and within, the 2012 UK Link Replacement programme.

Action Update: SN explained that xoserve was unable to provide the information.

Action: Complete

Action RG0177 005: SN to provide, and JO publish, statistics on why NDM AQs have not recalculated.

Action Update: SN provided a spreadsheet detailing the Non calculated AQs from the 2007 AQ Review explaining the background for the largest figures. NN questioned the negative consumption AQ. SN explained that you cannot have a negative consumption AQ and that xoserve will provide a suggested AQ for these instances. NN asked for clarification if this list was where Shippers have not taken any action. SB explained that it may not be possible to resolve the underlying cause within the AQ read window, this does not mean that Shippers are not working on the areas identified. SN agreed to provide an explanation of the difference between lines

4 and 14. RS explained Shippers may not be able to obtain meter reads for certain sites with exceptional site access circumstances he provided an example where some Vodafone remote sites have difficult access.

Action: Complete

Action RG0177 008: EON (SB) to assess Shipper costs of changing the AQ Review process.

Action Update: SB explained she was not in a position to provide Shipper Costs. SL explained that costs will differ between Shippers. RS confirmed that Corona Energy are currently examining cost information. KK questioned what benefit understanding Shipper costs would have particularly if some Shippers will have insignificant costs and others may have significant costs. CW expressed that the full extent of all costs should be understood not just those related to the Transporters. NN suggested that Shippers should provide the information even if this it is only an indication and cannot be qualified.

Action: Complete (see New Action RG0177 0016).

New Action RG0177 0016: Members invited to provide an indication of costs and benefits of changing the AQ Review Process

Action RG0177 009: xoserve (SN) to investigate the annual read volume profile and read window impacts (inc. daily volumes) and report back to the next meeting.

Action Update: SN explained that the application support team had only six months of data so he was unable to provide last years figures. The meter daily average read volume figures available were: Aug to Jan 270,000; occasionally the 400,000 maximum volume was breached.

Action: Complete.

Action RG0177 010: E.ON (SB) to identify a value for RbD risk through misallocation of energy (including details on the composition of the 1% reduction figure) and report back to the next meeting.

Action Update: SB requested clarification of the action and explained that she may be able to provide something that can be issued with the minutes.

Action: Carried Forward

Post Meeting Note: *SB has clarified the issue as follows;*

Assuming that, apart from AQ, all factors remain the same, the impact on market sectors of a change in AQ can be assessed, using the algorithm.

The Risk to RbD is from:

- 1. The initial misallocation of energy due to a difference between SSP and LSP markets; and*
- 2. The delay in reconciliation.*

Any immediate improvement in allocation will improve risk profiles for SSP Shippers.

Current consumer consumption is decreasing. As AQ is historic, there is a lag between AQ and actual consumption. This lag is likely to be greatest in the SSP market due to changes being targeted at the more temperature sensitive domestic consumers and the lower read collection rates.

Based on an improvement to AQ leading to a 1% change in relative AQ between the SSP and LSP markets; then this will lead to:

1. *A 0.8% increase in energy allocated to the LSP market;*
2. *A corresponding 0.3% reduction in allocation to the SSP market; and*
3. *The Scaling Factor will move 1.8% closer to 1, from its current levels*

Action RG0177 011: xoserve (SN) to investigate if they have access to two RbD risk models available for release and report back to the next meeting.

Action Update: SN confirmed that the risk models have been produced and that a presentation will be provided at March's meeting.

Action: Carried Forward

Action RG0177 012: WWU (ST) to obtain a copy of the current validation rules for consideration at the next meeting,

Action Update: SN agreed that xoserve will take over this action from WWU, as the validation refers to AQ validation. (xoserve (SN) to obtain a copy of the current AQ validation rules for consideration at the next meeting.)

Action: Carried Forward

Action RG0177 013: E.ON & xoserve (SB & SN) to develop some broad rolling AQ principles (strawman) for presentation and consideration at the next meeting.

Action Update: See item 2.6

Action: Complete

Action RG0177 014: Joint Office (JB) to reflect the output from the Rolling AQ Principles (strawman) development work within the workplan.

