

Review Group 0177 Minutes
Monday 31 March 2008
Renewal Conference Centre, Solihull

Attendees

John Bradley (Chair)	(JB) Joint Office of Gas Transporters
Mike Berrisford	(MiB) Joint Office of Gas Transporters
Chris Warner	(CW) National Grid Distribution
Fiona Cottam	(FC) xoserve
James Boraston	(JBo) RWE Npower
Joanna Ferguson	(JF) Northern Gas Networks
Karen Kennedy	(KK) ScottishPower
Mark Jones	(MJ) SSE
Phil Lucas	(PL) National Grid Distribution
Sallyann Blackett	(SB) E.ON UK
Shelley Rouse	(SR) StatoilHydro
Stefan Leedham	(SL) EDF Energy
Steve Nunnington	(SN) xoserve
Steve Taylor	(STa) Centrica

Apologies

Richard Street	(RS) Corona
Simon Trivella	(ST) Wales & West Utilities

1. Introduction and Status Review

1.1 Minutes from previous meeting

The minutes of the previous meeting, which incorporated a correction to the attendance list were approved.

1.2 Review of actions from previous meeting

Action RG0177/010: E.ON (SB) referred members to her post meeting note in item 1.2 of the 22 February 08 meeting minutes.

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

Action: Closed

Action RG0177/011: xoserve (SN) advised members that his colleague F Cottam would provide an update on the two RbD risk models later in the meeting. Please refer to item 2.1

Action RG0177/012: xoserve (SN) informed members that he intends to provide a list of Validation Rules to the Joint Office for publication in due course. He pointed out that, should the group recommend a Rolling AQ solution, the rules would need to be reviewed and codified, and that this should be undertaken as part of a UNC (Dev't) Modification development work. SB supported this approach.

Chair (JB) asked, and members agreed, to close the action, subject to the subsequent publication of the rules on the Joint Office web site.

Action: Closed

Action RG0177/016: Chair (JB) enquired if any Shipper members had examined their potential costs and reviewed the potential benefits of changing the AQ Review Process.

SB informed members that following discussions with her IT colleagues, the view is that the change would be 'cost neutral' and, as a consequence, E.ON see changing the AQ review process as a benefit. KK added that ScottishPower had already undertaken the bulk of their system changes as part of other development work and expect to have minimal costs in undertaking any additional changes. JBo supported these views, adding that RWE Npower anticipate minimal additional system costs and also see it as a benefit. At a later point in the meeting, SL informed members that EDF Energy are fully supportive of the proposal, believing that the benefits far outweigh the costs. Whilst EDF Energy estimate a cost in the region of £1 million to change their systems – this would be justified.

xoserve (SN) pointed out to members that the potential development costs for the Networks and xoserve would be high.

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

Action: Closed

Action RG0177/017: xoserve (SN) suggested to members that, if the principle of applying an AQ tolerance change threshold to prevent small scale movements is correct, then this should form development of any UNC Proposal. He suggested that Supply Point movements across thresholds have an impact upon billing processes. Furthermore, recent data on LSP to SSP toggling at AQ review indicated that 40,000 Supply Points toggled but a tolerance threshold of 0.5% would only prevent 21 of these. However, for AQ's between 60,000 to 90,000 kWh, a change threshold of 20% would be required to prevent toggling..

In closing, SN reaffirmed his view that, should members have any concerns about sites 'toggling', then this would need to be addressed as part of the development of any UNC Proposal. Members agreed with this view.

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

Action: Closed

Action RG0177/018: Chair (JB) informed members that with regard to validation of decreasing AQ's, the values can drop to zero, but can not thereafter become a negative value.

SN advised members that currently no validation takes place on sites that have a falling AQ value (i.e. isolated sites etc.) and rejection only applies to those sites with increased values >500%. Once again, he suggested that this matter would need to be addressed as part of the development of any UNC Proposa.

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

Action: Closed

Action RG0177/019: Members indicated that they remain supportive of a two phase implementation of a Rolling AQ (Strawman) approach, although some members indicated that they would like a guarantee that the second phase covering the SSP's (Domestic sites) would be undertaken no later than one year after phase one.

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

Action: Closed

Action RG0177/020: Chair (JB) asked if members were happy with the explanation provided for WAALPs in a recent communication issued by the Joint Office. Members indicated that they were.

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

Action: Closed

Action RG0177/021: Chair (JB) advised members that a revised draft Review Group Report had been published on the Joint Office web site and that this action will be covered later in the meeting under item 3.1.

