

**Industry Dialogue on xoserve Services and their Funding**  
**Workgroup Minutes**  
**Monday 11 February 2008**  
**xoserve, 31 Homer Road, Solihull, West Midlands. B91 3LT**

**Attendees**

Tim Davis (Chair)	(TD)	Joint Office of Gas Transporters
Mike Berrisford (Secretary)	(MiB)	Joint Office of Gas Transporters
Alan Raper	(AR)	National Grid Distribution
Alex Thomason	(AT)	National Grid NTS
Andrew Green	(AG)	Total Gas & Power
Andy Miller	(AM)	xoserve
Chris Smith	(CS)	xoserve
Collette Baldwin	(CB)	E.ON UK
Dave Ackers	(DA)	xoserve
Emma Lyndon	(EL)	xoserve
Hazel Ward	(HW)	RWE Npower
James Crossland	(JC)	Corona
Jemma Woolston	(JW)	Shell Gas Direct
Jenny Boothe	(JB)	Ofgem
Joel Martin	(JM)	Scotia Gas Networks
Kevin Woollard	(KW)	British Gas Trading
Laura Doherty	(LD)	RWE Npower
Martin Brandt	(MB)	SSE
Marie Clark	(MC)	ScottishPower
Nicola Rigby	(NR)	National Grid Transmission
Rekha Patel	(RP)	Waterswye
Rosie M <sup>c</sup> Glynn	(RM)	EDF Energy
Shelley Rouse	(SR)	Statoil
Simon Trivella	(ST)	Wales & West Utilities
Stefan Leedham	(SL)	EDF Energy
Yasmin Sufi	(YS)	Eni UK

**1.0 Introduction**

TD welcomed all attendees to the meeting.

**1.1 Minutes of last meeting**

The minutes of the 10 December meeting were accepted.

**1.2 Review of Actions**

Action: xSER013 – JB had no information on what had, or had not, been included within the Transmission Price Control beyond that published in the recent consultation letter.

**Action xSER013: Closed**

Action: xSER014 – JB said Ofgem expect xoserve and Shippers to take the lead and identify what may or may not be required for future core systems models. TD highlighted the need to distinguish between the six service lines to be funded through users pays (UP), on which development had focussed, and subsequent change.

**Action xSER014: Closed**

Action: xSER017 – CS confirmed that the draft Agency Charging Statement (ACS) had been published but no responses received.

**Action xSER017: Closed**

Action: xSER018 – AM confirmed that the Terms & Conditions had been published.

**Action xSER018: Closed**

Action: xSER019 – TD advised that a draft UNC Modification Proposal on the governance aspects of UP was with the GTs seeking a sponsor.

**Action xSER019: Closed**

Action: xSER020 – Completed 11/12/07.

**Action xSER020: Closed**

## 2.0 Overview of Agency Charging Statement Consultation

CS provided a brief presentation.

CB advised that SPAA changes to accommodate UP had not been accepted and would be considered again on 27 February.

AR suggested that, being a licence obligation, UP would go ahead regardless of the progress made within SPAA. MB pointed out that SPAA consideration was also a licence obligation. JB suggested that all necessary UP aspects should be agreed in time for April implementation - it is not Ofgem's intention for any party to be in breach of any licence obligations.

CS advised that consultation was underway on the ACS, which would require positive approval from the Authority. A three week consultation window had been set but the Transporters would still be seeking a speedy decision on the ACS from Ofgem.

## 3.0 Agency Charging Statement Charging Methodology

CS emphasised there are two key aspects to the charges, cost and demand.

MB asked if the demand had been adjusted to take into account the impact of the suggested charges. CS confirmed they had, and also reflected the latest cost estimates and inflation. ST indicated that most feedback concerned the IAD charge and that various parties are discussing the impact with xoserve and a review of actual usage will go some way to reducing concerns. AM advised that it is not xoserve's intention to share their demand forecasts.

HW pointed out that Appendix 2 does not provide assurance regarding costs. Comparing the figures with the electricity model (ECOES) reveals significant differences. MB suggested broad comparisons are:

- ECOES costs £8.73p.a. equating, with 40k users, to about £350k;
- IAD costs £480p.a. equating, with 30k accounts as now, to about £15 million.

MB said this raised fundamental questions regarding IAD costs and that it is not acceptable that Shippers are unable to understand how these charges are derived. Furthermore, the assumption that the 30k accounts will reduce may prove incorrect - usage in electricity has risen since its introduction 2 years ago. All the Shipper representatives voiced concerns at the difference in costs and charges between the electricity and gas models. JB indicated that Ofgem share this concern and will be looking to investigate the differences as a matter of urgency. AR added that the Transporters will also be looking at this in more detail with xoserve as a matter of urgency.

In response, AM pointed out that the assumed costs are consistent with those excluded from the main price control, and CS emphasised the obligation to ensure that charges are cost reflective. CS highlighted the uncertainty surrounding demand – there is already a substantial difference between registered IAD accounts and those that are actually used.