Action: Complete

Action RG0177 015: Joint Office (MiB) to rearrange the 22/02/08 meeting to Solihull with a 10:30am start time.

Action: Complete

2. Review Group Discussion

2.1 Presentation on impacts and costs

Members agreed that this item had already been discussed under the item above.

2.2 Assessment of Shipper Costs of Changing the AQ Review Process

Members agreed that this item had already been discussed under the item above.

2.3 Annual Read Volume Profile & Read Window Impacts

Members agreed that this item had already been discussed under the item above.

2.4 Value or RbD Risk Through Misallocation of Energy

Members agreed that this item had already been discussed under the item above.

2.5 Current Validation Rules

Members agreed that this item had already been discussed under the item above.

2.6 'Strawman' Rolling AQ Principle

SN provided a presentation on the Rolling AQ – A Straw Man which provided the principles of a Rolling AQ Process.

He explained the current process for the management of USRVs and the importance for Shippers to correct meter reads from filter failures as these will impact the AQ Review. He explained that the AQ Review and USRV process are separate processes however the group needs to consider the management of USRVs and the implications.

SB provided an illustration on the variability in AQ dependent on base period. She confirmed that she had taken a selection of AQs to illustrate the variability. SB explained that a variation of 5% can be expected as site consumption will vary year on year. SB explained that the longer the period between reads the better the AQ calculation; she highlighted her concern of using a six month base period as apposed to a twelve month period. RS concurred that the longer base period used the more accurate the AQ would be. However, using a six month rolling base period would be better than the current situation.

KK asked if it was possible to identify the proportion of AQs that have been calculated on a six month basis, SN confirmed that this information was not available.

CW questioned if there was an opportunity to introduce incentives to discourage rolling over AQs. MJ suggested that this could be considered within the USRV regime. It was explained that roll-overs occur when meter readings are not provided and an AQ cannot be re-calculated and that this can occur for a number of years, despite the must read regime.

RS challenged with the domestic market introducing smart reading that there may be an opportunity to introduce a tougher regime for must reads.

SB suggested a monitor could be considered to see how long it was before an AQ was re-calculated to provide a flag to Shippers for must reads.

SN explained why AQ values which change by less than 0.5% would not be changed, particularly when the site would toggle between SSP and LSP. He suggested the 0.5% may need to be different for different sectors as 0.5% may not be suitable for the domestic market.

Action RG0177 0017: All to consider the percentage variation for the different market sectors where the AQ would not be changed.

A debate occurred about the acceptance of AQ decreases of up to 500% but not for 500% increases. SN explained that some sites that are being refurbished can have a significant decrease in usage and if a meter read is taken within this period it could drastically affect the AQ. However, if there is a 500% increase these will be rejected. If the shipper believed such an increase is correct the meter read can be re-submitted with a confirmation from the Shipper the read is correct. This would result in the wrong AQ only being present for one month rather than 18 months, which is an improvement.

Action RG0177 0018: All to consider the validation for decreasing AQs

SN suggested that the development team may be able to look at the possibility of calculating the AQ on the same day the meter read is provided for each individual supply point as a principle.

JB asked members to consider if the AQ go live date would be required per meter read or from the 1st of the following month. It was concluded from the responses that Shippers would prefer the 1st of the following month. SB suggested that there could be a great increase of file flows if meter reads are frequently provided.

A debate occurred about the monitoring of Shipper appeal activity. CW provided a quote from the UNC where Shipper appeals can be undertaken.

JB asked if the members would be happy for the AQ Ops Forum or a similar body to continue to informally monitor AQ activities. There was a general agreement that this practise should continue. NN confirmed Ofgem would still want the information of AQ activity. However he provided a health warning that although Ofgem have visibility of the AQ activity that this is not an audit and does not give the industry any audit assurance that the industry are acting appropriately.

RS expressed a concern about the phased implementation with the LSPs being implemented first. He was unsure about the theory that LSPs would be testing implementation. SB believed that getting used to a new system on a smaller population would be beneficial. SN confirmed that xoserve prefer a phased approach. It was agreed the process would need to be very thoroughly tested before implementation for LSPs. It was suggested that implementation after the 1st October would be ideal.