2. Review Group Discussion

2.1 Value of RbD Risk Through Misallocation of Energy – Risk Models

Please note: that at the meeting this was discussed out of sequence after item 3 below.

xoserve (FC) provided two presentations, copies of which are available to view and download from the Joint Office of Gas Transporters web site at:

<http://www.gasgovernance.com/Code/Reviews/RG0177/31Mar08/>

FC opened by informing members that RbD has a tendency to 'smooth out' charges when compared to the alternative of Meter Point Reconciliation. Looking at the 'Risk Model – Results' slide, FC pointed out that the figures are now 6 years out of date, whilst some Shippers do not believe that the last update in 2002 provided a 'complete solution' which is why it was superseded by the RbD Feeder & Forecasting models.

When asked if the presentation satisfied the requirement of the outstanding action, SB responded by indicating that she was thinking more along the lines of an explanation for risk model 2 – Shipper to Shipper as this would align better with her own figures. FC acknowledged this point of view, but warned that this model is heavily dependant upon accurate Shipper inputs. Furthermore, she believes that as long as Shippers are beginning to 'align' their processes there should be little or no commercial advantage/disadvantages gained, or lost, as part of the process. However, this view was not wholly supported by the Shipper members present. SL suggested that this assumes that ALL Shippers are starting from the same point, which may not be the case and he remains concerned that Meter Asset information may also be incorrect. KK did point out that in her view, the information will enable Shippers to improve their accuracy.

FC summed up this part of her presentation by advising that getting the AQ's more accurate reduces the reconciliation risk and there will always be an 'element' of variability involved.

In closing, Chair (JB) asked if the members thought that the Review Group Report would need further amendment in light of the above discussions. Members believed that it did not require changing.

Action RG0177/011: Chair (JB) asked, and members agreed, to close the action.

Action: Closed

FC then moved on to the next part of her presentation covering the variability of SOQs and pointed out the following items of interest:

- EUC Bands 1 to 4
 - Relating to Smaller End User category;
 - Each PLF is per EUC (LDZ specific);
 - 1 in 20 is defined by modelling the last 78 years of Cold Weather data (starting from 01/10/1928);

- Seasonal Normal Temperature (SNT) is based on a 17 year model, and
- The figures presented form the basis upon which Users are currently billed.

Members noted that once the 'Hadley Centre' has completed its review of weather profiles, the results will need to be considered. SL pointed out that 1987 is considered to be a 1:10 peak under certain circumstances, but a 1:20 under others. Chair (JB) reminded members that these matters are not really for consideration by this group.

- EUC Bands 5 to 9
 - PLF determination is shorter than bands 1 to 4 as it involves fewer sites.
- Variability of PLFs Gas Year 05 to 06
 - Information provided is a summary of DESC proposals documentation;
 - The smaller the number, the more 'peaky' in nature, and
 - As Load Factors get smaller, SOQs increasing and visa versa.
- Variability of PLFs Gas Year 06 to 07
 - Overall trend is downward.
- Variability of PLFs 2006/07 to 2007/08
 - WAR band figures are 'smoothed out'.
- SOQ Amendment Options
 - SOQ's tied in with NDM Proposals;
 - The four options are not intended to be an exhaustive list;
 - Where a phased implementation looks to undertake LSP's 1st, consideration will be needed for read frequencies and history;
 - Knowing SOQ's should enable the Transporters to 'guarantee' that Users will have capacity available at their disposal – xoserve provide a file notifying users of their AQ/SOQ's on 01 October;

FC pointed out to members that currently, Sites & Meters is constrained due to the fact that the calculation $\frac{AQ}{PLF \times LF}$ is presented as a data item.

However, future SOQ could remove this requirement, whilst continuing to calculate the SOQ 'in the background', post 2012. SN suggested that rather than getting rid of SOQ altogether, one solution would be to simply remove the notification. However, he is of the view that this has potentially serious implications for the Transporters and as a consequence, would need detailed consideration as part of the of the development of any UNC Proposal. Thereafter, Chair (JB) amended the Load Factors list on page 6 of the Review Group Report to reflect these discussions. KK indicated that she is uneasy about this matter and would need to give it further consideration.

In closing, Chair (JB) asked if the members thought that the Review Group Report would need further amendment in light of the above discussions. Members believed that it did not require further amendment and that the group had successfully completed its work.

2.2 Current and Proposed Validation Rules (including for decrease in AQ)

Members agreed that this item had already been discussed under 1.2 above.

2.3 Costs and Benefits of Changing the AQ Review Process

Members agreed that this item had already been discussed under 1.2 above.

2.4 'Strawman' Rolling AQ Principles (including % variation, Implementation phasing and revised WAALPs)

Members agreed that this item had already been discussed under 1.2 above.

3. Review Group Report

A 'marked up' copy of the draft Review Group Report is available to view or download from the Joint Office of Gas Transporters web site at:

<http://www.gasgovernance.com/Code/Reviews/RG0177/31Mar08/>

Chair (JB) opened the 'live time' review of the draft Review Group Report by advising members that no comments had been received since report version 0.2 was published. When asked, members indicated that apart from finalising the report, they believe the groups work has now been completed.