Attendees stated that if xoserve do not share demand and cost assumptions, this brings in to question whether or not the introduction of UP should continue. Shippers are also concerned about xoserve's efficiency incentive and asked if audits are envisaged by Ofgem. TD said there are currently no provisions within the licence for audits. However, JB said Ofgem intend to monitor UP closely and will need to consider what information should be made public.

SL indicated that EDF had been told a charge could be levied on Shippers for reducing their IAD account portfolio. AM confirmed that this was incorrect and no such charges would be applied.

Attendees asked how any over-recovery would be returned and what would happen if service orders were not signed – would they receive the service? CS explained that when the UP regime is in place, services will not be provided unless there are signed service orders to support the provision. CS also said cost reflective charges meant over-recovery should not be expected, and presumed that Ofgem would not approve the ACS if they felt charges were inappropriate.

Shippers expressed alarm at the timescales involved, as they only received the charging information a week ago and are now expected to submit their requirements to xoserve, regardless of the overwhelming concerns surrounding the transparency and level of charges.

MC asked if Ofgem would be looking again, in detail, at the original UP cost. JB advised that any analysis would need to be very damning for this to be undertaken – the materiality was unlikely to justify reopening the price controls. CS reiterated that demand rather than costs is the key issue, and that several Shippers have provided mixed signals regarding likely demand.

Opinions remained divided as to whether the next step should be provision of demand forecast information by xoserve, or demand indications by Shippers, which xoserve would reflect in revised charge levels. xoserve suggested provision of accurate demand requirements is essential to removing uncertainty. AR was convinced that simply looking at costs would not resolve the issues as it is accurate demand predictions that are needed, emphasising that Transporters are keen to acquire accurate demand figures to ensure that they reduce the likelihood of the need to undertake any subsequent charge adjustments (+ or -). AM asked Shippers to email their demand requirements to the xoserve box account and he would act on it. RP suggested that Shippers should provide the information to both xoserve and Ofgem so that all are aware of the true figures. JB acknowledged that Ofgem will need, and would welcome, feedback from all sides to be in a position to make an informed decision on approving or otherwise the ACS. TD reiterated that the Transporters planned to submit to Ofgem a report on the ACS consultation. This was required to indicate the final ACS which Ofgem would be asked to approve. This was due on 29 February and so the final proposed charges would be known at this time.

CS reminded members that the Licence wording refers to Transporters needing to review UP charges and adjust them to remain cost reflective. An initial six month review is planned and a report will be provided to Ofgem including any proposed changes to the ACS, but formal consultation is not required by the Licence. JB agreed but said Ofgem could choose to consult.

Regarding the IAD Service definitions (page 22 of contract), RM queried the definition of Core Hours which is different to what is defined within SPAA. ST said xoserve will provide consistent performance levels both pre and post UP implementation, meeting the higher standard. RM responded that these potential differences and their implications have not been communicated properly.

CB asked why exceeding the telephone call band allowance incurs a subsequent £2.70/call charge. AM referred to Schedule 7 – User Telephone Enquiry Service, page 37, whereby an organisation is able to purchase a 'block' (band) of calls on an annual basis and any subsequent over utilisation is charged for in accordance with these terms (reference paragraph 4.2 on page 41). When asked about whether unused calls would 'roll-over' into the following contract period, it was explained that these would not, because the charges reflect xoserve's need to resource the service. When asked about moving between bands within a contracted period, AM confirmed that this could be catered for either under paragraph 2.4 (on page 39) with a termination charge, or paragraph 3.2 (on page 40) without a charge. AM added that this reflects both the xoserve resourcing requirements and any delays incurred in the subsequent matching of resources to workload. Attendees suggested that an aggregated yearly approach would be a better way to balance resource movements and their associated charges.

With regard to paragraph 3.2 and the proposed £500 administration fee, RM questioned why it was so high. AM advised that this reflects the cost associated with the establishment and maintenance of dedicated xoserve resources.

AM confirmed that the cost difference between Shipper Agreed Read (SAR) fax and email correspondence reflects the fact that email 'biscuit' files facilitate a 'bulk' manual upload, whereas a fax requires manual upload. When asked what would happen in the event that xoserve received no SARs requests, AM confirmed that the costs would consequently be reduced and drop out of UP. AM accepted Users will be incentivised to utilise biscuit or UO1 files which are 11p compared to £8.24 for a fax. However, he confirmed that no allowance had been made for Shippers need to adapt their systems to use UO1 files. CB was concerned that xoserve could effectively impose the use of UO1 files on Shippers without due consultation.

TD summarised next steps as:

- Shippers to provide actual demand requirements;
- Transporters to prepare, submit and publish their report on the ACS consultation along with the revised ACS;
- Ofgem to consider the report and decide whether or not to approve the ACS; and
- any Shipper feedback on the revised ACS to be directed to Ofgem in support of their decision.

#### 4.0 User Pays Services Implementation

When asked about potential discounts for organisations willing to sign up for UP services, AM advised there would be no direct discounts on offer, but - dependent on the type of report - Shippers may be able to make savings by using a group contract.

