

**UNC Workgroup 0664 Minutes**  
**Transfer of Sites with Low Read Submission Performance from**  
**Class 2 and 3 into Class 4**  
**Wednesday 03 October 2018**  
**at Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA**

**Attendees**

Chris Shanley (Chair)	(CS)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Carl Whitehouse	(CWh)	First Utility
Chris Faulds	(CF)	ScottishPower
Chris Warner	(CW)	Cadent
Edward Fyfe*	(EF)	SGN
Emma Smith	(ES)	Xoserve
Fiona Cottam	(FC)	Xoserve
Imran Shah*	(IS)	British Gas
Joanna Ferguson*	(JF)	NGN
John Welch	(JW)	npower
Kirsty Dudley*	(KD)	E.ON
Leanne Jackson	(LJ)	Xoserve
Lindsay Biginton*	(LB)	Utilita
Louise Hellyer	(LH)	Total Gas & Power
Luke Reeves*	(LR)	EDF Energy
Mark Bellman	(MB)	ScottishPower
Mark Jones	(MJ)	SSE
Mark Perry	(MP)	Xoserve
Mark Rixon*	(MRi)	Engie
Michael Robertson	(MRo)	ScottishPower
Sallyann Blackett*	(SB)	E.ON
Steven Britton*	(SBr)	Cornwall

\* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0664/031018>

**1.0 Introduction and Status Review****1.1.** Approval of Minutes (28 August 2018)**2.0 Amended Modification**

The modification has not been amended.

**3.0 Recommendations**

See section 3 for updates on actions relating to the incentive charge.

**4.0 Development of Workgroup Report**

The Workgroup Report will be looked at the next Workgroup meeting.

## 5.0 Review of outstanding actions

**Action 0801:** *Reference Section 5 Solution – Incentive Charge* – npower (JW) to provide a couple of worked up examples for consideration at the next Workgroup meeting.

**Update:** John Welch (JW) provided material to cover the three Core Concepts which are:

- Obligation on shippers to move supply points into class 4 when read performance goes below a certain level for a certain period
- Obligation on Xoserve to transfer sites when above obligation not met
- Incentive charge to recoup any benefits received during period of below target performance

Showing a worked example, JW explained that for the 6 shippers shown on slide 3, all with a 90% target and a 3-month benchmark, the example shows the shippers would have to fail to provide a read consecutively over 3 months to fail this obligation.

When below 90%, the Shipper would be required to move some sites out of class 4 into class 2 or 3 until such time the target is being met.

It was confirmed that, in SPAA, there are different exclusions for new entrants; but they can opt in if they want to. JW agreed it would be useful to look at this further to see if a tolerance needs to be applied for new Shippers.

JW talked the workgroup through the example articulated on slides 3 and 4 that explained that the CDSP would transfer sites on behalf of the poor performing shippers if they did not do so themselves. JW confirmed there is still work to be done on this, it is very complex and the costs of the process would also need to be identified. CS said that the charge may also be a small incentive for shippers to do the right thing.

The workgroup then entered discussion around the examples and what would be the best approach if there wasn't movement from one read class to another. It was also asked whether the end customer would be informed and would the process exclude sites that actually should be in Class 2 or 3 forever. It was also mentioned whether this information would be reported to PAC for investigation. JW confirmed that discussions in this area are ongoing between npower and CDSP.

**New Action 1001: ES and JW to look to further define the transfer of sites process and the costs involved.**

Moving on to explain the different options shown on slide 9, JW explained:

Option 1 apply a charge across the whole portfolio

Option 2 apply an incentive charge to only those MPRNs that are moved

Option 3 apply the Shipper performance % to the difference in charge.

JW advised that the formula that is in the modification needs some amendment and referred to the formula that is quoted at the bottom of slide 9. FC and JW will confirm offline that the formula suggested is correct.

JW mentioned there is a potential impact to IGTs with this modification and highlighted there are no IGT equivalent modifications. He is considering covering this within this mod. CW mentioned that there is a potential that an IGT modification may need to be raised.

Thinking that there might be a greater impact, CS suggested JW provides some examples showing actual monetary examples.