As the proposer of 0177, SB informed members that it is E.ON's intention to formally raise a UNC Proposal in due course to further develop a Rolling AQ Review.

Members then undertook a detailed review of the report, a high level summary of which is provided below (by exception only):

4(a)(i) – rolling AQ could potentially reduce processing strains;

4(a)(iv) – Transporters need to give 3 months notice of Price Changes without fully knowing their 'final' AQ positions;

4(a)(v) – not clear that this relates to Shipper risks;

4(a)(vi) – appeals process is incorrect as it should refer to amendments process;

Advantages

4(b)(ii) – major usage changes are accommodated for by processes such as reconfirmation;

4(b)(iii) – moving from an annual to a monthly update cycle could be less disruptive overall

4(b)(iii) – renumbered to 4(b)(iv);

4(b)(v) - new item added to consider System Resilience advantages as it was noted that some Large Supply Point Shippers perceive removal of NC Modification 0640 timetable as a benefit, whereas RbD (SSP) Shippers may not;

Disadvantages

System Costs (i) – clarity over alternatives required and recognition that potentially system costs could be substantial;

System Resilience (ii) – removed to reflect 4(b)(v) above;

Validation (iii) – renumbered to (ii);

Modification 0640 Process (iii) – as per 4(b)(v) above, new item added to consider System Resilience advantages as it was noted that some Large Supply Point Shippers perceive removal of NC Modification 0640 timetable as a benefit, whereas RbD (SSP) Shippers may not;

b) Practical Aspects of a Rolling AQ Process – it was noted that the automatic numbering is potentially incorrect and perhaps this should read as item (4)(c).

Meter Reads – filenames are inappropriate, as they may well change;

Validation – AQ value percentage figures (0.5% & 500%) are inappropriate as these are subject to further consideration as part of UNC (Dev) Modification development. Likewise, remove reference to 98% analysis figure. Members agreed that consideration of decreasing AQ WILL need to be considered;

Timescales – date references for calculations and NRO/NRL file issues are inappropriate as Meter Reads will be processed monthly;

Appealing AQ Values – reference to filename is inappropriate as it may well change in the 'new world';

Monitoring – U01 filename is incorrect and should read as 'meter read submissions' along with consideration of an annual activity;

Implementation – reference to a possible phased implementation is misleading. Highlight the fact that SSPs will be no later than one year after LSPs;

Load Factors – whilst not subjected to large changes, LF's can, and do, impact upon the SOQ calculations (on an aggregate basis) – four options discussed as part of item 2.1 presentation by xoserve. Further consideration will be required as part of UNC (Dev) Modification development;

LSP & SSP Threshold Crossers – further consideration will be required as part of UNC (Dev) Modification development;

NDM to DM – remove direct reference to 3 month timeframe as this is inappropriate, therefore change to read 'period' and acknowledge that should UNC Modification 0175 "Encouraging Participation in the elective Daily Metered Regime" be approved. Further consideration will be required as part of the development of any UNC Proposal.

Site Specific Correction Factors – remove direct reference to 3 month timeframe and replace with the term 'period'. Further consideration will be required as part of the development of any UNC Proposal.

Include iGT consideration whilst recognising that there has been little, or no feedback from them;

In closing, members indicated that they were happy with the drafting as amended.

Action RG0177/021: Chair (JB) asked, and members agreed, to close the action.

Action: Closed

4. AOB

None.

APPENDIX A.

ACTION LOG - Review Group 0177

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0177/010	25/01/2008	1.2	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)	Update provided. Closed
RG0177/011	25/01/2008	2.1	xoserve (SN) to investigate if they have access to two RbD risk models available for release and report to the next meeting.	xoserve (SN & FC)	Update provided. Closed
RG0177/012	25/01/2008	1.2	WWU (ST) to obtain a copy of the current validation rules for consideration at the next meeting,	WWU (ST)	Update provided. Closed
RG0177016	22/01/08	1.2	Members invited to provide an indication of costs and benefits of changing the AQ Review Process.	All Shippers	Update provided. Closed
RG0177017	22/01/08	1.2	All to consider the percentage variation for the different market sectors where the AQ would not be changed.	All	Update provided. Closed
RG0177018	22/01/08	1.2	All to consider the validation for decreasing AQs	All	Update provided. Closed
RG0177019	22/01/08	1.2	All to consider a phased implementation.	All	Update provided. Closed
RG0177020	22/01/08	1.2	SB to provide the explanation for revised WAALPs	EON (SB)	Update provided. Closed
RG0177021	22/01/08	3.1	All to review the Draft Review Group Report available on the website.	All	Update provided. Closed

*** Key to action owners**

FC Fiona Cottam, xoserve
ST Simon Trivella, Wales & West Utilities
SN Steve Nunnington, xoserve
SB Sallyann Blacket, E.ON UK