When asked, AM confirmed that xoserve correspondence will be directed to nominated organisational contacts.

RM enquired as to what the impact on the contract would be should Ofgem fail to approve the ACS. AM suggested that it would not matter as the contract has 'no monetary value' in itself and could therefore 'sit' awaiting the ACS approval.

Asked about what would happen if Shippers are still unhappy about the proposed charges, AM advised that if the ACS is approved, contracts will become effective on 1 April and charges will be applied accordingly.

MB was sceptical whether xoserve could accommodate a rush by Shippers to reduce their IAD account portfolios. AM confirmed that Shippers would only be charged for their requested number of IAD accounts. xoserve would need to manage any reduction, but AM requested that Shippers avoid leaving any rationalisation until the last minute. RM enquired to what would happen if no one signed up for services. AM suggested that if a Shipper indicates that they no longer require 'x' number of IAD accounts these would be terminated, however, if a Shipper needed more time to consider how best to rationalise their IAD portfolio, xoserve will endeavour to accommodate them.

CB stated that the current UP proposals do not give Shipper's choice as originally envisaged – it is a take it or leave it service. This is basically unfair as Shippers had no real input with regard to contractual aspects such as termination, liabilities etc. AM repeated that UP is all about provision of a cost reflective service. It provides a means of recouping £3 million removed from transportation charges. Attendees suggested that the proposed charges incentivised them to look for alternative service provision routes. However, for the immediate future, Shippers remain concerned that, based particularly on IAD usage and charges, xoserve will over recover by a significant amount. The concern is compounded by reluctance to provide transparent figures.

AR said the costs associated with establishing UP have been taken into account as part of the Price Control Review and are made up of both fixed and variable costs. The DNs and xoserve will urgently endeavour to identify the appropriate level of charges and demand. The DNs will challenge the cost and demand assumptions in an effort to avoid either over or under recovery.

RM indicated that her legal team would wish to discuss the terms and conditions with their xoserve counterparts. AM confirmed that it is not intended to have lawyer to lawyer discussions due to the need to keep UP implementation costs in check, and suggested that any concerns should be directed to the xoserve mail box. He added that the terms and conditions for the contracts have been deliberately developed to cater for all parties and are not intended to be bi-lateral agreements. Shippers asked if responses regarding the contracts would be published. TD advised that the Joint Office would publish anything copied to them with a request to add it to the web site. AM indicated that xoserve may choose to publish responses to Shipper enquiries.

Shippers asked what would happen if they rejected some or all of the contract terms. JB advised that she would need to check Ofgem's position but believed Ofgem would have the powers needed to consider concerns.

AM requested all to email concerns to the xoserve mail box by no later than 22 February. Revised documents should be available shortly after, including correction of one or two minor errors and any agreed amendments. TD suggested that ideally the contracts should be published alongside the ACS report on 29 February.

## **5.0 Changed / New Services**

TD said a draft UNC Modification Proposal looking to implement UP supporting governance processes is with the GTs. This was likely to be sent to a workgroup or Workstream for development. However, the focus was on establishing the framework for the initial six service lines before moving to change.

Attendees acknowledged xoserve's efforts to engage the wider industry in UP matters, but suggesting clarity will be required on how initial impact assessments will be funded and how withdrawal or rejection of UP Modification Proposals will be dealt with.

## **6.0 AOB**

None.

## **7.0 Diary Planning for Work Group**

When asked, members indicated that they were uncertain as to whether there was any benefit at this point in time, in arranging another Implementation meeting. However, it was noted that xoserve planned to hold User Pays User Group meetings on 3 June and 23 September 2008.

## Action Log – xoserve Services workgroup – 11 February 2008

Action Ref	Meeting Date(s)	Minute Ref (orig' ref)	Action	Owner*	Status Update
xSER013	19/11/07	4.2	The Authority (JD/MCo) to check what has, or has not been included within the Transmission (NTS owned systems) Price Control.	JD/MCo	Update provided 11/02/08 <b>Closed</b>
xSER014	19/11/07	4.3	The Authority (JD/MCo) to define what has been allowed for future core system model proposals.	JD/MCo	Update provided 11/02/08 <b>Closed</b>
xSER017	10/12/07	3.3	xoserve (CS) to update the draft ACS document in light of the points raised, for issue before Christmas	(CS)	Update provided 11/02/08 <b>Closed</b>
xSER018	10/12/07	3.4	xoserve (AM) to publish Terms & Conditions at the earliest opportunity	(AM)	Update provided 11/02/08 <b>Closed</b>
xSER019	10/12/07	4.1	Action xSER020: Joint Office (TD) to amend the 'Updating the UNC Modification Process to Accommodate User Pays' model in line with discussions.	(TD)	Update provided 11/02/08 <b>Closed</b>
xSER020	10/12/07	5.0	Action xSER021: Joint Office (MiB) to arrange 11 February 2008 meeting in Solihull area.	(MiB)	Completed 11/12/07 <b>Closed</b>