Louise Hellyar (LH) said that there are potentially 5 or 6 modifications that might be using the neutrality type solution process and that there may need to be a modification to explain how this would be used to satisfy all of the modifications in question. CS felt they may be looking

to adopt the same principles of 'Neutrality' of sharing money received back to the market but it was unlikely the mechanics/systems would be the same.

The Workgroup moved on to review the published April Reads results for Class 3 which can be found here: <http://www.gasgovernance.co.uk/0664/280818>

The report showed that a number of Shippers had large numbers of sites (000,s) but the % of reads provided is very low. It was noted that one Shipper had moved his portfolio out of class 3. A discussion was had on the benefits the Shippers would be obtaining through these actions and a retrospective proposal was discussed. CS said that it would be unlikely that Ofgem would approve a retrospective modification and recommended that this is discussed with them before any proposal is developed.

FC added that Class 3 read performance for June; July and August was 34% and well below the 90% obligation.

**New Action 1002: Using latest data for the 2 largest Shippers (920 and 212) FC (Xoserve) to evaluate what the impact is of the Shippers being in Class 3 rather than Class 4 (case study of savings a Shipper may have made by being in the wrong class).**

MB confirmed this Modification is needed to promote improving Shipper performance and behaviour. Some users have moved in to class 3 because it has a lower UIG weighting. This has also been reported back to PAC.

#### **Action 0801 Closed**

**Action 0802: Reference Section 5 Solution – Incentive Charge – Ofgem (JD)** to look to provide a view on what should be done with any monies generated via a 0664 solution, and whether a 'neutral' solution is the only viable option.

**Update:** JW advised he has not had an update from Ofgem. **Carried Forward**

**Action 0803: Reference Section 5 Solution – Incentive Charge – All parties** to provide a view on what should be done with any monies generated via a 0664 solution, and what potential solutions they believe are viable.

**Update:** JW advised the neutrality option is probably quicker to deliver but with a set admin fee to support any Xoserve process costs. **Closed**

**Action 0804:** To look to arrange the November and December 2018 Workgroup meetings, whilst noting that the very latest date possible for the December meeting would be 10 December.

**Update:** The Workgroup agreed to the provisional dates for 19 November and 7 December. **Closed**

## **6.0 Next Steps**

JW will further develop the detail of the proposal and seek a view from Ofgem view on the incentive's element (Action 0802).

## **7.0 Any Other Business**

None.

## **8.0 Diary Planning**

Further details of planned meetings are available at: <https://www.gasgovernance.co.uk/events-calendar/month>

<b>Time / Date</b>	<b>Venue</b>	<b>Workgroup Programme</b>
10.30 Wednesday 31 October 2018	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Detail planned agenda items.

10.30 Monday 19 November 2018	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Detail planned agenda items.
10:30 Friday 07 December 2018	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Detail planned agenda items.

### Action Table (as at 03 October 2018)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0801	28/08/18	1.2	<i>Reference Section 5 Solution – Incentive Charge</i> – npower (JW) to provide a couple of worked up examples for consideration at the next Workgroup meeting.	npower (JW)	<b>Closed</b>
0802	28/08/18	1.2	<i>Reference Section 5 Solution – Incentive Charge</i> – Ofgem (JD) to look to provide a view on what should be done with any monies generated via a 0664 solution, and whether a ‘neutral’ solution is the only viable option.	Ofgem (JD)	<b>Carried Forward</b>
0803	28/08/18	1.2	<i>Reference Section 5 Solution – Incentive Charge</i> – All parties to provide a view on what should be done with any monies generated via a 0664 solution, and what potential solutions they believe are viable.	All	<b>Closed</b>
0804	28/08/18	5.0	To look to arrange the November and December 2018 Workgroup meetings, whilst noting that the very latest date possible for the December meeting would be 10 December.	Joint Office (RH)	<b>Closed</b>
<b>1001</b>	02/10/18		ES and JW to look to further define the transfer of sites process and the costs involved.	Xoserve (ES) Npower (JW)	<b>Pending</b>
<b>1002</b>	02/10/18		Using latest data for the 2 largest Shippers (920 and 212) FC (Xoserve) to evaluate what the impact is of the Shippers being in Class 3 rather than Class 4 (case study of savings a Shipper may have made by being in the wrong class).	Xoserve (FC)	<b>Pending</b>