Action RG0177 019: All to consider a phased implementation.

SN expressed there would be a consequence of significant development costs involved. SN also confirmed that, for xoserve to estimate any costs, the principles would need to be agreed.

SB explained how SND and WAALPs are managed and the use of factors for scaling. She explained how under an annual process the process provides a point in time where the WAALPs can be revised at the same time. However under a rolling AQ it would be difficult to provide a point in time to ensure any revision is applied equitably.

Action RG0177 020: SB to provide the explanation for revised WAALPs

3. Workplan

JB explained the possible next steps. He suggested that the Review Group would want to consider and develop the Strawman further and at the next meeting the review group should be in a position to report to the panel if it was to meet the agreed timescales. A debate occurred whether the Review Group itself should raise a Modification Proposal based on the current strawman or whether this should be raised by a Code Party in order to initiate a Development Work Group. SB confirmed that it is E.ON's intention to raise a further Modification Proposal.

JB asked all to review the draft Review Group Report and provide any comments.

Action RG0177 021: All to review the Draft Review Group Report available on the website.

4. Diary Planning for Review Group

It was agreed to cancel the meeting previously set for 28 March 2008 and reschedule it to Solihull on Monday 31st March 10:30.

5. AOB

None.

APPENDIX A.

ACTION LOG - Review Group 0177

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0177 001	14/11/07	3.0	Identify the possible impacts and associated costs of implemented changes both prior to, and within, the 2012 UK Link Replacement programme.	WWU & xoserve (ST & SN)	Complete
RG0177 005	12/12/07	2.1	SN to provide, and JO publish, statistics on why NDM AQs have not recalculated.	xoserve (SN) Joint Office (JB)	Complete
RG0177 008	12/12/07	3.1	EON (SB) to assess Shipper costs of changing the AQ Review process.	EON (SB)	Complete
RG0177 009	25/01/08	2.4	xoserve (SN) to investigate the annual read volume profile and read window impacts (inc. daily volumes) and report back to the next meeting.	xoserve (SN)	Complete
RG0177 010	25/01/08	2.4	E.ON (SB) to identify a value for RbD risk through misallocation of energy (including details on the composition of the 1% reduction figure) and report back to the next meeting.	EON (SB)	Carried Forward
RG0177 011	25/01/08	2.4	xoserve (SN) to investigate if they have access to two RbD risk models available for release and report to the next meeting.	xoserve (SN)	Carried Forward
RG0177 012	25/01/08	2.4	xoserve (SN) to obtain a copy of the current AQ validation rules for consideration at the next meeting.	xoserve (SN)	Carried Forward
RG0177 013	25/01/08	2.4	E.ON & xoserve (SB & SN) to develop some broad rolling AQ principles (strawman) for presentation and consideration at the next meeting.	EON (SB) & xoserve (SN)	Complete

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0177 014	25/01/08	3.1	Joint Office (JB) to reflect the output from the Rolling AQ Principles (strawman) development work within the workplan.	Joint Office (JB)	Complete
RG0177 015	25/01/08	3.1	Joint Office (MiB) to rearrange the 22/02/08 meeting to Solihull with a 10:30am start time.	Joint Office (MiB)	Complete
RG0177 016	22/01/08	1.2	Members invited to provide an indication of costs and benefits of changing the AQ Review Process.	All SHippers	Pending.
RG0177 017	22/01/08	2.6	All to consider the percentage variation for the different market sectors where the AQ would not be changed.	All	Pending.
RG0177 018	22/01/08	2.6	All to consider the validation for decreasing AQs	All	Pending.
RG0177 019	22/01/08	2.6	All to consider a phased implementation.	All	Pending.
RG0177 020	22/01/08	2.6	SB to provide the explanation for revised WAALPs	EON (SB)	Pending.
RG0177 021	22/01/08	3.0	All to review the Draft Review Group Report available on the website.	All	Pending.

*** Key to action owners**

- MiB Mike Berrisford, Joint Office of Gas Transporters
 JB John Bradley, Joint Office of Gas Transporters
 ST Simon Trivella, Wales & West Utilities
 SN Steve Nunnington, xoserve
 SB Sallyann Blacket, E.ON UK