

Industry Dialogue on xoserve Services and their Funding

Minutes of Workgroup Meeting

10:00 Tuesday 10 January 2007

Attendees

Julian Majdanski	JM	Joint Office
Alex Travell	CB	E.ON UK
Chris Smith	CS	xoserve
Gareth Evans	GE	Total Gas and Power
Graham Wood	GW	BGT
John Bradley	JB	Joint Office
Laura Doherty	LD	RWE Npower
Martin Brandt	MB	Scottish and Southern Energy
Marcus Stewart	MS	National Grid Distribution
Ian Gillespie	NG	Scottish Power
Ndidi Njoku	NN	Ofgem
Nick Morris	NR	xoserve
Nick Salter	NS	xoserve
Phil Broom	PB	Gaz de France
Pete Ratledge	PR	RWE Npower
Shelley Rouse	SR	Statoil
Yvonne Kenny	YK	Ofgem

1.0 Introduction

JM welcomed attendees to the meeting.

1.1 Minutes of Last Meeting

These were agreed.

2.0 ASA Service Cost Breakdown

CS presented information regarding the breakdown of current service costs. AT asked about systems change costs. CS clarified that the costs identified in the presentation included ongoing systems delivery costs but did not allow for system changes. CS reminded the meeting of the current estimate for system change costs of £70m for the Price Control Period ending in 2012.

3.0 Governance and Charging Methodology

CS gave a presentation (attached) and invited the meeting to consider the appropriate means of governance. It was generally agreed that the correct framework for the "User Pays" service would be an ancillary document to the UNC. It was also agreed that all changes to this document should be through the UNC Modification Process. NS stated xoserve's preference for use of a formula year ie April to March as the basis for charging. Matters such as notice period of annual pricing changes would be included in the Charging Methodology Document. CS stated the preference of the Transporters for a standard contract with Shippers. CS also reiterated the need for clarity of which services would be "Formula" and which would be User Pays. Specific provisions within the UNC ancillary document or within the Charging Methodology could meet this requirement for clarity. The meeting assumed that there would be a standard menu for User Pays services with mechanisms in place by which shippers could procure

separately services not on this menu. This was agreed providing a mechanism was put in place to refund the initial User(s) of a specific service, if a request for an identical service was provided, subsequently, to other User(s).

GE asked whether xoserve intended to “smooth” the charges year on year. CS responded that such adjustments should not be necessary as the primary drivers of variation would be changes in the methodology and reductions in use of specific services by Users. The latter would lead to reductions in cost, which would be reflected in the charges. AT expressed some doubts on whether costs would be likely to reduce year on year simply because shippers would pay on the basis of their transaction volumes. CS, however, maintained that specific charges would be expected to lead to reductions in volumes.

CS then detailed the basis on which fixed and variable costs would be identified and apportioned. On the costing options, it was pointed out that some changes might lead to reductions in costs for Transporters and these benefits should be reflected in reductions in charges. The meeting also discussed some scenarios where “re-openers” might be required. A major strategic change would be an example eg extensive adoption of AMR. If, whilst this change was being implemented, a major technology refresh was also being developed, this might add substantially to the costs of the refresh. NS stated that Ofgem had indicated a reluctance to allow re-openers unless there was a prior understanding, in general terms, of what the triggers would be. To assist the meeting PB identified three potential scenarios, which would justifiably lead to additional charges for Users:

1. A change required to reflect legislation
2. A User sponsored change where the benefit would justify the system development cost.
3. A change where, notwithstanding the limitations in shipper support, Ofgem approved the associated UNC Proposal on the basis of the wider benefit to customers.

4.0 Indicative User Pays Charges

CS presented information regarding potential indicative charges for existing service lines identified as candidates for User Pays.

5.0 Completion of Final Report

It was agreed that in order to meet the 19 January deadline, the slides from the December presentation to Ofgem would be updated and circulated for comment. A further written final report would be drafted at the next meeting for submission to Ofgem by 23 February.

6.0 AOB

NN advised the group that following the Ofgem review of RbD they would be publishing an RbD issues log on the Ofgem website. She asked members where they considered the RbD service sat and the consensus of the meeting was that this was a core service.

7.0 Diary Planning for Work Group

31 January 10:00 (51 Homer Road, Solihull)